



STATE AUTHORITIES SUPERANNUATION SCHEME (SASS)

16. SASS Concessional Contributions Cap

This Fact Sheet provides information for members of the State Authorities Superannuation Scheme (SASS) about the introduction of the Commonwealth Government's Concessional Contributions Cap from 1 July 2007.

It is recommended you also read the SASS Salary Sacrifice Flyer on the website which explains how salary sacrifice works in SASS.

You should consider obtaining financial advice to determine how the Concessional Contributions Cap affects your superannuation arrangements.

This Fact Sheet applies only to members of SASS. Members of SSS or PSS should refer to their specific Fact Sheet on the Concessional Contributions Cap available on the website or through Customer Service.

The following information is for members who are full-time employees. Different conditions apply to part-time employees and members on leave without pay. These members should contact Customer Service for further details.

WHAT IS THE CONCESSIONAL CONTRIBUTIONS CAP?

It is the annual limit on the total amount of concessional contributions that can be made into superannuation funds for an individual that are treated on a concessional basis. Concessional contributions used to be known as deductible contributions.

It is your age at 30 June each financial year that determines which cap applies. For the financial year ending 30 June 2008, the cap is:

- \$50,000 for members aged less than 50 at 30 June 2008
- \$100,000 for members aged 50 or more at 30 June 2008.

However there are special conditions applying to defined benefit funds such as SASS. Under the Commonwealth Government's superannuation Regulations for calculating concessional contributions, a member whose concessional contributions in SASS exceed their respective cap is deemed to be within their cap.

For example, a member under age 50 on a high salary could theoretically exceed the concessional contribution cap of \$50,000 in SASS, but their concessional contributions would be deemed to be equal to the cap. In that event, SASS would report that member's SASS concessional contributions to the Australian Taxation Office (ATO) as \$50,000.

www.statesuper.nsw.gov.au

The State Authorities Superannuation Scheme (SASS) is administered by Pillar Administration on behalf of the Trustee, SAS Trustee Corporation (STC). SASS is governed by the *State Authorities Superannuation Act 1987*, the *State Authorities Non-contributory Superannuation Act 1987* and the *Superannuation Administration Act 1996*. The Scheme is also subject to Commonwealth superannuation and tax legislation.

Reasonable care has been taken in producing the information in this Fact Sheet and nothing in it is to be regarded as personal advice. If there is any inconsistency between the information in this Fact Sheet and the relevant Scheme legislation, the Scheme legislation will prevail. In preparing this Fact Sheet, STC has not taken into account your objectives, financial situation or needs and, because of this, you should consider your personal circumstances and possibly seek professional advice, before making any decision that affects your future.

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However members lose this special condition permanently if their Benefit Category changed at 1 April 2007 (see tables). This special condition is also lost permanently if members increase their compulsory personal contribution rate to such an extent that they move into a higher Benefit Category (see example 4).

Despite the special conditions applying to SASS, a member is still able to exceed the cap if additional employer contributions (including salary sacrifice contributions) are made to another fund on their behalf. If this occurs, the amount in excess of the cap will be taxed at a total of 46.5%.

HOW ARE MY CONCESSIONAL CONTRIBUTIONS CALCULATED?

Commonwealth Government Regulations set out the basis for calculating concessional contributions made to defined benefit superannuation schemes for the purpose of the Concessional Contributions Cap.

In accordance with these Regulations, a different calculation is required for each Benefit Category. Your Benefit Category is determined by your compulsory personal contribution rate and is shown in the first column of the tables.

Different calculations are also required for former members of the State Public Service Superannuation Scheme (SPSSS), NSW Retirement Fund (NRF) and Local Government Benefits Fund (LGBF) as shown below.

To make it easier for you to calculate your concessional contributions to SASS (including your Basic Benefit in SANCS), simply insert into the following formula your Total Benefit Factor from the right hand column of the tables. This is dependent on your relevant Benefit Category.

The salary to use in the formula below is your superannuation salary at 1 April prior to the start of the financial year.

$$\begin{aligned} & \text{Salary} \times \text{Total Benefit Factor*} \\ & \quad \text{(from table)} \\ & + \text{any salary sacrifice contributions to SASS} \end{aligned}$$

*If you have both 30 or more years' SASS membership **and** you have accrued the maximum of 180 benefit points at the start of the financial year your Total Benefit Factor is 0.012. If you reach 30 or more years' SASS membership **and** 180 benefit points during the year an apportionment would be required.

Standard SASS members' contribution rate Benefit Category	SASS Benefit Factor %	SANCS Benefit Factor %	Total Benefit Factor % to use in formula calculation
3% or less	4.8 +	1.2 =	6 (or 0.06)
4%	6.0 +	1.2 =	7.2 (or 0.072)
5%	8.4 +	1.2 =	9.6 (or 0.096)
6% or more	9.6 +	1.2 =	10.8 (or 0.108)

Former SPSSS members' contribution rate Benefit Category	SASS Benefit Factor %	SANCS Benefit Factor %	Total Benefit Factor % to use in formula calculation
3% or less	4.8 +	1.2 =	6 (or 0.06)
4%	7.2 +	1.2 =	8.4 (or 0.084)
5%	10.8 +	1.2 =	12.0 (or 0.12)
6% or more	12.0 +	1.2 =	13.2 (or 0.132)

Former NRF members' contribution rate Benefit Category	SASS Benefit Factor %	SANCS Benefit Factor %	Total Benefit Factor % to use in formula calculation
Up to and including 3.8%	4.8 +	1.2 =	6 (or 0.06)
Over 3.8% to 4.5%	6.0 +	1.2 =	7.2 (or 0.072)
Over 4.5% to 4.8%	7.2 +	1.2 =	8.4 (or 0.084)
Over 4.8% to 5.3%	8.4 +	1.2 =	9.6 (or 0.096)
Over 5.3%	9.6 +	1.2 =	10.8 (or 0.108)

Former LGBF members' contribution rate Benefit Category	SASS Benefit Factor %	SANCS Benefit Factor %	Total Benefit Factor % to use in formula calculation
Up to and including 3.8%	4.8 +	1.2 =	6 (or 0.06)

Your total concessional contributions equal:

Concessional contributions to SASS and SANCS + any salary sacrifice contributions to another fund*

*Remember, if you work somewhere else, employer contributions paid into any other fund also need to be added to your total concessional contributions

Examples if you're less than age 50:

In the following examples we'll use Jim as an example of how to calculate total concessional contributions. Jim joined SASS in 1989 and is a standard SASS contributor.

Jim's only job is with his SASS employer and his personal details are:

Salary at 1 April 2007: \$70,000
 Age at 30 June 2008: 48
 Jim's current after-tax compulsory personal contribution rate to SASS: 6%

Example 1:

If Jim decided not to salary sacrifice any compulsory personal contributions into SASS for the financial year ending 30 June 2008, his concessional contributions to SASS would be:

$$\begin{aligned} & (\text{Salary} \times 0.108) + \text{any salary sacrifice} \\ & \text{contributions to SASS} \\ & \$70,000 \times 0.108 + \text{nil} = \$7,560 \end{aligned}$$

If Jim does not make any salary sacrifice contributions to another fund, his total concessional contributions for the financial year ending 30 June 2008 would be \$7,560.

Example 2:

Jim decides to salary sacrifice his 6% compulsory personal contributions to SASS. Jim has to gross up his compulsory personal contributions as detailed in the SASS Salary Sacrifice Flyer on the website. Jim's after-tax contribution of \$4,200 grosses up to \$4,941 on a salary sacrifice basis.

Using the formula, his concessional contributions to SASS would be:

$$\begin{aligned} & (\text{Salary} \times 0.108) + \text{salary sacrifice} \\ & \text{contributions to SASS} \\ & (\$70,000 \times 0.108) + \$4,941 \\ & \$7,560 + \$4,941 = \$12,501 \end{aligned}$$

If Jim does not make any salary sacrifice contributions to another fund, his total concessional contributions for the financial year ending 30 June 2008 would be \$12,501.

Example 3

Jim decides to salary sacrifice his compulsory personal contributions to SASS and salary sacrifice a further \$10,000 to his other superannuation top-up fund.

In Example 2 where Jim decided to salary sacrifice his compulsory personal contributions to SASS, we know Jim's concessional contributions to SASS amounted to \$12,501. Therefore his total concessional contributions in this example would be:

$$\$12,501 + \$10,000 = \$22,501$$

By deducting this amount from the Concessional Contributions Cap of \$50,000, Jim is \$27,499 under the Concessional Contributions Cap for members aged less than 50.

Example 4

The following example shows how a member who moves into a higher Benefit Category by increasing their compulsory personal contribution rate, loses those special cap conditions detailed earlier in this Fact Sheet.

Mary is 47 and has always contributed 5% of salary to SASS. Because she is under age 50 the applicable Concessional Contributions Cap is \$50,000.

However, Mary has elected to contribute 6% of salary from 1 April 2008. She does not vary her contribution rate on 1 April 2009. This means her Total Benefit Factor has increased from 9.6% to 10.8%. Therefore she has moved to a higher Benefit Category and loses those special cap conditions.

If her concessional contributions to SASS for the 2008-2009 financial year were \$60,000, the amount reported to the ATO would be \$60,000 and \$10,000 would be treated as excess contributions.

WHAT HAPPENS IF CONCESSIONAL CONTRIBUTIONS EXCEED THE CAP?

Any concessional contributions exceeding the cap will be taxed at a total of 46.5%. You will be advised of any additional tax payable by the ATO after submitting your tax return. The amount of the excess contributions will also then be counted as non-concessional contributions (see later question).

It is therefore important for members to carefully consider the level of salary sacrifice contributions they currently make or are considering making to another superannuation fund. You should consider obtaining financial advice in this regard.

WHAT IF I HAVE A SECOND JOB?

If you have a second job with another employer and that employer makes superannuation contributions to another fund on your behalf, you have to include those concessional contributions when calculating the total of your concessional contributions. The examples shown earlier in this Fact Sheet only relate to concessional contributions in relation to your SASS membership.

Any super fund of yours receiving employer contributions on your behalf (including any salary sacrifice contributions) reports that amount to the ATO each year. Those reported amounts from any other super funds are added to your reported SASS contributions and tested against the Concessional Contributions Cap.

I'M IN TWO SUPER FUNDS, WHAT DO I DO?

It is only those super funds of yours which receive employer contributions (including any salary sacrifice contributions) that are included in the calculation of your total concessional contributions.

DO AFTER-TAX CONTRIBUTIONS COUNT TOWARDS THE CONCESSIONAL CONTRIBUTIONS CAP?

No. These are counted towards a non-concessional contributions cap which is quite separate from the Concessional Contributions Cap. Non-concessional contributions are after-tax compulsory personal contributions you may make to SASS or any after-tax contributions you may make to another superannuation top-up fund.

The non-concessional cap is set at \$150,000 for the 2007-08 financial year. People under age 65 can bring forward two years' worth of non-concessional contributions, allowing up to \$450,000 to be contributed in a single year. Contributions exceeding this cap are taxed at 46.5%.

It is recommended you obtain professional financial advice to determine your best course of action regarding non-concessional contributions versus concessional contributions.

more information

If you need more information, please contact us:

Telephone: 1300 130 095 (for the cost of a local call, unless calling from a mobile or pay phone)
8.30 am to 5.30 pm, Monday to Friday.

Personal interviews: Level 18, 83 Clarence Street, Sydney NSW 2000
Please phone (02) 9238 5540 to make an appointment.

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