



Training notes

General Benefit Accruals

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Aims and objectives

On completion of this module, participants should have a general understanding of the basis for the calculation of benefits in the CSS, as well as the factors that may affect the benefit ultimately paid.

The module will also emphasise the importance of the role played by personnel staff, so that they can appreciate the impact of the data they supply on members' benefits.

On completion of the course, participants should have an understanding of:

- > how contributions accumulate
- > factors used in the calculation of pensions.

NOTE:

These notes are not a substitute for the *Superannuation Act 1976* or associated Regulation.

As provisions change you will be advised by way of circulars and Employer News. If you wish to continue to use these notes please ensure that you update them for any change.

There are three components to the benefits payable under the CSS. They are explained below.

Employee contributions

With effect from 1/7/99 limitations applied on the amount of cash available for exits prior to preservation age. Further limitations were introduced with effect from 1 July 2000.

From 1 July 2000, members who cease are entitled to take a refund of their contributions plus interest up to the SIS legislation upper limit. This is the value of the member's retrenchment benefit as at 30 June 1999. The balance has to be compulsorily preserved in another superannuation or roll-over fund.

Generally members of the CSS who are under age 55 and resign will preserve their benefit in the CSS so this new limitation will not affect them.

On **involuntary retirement** (e.g. retrenchment), the member may take a refund of their contributions plus interest up to the SIS legislation upper limit – i.e. the cash value of their retrenchment benefit as at 30 June 1999. The balance has to be compulsorily preserved in another superannuation or roll-over fund until the member retires from the workforce after reaching preservation age or ceases employment after age 60. The member may preserve their entitlement in the CSS.

On **age retirement**, the contributions may be taken in cash or converted to a non-indexed pension.

On **death**, the contributions are paid to the estate of single members or form part of the benefit payable to spouses and children.

EPSC

On **resignation**, productivity may be preserved in the fund if member contributions are also preserved. Otherwise EPSC together with an additional SGC amount must be rolled over to another fund until retirement.

On **retirement**, it may be taken in cash or used to buy additional pension. On invalidity retirement, the EPSC is taken in cash. On involuntary retirement (e.g. retrenchment), the EPSC plus, where applicable, an additional SGC amount must be preserved until the member retires from the workforce after reaching preservation age or ceases employment after age 60.

On **death**, the EPSC together with an additional component for SGC is paid to the estate of a single member. Where there is an eligible spouse and/or children, the EPSC is part of the overall benefit paid to the family.

Employer component

The employer component is generally a percentage of final salary, paid as an indexed pension. The percentage is based on the member's age in years and length of contributory service in years and days.

A member must have reached minimum retirement age to receive a pension on age retirement, but can receive a pension much earlier on involuntary or invalidity retirement.

Contributory service accrues from the date of joining the scheme and excludes any periods during which contributions are not due to be paid e.g. LWOP in excess of 12 weeks.

Members may have part of prior service with another fund accepted if they pay in a transfer value.

Benefits vary for members who were members of the scheme in existence prior to 1976.

On **involuntary retirement** if the member is under preservation age, the employer component must now be compulsory preserved or taken as a pension.

If employee contributions are taken in cash on **resignation**, no employer component is payable.

Exit Options

Resignation

- > Refund of accumulated contributions and interest (up to SIS upper limit) plus a refund which must be rolled-over of the EPSC, SGC top-up and the balance of contributions and interest greater than SIS Upper Limit.
- > Preservation – leave monies in the fund for payment of a benefit, including an employer component
- > Transfer value to an eligible superannuation scheme. *Refer to the eligible schemes list after the module on 'Membership of the CSS'.*

Involuntary retirement

- > Lump sum is calculated on 3½ x basic 5% contributions and interest. From 1 July 2000 member may only take a refund of their contributions plus interest up to the SIS Upper Limit. The balance of the employer component, plus EPSC must be rolled over if member has not reached preservation age or is under age 60 and not retired from the workforce.
- > Pension (CPI-indexed) and refund of accumulated contributions plus EPSC (rolled over if not retirement age, retired from workforce and reached the prescribed preservation age)
- > Maximum pension – CPI-indexed pension plus non indexed pension purchased with accumulated contributions and EPSC.

Age retirement

- > Maximum pension – CPI-indexed pension plus additional non indexed pension purchased with accumulated contributions and EPSC
- > Pension (indexed) and refund of accumulated contributions plus EPSC (rolled over if not retirement age, retired from workforce and reached preservation age).

Invalidity retirement

- > Maximum pension and refund of supplementary contributions and interest plus EPSC
- > Pension (CPI-indexed) and refund of contributions and interest plus EPSC.

Death

- > Contributions and interest plus EPSC and SGC top-up and interest paid to estate of single member
- > Pension and/or refund to eligible spouse and children.

Preservation age

With effect from 1 July 1999, members may only access any preserved amounts when they retire from the workforce after reaching preservation age or cease employment after age 60. The relevant age depends on the member's date of birth:

Date of birth	Preservation Age
Before 1/7/60	55
1/7/60 to 30/6/61	56
1/7/61 to 30/6/62	57
1/7/62 to 30/6/63	58
1/7/63 to 30/6/64	59
1/7/64 and after	60

Important points to remember

- > If agencies provide incorrect advice on salaries, LWOP etc, it will have a direct effect on the benefits paid to members. We have no way of validating this information.
- > Calculation of benefits is very complex and personnel staff should only become involved by providing advice to your employees in regard to the use of Member Services Online on the CSS website (www.css.gov.au).
- > We provide quotation of benefits to members exiting within twelve months, and also conducts regular retirement seminars in all states.

Percentage of final salary

Joined before 1 July 1976 20-30 years contributory service		Joined after 30 June 1976 20 years contributory service	
Age	% of salary	Age	% of salary
65	50	65	40
64	49	64	39.2
63	48	63	38.4
62	47	62	37.6
61	46	61	36.8
60	45	60	36
59	43.5	59	34.8
58	42	58	33.6
57	40.5	57	32.4
56	39	56	31.2
55	37.5	55	30

How to complete departmental reports

You must always make sure that you provide the member with the correct scheme benefit application form. If the membership ceases prior to age 55 it is deemed to be a resignation unless the member is retrenched or retired on invalidity grounds. If the membership ceases the day before the member's 55th birthday or any time after their 55th birthday it is deemed to be age retirement unless they are retrenched or retired on invalidity grounds. There are also particular benefit application forms for cessation of membership due to the sale, transfer or outsourcing of an organization.

Benefit applications must be accompanied with superannuation salary details and any other documentation requested on the departmental report.

If a member dies you must determine if there is a spouse and/or children. You must provide a spouses application form to the spouse or an orphans application form to the guardian if there is no spouse. You have the option to request a benefit estimate from us.

If a member dies and you are not aware of a spouse and/or children, you complete a Resignation Departmental report. You forward this form to us accompanied by the usual documentation as well as the name and address of the person handling the estate.

Completing the last three variations

Last three superannuation variations including the payday that contributions were ceased. (Usually the payday after the date of exit.)

Payday of adjust	Old perm cont	New perm cont.	Current adjustment	PLUS/ MINUS
		NIL		

- > The last line must be the **actual payday that contributions ceased to be paid**. This is usually the first payday after the cease date but can be any payday.
- > The previous two lines are for the previous two paydays when contributions were varied.

Example 1

A member resigned with effect COB 23 April 2003(the day before payday 24 April).

Contributions were paid on 24 April and were ceased on payday 8 May.

No further adjustments were made after payday 8 May.

The previous two adjustments were made for the member's previous birthday adjustment on payday 26 Sept 2002 and when the member elected to change their % rate on payday 13 February 2003.

Payday of adjust.	Old perm cont.	New perm. cont.	Current adjustment	PLUS/MINUS
20/9/02	\$86.60	\$92.30		
13/2/03	\$92.30	\$147.70		
8/5/03	\$147.70	NIL		

Example 2

Contributions were ceased on payday 8 May and a minus current adjustment was processed to recover the contribution paid on 24 April. You must advise this action on the last line.

You must not advise that contributions went to NIL on payday 24 April 2003.

Payday of adjust.	Old perm cont.	New perm. cont.	Current adjustment	PLUS/MINUS
20/9/02	\$86.60	\$92.30		
13/2/03	\$92.30	\$147.70		
8/5/03	\$147.70	NIL	\$147.70	minus

Example 3

A member commenced LWOP on payday 26 September 2002, contributions ceased on payday 10 October 2002 and the member resigned with effect COB 24 April 2003. The previous two adjustments were birthday adjustments in April 2002 and April 2001.

Payday of adjust.	Old perm cont.	New perm. cont.	Current adjustment	PLUS/MINUS
26/4/01	\$80.80	\$86.60		
25/4/02	\$86.60	\$92.30		
10/10/02	\$92.30	NIL		

Example 4

A member ceased on 1 February 2003 however contributions were not ceased until 26 April 2003. A minus current adjustment for paydays 13/2, 27/2, 12/3, 26/3 and 10/4 was also processed on 26 April.

Payday of adjust.	Old perm cont.	New perm. cont.	Current adjustment	PLUS/MINUS
26/4/01	\$80.80	\$86.60		
25/4/02	\$86.60	\$92.30		
26/4/03	\$92.30	NIL	\$461.50	minus

Example 5

A member ceased on 1 February 2003 Contributions were ceased on payday 13 February 2003. A minus current adjustment was made on payday 26/3 for the amount of \$300.

Payday of adjust.	Old perm cont.	New perm. cont.	Current adjustment	PLUS/MINUS
26/4/01	\$80.80	\$86.60		
25/4/02	\$86.60	\$92.30		
13/2/03	\$92.30	NIL		

**A minus current adjustment of \$300 was processed on 26/3/03*

In these cases you must advise us of the current adjustment by adding your own line under the table or on an attached letter with the benefit application.

NOTE:

- > The above examples are exactly the same for plus current adjustments
- > **No plus or minus adjustments may be made on behalf of a member after this report has been completed and sent to us.**

Salary for superannuation benefit purposes

Some benefits are calculated on the members salary for superannuation at date of exit e.g. CSS members age, invalidity and retrenchment pensions. Also CSS retrenchments take a members salary for super on the members last day of service into account when calculating the members final average salary.

To provide us with the correct salary for superannuation benefit purposes at date of exit, you must **treat the last day of service as if it was the member's birthday and do a birthday review** to determine the highest salary for superannuation purposes during the previous year. The member may have qualified for higher duties since their last birthday review or have been promoted. They may have received an increase in actual salary due to an increment or progression to another level or an increase in salary due to a certified agreement or a new AWA.

Example 1

A member is paying contributions on \$50,000 as this was his salary for superannuation at his previous birthday on 10 September 2002. Since that birthday he has received a salary increase of \$4,000. On his date of exit 1 April 2003 his actual salary is \$54,000. Therefore you would advise us that his salary for superannuation benefit purposes at 1 April 2003 is \$54,000

Salary for superannuation benefit purposes at date of exit:
Note: This is the member's salary for superannuation benefit purposes as at the date of exit. This can be greater than the salary for superannuation contribution purposes at the last birthday.

Salary for superannuation benefit purposes at date of exit

\$54,000

Example 2

A member may have been on higher duties at their last birthday but the higher duties classification had not qualified for superannuation purposes. Salary for superannuation at the last birthday was \$40,000. Since the birthday the member completed over 12 months higher duties and therefore the higher duties salary of \$48,000 qualified as salary for superannuation purposes. The member ceased higher duties prior to their cease date and reverted back to an actual salary of \$40,800. Due to a certified agreement since the member lost their higher duties, the current equivalent salary for the previous higher duties classification is now \$48,960. Therefore this is the salary for superannuation benefit purposes at date of exit.

Salary for superannuation benefit purposes at date of exit:
Note: This is the member's salary for superannuation benefit purposes as at the date of exit. This can be greater than the salary for superannuation contribution purposes at the last birthday.

Salary for superannuation benefit purposes at date of exit

\$48,960

Salary for superannuation contribution purposes

Some benefits such as resignations and age retirement calculate a member's benefit on the member's Final Average Salary. This is generally the last three birthday salaries. The salary for contribution purpose is a check that we have the correct salary for super as at the members last birthday.

Example 1

A member is paying contributions on a salary of \$50,000 which was his superannuation salary on his last birthday on 10 September 2002. He is ceasing membership on 20 April 2003 and has a salary on that day of \$54,000.

Salary for superannuation contribution purposes on the birthday before retirement.

Note: If the member is retiring on the day before his or her birthday, the salary shown should be the salary for superannuation contribution purposes that would have applied on that birthday.

Salary for superannuation contribution purposes on the last birthday before retirement.

\$50,000

Example 2

We are advised that a member's birthday superannuation salary was \$50,000. On processing the employees final payments, it was realized that the member had qualified for higher duties to be included in their salary for super prior to their birthday. The correct salary which should have been reported at the member's birthday was \$56,000.

If the previous birthday salary advised to ComSuper was not correct, please advise the correct salary that should have applied at the previous birthday even if the member has not paid contributions on it.

Salary for superannuation contribution purposes on the birthday before retirement.

Note: If the member is retiring on the day before his or her birthday, the salary shown should be the salary for superannuation contribution purposes that would have applied on that birthday.

In these cases it would be advisable to attach a note to advise us why the salary reported on the departmental report is different to what the member is paying contributions on and the salary advised for the previous birthday review.

Salary for superannuation contribution purposes on the last birthday before retirement.

\$56,000

Example 3

A member is paying contributions on a salary of \$50,000. He is ceasing membership on 20 April 2003 and has a salary for superannuation purposes on that day of \$54,000. His birthday is on 21 April 2003. Therefore, the salary to be reported on the departmental report is \$54,000.

If the member is leaving the day before their birthday, they are regarded as having attained that age. Therefore the new birthday salary is taken into account when processing the benefit regardless of the fact that the member has never paid contributions on that salary. Therefore you must advise the salary that you would have been reported to us as their birthday salary if they were still a member

Salary for superannuation contribution purposes on the birthday before retirement.

Note: If the member is retiring on the day before his or her birthday, the salary shown should be the salary for superannuation contribution purposes that would have applied on that birthday.

Salary for superannuation contribution purposes on the last birthday before retirement.

\$54,000

Salary for superannuation benefit purposes at 1 July 1999

Members under preservation age are entitled to take a refund of their contributions plus interest up to the cash component of their SIS upper limit that they were entitled to take if they were retrenched on 1 July 1999. Therefore we must establish what that cash retrenchment benefit would have been at that date.

As retrenchments take the final salary for super into account in calculating the member's final average salary (FAS), we need to be advised of the member's superannuation salary as at 1 July 1999.

This may be higher than the salary that the member was actually paying contributions on at 1 July 1999. Therefore you should treat 1 July 1999 as if it was the member's birthday and determine what the salary for super would have been on that date.

Example 3

At a members birthday on 2 February 1999 their salary for super was \$40,000. On 10 March 1999 a certified agreement increased this salary to \$41,800. On 14 June 1999 the member received an increase in salary to \$43,400. This was due to an increment or progression through the salary range. Therefore the member's salary for superannuation benefit purposes on 1 July 1999 was \$43,400.

Salary for superannuation benefit purposes at 1 July 1999.

Salary for Superannuation Benefit Purposes at 1 July 1999

\$43,400