Starting a Market Linked Pension

Setting the term

Constraints on choosing term of Market Linked Pension: 1.06(8)a

* i) Min Life expectancy of pensioner at commencement date (rounded up)
* ii) Min Life expectancy of pensioner at commencement date up to 5 years younger than they currently are (rounded up)
* iiaB) Max 100 minus age last birthday of pensioner (same for reversionary pensioner)
* iiiF) reversionary, can be based on spouse’s life expectancy subject to the three points above. Can set term by reference to reversionary pensioner only if it results in a longer term
* Must be a whole number of years
* Maximum term is constrained by requirement to satisfy minimum pension standard

(in practise this means term cannot take primary pensioner past 101st birthday)

The term of a Market Linked Pension (MLP) is set in section 1.06(8)a of the SIS Regulations 1994.

<http://www.austlii.edu.au/au/legis/cth/consol_reg/sir1994582/s1.06.html>

Inputs:

**Field** **Format Validation**

Name of Pensioner Text 1 to 100 characters

DOB primary Date Valid past date (from say 1/1/1900)

Gender primary F/M Option selected (not blank)

Reversionary? Yes/No Option selected (not blank)

DOB reversionary Date (grey if not rev) Valid past date (from say 1/1/1900)

Gender reversionary F/M (grey if not rev) Option selected (not blank)

Commencement date: Date Valid from e.g. 1/1/2000 through to 6 mths in future

Commencement amt: Currency (2 d.p.) 0 < amt < 1,000,000,000

*Rough layout*

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Personal data input** | |  |  |  |  |
|  |  |  |  |  |  |
| Name of Pensioner: | | John Smith | | | |
|  |  |  |  |  |  |
| Date of Birth: |  | 1 | April | 1956 | |
|  |  |  |  |  |  |
| Gender of Pensioner: | | Female |  |  |  |
|  |  |  |  |  |  |
| Is ML Pension Reversionary: | |  | Yes |  |  |
|  |  |  |  |  |  |
| Reversionary Date of Birth: | | 1 | October | 1984 | |
|  |  |  |  |  |  |
| Reversionary Gender: | | Male |  |  |  |
|  |  |  |  |  |  |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Pension commencement date: | 1 | | May | 2015 |
| Market-Linked Assets at Commencement Date: | | | $35,000 | | | |

Outputs:

**Field** **Format Validation**

Age last birthday pensioner Number (0 d.p.) 0 < age < 110

Age last birthday reversionary Number (0 d.p.) 0 < age < 110

ALT used Text 20XX-XX+1 Based on Comm date\*

\*e.g. if Commencement date is in 2003, use 2000-2002 table

\*e.g. if Commencement date is in 2006, use 2005-2007 table

\*e.g. if Commencement date is in 2010, use 2005-2007 table

\*e.g. if Commencement date is in 2007, use 2010-2012 table

If using primary Min term (3a) Number (0 d.p.) > 0

Max term (5a) Number (0 d.p.) < 100 (for example)

If using reversionary Min term (3b) Number (0 d.p.) > 0

(grey/hide if not rev) Max term (5b) Number (0 d.p.) < 100 (for example)

*Rough layout*

Age last birthday pensioner:

|  |
| --- |
| 62 |

Age last birthday reversionary:

|  |
| --- |
| 63 |

|  |  |
| --- | --- |
| ALT used: | 2010-12\*\* |

\*\*options will depend on Commencement date

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Market linked pension term** | | |  |  |  |  |  |
|  |  |  |  |  |  |  |  |
|  | Pensioner | Reversionary |  |  | |  |  |
|  |  |  |  |  |  |  |  |
| Min Years | **31** | **54** |  | | |  |  |
|  |  |  |  |  |  |  |  |
| Max Years | **44** | **73** | Select a term between 31 and 44 or between 54 and 73. | | | | |

Methodology:

1a) Calculate age at last birthday for primary (from Commencement date and DOB primary)

1b) If reversionary, calculate age at last birthday (from Commencement date and DOB reversionary)

2a) Vlookup life expectancy for primary from selected ALT from input

2b) Vlookup life expectancy for spouse from selected ALT from input

3a) Set min term for primary to be result from 2a rounded up

3b) Set min term for spouse to be result from 2b rounded up

4a) Vlookup life expectancy for primary less 5 yrs from selected ALT from input

4b) Vlookup life expectancy for spouse less 5 yrs from selected ALT from input

5a) Set max term for primary to be Max of (100 – 1a) or 4a

5b) Set max term for primary to be Max of (100 – 1b) or 4b