Calculation Inputs – Attorney General's Example 8

http://152.91.15.12/www/rwpattach.nsf/viewasattachmentPersonal/8F29D695A1815E2CCA256C8E00181
ACC/$file/Worked%20valuation%20examples%20-%2012.12.02.htm

(a) Is interest in self-managed superannuation fund	No	
(b) Is interest under Small Super. Accounts Act 1995	No	
(c) Plan is about to be restructured	No	
(d) Parties are de facto or same sex	No	
(e) Section 79 order concluded prior to 28 Dec. 2002	No	
(f) Section 87 order concluded prior to 28 Dec. 2002	No	
(g) Relevant Date (i.e. calculation date)	14/11/2003	
(h) Name (MS)	Oscar	
(i) Date of Birth (MS)	16/12/1943	
(j) Gender (MS)	"Male"	
(k) Type of Order	"Payment Phase"	
(l) Payment Phase	"Pension, plus Lump Sum payable after Relevant Date (in future)"	
(m) Class of Pension	"Payable for Fixed Term Only (until age or date)"	
(n) Method for Specifying Remaining Time for Pension	"Enter date or age that Fixed Term Pension will end"	
(o) Explicit Date Pension will End	16/12/2018	
(p) Annual Pension Payable	$33,000.00	
(q) Pension Indexation Method	"CPI Indexed"	
(r) Nominal Lump Sum	$200,000.00	
(s) Lump Sum Index	"CPI Index"	
(t) Method for Specifying Minimum Deferral Date the Lump Sum"	"Enter the earliest Date or Age for payment of	
(u) Explicit Minimum Lump Sum Deferral Date	16/12/2018	

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(Payment Phase)
Valuation of gross value of superannuation interest payable as pension and future sum, where Gross Value of Pension is determined using Schedule 5.

Valuation: $495,281.00

Calculation Detail

Valuation
= Gross Value of Pension + Gross Value of Lump Sum
= GVP + GVLS
= $378,081.00 + $117,200.00
= $495,281.00

Where:

Gross Value of Pension
= Annual Pension Benefit x Pension Valuation Factor
= B x Py+m
= $33,000.00 x 11.457

= $378,081.00

Pension Valuation Factor (Py+m)
= ((Py x (12-m)) + (Py+1 x m))/12
= ((11.411 x (12-1)) + (11.963 x 1))/12
= ((11.411 x 11) + (11.963 x 1))/12
= (125.521 + 11.963)/12
= 11.457

Gross Value of the Lump Sum
= Nominal Value of Lump Sum x Discount Valuation Factor
= LS x Dy+m
= $200,000.00 x 0.586
= $117,200.00

Discount Valuation Factor
= ((Dy x (12-m)) + (Dy+1 x m))/12
= ((0.587 x (12-1)) + (0.57 x 1))/12
= ((0.587 x 11) + (0.57 x 1))/12
= (6.457 + 0.57)/12
= 0.586

<u>Calculation Method</u>

The valuation is determined in accordance with the following formula:

$$GVP + GVLS$$

Where:

GVP ($378,081.00) is the gross value of the pension, determined using the relevant method of valuation set out in subregulation 42 (2), (3) or (4), in this case, in accordance with Schedule 5 using the following formula:

$$B \times P_{y+m}$$

Where:

B ($33,000.00) is the value of the annual pension benefit payable in respect of the superannuation interest at the relevant date (14/11/2003).

P_{y+m} (11.457) is the pension valuation factor calculated in accordance with the following formula:

$$\frac{\left(P_y \times (12 - m)\right) + \left(P_{y+1} \times m\right)}{12}$$

Where:

P_y (11.411) is the pension valuation factor mentioned in Schedule 5(3) (Pension valuation factors) that applies to the pension and the remaining term of the pension in complete years at the relevant date, that is, where "Remaining term of pension (in complete years)" is 15. See page 225[1] - row 15.

m (1) is the number of complete months of the remaining term of the pension that are not included in the remaining complete years at the relevant date.

Py+₁ (11.963) is the pension valuation factor mentioned in Schedule 5(3) (Pension valuation factors) that would apply to the pension if the remaining term of the pension at the relevant date were one year more (i.e. 16) than the actual remaining term of the pension at that date. See page 225[1] - row 16.

GVLS ($117,200.00) is the gross value of the lump sum, determined in accordance with the following formula:

$$LS \times D_{y+m}$$

Where:

LS ($200,000.00) is the nominal value of the lump sum at the relevant date.

Dy+m (0.586) is the discount valuation factor calculated in accordance with the following formula:

$$\frac{\left(D_y \times (12-m)\right) + \left(D_{y+1} \times m\right)}{12}$$

Where:

Dy (0.587) is the discount valuation factor mentioned in clause 4 of Schedule 6 (see page 230[1] - row 15) that applies to the lump sum and the minimum deferral period in complete years at the relevant date. The period is for 14/11/2003 to 16/12/2018.

m (1) is the number of complete months of the minimum deferral period applicable to the lump sum that are not included in the remaining complete years of that period at the relevant date.

Dy+1 (0.57) is the discount valuation factor mentioned in clause 4 of this Schedule (see page 230[1] - row 16) that applies to the lump sum and the minimum deferral period applicable to the lump sum at the completion of the next year after the year mentioned in the definition of the factor D_y. The period is for 14/11/2003 to 16/12/2019.

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[1] Page numbers refer to Family Law (Superannuation) Regulations 2001, compilation to 3 September 2003, PDF download from http://scaleplus.law.gov.au/.