



The Russ Retirement Fund

ACTUARIAL CERTIFICATE

Apricot Actuaries Pty Ltd
ABN 44 613 006 769

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03 6240 1575

30/03/2023

Michael Warrick Russ, Carol Aline Russ
as trustee(s) for The Russ Retirement Fund
c/o Emily Cooper from BARTLEY PARTNERS PTY LTD

ACTUARY'S CERTIFICATE UNDER SECTION 295-390 2021/22

When a complying superannuation fund has assets in retirement phase, a proportion of the fund's income can be exempt from income tax. This is referred to as exempt current pension income (ECPI).

ECPI can work in two ways:

(1) Segregated assets

The ordinary income and statutory income that an SMSF earns from segregated current pension assets is tax exempt.

We understand that your fund is not eligible to use the segregated method for the purposes of claiming ECPI.

(2) Proportionate method (s295-390)

Where a fund contains assets that are in retirement phase and not treated as segregated for the purpose of ECPI then under section 295-390 of the Income Tax Assessment Act a proportion of the income from those assets is tax exempt. The proportion is equal to:

$$\frac{\text{Average value of unsegregated current pension liabilities}}{\text{Average value of unsegregated superannuation liabilities}}$$

The value of these liabilities must be specified by an Actuary in an Actuary's certificate obtained by the trustee before the date for lodgement of the fund's income tax return. **I**

am pleased to attach your certificate for 2021/22.

Apricot Actuaries

42 Sandy Bay Rd, Battery Point,
Tasmania, 7004, Australia

CONTACTS

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Your accountant has ordered this certificate on your behalf. Please review the information in the attached certificate which should be read in its entirety.

Yours sincerely,



Jim Hennington BComm, FIAA, DipFP
Fellow of the Institute of Actuaries of Australia

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S295-390 ACTUARIAL CERTIFICATE

Fund name:	The Russ Retirement Fund
Tax year:	2021/22
Reference:	A52061680149762
Fund type:	Accumulation and account-based income stream benefits (pension) only
Certificate type:	Actuarial certificate for the purposes of section 295-390 of the Income Tax Assessment Act 1997 - Exempt Income
Trustee name:	Michael Warrick Russ, Carol Aline Russ

ECPI - PROPORTIONATE METHOD:

I hereby certify that the tax exempt proportion of the Fund's applicable income (from assets that were not segregated or deemed to be segregated) for the 2021/22 financial year is:

99.06%

This percentage should only be applied to income from unsegregated assets, including the income from unsegregated assets earned over the following periods:

- 01/07/2021 - 30/06/2022

This calculation is based on data supplied by Emily Cooper from BARTLEY PARTNERS PTY LTD on behalf of the trustee(s). A summary of the key data is provided in the following pages.

Please carefully read the following pages which contain details of the information used in this actuarial certificate, including the methodology used and the assumptions I have made. These form part of the certificate and should be read in their entirety.

I confirm that this actuarial certificate has been prepared in accordance with Professional Standard 406 issued by the Actuaries Institute and other relevant professional standards.

Date: 30/03/2023

Jim Hennington, Fellow of the Institute of Actuaries of Australia

Find out more about your actuary on [LinkedIn](#)

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What to do with this certificate

Ordinary income and statutory income that a complying superannuation fund earns from assets held to provide pension benefits is exempt from income tax. This is referred to as exempt current pension income (ECPI).

Where the fund has retirement phase assets that are not segregated (or deemed to be segregated) then an exempt proportion is calculated by an Actuary. This proportion is applied to the net ordinary assessable income of those unsegregated assets including net capital gains, but excluding assessable contributions and non-arm's length income. Income derived from segregated assets (or assets that the ATO deems to have been segregated) must be dealt with separately.

The total ECPI for this tax year is therefore calculated as:

- Income from assets that were unsegregated
x ECPI proportion

Key information used

The following information was provided by your accountant, for the purpose of completing your fund's actuarial certificate for the 2021/22 financial year. Please note that we have relied on this information and have not checked the terms of the Fund's Trust Deed and rules.

Member 1: Michael Warrick Russ

Member 2: Carol Aline Russ

Opening balances at 01/07/2021: ^{Note 1}	
Retirement phase income stream balances (=liabilities)	\$ 1,792,494.53
Non-retirement phase balances	\$ 14,684.18
Total assets (=superannuation liabilities)	\$ 1,807,178.71
Plus	
Non-concessional contributions	\$ 391.90
Concessional contributions	\$ 5,633.36
Transfers in	\$ 0.00
Minus	
Lump sum withdrawals	\$ 0.00
Pension payments/withdrawals	\$ 60,000.00
Equals	
Balance before income and expenses	\$ 1,753,203.97
Preliminary net income	\$ 45,367.92
Closing balance at 30/06/2022: ^{Note 1}	\$ 1,798,571.89

Based on the information provided, this superannuation fund contains only accumulation and account-based type income stream benefits (commonly referred to as pensions). These include allocated pensions, market linked pensions, and account-based income streams (including transition to retirement pensions). It does not contain other types of accumulation or income stream benefits such as defined benefits. I have relied on the assessment of the fund's accountant to check that the pensions valued meet the requirements to be considered a Retirement Phase superannuation income stream under the Act in this tax year.

Note 1:

I understand that the information supplied to me was based on draft financial statements. Should this information change materially then this actuarial certificate should be revised accordingly.

My calculation of the average value of unsegregated current pension liabilities of the fund during the tax year was \$ 1,732,658.91. The average value of unsegregated superannuation liabilities of the fund during the tax year was \$ 1,749,022.08.

Assumptions made

There are sometimes instances where our staff need to make assumptions in relation to the information provided to us. If you are concerned these assumptions are inaccurate, please contact our staff directly and we will organise a free amended certificate. The following assumptions were made in relation to this order:

- All assets which produced non-arm's length income were excluded from the application.
- Michael Warrick Russ's pension payments have been confirmed as meeting the minimum standards by the accountant; and
- Carol Aline Russ's pension payments have been confirmed as meeting the minimum standards by the accountant.
- Your accounting platform has indicated you wish to use the proportionate method and calculate the actuarial percentage across the whole financial year. If you wish to instead use the deemed segregated method, you will need to make the change in your accounting software. Instruction: Class/BGL

Methodology I have used

By definition, the liabilities of an accumulation account or account-based income stream, without any guarantees, are equal to the value of the assets backing it. As such, I am satisfied that the amount of the assets at the end of the year, together with the Fund's future earnings and contributions, will provide the amount required to discharge in full the fund's liabilities as they fall due. No recommendation is needed with regard to future contributions or adequacy opinion.

The value of current pension liabilities and superannuation liabilities at any particular time is therefore the account balance of the member or reserve at that date. Accordingly, the average values for this certificate have been determined using a daily weighted average calculation which takes into account details of the fund's relevant transactions over the year (as summarised in the key information above).

Since the fund design consists only of account-based benefits, no assumption has been made (or is needed) regarding rates of future return on the Fund's assets; pension increases; or a discount rate. We have however assumed that the fund will comply with Superannuation Industry Supervision (SIS) regulation requirements for allocated pensions, market linked pensions and/or account-based income streams.

Minimum pension standards

The standards for account-based income streams include a requirement for a minimum amount to be paid to the member over the year depending on the member's age, opening account balance and date of commencement. Where the minimum pension standards are not met the earnings on the assets supporting that income stream may not be eligible for an exemption from income tax and the tax exempt proportion shown in this certificate may not be correct.

We used the information provided to us to perform a preliminary validation that the pension standards were met. Where actual pension payments were lower than we expected, we have flagged this for your accountant to consider and to confirm to us that the standards were indeed met. We have not made further investigations to certify that the precise minimums were in fact paid.