

Benefit Points System

Since 1 April 2007, your personal contributions to SASS can be made on either an after-tax or before-tax (i.e. salary-sacrifice) basis. The contributions percentage rates indicated in this fact sheet are the rates required for personal contributions made on an after-tax basis. Contributions made to SASS on a salary-sacrifice basis will be greater than those made on an after-tax basis as they are required to be grossed up for contribution tax purposes. The SASS Fact Sheet 17 *Salary Sacrifice* provides further information on making contributions on a salary-sacrifice basis.

What are benefit points?

The benefit points system is the link between employee contributions and employer-financed benefits. For each 1% of salary you contribute in a year, you accrue approximately 1 benefit point. This may vary for former members of the NSW Retirement Fund and part-time employees.

Each benefit point accrued provides an employer-financed benefit of 2.5% of final salary or final average salary depending on your type of exit. The salary percentage is 3% in the case of former members of the State Public Service Superannuation Fund (SPSSF).

You may accrue a maximum average of 6 benefit points for each year of scheme membership and an overall general maximum of 180 benefit points. The maximum benefit points for former members of SPSSF at age 55 is 162 points and at age 58 or after, is 180.

For example, if you joined SASS on 1 July 1988 and by the early retirement age (58) you have contributed an average 6% of salary for 30 years, you would accrue 180 benefit points ($6 \times 30 = 180$). This would provide an employer-financed benefit of 4.5 times final average salary (i.e. $180 \times 2.5\% = 450\%$ or 4.5).

When can I change my rate of benefit point accrual?

Towards the end of each year we send you an Annual Statement which details your current percentage contribution rate. This statement also gives you the opportunity to change your percentage contribution rate (and therefore your benefit point accrual) from the following 1 April.

How many points should I contribute for?

To achieve the highest available employer-financed benefit, you don't have to contribute at the same percentage rate every year. You can contribute within the range of 1% to 9% each year and plan to accrue the maximum benefit points (an average of 6 each year) over the term of your SASS contributory membership.

If you contributed at an average of more than 6% of salary, the excess contributions will accrue interest only and will not receive any employer-financed benefit in relation to the excess over 6%.

However, maintaining your accrued benefit points at or above the maximum available benefit points during your membership will also maximise the employer-financed benefit available if you exit the scheme earlier because of retrenchment, invalidity or death.

Changing to a higher percentage contribution rate may permanently affect whether the amount of concessional contributions made to SASS are deemed to be within the concessional contributions cap. See SASS Fact Sheet 16 *Contribution Caps and Your Total Superannuation Balance* for more information about the concessional contributions cap. For additional enquiries as to the calculation of your concessional contributions please contact us on 1300 130 095.

The STC schemes are administered by Mercer Administration Services (Australia) Pty Ltd on behalf of the schemes' trustee, SAS Trustee Corporation (STC). STC is governed by the *Superannuation Act 1916*, the *State Authorities Superannuation Act 1987*, the *State Authorities Non-contributory Superannuation Act 1987*, the *Superannuation Administration Act 1996* and the *Police Regulation (Superannuation) Act 1906*. The schemes are also subject to Commonwealth superannuation and tax legislation.

STC has published this fact sheet. STC is not licenced to provide financial product advice in relation to the STC schemes or to their members.

Reasonable care has been taken in producing the information in this fact sheet and nothing in it is intended to be or should 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. 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 or omitted from this fact sheet.

How does leave without pay affect benefit points accrual?

Generally, periods of non-prescribed leave without pay of 1 full calendar month or more do not count as part of the period of scheme membership for the purpose of benefit point accrual, and do not attract employer-financed benefits. Contributions are not payable by you for these periods of leave.

However, certain types of leave without pay, known as prescribed leave (such as maternity leave and sick leave without pay) continue to attract employer-financed benefits. Members are required to continue to make contributions for this type of unpaid leave to attract employer-financed benefits during these periods of leave. Both contributions and benefit accrual are required to stop after 2 years of prescribed leave.

If the requirement to contribute during a period of prescribed leave without pay causes financial hardship, you may apply to the scheme administrator to have your contribution rate reduced to as low as 0% (subject to conditions). If approved, contributions will be payable at the lower hardship rate, and benefit points will accrue at the lower rate. If a rate of 0% is approved, no contributions will be payable nor will benefit points accrue.

If you are concerned that your accrued benefit points will drop below the benefit points required to maximise your benefit, you could in subsequent years elect to contribute at a higher percentage to ensure that your maximum benefit points are accrued. (See *How many points should I contribute for?* on the previous page). During this period of leave, management charges and additional benefit levies will continue to be deducted from your account.

What happens if I work part-time?

If you are employed part-time (including part-time non-prescribed or ordinary leave without pay), you will accumulate benefit points at a lower rate than a full-time employee.

The employer-financed benefit payable for a period of part-time employment is calculated by reference to the applicable salary ratio. The salary ratio is determined by the relationship between the salary actually being received by the part-time employee, and the salary which would have applied if the contributor had been a full-time employee. For example, if a

part-time employee's annual salary is \$20,000 but as a full-time employee it would have been \$40,000, the salary ratio would be 0.5.

There are two basic rules which affect benefit points accrual during a period of part-time employment.

These are:

- (a) The maximum number of benefit points which attract employer-financed benefits for a year as a part-time employee is 6 multiplied by the salary ratio. If the salary ratio was 0.5 (as in the above example), that maximum would be 3 benefit points.
- (b) The actual number of points accrued in a year is the percentage rate of contribution for that year multiplied by the salary ratio. For example, if the percentage rate of contribution was 4% and the salary ratio was 0.5, the actual accrual for that year would be 2 benefit points.

Note: Points applicable per contribution percentage rate may vary for some former members of the NSW Retirement Fund.

To calculate the employer-financed benefit of a contributor who retires as a part-time employee, the salary used for final average salary or final salary is the equivalent full-time salary that would be payable to the contributor at that time.

Benefit reductions

Since 1 July 1988, SASS has been required to pay Commonwealth tax on the employer contributions used to finance your benefits that accrue from that time. Your benefits will be reduced to offset this tax (except on death). The amounts shown in the Annual Statement we send you each year are calculated after the benefit reduction has been applied.

In addition, tax is payable on any contributions you make on a salary-sacrifice basis.

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

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

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: Please phone 1300 130 095 to make an appointment.

Postal address: State Super, GPO Box 2181, Melbourne VIC 3001

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