

SANCS Additional Employer Contributions (AEC) account

What is the SANCS Additional Employer Contributions (AEC) Account?

As a member of the State Authorities Superannuation Scheme (SASS), State Superannuation Scheme (SSS) or the Police Superannuation Scheme (PSS), you may also be entitled to receive additional employer contributions that will be paid into your SANCS AEC account. Unlike the defined benefit portion of the SANCS benefit (the basic benefit), the SANCS AEC account provides an accumulation style superannuation benefit, the value of which is determined by contributions made by your employer and investment earnings achieved by the Fund. You cannot make contributions to the SANCS AEC account, as only contributions made by your employer can be credited to the account.

Why do some members receive SANCS Additional Employer Contributions (AEC)?

The SANCS Additional Employer Contributions are paid by certain employers to ensure that New South Wales Public Sector Employees receive the benefit of the Commonwealth Parliament's decision to increase the compulsory Superannuation Guarantee (SG) percentage rate, which will rise from 9% to 12% over a number of years.

Under New South Wales Public Sector wages policy, increases in employee-related costs, including superannuation, are generally limited to no more than 2.5% per annum. Without the SANCS Additional Employer Contributions, some members in the SASS, SSS and PSS defined benefit schemes would have the SG rate increase included in the 2.5% limitation, without receiving the benefit of the increase going into their superannuation account.

The SG rate increased by 0.25% from 1 July 2013 and increased a further 0.25% from 1 July 2014. This resulted in the SANCS Additional Employer Contributions being payable - by certain employers - at the rate of 0.25% of each eligible employee's salary for the 2013-14 financial year; 0.5% of their salary for the 2014-15 to 2020-21 financial years and 1.0% for the 2021-22 financial year. From 1 July 2022 AEC is paid at the rate of 1.5% of member's salary. Interest is paid on the contributions that accumulate in an AEC account.

The AEC rate is expected to increase in line with future increases in the SG rate and is calculated as SG rate less 9%. The SG rate is currently legislated to increase as per the following schedule.

| Expected future SG rate increases | |
|-----------------------------------|-------|
| From 1 July 2023 | +0.5% |
| From 1 July 2024 | +0.5% |
| From 1 July 2025 | +0.5% |

Who is entitled to receive the AEC benefit?

The AEC benefit accumulates for all eligible employees. An eligible employee is an employee currently in SASS, SSS or PSS who is subject to the NSW public sector wages policy, and who had the increase in the SG rate included in the 2.5% wages cap that applied to any increase in their remuneration after 1 July 2013.

Some members in SASS, SSS and PSS are not eligible for the benefit, as their remuneration is not subject to the NSW public sector wages policy. The remuneration of some SASS, SSS and PSS members, such as those who work at a NSW university, are not subject to NSW public sector wages policy,

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so they are not eligible. Other members who are subject to the wages policy but whose remuneration is paid under an award that did not include the SG increase in the remuneration increase will also not be eligible for the period that the relevant award is in place. Your employer will be able to confirm if you are eligible for the AEC benefit.

An eligible member receives monthly AEC contributions, paid by their employer, into a SANCS AEC account. A member's monthly AEC contribution takes into account the eligible service of the member for a particular month. For an eligible employee working full-time for a whole month the eligible service days is the number of days in the month. The eligible service days is reduced for:

- periods where a member is not an eligible employee – i.e., is in a position not subject to NSW Wages Policy, or is in a position subject to NSW Wages Policy, but was paid under an award or agreement that provided an increase in remuneration that did not include the SG rate increase in the amount of the remuneration increase
- periods of non-prescribed LWOP of more than five days
- periods where a member works part-time and therefore has a salary ratio of less than 1.

The scheme administrator, Mercer, receives information from employers regarding periods of eligible service, non-prescribed LWOP of five days or more and part-time employment, and that information is used by Mercer to calculate for employers the amount they need to pay each month.

When did the new additional employer contribution accounts commence?

The new AEC accounts were created in May 2016. While the obligation to pay the new employer contribution applied from the date that the SG rate increased to 9.25%, which was on 1 July 2013, implementation of the new measure was delayed due to uncertainty about the treatment of the SG rate increase in relation to the 2.5% p.a. wages cap - which was only settled in late 2014 - and due to the administrative work that needed to be done to set up a process for collecting the employer contributions and allocating them into new member accounts. Changes to the administrative system was completed in May 2016 enabling the new accounts to be created.

Were members that left the fund between 1 July 2013 and 30 April 2016 entitled to receive the new benefit?

Yes. All members who left the Fund between 1 July 2013 and 30 April 2016 - who were eligible for the new benefit at any time after 1 July 2013 - were entitled to receive the new benefit. The entitlements of most exited members were paid in May 2016. Members who had deferred their benefit during this period had their AEC account balance added to their deferred benefit.

The start-up balance of the new AEC accounts

Each member who is eligible for additional employer contributions has an AEC account in addition to their other scheme benefits. As the entitlement to AEC contributions commenced from 1 July 2013, a starting balance has been calculated for each AEC member account, representing the contributions and interest that should have accumulated in the account up until the start-up date, which was 30 April 2016. The starting balance of each account has been calculated to ensure that members are not disadvantaged by the period of time that elapsed since the SG rate was increased on 1 July 2013 and the creation of the AEC accounts in May 2016.

The start-up balance was calculated by working out the contributions that would have been payable each month from 1 July 2013 had the employer been making regular monthly additional employer contributions since that date. Each monthly contribution was reduced by the 15% contribution tax that would have been payable had the contributions been paid each month, and that reduced amount was allocated to a notional account. Monthly interest was then calculated on the balance of the notional account on the first day of each month, and that interest amount was also allocated to the notional account. These calculations were repeated each month from the month commencing 1 July 2013 to the month ending 30 April 2016 to provide the starting balance.

Note: The **Start-up date** is the last day of the month before the month when employers commenced making regular monthly additional employer contributions. Employers commenced making the contributions from May 2016, so the start-up date was 30 April 2016.

How is the regular monthly contribution calculated?

The regular monthly contribution, per member, is calculated using the following formula:

Attributed salary x **Percentage for month** x **Eligible service for the month/365.25**

Where:

Attributed salary is the latest annual salary reported on the most recent annual review date.

Percentage for month is 0.25% from 1 July 2013 to 30 June 2014; 0.5% from 1 July 2014 until 30 June 2021 and 1.0% from 1 July 2021 to 30 June 2022. From 1 July 2022 the AEC rate is 1.5% of salary.

Eligible service for the month is the number of days during the month where a member is eligible for the additional employer contribution. Any member that is not subject to the 2.5% wages cap will have zero days of eligible service for the period they are not subject to the cap. Where a member is working part-time their eligible service will accrue by the proportion of a day that is equal to the salary ratio of the employee on that day. Eligible service for a month will exclude:

- periods of employment where a member is not subject to NSW Wages Policy, including the 2.5% wages cap
- periods of employment where a member is subject to NSW Wages Policy, but was paid under an award or agreement that provided an increase in remuneration that did not include the SG rate increase in the amount of the remuneration increase
- periods of non-prescribed LWOP in excess of five days.

Periods of LWOP and part-time employment will be treated in the same manner as for the standard SANCS Basic Benefit. This means that an employee who is on non-prescribed LWOP of more than five days will have zero days of eligible service in respect of that leave. The AEC is still payable when a member is on prescribed LWOP or on non-prescribed LWOP of five days or less.

Employers are advised each month of the amount they need to pay for their eligible employees.

Example:

An eligible SASS member has a salary of \$95,000 reported on their Annual Review Day (31 December 2021). The member's monthly AEC amount will be based on this salary from 1 January 2022 until 31 December 2022. The member's contribution for May 2022 is calculated as follows:

$$\$95,000 * 1.0\% * 31/365.25 = \$80.63$$

The member's contribution for October 2022 will be based on the higher AEC rate of 1.0%, so will be calculated as follows:

$$\$95,000 * 1.5\% * 31/365.25 = \$120.95$$

Annual Review Day Salary and contribution adjustments

The attributed salary used in the calculation of AEC contributions is the salary reported by employers at the latest Annual Review Day. Employers advise Mercer of the salaries at the following dates:

SSS Members: 9 February or 28 July each year

SASS Members: 31 December each year

PSS Members: 31 December each year

Employers will be advised each month of the amount they need to pay.

Contribution and benefit taxes

Since 1 July 1988, Commonwealth tax at the rate of 15% is payable on employer contributions to superannuation funds. Consequently, tax at the rate of 15% is deducted from each AEC contribution when it is allocated to your account. Your Annual Statement will include a transaction listing that will show both the total contributions allocated to your account each month and the 15% tax deducted from the contributions.

No benefits tax is payable on superannuation lump sum payments if you are over the age of 60 when the lump sum benefit is received. If you are under 60, tax may be payable.

Please see STC Fact Sheet 3: *Taxation*, for details of the Commonwealth tax rules regarding superannuation, including:

- the amount of tax payable on superannuation benefit payments at certain ages, and
- the importance of providing your TFN.

Can I make additional contributions to my AEC account?

No. The rules of the Fund do not allow you to make additional contributions to your AEC account.

How do the additional employer contributions affect the reporting of my concessional contributions?

The additional employer contributions do not change the way that your concessional contributions are reported to the Australian Taxation Office (ATO). The AEC benefit forms part of your total defined benefit, and a formula is used to determine the notional taxed contributions (concessional contributions) that must be reported to the ATO in regards to your total defined benefit interest. The contributions made to your AEC account do not change the amount of concessional contributions that are reported to the ATO.

Do I receive interest on my AEC account balance?

Once the additional employer contributions are received by the Fund they are allocated to your member account and attract investment returns at the growth rate of the Fund. Interest is calculated monthly, based on the opening balance of your account, and then allocated to the account.

You do not have any investment choice in regards to your AEC account.

When can I receive payment of my AEC benefit?

In accordance with Commonwealth and scheme legislation, your AEC benefit can be paid to you, after you leave NSW Public Sector employment, and you satisfy a **condition of release**:

- you have reached the Commonwealth 'preservation age' (see table below) and you certify that you have retired permanently from the workforce
- you have reached age 60 and cease an employment arrangement
- you reach age 65, even if you continue to work
- you satisfy conditions for payment on financial hardship or compassionate grounds
- your benefit is less than \$200.

All of your benefit would also be paid on death or total and permanent invalidity.

The Commonwealth preservation age is as follows:

| Member's date of birth | Preservation age |
|-----------------------------|------------------|
| Before 1 July 1960 | 55 years |
| 1 July 1960 to 30 June 1961 | 56 years |
| 1 July 1961 to 30 June 1962 | 57 years |
| 1 July 1962 to 30 June 1963 | 58 years |
| 1 July 1963 to 30 June 1964 | 59 years |
| After 30 June 1964 | 60 years |

For more information about the compulsory preservation rules, see STC Fact Sheet 4: *When can I be paid my superannuation benefits?* which is available on the State Super website, www.statesuper.nsw.gov.au or by contacting Customer Service.

Can I voluntarily defer payment of my AEC benefit?

Instead of taking immediate payment of your SASS, SSS or PSS benefit, including the SANCS Basic Benefit, AEC benefit and co-contributions amount, you may choose to leave your benefit deferred in the Scheme. However, under scheme legislation, it is not possible to have a scheme contributory benefit paid out and leave just the Basic Benefit and any AEC or co-contributions amount deferred.

If you defer your total scheme benefit, and later elect to have your contributory scheme benefit paid out, you cannot leave just the Basic Benefit and any AEC or co-contributions amount deferred. When the scheme contributory benefit is paid out, the basic benefit and any AEC or co-contributions amount must also be paid out or transferred to a complying superannuation fund.

Can I roll out an AEC benefit that is not immediately payable?

Under scheme legislation it is not possible to roll out the AEC benefit before you have ceased your NSW Public Sector employment. You can rollover your AEC benefit once you cease employment. You cannot leave your AEC benefit deferred in the fund after you cease employment if you have your scheme contributory benefit paid out of the scheme.

Benefits are not assignable

When an AEC benefit becomes payable it cannot be assigned, charged or passed on to another person. This means that a member cannot use a prospective benefit entitlement as security for a current debt or liability. However, when leaving employment, a member may direct the administrator, Mercer, to pay the benefit to a bank, building society or credit union account.

Fact sheets about related topics:

STC Fact Sheet 3: *Taxation*

STC Fact Sheet 4: *When can I be paid my superannuation benefits?*

STC Fact Sheet 10: *Basic benefit*

SASS Fact Sheet 16: *Contribution Caps and Your Total Superannuation Balance.*

SSS Fact Sheet 23: *Contribution Caps and Your Total Superannuation Balance.*

PSS Fact Sheet 16: *Contribution Caps and Your Total Superannuation Balance.*

More information

If you need more information, please contact us:

Telephone: **SASS** 1300 130 095 **SSS** 1300 130 096 **PSS** 1300 130 097 **Deferred Benefits** 1300 130 094
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