EXPLANATORY STATEMENT

Pension Loans Scheme (Veterans' Entitlements)—Rate of Compound Interest Determination No. 2 of 1997

The Social Security and Veterans' Affairs Legislation Amendment Act 1995 (Act number 1 of 1996) inserted into the Veterans' Entitlements Act 1986 (the Act) various amendments in relation to the Pension Loans Scheme. This is a scheme under which persons who—because of their income or assets—would not ordinarily be entitled to receive a service pension or an income support supplement (or to receive a "full" service pension or income support supplement) are able to receive service pension or income support supplement (or to receive a higher level of service pension or income support supplement than they would otherwise be entitled to) but as a loan from the Commonwealth. Subsection 52ZC(4) of the Act allows the Minister for Social Security to determine the rate of compound interest that is payable on a loan under the Pension Loans Scheme.

On 20 November 1997, the Minister for Social Security decided that the rate of compound interest should be reduced from the 6.25% to 5.25%, being 1% below the current lowest variable mortgage interest rate, with effect from 25 December 1997.

The attached determination sets the rate of compound interest at 5.25% from 25 December 1997.