

## BENEFIT POINTS

### WHAT ARE BENEFIT POINTS?

As a member of the Retirement Scheme, you are required to contribute between 1– 9% of salary under your defined benefit obligations which in turn purchases benefit points. In addition to purchasing benefit points, the amount contributed is also invested in your nominated investment strategy and potentially accumulates earnings.

The benefit points accrued are used in the calculation of the employer component of your final benefit. Essentially, the more benefit points that you have, the higher your final benefit will be.

### How many benefit points do I get?

The amount of benefit points that you get is dependent on the percentage or contribution rate of your salary that you contribute per year. For a full-time employee, for every 1% that you contribute you will get one benefit point up to an accrued maximum of 180. However, while you can contribute up to 9% of your salary, the maximum points you can accrue is an average of six points per year over the whole period of contributory membership (subject to the limit of 180).

Please note that for former members of the NSW Retirement Fund (NRF), the points accrued may be different than that stated above. If you are a former member of the NRF, please contact Member Care for further information.

### How do benefit points work?

There are three classifications for benefit points:

#### **a. Contributed: What you have contributed**

This is the amount of benefit points that you have purchased based on the percentage that you have contributed. If you contribute 9% of your salary for ten years you would have 90 Contributed benefit points.

#### **b. Maximum: The maximum that you can accrue at the time**

This is the maximum number of benefit points that you are entitled to up to a maximum of 180. Each year, your Maximum is increased by six benefit points, meaning that to achieve the maximum of 180 benefit points, you will need to be a member for a minimum of 30 years.

Please note that if you are a former member of the State Public Service Superannuation Fund you will likely have a different maximum points calculation. Please contact Member Care for further information.

### **c. Accrued: The lesser of the contributed and maximum**

The Accrued benefit points represent your actual entitlement based on the lesser of the Contributed and Maximum totals.

Using the previous example of 9% contributed for 10 years, your Contributed total would be 90 benefit points while your maximum would be 60 benefit points. As the Maximum is the lesser amount, this would represent your Accrued total.

#### **How do I maximise my Accrued benefit points?**

Basically, the best way to maximise your Accrued total is to make sure that your Contributed total is equal to or greater than the Maximum total. The easiest way to achieve this is to ensure that you maintain an average annual contribution rate of 6% over the course of your membership.

If your Contributed amount is more than your Maximum, you could contribute less than 6% to utilise the benefit points that are in excess of your Maximum.

#### **How do I change my contribution rate?**

At the end of each year you are sent a Contribution Rate Election form with which you are able to change your contribution rate. The change to the contribution rate comes into effect on 1 April the following year and is based on your salary at the previous 31 December.

#### **How do benefit points affect the employer component of my benefit?**

As the employer component of your benefit is a calculated amount based on your accrued benefit points, it is essential that you understand the effect that these have. The benefit points are a multiple factor in the benefit calculation, so the more accrued benefit points you have, the higher the multiple will be (subject to the maximum 180 points).

If you contributed at an average of more than 6%, the excess contributions will receive investment returns but will not receive any employer financed benefit in relation to the excess over 6%.

#### **What if I work part-time?**

If you are a part-time employee, your benefit points are adjusted in accordance with a salary ratio which is determined by the relationship between your part-time salary and a relevant full-time equivalent. An example of this would be that if you worked 2.5 days per week and your salary was \$40,000, the full-time equivalent would be five days at \$80,000 giving you a salary ratio of 0.5.

If you are working part-time, both your Contributed and Maximum points (during the period that you are part-time) are adjusted in accordance with your salary ratio. Using the previous example, during the period of part-time employment, your

maximum points per year would reduce to 3 (6 points x 0.5) with the salary ratio also being applied to your contributed points (i.e. if your contribution rate is 9%, you would purchase 4.5 benefit points in that year).

The salary ratio is determined on salary information provided by your employer annually. Where you are a part-time employee, your employer provides both part-time and full-time salaries.

### DOES LEAVE WITHOUT PAY AFFECT MY BENEFIT POINTS?

There are two types of leave without pay, prescribed and non-prescribed. The way this may affect you depends on which of these types of leave without pay you are on.

#### Prescribed leave without pay

If you are on prescribed leave without pay (for example maternity leave or sick leave without pay), employer benefits continue to accrue and you are required to contribute at your nominated rate. However, if the payment of contributions during this period causes financial hardship, you can apply to have your contribution rate reduced to as low as 0%. An application for financial hardship must be accompanied by a Statutory Declaration identifying the reasons the request is being submitted and certifying that you are in genuine financial hardship. The reduction in your contribution rate due to financial hardship can only be approved up to the next Annual Adjustment Day (1 April).

If a 0% contribution rate is approved and during this period your Contributed points amount is not greater than your Maximum, your Accrued points will not increase during this period. As your Maximum points will continue to increase during this period, you can later contribute at a higher rate to accrue these points.

#### Non-prescribed leave without pay

Generally periods of non-prescribed leave without pay, greater than one calendar month, do not attract employer benefits and no contributions are payable in respect of such periods. During this period, your Maximum points will not increase.

### MORE INFORMATION

While the information provided here provides a general overview to how benefit points work, we would recommend that you speak to a financial planner before making any decision to alter your current arrangements. Alternatively, if you would like more information on how benefit points could affect you, please contact Member Care on 1300 547 873.

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