



SSS – Salary Sacrifice from 1 July 2007

Amendments to the State Superannuation Scheme (SSS) legislation from 1 July 2007 will enable you to pay your compulsory personal contributions to SSS as Salary Sacrifice contributions. Before making this decision, it is recommended you seek professional financial advice.

WHAT ARE THE CURRENT CONTRIBUTION ARRANGEMENTS?

- Currently, your compulsory personal contributions to SSS are made on an after-tax basis (non-concessional contributions which were previously known as undeducted contributions). This means income tax is deducted from your salary before your contributions are paid.
- Each year on your Annual Review Day you are advised of any new units to which you have become entitled because of salary increases. While you do not have to make compulsory personal contributions to SSS that would exceed an amount equal to 6% of your salary, the amount you select to contribute to SSS takes effect from your Annual Adjustment Day.
- SSS can only accept compulsory personal contributions for those units you're eligible to contribute towards.

WHAT WILL CHANGE?

- Provided your Employer agrees, from 1 July 2007 you can choose to pay your compulsory personal contributions to SSS:
 - entirely from your before-tax salary (Salary Sacrifice) or;
 - entirely from your after-tax salary; or
 - from a combination of before-tax and after-tax salary.

WHAT WON'T CHANGE?

- Salary Sacrifice is not compulsory. If you wish, you can continue to pay all your compulsory personal contributions from your after-tax salary.

- Any additional Salary Sacrifice or after tax contributions you make must continue to be paid into another superannuation scheme of your choice. **SSS is still not able to accept these contributions.**

WHAT DO I NEED TO CONSIDER?

- Salary Sacrifice contributions are treated as employer contributions and attract the Commonwealth Government's 15% contributions tax on entry to the Scheme. This means the amount you contribute needs to be increased (or grossed up) by an amount representing the contributions tax, so that you make the same net contribution to SSS that you would have made via after-tax contributions.
- Accompanying this flyer is a letter showing your current amount of after-tax contributions and your current Superannuation Salary. To calculate how much extra you would need to contribute if you salary sacrificed all your SSS compulsory personal contributions, simply divide your current after-tax contribution amount by 0.85. For example, if you currently contribute \$4,200 to SSS in after-tax contributions, you would need to increase this amount to \$4,941 via Salary Sacrifice contributions (ie $\$4,200 \div 0.85 = \$4,941$). The grossing-up of contributions is arranged with your Employer as part of overall Salary Packaging arrangements.

The Salary Sacrifice contribution amount, applicable for various specified after-tax contribution amounts, is set out in the following table.

Annual after-tax contribution amount	Annual Salary Sacrifice contribution amount
\$4,200	\$4,941
\$6,500	\$7,647
\$8,500	\$10,000

We recommend you seek professional financial advice about making Salary Sacrifice contributions.

IS SALARY SACRIFICE RIGHT FOR ME?

- It depends on your individual circumstances. You may receive more take-home pay if you make your contributions via Salary Sacrifice. However this depends on your level of income so you should seek professional financial advice to help you decide whether to make Salary Sacrifice contributions.
- There is a handy calculator on our website that shows you the effect of making contributions via Salary Sacrifice, after-tax and a combination of both.

The following example compares the effect on net salary of Salary Sacrifice contributions for a member earning \$70,000 per annum. The example assumes the member is contributing 6% of salary and is not eligible for the Commonwealth Government Co-contribution.

After-tax Contributions	
Gross Salary	\$70,000
Less Income Tax (excluding Medicare)	<u>\$15,600</u>
Net Salary	\$54,400
Less Superannuation Contributions	<u>\$4,200</u>
Net Salary (after tax and super deductions)	\$50,200

Salary Sacrifice Contributions	
Gross Salary	\$70,000
Less Salary Sacrifice Contributions (\$4,200 ÷ 0.85)	<u>\$4,941</u>
Adjusted Gross Salary	\$65,059
Less Income Tax (excluding Medicare)	<u>\$14,118</u>
Net Salary (after super and tax deductions)	\$50,941

In this example, making Salary Sacrifice contributions resulted in a \$741 increase in annual after-tax salary. In both scenarios, the amount of net contributions credited towards the member's SSS units is the same.

continued overleaf

OTHER MATTERS TO CONSIDER

Do Salary Sacrifice contributions affect the Salary used to calculate my SSS unit entitlements?

No. Your Salary and your SSS unit entitlement are not affected by whether you make Salary Sacrifice contributions.

Can I pay additional Salary Sacrifice contributions into SSS?

No. SSS can only accept your compulsory personal contributions. You can make additional contributions to another superannuation scheme of your choice.

Do Salary Sacrifice contributions count for the Commonwealth Government Co-contribution?

No. Only after-tax contributions qualify for the Commonwealth Government Co-contribution.

Am I eligible for the Commonwealth Government Co-contribution?

Generally, the Commonwealth Government's Co-contribution will be payable for a financial year if you meet all of the following conditions:

- you make personal superannuation contributions from your after-tax income during a financial year, and
- your total income* for the financial year was less than \$58,980**, and
- at least 10% of your total income* is attributable to employment, and
- you lodge an income tax return for the financial year, and
- you are less than 71 years of age at the end of the financial year, and
- you did not hold a temporary resident visa at any time during the year.

*Total income means assessable income plus reportable fringe benefits.

**For the financial year ended 30 June 2008. Subject to future annual indexation.

How is the Co-contribution calculated?

For the year ended 30 June 2008:

- The Co-contribution is \$1.50 for every \$1 of personal contributions made in a financial year (subject to the maximum Co-contribution available).
- For annual incomes up to \$28,980**, the maximum Co-contribution is \$1,500.
- For incomes above \$28,980**, the maximum of \$1,500 reduces by 5 cents for each dollar of income above \$28,980, so that it phases out completely at \$58,980**.

**For the financial year ended 30 June 2008. Subject to future annual indexation.

I RECEIVED A CO-CONTRIBUTION LAST YEAR – SHOULD I MAKE SALARY SACRIFICE CONTRIBUTIONS?

We can't help you make that decision. You should seek professional financial advice before deciding whether to make Salary Sacrifice contributions.

APART FROM THE 15% CONTRIBUTIONS TAX, ARE THERE OTHER TAX IMPLICATIONS?

Yes. The Australian Taxation Office requires any Salary Sacrifice arrangement with your Employer to be made in advance. You will need to advise your Employer in advance so that appropriate deductions can be made from your salary. Salary Sacrifice contributions:

- are subject to tax on benefit payment unless taken after age 60
- are counted in full towards the Concessional Contributions Cap. Generally, contributions above the cap will be taxed at a total of 46.5% (further details are provided in the letter accompanying this Flyer and SSS Fact Sheet 23).

I'M INTERESTED IN SALARY SACRIFICE ... WHAT SHOULD I DO NOW?

- Check whether your Employer will allow you to make Salary Sacrifice contributions and when you are able to advise changes to your Salary Packaging arrangements to include any Salary Sacrifice contributions.
- Seek professional financial advice.
- Advise your Employer of the portion (if any) of your SSS contributions you want to make via Salary Sacrifice.

Like more information?

Customer Service is available to help you with general information and can be contacted on 1300 130 096 between 8.30am and 5.30pm Monday to Friday. You should visit the State Super website and use the calculator there to see the effect Salary Sacrifice has on your personal circumstances. For help deciding whether to make Salary Sacrifice contributions, we recommend you seek professional financial advice.



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www.statesuper.nsw.gov.au

Disclaimer: The State Superannuation Scheme (SSS) is administered by Pillar Administration on behalf of the Trustee, SAS Trustee Corporation (STC). SSS is governed by the Superannuation Act 1916, the State Authorities Non-contributory Superannuation Act 1987 and the Superannuation Administration Act 1996. The Scheme is also subject to Commonwealth Government superannuation and tax legislation. Reasonable care has been taken in producing this information but nothing in it is to be regarded as personal advice. If there is any inconsistency between the information herein and the relevant Scheme legislation, the Scheme legislation will prevail. In preparing this information, 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. To the extent permitted by law, STC, its directors and employees do not warrant the accuracy, reliability or completeness of the information contained in or omitted above.