

## EXPLANATORY STATEMENT

### Pension Loans Scheme (Social Security)—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 *Social Security Act 1991* (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 an age pension (or to receive a "full" age pension) are able to receive age pension (or to receive a higher level of age pension than they would otherwise be entitled to) but as a loan from the Commonwealth. Subsection 1135(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 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.