



Social Security (Kind, Extent and Purchase Amount for Asset-tested Income Streams (Lifetime)) Determination 2019

I, Kathryn Campbell, Secretary of the Department of Social Services, make the following determination.

Dated 14 June 2019

Kathryn Campbell AO CSC
Secretary of the Department of Social Services

Contents

1	Name.....	1
2	Commencement	1
3	Authority.....	1
4	Definitions	1
5	Determination of kinds of income stream	2
6	Determination of extent and purchase amount.....	3

1 Name

This instrument is the *Social Security (Kind, Extent and Purchase Amount for Asset-tested Income Streams (Lifetime)) Determination 2019*.

2 Commencement

- (1) Each provision of this instrument specified in column 1 of the table commences, or is taken to have commenced, in accordance with column 2 of the table. Any other statement in column 2 has effect according to its terms.

Commencement information		
Column 1	Column 2	Column 3
Provisions	Commencement	Date/Details
1. The whole of this instrument	1 July 2019.	1 July 2019

Note: This table relates only to the provisions of this instrument as originally made. It will not be amended to deal with any later amendments of this instrument.

- (2) Any information in column 3 of the table is not part of this instrument. Information may be inserted in this column, or information in it may be edited, in any published version of this instrument.

3 Authority

This instrument is made under the following provisions of the *Social Security Act 1991*:

- (a) subsection 9E(3);
- (b) subsection 1120AA(7);
- (c) subsection 1120AB(15).

4 Definitions

Note: A number of expressions used in this instrument are defined in the Act, including the following:

- (a) asset-tested income stream (lifetime) (see section 9E of the Act);
- (b) governing rules (see section 9 of the Act);
- (c) income stream (see section 9 of the Act).

In this instrument:

account-based annuity has the same meaning as in the *Superannuation Industry (Supervision) Regulations 1994*.

account-based pension has the same meaning as in the *Superannuation Industry (Supervision) Regulations 1994*.

Act means the *Social Security Act 1991*.

allocated annuity means an annuity provided under a contract that meets the standards in subregulation 1.05(4) of the *Superannuation Industry (Supervision) Regulations 1994*.

allocated pension means a pension provided under governing rules that meet the standards in subregulation 1.06(4) of the *Superannuation Industry (Supervision) Regulations 1994*.

lifetime component has the meanings given by section 5.

5 Determination of kinds of income stream

- (1) This section applies to an income stream in relation to which paragraphs 9E(1)(a) to (d) of the Act are satisfied.

Guaranteed minimum income for life income stream

- (2) The income stream is determined to be a kind of income stream for the purposes of paragraph 9E(2)(b) of the Act if, under the contract or governing rules for the provision of the income stream, the income stream includes:
 - (a) a part that is an account-based annuity, an account-based pension, an allocated annuity or an allocated pension; and
 - (b) a part (the **lifetime component**) that makes regular payments to an individual and has the following elements:
 - (i) once they start, the payments are payable for the remainder of the life of one or more individuals;
 - (ii) the payments become payable only after the account balance of the individual's annuity or pension mentioned in paragraph (a) is reduced below a threshold specified in the contract or governing rules;
 - (iii) the value of the payments is specified in the contract or governing rules.

Lifetime income stream packaged with or within account-based income stream

- (3) The income stream is determined to be a kind of income stream for the purposes of paragraph 9E(2)(b) of the Act if, under the contract or governing rules for the provision of the income stream, the income stream includes:
 - (a) a part that is an account-based annuity, an account-based pension, an allocated annuity or an allocated pension; and
 - (b) a part (the **lifetime component**) that makes regular payments to, or for the benefit of, an individual and has the following elements:
 - (i) once they start, the payments are payable for the remainder of the life of one or more individuals;
 - (ii) the value of the payments is determined by having regard to the age, life expectancy or other factors relevant to the individual's mortality;
 - (iii) in order to obtain the payments, the individual is (directly or indirectly) required to pay an amount or amounts into a specified fund or investment option held for the collective benefit of individuals who have invested in that fund or investment option;

- (iv) amounts paid into the specified fund or investment option (whether by the individual or any other individual) can be forfeited if an income stream is commuted or a person dies;
- (v) payments made by the specified fund or investment option are financed partly from amounts so forfeited.

Lifetime income stream packaged with a term-limited income stream

- (4) The income stream is determined to be a kind of income stream for the purposes of paragraph 9E(2)(b) of the Act if, under the contract or governing rules for the provision of the income stream, the income stream includes:
 - (a) a part that makes regular payments to an individual for a specified term; and
 - (b) a part (the ***lifetime component***) that makes regular payments to an individual and has the following elements:
 - (i) once they start, the payments are payable for the remainder of the life of one or more individuals;
 - (ii) the value of the payments is determined by having regard to the age, life expectancy or other factors relevant to the individual's mortality.

6 Determination of extent and purchase amount

- (1) This section is made for the purposes of the following provisions of the Act:
 - (a) subsection 9E(2);
 - (b) paragraph 1120AA(4)(b);
 - (c) paragraph 1120AB(12)(b).
- (2) If, under section 5 of this instrument, an income stream is determined to be a kind of income stream for the purposes of paragraph 9E(2)(b) of the Act:
 - (a) the lifetime component of the income stream is an asset-tested income stream (lifetime); and
 - (b) the purchase amount for the lifetime component is:
 - (i) if the lifetime component is financed, wholly or partly, by fees or charges—the amount of any such fees or charges paid by the individual; and
 - (ii) if the lifetime component is financed, wholly or partly, by a specified fund or investment option into which the individual was required (directly or indirectly) to pay an amount or amounts in order to obtain the payments made by the lifetime component—the amount worked out in accordance with subsection (3) or (4).
- (3) For the purposes of paragraph 1120AA(4)(b) of the Act, the amount is the sum of each compounded amount in relation to amounts paid by the individual into the specified fund or investment option. For this purpose, a ***compounded amount*** is worked out by applying the formula set out in subsection 1120AA(5) of the Act, as if references in that subsection to an amount paid for the income stream were references to an amount paid into the specified fund or investment option.
- (4) For the purposes of paragraph 1120AB(12)(b) of the Act, the amount is the sum of:

Section 6

- (a) each compounded amount in relation to amounts paid by the individual into the specified fund or investment option; and
- (b) each amount paid by the individual into the specified fund or investment option on or after the assessment day.

For this purpose, a ***compounded amount*** is worked out by applying the formula set out in subsection 1120AB(13) of the Act, as if references in that subsection to an amount paid for the income stream were references to an amount paid into the specified fund or investment option.

- (5) However, if the Secretary is satisfied that the lifetime component is not wholly financed by means specified in paragraph (2)(b), the purchase amount is the value that is certified by an actuary who is a Fellow or Accredited Member of the Institute of Actuaries of Australia as being attributable to the individual in relation to the lifetime component under the contract or governing rules for the income stream.