

Contributory Scheme

Member Booklet

This booklet is for contributors to the Contributory Scheme and information contained in this booklet is current as at 8 January 2020



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Contributory Scheme membership

The Contributory Scheme is a defined benefits super scheme which is managed by a single trustee, the Superannuation Commission (Commission).

The Contributory Scheme offers defined benefits through lump sums and pensions to certain eligible permanent, temporary and contract public sector employees. This scheme was closed to new employees appointed on or after 15 May 1999. Membership will cease upon retirement or resignation and once a member reaches the age of 70, regardless of whether they are still working.

Permanent employees

Permanent Tasmanian public sector employees, under the age of 70, and appointed to a permanent full-time position prior to 15 May 1999, automatically became members of the Contributory Scheme.

Permanent part-time employees were not required to contribute to the Contributory Scheme before 1 July 1994, but could elect to do so.

Permanent employees who, immediately before 1 April 1987, did not contribute because they had failed a medical examination have the choice of contributing or remaining exempt.

Temporary employees

Temporary employees have been able to join the Contributory Scheme since 1974, provided they could satisfy the relevant eligibility requirements.

From 1 July 1994 a person who had been employed continuously in a temporary full or part-time capacity (whether before or after 1 July 1994) for at least two years could elect, within twelve months of completing two years continuous service or any extended time allowed by the Commission, to join the Contributory Scheme from the date of the election.

With the closure of the Contributory Scheme from 15 May 1999, only temporary employees employed before that date had the opportunity to elect to join as outlined in the previous paragraph. Given the timeframes referred to in the previous paragraph, the latest date that a temporary employee could be admitted to the Contributory Scheme was 14 May 2002.

Contract employees

Contract employees have been able to join the Contributory Scheme since 1982 provided they could satisfy the relevant eligibility requirements.

Generally, from 1 July 1994, a person employed by an Agency under a "prescribed contract of employment"¹ which did not make provision for alternative superannuation arrangements, could elect to join the Contributory Scheme within 12 months of becoming eligible or any extended time allowed by the Commission.

Permanent part-time employees and married female employees

Certain permanent part-time and married females may elect by notice in writing to the Commission to join the Contributory Scheme. To be eligible the following requirements must be satisfied.

Permanent part-time employees

To be eligible to join the Contributory Scheme a permanent part-time employee must:

- ▶ have been continuously employed in a permanent part-time capacity in the Tasmanian public sector from before 1 July 1994; and
- ▶ not have previously elected to contribute to the Contributory Scheme.

Married female employees

Married female employees who are not Contributory Scheme members may elect in writing, at any time, to become Contributory Scheme members if they:

- ▶ were employed in a permanent capacity in the Tasmanian public sector before 1 July 1982; and
- ▶ have been continuously employed since that date.

Participation in SSALS

Members may elect to participate in the State Service Accumulated Leave Scheme (SSALS) if approved by their employer. Entering into a SSALS agreement will reduce both your Contributory Scheme benefit and your insurance cover through the Scheme. Participating in SSALS is the same as choosing to work part time for any given length of time for RBF purposes, therefore your employment percentage will reduce for the length of your SSALS plan.

¹ This is a contract in writing under which a person is employed in an Agency (as defined in the Public Sector Superannuation Reform Act 2016 s3) for a period that is, or for periods that together are, not less than 3 years, whether the periods are specified in, or determined by reference to, the contract.

For the purposes of calculating any benefits payable by the Fund, your service will be recognised at the appropriate part-time rate for the period of the SSALS plan and the salary used for the calculation of benefits will be converted to a full-time equivalent value.

Compulsory and voluntary deductions will continue to be deducted as normal during the work and leave periods of the plan.

Inward portability of benefits

In certain situations, as a member of the Contributory Scheme you may use all or part of a benefit you may have accrued in another complying super scheme to improve your retirement benefit by rolling that benefit into the Contributory Scheme.

Members may roll money in from other super funds in order to pay for the cost of purchasing service or to upgrade their contribution rate to a higher rate. Alternatively, these monies can be used to purchase an RBF Life Pension.

Former members who are eligible to purchase a RBF Life Pension may also roll money in from other super funds to purchase their Life Pensions (strict eligibility rules apply).

See also Contributory Scheme Life Pension conversion factors on page 12 for further details.

Exemptions from membership

If a contributor no longer wants to be a member of the Contributory Scheme, they can be exempt from membership in the Contributory Scheme by notifying the Commission in writing and by entering into a written document providing a full release to the Commission from any further liability to such a contributor under the Public Sector Superannuation Reform Regulations 2017. A Deed of Release will need to be executed by both the member and the Commission.

Exemption may also be sought by:

- ▶ a married woman permanent employee who began continuous employment in an Agency before 1 July 1982 and who currently contributes; and
- ▶ contributors who formerly were permanent employees, but whose employment status changes to temporary.

If an exemption request is granted, the exempt person:

- ▶ ceases to be a member of the Contributory Scheme effective the day the exemption is granted; and
- ▶ is entitled to an amount equal to a lump sum benefit calculated and distributed in accordance with the applicable governing rules.

Persons employed under a prescribed contract of employment² whose contracts make provision for alternative super arrangements, are not permitted to retain membership.

Contributory Scheme members whose employment status changes to casual are not permitted to retain membership in the Contributory Scheme.

Medical requirement for full benefits incapacity cover

A Contributory Scheme member who wishes to gain full death and incapacity cover (“**full benefits**”) must first pass an examination by a medical practitioner approved by the Commission. The medical practitioner will determine if the member is suffering from any medical condition (physical and/or mental) that is likely to render the member incapable of working before reaching the age of retirement. After considering the medical advice, the Commission may accept the member as a full benefits contributor.

If a Contributory Scheme member does not have a medical examination, or the member fails the medical examination, the member will be restricted to limited benefits for death and incapacity cover until they successfully complete the medical examination or they complete 10 years of contributory membership, whichever occurs first. After completion of 10 years of continuous contributory membership a member with limited cover will automatically be entitled to full benefits cover.

Note: Service for the purposes of the 10 year rule does not include service while on sick leave without pay and any periods of purchased service.

² See Footnote 1.

Contributory Scheme contributions

Member contributions

All Contributory Scheme members must contribute to the Contributory Scheme. The minimum, or basic contribution rate, is 5% of salary (fortnightly) and the maximum contribution rate is 15% of salary (fortnightly). Some members who joined prior to 1 April 1987 elected to contribute at a lower rate of 2.5% and are entitled to continue to contribute at 2.5% of salary.

Members may choose to increase their contribution rate above the 5% contribution rate in multiples of 1% to a maximum rate of 15% of salary. Each 1% increase in contribution rate above the basic contribution rate of 5% of salary gives rise to an increased benefit multiple factor which increases the rate of growth in a member's accrued benefit multiple.

The following table shows the currently available contribution rates and their corresponding benefit multiple factor.

Employee contribution % of salary	Accrued Benefit multiple factor ³ % for each year of service before 1 July 1993	Accrued Benefit multiple factor % for each year of service after 1 July 1993
2.50 (post 1 July 1993)	10.00	10.00
5.00 (post 1 July 1993)	20.00	20.00
6.00	20.60	21.25
7.00	21.70	22.50
8.00	22.90	23.75
9.00	24.20	25.00
10.00	25.40	26.25
11.00	26.70	27.50
12.00	-	28.50
13.00	-	29.50
14.00	-	30.50
15.00	-	31.50

Note: The ability to contribute at a rate in excess of 11% was not introduced until October 2002.

After tax or before tax salary sacrifice contributions

Members may choose to pay their mandatory contributions from after-tax income or from before-tax income by way of a salary sacrifice arrangement with their Tasmanian public sector employer.

If contributions are made by way of salary sacrifice, the member chooses to 'give up' or 'sacrifice' part of their before tax salary which the employer pays directly to the Contributory Scheme on their behalf. Salary sacrifice contributions are concessional contributions.

Contributions paid from a member's after tax income are non-concessional contributions for taxation purposes and are not subject to 15% contributions tax because they are paid from after tax income.

Members who salary sacrifice are required to pay contributions at an adjusted contribution rate to allow for the 15% contributions tax. The table below shows the salary sacrifice contribution rate payable when compared to the after tax contribution rate.

After tax contribution rate % of salary	Salary sacrifice contribution rate % of salary
2.50	2.9412
5.00	5.8824
6.00	7.0588
7.00	8.2353
8.00	9.4118
9.00	10.5882
10.00	11.7647
11.00	12.9412
12.00	14.1176
13.00	15.2941
14.00	16.4706
15.00	17.6471

Commencement and cessation of contributions

Contributions by a permanent employee commence on the day of appointment (or where an election to join is required, the date of the election) and cease on the day the member ceases to be employed or the member reaches 70 years of age, whichever occurs first.

Note:

Members who have reached 65 years of age and continue to work at least 10 hours a week may elect not to contribute. A member who has reached 65 years of age and works less than 10 hours a week is not permitted to contribute. Once a member reaches age 70 they are no longer permitted to remain in the Contributory Scheme.

³ A member's accrued benefit multiple factor (ABMF) is determined by a member's contribution rate(s) and length of full-time equivalent service during which the member paid the same contribution rate. For example, if a member is a full-time employee and they contribute to the Scheme at the basic rate of 5% of salary for 5 years, their accrued benefit multiple will increase by 1 (5 x 20%). If the same member had increased their contribution rate to 15% of salary for 5 years, their accrued benefit multiple will increase by 1.575 (5 x 31.50%).

Reduction in contribution rate

A member who elects to contribute in excess of 5% of salary (or 5.8824% of salary if contributing by salary sacrifice contributions) may elect at any time to reduce their contribution rate. The reduced contribution rate cannot be less than the minimum contribution rate of 5% of salary (or 5.8824% of salary if contributing by salary sacrifice contributions).

Contributions while on leave

Members who take any leave with full pay must contribute to the Contributory Scheme.

Sick leave

Members on sick leave without pay or sick leave on less than full pay are required to maintain their contributions. Members may pay in advance or continue to make regular contributions during the leave. Members may also seek to defer the payment of contributions for up to a maximum period of two years. Such a deferral is subject to any conditions RBF may impose in relation to the repayment of the contributions and may include the payment of interest on those contributions.

Parental leave

Any period not exceeding 12 months on any one occasion of unpaid maternity, paternity or adoption leave is classified as parental leave.

Members on parental leave may pay contributions in advance, continue to make regular contributions during their leave, or seek to defer payment of their contributions on the same basis as sick leave. Members on parental leave may also choose not to pay contributions.

A member who does not make a formal election in writing to pay contributions will be taken to have elected not to pay contributions while on parental leave. If a member does not, or chooses not to pay contributions, the relevant period of leave will not be recognised as service for benefit calculation purposes.

However, the period of leave may be purchased at full actuarial cost (present value of the additional benefit), at any time whilst the member is a Tasmanian public sector employee.

Other leave

If a member takes leave without pay for more than 20 continuous working days for any other reason, they cannot contribute during the leave period. The period of leave will also not be recognised as service for benefit calculation purposes. This leave may be purchased at full actuarial cost (present value of the additional benefit), at any time whilst the member is a Tasmanian public sector employee.

A member who takes leave without pay for 20 continuous working days or less is required to maintain their contributions.

Contributions by seconded employees

A member seconded to a position outside the Tasmanian State public sector is required to continue to contribute to the Contributory Scheme for the duration of the secondment.

During the period of the secondment the member's salary, for the purpose of the scheme, is the salary paid by the seconding employer. The seconding salary is used to calculate member and employer contributions. Where applicable, the seconding salary is used in the calculation of final average salary.

Members must continue to pay their fortnightly contributions. Members may elect to vary their contribution rate or change the method of paying mandatory contributions from after tax contributions to salary sacrifice contributions or vice-versa during the period of the secondment.

Purchasing service

Members may be able to increase their end benefit by purchasing certain periods of service. Purchasing periods of service will not change the member's scheme commencement date (refer to the below table) but will increase the member's ABMF (refer to Calculating your lump sum on page 8).

Service may be purchased if:

- ▶ immediately before becoming a contributor, the member was a student teacher, cadet, apprentice or trainee in a State Agency; or
- ▶ immediately before 1 July 1982, the member had continuous permanent full-time service in an Agency for which contributions were not made; or
- ▶ the member's service includes periods of leave without pay for more than 20 continuous working days and/or parental leave for which the member has not made contributions; or
- ▶ the member's service has been reduced by service penalties imposed under the previous public sector super scheme; or
- ▶ the member was previously a member of the Contributory Scheme but had ceased to be a member; or
- ▶ the member was a married female employee who had elected not to pay contributions or had not been obliged to make contributions; or
- ▶ the member was previously exempt from making contributions to the previous public sector scheme.

To 'buy' recognition of all or part of any of the above types of service the member must request to purchase service, execute a deed and make a lump sum payment. The amount payable is based on actuarial factors and represents the present value of the additional benefit.

Generally, if a member who joined the scheme after 1 July 1994 is purchasing service for a period prior to 1 July 1994, purchasing service prior to 1 July 1994 will not entitle that member to the pension conversion factor of 12. Access to that pension factor requires a member to be an existing contributor. This is defined as “a contributor who, immediately before 1 July 1994 was a contributor to the Contributory Scheme established under the 1982 Act and who has continued at all times to be a contributor”. Purchasing service prior to 1 July 1994 does not generally make a contributor that joined after 1 July 1994 an ‘existing contributor’. See the table below for further information.

Purchasing Service					Pension
Legislation	Reference	Does commencement date in scheme update with purchase of service?	Does ABMF increase with purchase of service?	Is this still available?	Ability to use pension conversion factor of 12
PRE 1994					
Retirement Benefits Act 1982 (1982 Act)	Section 27	Yes - deemed to have become an employee from the date started as a student teacher, cadet, apprentice or trainee.	Yes	No (applied to applications to purchase service received prior to 30 June 1994)	Yes
Retirement Benefits (Transitional) Regulations 1994 (1994 Transitional Regulations)	Regulation 14	Yes - deemed to have become an employee from the date started as a student teacher, cadet, apprentice or trainee.	Yes	No (applied to applications to purchase service received between 1 July 1994 and 30 June 1995).	Yes
POST 1994					
Retirement Benefits Regulations 1994 (1994 Regulations)	Regulation 24	No - commencement date remains unchanged for RBF purposes.	Yes	No Transitional regulations applied to applications received between 1 July 1994 and 30 June 1995. Legislation applied to applications received between 1 July 1995 to 26 July 2005.	No
Retirement Benefits Regulations 2005 (2005 Regulations)	Regulation 31	No - commencement date remains unchanged for RBF purposes.	Yes	No (applied to applications received between 27 July 2005 to 30 March 2017)	No
Public Sector Superannuation Reform Regulations 2017 (PSSR Regulations)	Regulation 17	No - commencement date remains unchanged for RBF purposes.	Yes	Yes (applies to applications received after 31 March 2017)	No

Upgrading your rate of contribution

Members can increase their benefit multiple factor (see definition on page 3) by increasing their contribution rate for future service or by upgrading past service to a higher contribution rate.

Members may elect, at any time, to increase their prospective contribution rate up to a maximum of 15%. Members increasing from 2.5% will be required to undergo a medical examination at their own expense.

Members wishing to upgrade their past contribution rate to a higher contribution rate can only upgrade those periods of contributory service for which they have paid contributions (including any periods of purchased service). Fund rules do not permit members to retrospectively upgrade past contributory service to a rate that exceeds 11% of salary.

Members must request to increase their contribution rate, execute a deed and make a lump sum payment. This will then increase their past contribution rate to a higher contribution rate. The amount payable is based on actuarial factors and is equal to the present value of the additional benefit the member will obtain from having the past contributory service increased to a higher contribution rate.

Please refer to the Fact sheet “Contributory Scheme – Upgrades, purchase of service and service penalty” for more information available at www.rbf.com.au.

Contribution tax and contribution limits

Compulsory fortnightly contributions to the Contributory Scheme must be either:

- (a) after tax contributions which are classified as non-concessional contributions; or
- (b) before tax salary sacrifice contributions which are classified as concessional contributions.

There are limits on the amounts of concessional and non-concessional contributions that can be paid into super by the end of each financial year. These limits are called the concessional contributions cap and the non-concessional contributions cap.

Concessional contributions

Concessional contributions are employer contributions which are subject to 15% contributions tax. Concessional contributions include employer salary sacrifice contributions and notional taxed contributions.

Notional taxed contributions are an estimate of the amount of concessional contributions a member’s employer has notionally contributed to the Contributory Scheme for the benefit of the member and includes any salary sacrifice contributions paid to the Contributory Scheme during the financial year.

Grandfathering rules apply to those members who joined the Contributory Scheme before 12 May 2009. Under the grandfathering rules a member’s notional taxed contributions are limited to the amount of the concessional contribution cap if the member’s notional taxed contributions for a financial year exceed the concessional contributions cap.

The concessional contributions cap for the 2019-2020 year is \$25,000. Excess concessional contributions are included in a member’s assessable income.

Refer to the Fact sheet “Contributory Scheme – Calculating notional taxed contributions” for some information and the ATO website for more information.

Non-concessional contributions

Non-concessional contributions are contributions a member pays from after tax income. Non-concessional contributions are also known as personal contributions.

For the 2019-2020 financial year, the non-concessional contributions cap is \$100,000. Members who are less than 65 years of age may, if they have not already done so, trigger the “bring forward rule” and bring forward the payment of up to \$300,000 of non-concessional contributions over 3 financial years (2018-2019 to 2020-2021). Members 65 years of age and over are not able to trigger the “bring forward” option. The non-concessional contributions cap for members aged between 65 to 70 who meet the work test is \$100,000.

Members who exceed their non-concessional contributions cap may be liable for the payment of excess non-concessional contributions tax at their highest marginal tax rate plus the Medicare levy. In addition to the payment of excess contributions tax, members may also be liable for the payment of penalty interest.

Purchasing service and the non-concessional contributions cap

Members who wish to purchase periods of non-contributory service or upgrade periods of past contributory service to a higher contribution rate may need to consider the impact that the additional non-concessional contribution to purchase the service could have on their non-concessional contributions cap. These members should consider this as well as other options which may not impact their cap such as the rollover of benefits from other super funds.

Member accounts

Member contribution account

A separate contribution account exists for each member of the Contributory Scheme. Member contributions plus interest on those contributions (calculated at the fund earning rate) are credited to the account, less any death and incapacity premiums or taxes.

Investment 12 and CPA 12

Investment 12 accounts are created where a pre 1 July 1994 member is made redundant prior to attaining their preservation age and they elect to preserve all (100%) of their redundancy benefit in the Scheme for the purpose of retaining access to a pension conversion factor of 12. On redundancy, the employee component of the member's redundancy benefit is transferred to the member's Investment 12 account and the employer share is transferred to the member's Compulsory Preservation 12 account (CPA 12). When the member attains their preservation age, the balance of the CPA 12 account is funded and transferred to the member's Investment 12 account where it is subject to a once-off contributions tax adjustment.

The member has a **once-off right** to use all or part of their Investment 12 account to purchase a fully funded life pension calculated using the protected pension conversion factor of 12.

On reaching preservation age the member may choose to:

1. convert all or part of the balance of their Investment 12 account to a life pension calculated using the pension conversion factor of 12; or
2. do nothing and continue to remain 100% invested in their Investment 12 in which case the member will continue to preserve their right purchase a pension calculated using the pension conversion factor of 12.

Access to the pension conversion factor of 12 is lost if all or part of the member's benefit is rolled over to another complying fund or paid as a cash lump sum **before** the member has first purchased a life pension using the pension conversion factor of 12.

Contributory Scheme CPA

By law, the unfunded employer share of a Contributory Scheme resignation or redundancy benefit for members who cease employment before reaching their preservation age must be preserved in their Contributory Scheme Compulsory Preservation Account (CPA).

The Contributory Scheme CPA account attracts interest which is credited weekly at a rate which is the greater of the Consumer Price Index and Average Weekly Ordinary Time Earnings.

While the balance in a CPA is unfunded, it cannot be rolled out of the fund. The member's former employer will fund the balance of the member's CPA account on the day the member attains their preservation age.

The CPA account may be funded before a member reaches their preservation age in the event of death, terminal illness or total and permanent incapacity. Applications for the early release of a member's CPA benefit on these grounds are subject to eligibility criteria and medical assessment.

Total superannuation balance

Your total superannuation balance is calculated by the ATO and is equal to the total value of all your superannuation interests as at 30 June each financial year. If your total superannuation balance is greater than \$1.6 million, you will no longer be eligible to:

- (a) contribute non-concessional contributions as your non-concessional contribution cap is reduced to zero;
- (b) claim Government co-contributions and tax-offset for spouse contributions.

Please refer to the ATO website at www.ato.gov.au for further information about your total superannuation balance and your transfer balance cap.

Preservation age

Under Commonwealth super legislation, the preservation age is the age at which a member can gain access to preserved super benefits, provided the member has retired from the workforce.

The table below shows your preservation age.

Date of birth	Preservation age
From 1 July 1964	60
1 July 1963 to 30 June 1964	59
From 1 July 1962 to 30 June 1963	58
From 1 July 1961 to 30 June 1962	57
From 1 July 1960 to 30 June 1961	56
Before 1 July 1960	55

Deductions for Death and Incapacity cover

Each member under age 60 has a premium deducted from his or her Contributory Scheme account for Death and Incapacity cover. The premium rate is set with effect from 1 October each year.

Calculating your lump sum

When benefits are calculated and payable

The benefit that a Contributory Scheme member will be paid is calculated at the time the member leaves the public sector or upon attaining the age of 70 years, whichever is earlier. This involves a process of confirming all relevant salaries received as well as all periods of the member's service with the member's employer. If any debts are payable by the member they will need to be calculated as a final figure and deducted from a member's final benefit.

Payment options vary according to the reason the member has ceased employment and their age as at the date of ceasing employment.

The Contributory Scheme provides for payment under the following scenarios:

1. Retirement and redundancy benefits where a member ceases employment (retires or takes a redundancy) with their public sector employer on or after attaining their preservation age or on attaining the age of 70 years. Members may elect to convert all or part of the lump sum benefit to a Contributory Scheme Life Pension.
2. The calculation of a resignation benefit where a member resigns from their employment with their public sector employer before attaining their preservation age, of which:
 - (a) a Contributory Scheme Compulsory Preservation Account (CPA) will be established representing the unfunded employer share of your Contributory Scheme benefit; and
 - (b) the funded employee component of your Contributory Scheme benefit will be transferred to a complying superannuation scheme of your choice (less tax).
3. A redundancy benefit is payable where a member ceases employment as a result of a redundancy with their public sector employer before attaining their preservation age. Members may choose from the following options:
 - (a) access the prescribed amount in which case all or part of the employer share of redundancy benefit will be immediately payable; or
 - (b) a pre 1 July 1994 member can preserve all of their redundancy benefit in the Fund in order to retain access to the pension conversion factor of 12, in which case the entire unfunded employer share is transferred to the member's Contributory Scheme CPA 12 and the funded component is transferred to the member's Investment 12 Account.

4. The insured component of any Contributory Scheme death and incapacity benefits can only be accessed by members who have at all times during the assessment of an incapacity claim remained a public sector employee.
 - (a) Members should not cease employment until they know and accept the outcome of their claim/s assessment because all insurance cover ends on cessation of public sector employment.
 - (b) When accessing a claim for incapacity benefits the Commission may determine that the member satisfies the eligibility criteria for the payment of:
 - ▶ an Interim Incapacity pension; or
 - ▶ a Total and Permanent Incapacity benefit (can only be taken as a pension with a lump sum of \$50,000 with a further \$30,000 being available upon application to the Commission by the member); or
 - ▶ a Partial and Permanent Incapacity pension (pre 1 July 1994 members only); or
 - ▶ a Terminal illness benefit.
5. A death benefit is payable if a Contributory Scheme member dies.
6. If a Contributory Scheme life pensioner dies and their surviving partner is entitled to a reversionary life pension (the member must have originally purchased a reversionary life pension), the surviving partner is entitled to a life pension at the rate of 2/3rds of the deceased member's life pension as at the date of death and the surviving partner may within a specified timeframe commute all or part of their life pension to a lump sum.

How is the defined benefit calculated?

Generally, the basic contributory scheme benefit is calculated as follows:

Lump sum	= FAS(3) x ABMF
FAS(3)	FAS(3) is the average annual salary (full-time equivalent salary) paid or payable to the member calculated over the last 3 years of membership. If a member has less than three years' service, the salary will be averaged over the actual period of service. FAS(3) is calculated as full-time equivalent salary

ABMF

ABMF is the member's accrued benefit multiple factor.

ABMF = sum of (Contributory Service x Employment % x Benefit Multiple Factor)

For each unique period of contributory service where the contribution rate, benefit multiple factor and employment % are constant:

- ▶ multiply the members contributory service (for the specified period) by the member's employment % (for the specified period) and multiply this result by the benefit multiple factor that corresponds to the member's contribution rate (for the specified period);
- ▶ the calculation above is repeated for the period where there is a change in either the member's employment %, contribution rate or benefit accrual rate;
- ▶ the results of each calculation are added together to determine the member's ABMF.

Service is the length of contributory service calculated in years.

Employment % is the member's full-time equivalent service for a particular period of contributory service. 100% indicates fulltime employment.

Accrued Benefit Multiple Factor is the rate that corresponds to the member's contribution rate for the specified period of service (these can be found in the table on page 3 of this booklet). Your member benefit statement details your ABMF as at 30 June each financial year. The explanation of terms accompanying your statement provides details of the contribution rates and their associated accrual rates.

Salary and contributions

For RBF purposes 'salary' includes wages, allowances and discretionary benefits paid or payable to a person as an employee. Salary also includes an amount paid by an Agency to a complying super fund on behalf of an employee who has the option of receiving the amount as salary or another form of benefit and any amounts paid for, or value assessed of non-salary benefits received by an employee, where those benefits can be taken as salary or another form of benefit.

Salary does not include:

- ▶ bonuses or payments for special circumstances of an occasional nature; or
- ▶ payments in respect of travelling or other work-related expenses; or
- ▶ payments in respect of accrued recreation leave or long service leave that is not taken as leave but for which a lump sum payment is made; or
- ▶ any wages, allowances or discretionary benefits in respect of which contributions have not been paid by a person while an employee; or
- ▶ any increase in salary ratified after cessation of employment.

Mandatory member contributions are calculated having regard to:

1. the member's actual fortnightly salary or the member's set or maintained fortnightly salary (for eligibility criteria refer to the Reduction in Salary section on page 10);
2. the member's nominated contribution rate; and
3. the member's election as to whether the contributions are to be paid from before tax salary or after tax salary.

Salary for benefit calculation purposes

Generally, the salary that is used to calculate member benefits is the member's final full-time equivalent average annual salary received during the three years immediately prior to cessation of membership. This 'average annual salary' is expressed as FAS(3). The member's FAS(3) is used to calculate the gross value of the member's resignation, redundancy, retirement, total and permanent incapacity and death benefits (whichever is appropriate).

If a contributor leaves the workforce and has less than three years' service, the salary will be averaged over the actual period of service.

The expression FAS(1) indicates that the average annual salary has been calculated over the last 12 months of employment. FAS(1) may be able to be used in the calculation of resignation benefits for members who have less than 5 years contributory service, total and permanent incapacity benefits for pre 1 July 1994 members and Schedule 1 life pension calculations for pre 1 July 1994 members.

Service and salary for part-time members

For benefit calculation purposes, part-time service is adjusted to an equivalent period of full-time service. In the event the member is employed in a part-time capacity during the final three years of service, the salary used for benefit calculation purposes is the salary the member would have received if employed in a full-time capacity.

Example

A member retires from the workforce on their 65th birthday having completed 30 years of contributory service as a full-time employee and the last 5 years of service as a part-time employee (at the rate of 60% of the full-time position). If the member had always contributed to the scheme at the basic rate of 5% of salary and their average actual salary over the last three years was \$60,000, their gross lump sum benefit would be \$660,000 calculated as follows:

Lump sum⁴	(FAS(3) ÷ 60%) x {(Full-time contributory service x accrued benefit multiple factor) + (Part-time contributory service x benefit multiple factor)} = (\$60,000 ÷ 60%) x {(30 x 20%) + (5 x 60% x 20%)} = \$100,000 x (6 + 0.6)
Total	= \$660,000

If the member had continued to work on a full-time basis over the last 5 years of membership their FAS(3) would continue to be \$100,000 but the accrued benefit multiple factor will have increased to 7 rather than 6.6, giving a gross lump sum retirement benefit of \$700,000.

Reduction in salary

A member whose salary is reduced may apply in writing to the Commission to continue to contribute to the Contributory Scheme on the basis of their former higher salary. Members are required to make their application within 12 months of the reduction in salary.

Applications cannot be made where the reduction in salary is caused by:

- ▶ participation in an accumulated leave scheme;
- ▶ a change in part-time employment percentage; or
- ▶ a change in designated hours of employment.

The Commission will consider whether the member's application satisfies the eligibility criteria. If the application is approved, the Commission will determine the:

- ▶ amount of fortnightly salary to be maintained;
- ▶ start date of the maintained fortnightly salary;
- ▶ amount of any contribution arrears;
- ▶ amount of any interest payable on contribution arrears.

Where applicable, the maintained salary is used in the calculation of final average salary (both FAS(3) and FAS(1)).

Other than in the case of a member subsequently participating in an accumulated leave scheme, changing their employment percentage or designated hours of work, the maintained salary will be effective from the day the reduction in salary took effect until the day the contributor's current salary equals or is greater than the maintained salary.

Calculation of gross lump sum benefit

A member who retires after his or her preservation age is entitled to a lump sum calculated as follows:

Lump sum⁴	= FAS(3) x ABMF = FAS(3) x full-time equivalent contributory service x benefit multiple factor
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Example A

Assume Simon decided to retire at age 60. At that time he had:

- ▶ always contributed at the basic contribution rate of 5% salary, giving rise to a benefit multiple factor of 20%;
- ▶ 35 years contributory service as a full-time employee.
- ▶ an Accrued Benefit Multiple factor (ABMF) of 7 (35 x 20%)
- ▶ a FAS(3) of \$80,000.

Simon's lump sum is \$560,000 calculated as follows:

Lump sum	= FAS(3) x ABMF = FAS(3) x full-time equivalent contributory service x benefit multiple factor = \$80,000 x 35 x .20 = \$560,000
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Example B

If Simon had contributed for 30 years at the basic contribution rate of 5% (benefit multiple factor of 20%) and for a further five years, after 1 July 1993, at 8% (benefit multiple factor of 23.75%), his lump sum would be calculated as follows:

Lump sum	= [FAS(3) x (ABMF at 5%)] + [FAS(3) x (ABMF at 8%)] = [\$80,000 x (30 x .20)] + [\$80,000 x 5 x .2375] = \$480,000 + \$95,000 = \$575,000
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Death and Incapacity benefits of Full Benefits members

See page 2 for further details on full and limited benefits for incapacity purposes.

A contributor for full benefits who is forced to retire as a result of Total and Permanent Incapacity, or who dies, has a benefit calculated as follows:

Lump sum⁴	FAS(3) x contributory service x benefit multiple factor PLUS FAS(3) x prospective service x 20%
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⁴ See pages 8 and 9 for definitions of FAS(3) and benefit multiple factor in the lump sum benefit formula.

In this case, prospective service is the period in years from the date of retirement or death to the lesser of:

- ▶ age 60; or
- ▶ 25 years.

Prospective service is always calculated at the basic contribution rate. For members contributing at the rate of 2.5% the benefit multiple factor for prospective service is 10%. For all other members the benefit multiple factor for prospective service is 20%.

In the event of the death of a contributor, a benefit based on this formula is also payable to a surviving partner, registered carer or the contributor's estate. See 'Who is eligible to receive Death benefits' below.

Example

Ill health forces Joan to retire at 35, after 17 years' service. Joan had:

- ▶ contributed at 5%, so has a benefit multiple factor of 20%;
- ▶ 25 years prospective service (maximum allowed) at the basic contributory rate of 5%; and
- ▶ a FAS(3) of \$75,000.

Joan's lump sum is \$630,000, calculated as follows:

Lump sum	$\$75,000 \times 17 \times .20 = \$255,000$ PLUS $\$75,000 \times 25 \times .20 = \$375,000$
Total	= \$630,000

Limited benefits on invalidity or death

A contributor for limited benefits who is forced to retire as a result of Total and Permanent Incapacity, or who dies, has a benefit calculated as follows:

Lump sum⁵	FAS(3) x contributory service x benefit multiple factor PLUS FAS(1) x prospective service to 60 x Superannuation Guarantee rate⁶
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Example

Anne, 40, retires after eight years' service because of ill health as a limited benefits contributor.

She has:

- ▶ contributed at 5%, so has a benefit multiple factor of 20%;
- ▶ a FAS(3) of \$70,000;
- ▶ a FAS(1) of \$75,000;
- ▶ 20 years prospective service to 60; and
- ▶ current Superannuation Guarantee rate of 9.5%.

Anne's lump sum is \$254,500, calculated as follows:

Lump sum	$\$70,000 \times 8 \times .20 = \$112,000$ PLUS $\$75,000 \times 20 \times 9.5\% = \$142,500$
Total	= \$254,500

Note:

Where a member retires due to Total and Permanent Incapacity and their lump sum benefit exceeds \$50,000, they may apply in writing to the Commission for the release of \$50,000 as a lump sum plus an additional lump sum of up to a maximum of \$30,000 (subject to the Commission's discretion). The remainder of the benefit must be taken as a pension.

If before the pension commences, two medical practitioners certify that the member is terminally ill and death is likely to occur within 12 months, then the member may take the full benefit as a lump sum.

If a member applies for an Invalidity or Incapacity benefit they should not resign or retire until they know and accept the outcome of their application.

In the event of the death of a contributor, a benefit based on this formula is also payable to a surviving partner, registered carer or the contributor's estate.

Who is eligible to receive Death benefits?

A death benefit is payable if a contributor to the Contributory Scheme dies.

A pension or lump sum Death benefit is paid to your surviving partner unless:

- ▶ RBF considers your surviving partner is incapable of administering his or her own affairs or you have elected in writing for RBF to pay the benefit to your estate; or
- ▶ if you do not have a surviving partner, a lump sum Death benefit is payable to your registered carer, or if you do not have a registered carer, to your estate.

Surviving partner means the spouse of an RBF member (and includes a person with whom the member was in a significant relationship within the meaning of the *Relationships Act 2003*), and who was, in the opinion of the Commission, at the time of the RBF member's death:

- ▶ living with the RBF member on a genuine domestic basis and receiving significant financial support from the member; or
- ▶ if there is no such person, a person who was living with the member on a genuine domestic basis; or
- ▶ if there is no such person, a person who was not living with the member on a genuine domestic basis but was in receipt of significant financial support from that member.

⁵ See pages 8 and 9 for definitions of FAS(3) and benefit multiple factor in the lump sum benefit formula.

⁶ Superannuation Guarantee rate is the minimum employer contribution permitted under Commonwealth law.

For the purposes of the *Relationships Act 2003*, a significant relationship is between two adults who:

- ▶ have a relationship as a couple; and
- ▶ are not married to one another or related by family.

Registered carer means a person with whom the member was in a caring relationship which was subject to a deed of relationship registered under Part 2 of the *Relationships Act 2003*.

Dying as a pensioner

If a Contributory Scheme life pensioner dies, their surviving partner will be entitled to a Death benefit only if the deceased pensioner had chosen to take a **reversionary Life Pension** when they first established their pension.

The surviving partner can take the Death benefit as a:

- ▶ lump sum (if an election is made to take it as a lump sum within three months from the date the Commission determines they are the surviving partner); or
- ▶ Contributory Scheme Life Pension (which will be two-thirds of the pension the member was being paid); or
- ▶ a combination of a Contributory Scheme Life Pension and a lump sum.

The amount of the Death benefit payable is based on the pension paid before death.

If the pensioner had elected to receive a pension that stops when they die, the surviving partner **will not** be paid a Death benefit. This type of pension is known as a non-reversionary Contributory Scheme Life Pension.

If you die while you are receiving a reversionary Contributory Scheme Life Pension and you do not have a surviving partner your Contributory Scheme Life Pension will end.

Benefits on resignation or dismissal

Five or more years Contributory Scheme membership

A member under his or her preservation age who resigns or is dismissed from the workforce after five or more years Contributory Scheme membership is entitled to a lump sum calculated as follows:

Lump sum⁷	= FAS(3) x ABMF = FAS(3) x contributory service x benefit multiple factor
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Example

Michelle, 48, resigns after 25 years' service. She has:

- ▶ contributed for 25 years at 5%; and
- ▶ a FAS(3) of \$80,000.

Michelle's lump sum is \$400,000, calculated as follows:

Lump sum	$\$80,000 \times 25 \times .20 = \$400,000$
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An amount of \$338,000 representing the employer share of Michelle's benefit will be transferred to Michelle's Compulsory Preservation Account (CPA). This is because the employer share is unfunded and cannot be rolled over or transferred. Benefits accruing in the CPA earn interest at the greater of movements in the Consumer Price Index or Average Weekly Ordinary Time Earnings.

Michelle's CPA will be funded by her former employer on the earliest of the following dates:

- ▶ the date Michelle attains her preservation age (60 in this example);
- ▶ the date the Commission determines that Michelle satisfies the eligibility criteria for payment of preserved benefits for permanent incapacity or terminal illness benefits;
- ▶ the date Michelle dies.

The transferable amount of Michelle's benefit is \$62,000 (\$400,000 less \$338,000). This benefit can be rolled over to a complying super fund nominated by Michelle. If Michelle does not nominate a fund, her benefit will then be transferred to the default eligible rollover fund, AUSfund.

Fewer than five years Contributory Scheme membership

The benefit payable to a member with fewer than five years Contributory Scheme membership cannot be less than that provided under Superannuation Guarantee arrangements.

In practice, the benefit payable is determined by the formula that provides the greater benefit based on the two formulae detailed below:

Formula 1	
Lump sum⁷	Balance of contributor's account + SG Notional Account balance (NCSB)⁸
OR	
Formula 2	
Lump sum⁷	([FAS(3) x contributory service x 15%] x N⁹) + balance of contributor's account 1,825

⁷ See pages 8 and 9 for definitions of FAS(3) and benefit multiple factor in the lump sum benefit formula.

⁸ NCSB is the employer share and interest rate that would have been payable as defined in Regulation 38(4).

⁹ N = contributor's service in days.

Benefits on redundancy

Before preservation age

A member under preservation age retiring because of redundancy is entitled to a lump sum calculated as follows:

Lump sum¹⁰	= FAS(3) x ABMF = FAS(3) x contributory service x benefit multiple factor
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A member who elects to take a redundancy before preservation age may choose to rollover the prescribed component of their benefit to another complying superannuation fund or preserve their entire benefit within RBF until they reach their preservation age.

If the member decides to rollover the prescribed component of their benefit to another complying superannuation fund, the amount they are entitled to rollover is the lesser of the following amounts:

- their total lump sum; or
- 3.5 times their basic member account (basic contributions plus interest) plus any excess contributions and interest.

Where the total lump sum in (a) above is the greater than the prescribed component in (b) above, the amount of the excess is transferred and preserved in a Contributory Scheme Compulsory Preservation Account (CPA) in the name of the member.

Pre 1 July 1994 members who implement this option **will lose their right** to purchase a life pension calculated using the pension conversion factor of 12.

Example

Nick is a pre 1 July 1994 member who has accepted a redundancy offer at age 50. He has:

- 30 years contributory service;
- always contributed at 5%, so has a benefit multiple factor of 20%;
- an Accrued Benefit Multiple factor of 6 (30 x 20%);
- a basic account balance of \$120,000; and
- a FAS(3) of \$80,000.

Nick has a lump sum redundancy benefit of \$480,000, calculated as follows:

Lump sum	$\$80,000 \times 30 \times .20 = \$480,000$
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Option 1 – Roll over prescribed amount

Nick has a basic member account balance of \$120,000. If he decided to roll over the prescribed component, he would be entitled to rollover a lump sum of \$420,000. This is calculated as follows:

Prescribed amount	$\$120,000 \times 3.5 = \$420,000$
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The difference between Nick's total lump sum and the prescribed component is \$60,000 (\$480,000 - \$420,000) and this is transferred to Nick's Contributory Scheme CPA. The amount transferred to Nick's CPA is the residual unfunded employer share of the redundancy benefit. This must be preserved in the CPA until Nick reaches his preservation age and retires from the workforce.

If Nick implements option 1, he **will lose access** to the pension conversion factor of 12.

Option 2 – Preserve entire benefit in Fund and retain access to the pension conversion factor of 12

As Nick is a pre 1 July 1994 member, Nick may choose to preserve his redundancy benefit in the Fund for the purpose of preserving his right to purchase a RBF Life Pension using the pension conversion factor of 12 rather than the actuarial pension conversion factors on or after he has attained his preservation age.

If Nick chooses to preserve his redundancy benefit in the Fund to retain access to the pension conversion factor of 12, an amount of \$64,800 would be transferred to his Investment 12 account and the unfunded employer share of \$415,200 would be transferred to his CPA 12 account.

Nick's former employer will fund the balance of his CPA 12 account when he attains his preservation age. Once funded, the balance is then transferred to his Investment 12 account where it will be subject to contributions tax.

To retain access to the pension conversion factor of 12, Nick must not cash (make a claim for early release) or rollover his Investment 12 and CPA 12 accounts until he:

- has attained his preservation age; or
- retires from the workforce after attaining his preservation age but before age 70; or
- satisfies the eligibility criteria for the release of benefits on the grounds of permanent incapacity or terminal illness; or
- dies.

In any of these circumstances Nick or his surviving partner will have a once-off right to convert all or part of his benefit to a RBF Life Pension, calculated using the pension conversion factor of 12.

Member over preservation age but under age 60

A member under age 60 retiring because of redundancy is entitled to a lump sum calculated as a retirement benefit in the 'Calculation of gross lump sum benefit' section described on page 10.

¹⁰ See pages 8 and 9 for definitions of FAS(3) and benefit multiple factor in the lump sum benefit formula.

Member over age 60 but under age 65

A member over age 60 but under age 65 who accepts a redundancy is entitled to a lump sum calculated with an additional prospective service component which recognises that the member is aged at least 60 at the time of redundancy. The formula is:

Lump sum¹¹	FAS(3) x contributory service x benefit multiple factor PLUS FAS(3) x prospective service to 65 years x 20%
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Example

Allan retired compulsorily at 60. He has:

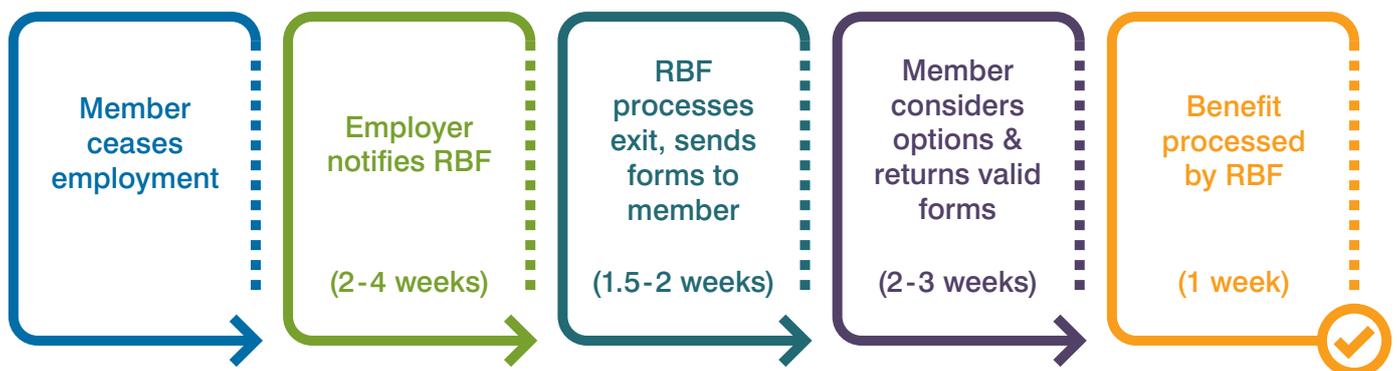
- ▶ contributed at 5%, so has a benefit multiple factor of 20%;
- ▶ a FAS(3) of \$90,000;
- ▶ 25 years contributory service; and
- ▶ five years prospective service to 65.

Allan has a lump sum of \$540,000, calculated as follows:

Lump sum	$\$90,000 \times 25 \times .20 = \$450,000$ PLUS $\$90,000 \times 5 \times .20 = \$90,000$
Total	= \$540,000

When benefits are paid

The timely payment of member's benefits is important and RBF aims to pay benefits as soon as possible. Please be aware that retirement benefits take on average 10 weeks to be paid (see below). For more detail on this process please refer to the Factsheet 'Contributory Scheme Retirement over preservation age' located on www.rbf.com.au.



Benefits are generally paid within 10 business days of the Commission receiving completed and valid payment instructions.

Late Payment Interest

If there has been an unreasonable delay in paying a member's benefit, the Commission can consider paying Late Payment Interest (LPI) on the benefit payment. Any LPI payments are considered on a case by case basis, based on a fair consideration of all circumstances surrounding the delay and must be approved by the Commission. LPI is calculated using the prevailing Reserve Bank of Australia cash rate current at the time the payment is made.

LPI will not be paid for any delays in RBF being informed of a member's retirement by their employer, the receipt of incorrectly completed forms or other factors beyond the Commission or Administrator's control.

¹¹ See pages 8 and 9 for definitions of FAS(3) and benefit multiple factor in the lump sum benefit formula.

Contributory Scheme Life Pension conversion factors

(a) Pension conversion factor of 12

Members who were contributors as at 30 June 1994 and have maintained continuous membership of the Contributory Scheme since that date, retain the right to have their lump sum benefit converted to a Contributory Scheme Life Pension using a pension conversion factor of 12.

Contributory Scheme lump sum benefits that may be converted in whole or part to a Contributory Scheme life pension using the pension conversion factor of 12 include:

- (a) all retirement and redundancy benefits where the pre 1 July 1994 member has ceased public sector employment and **active** membership of the scheme on or after attaining their preservation age;
- (b) all death benefits of pre 1 July 1994 members where a death benefit is payable to the deceased's surviving partner;
- (c) invalidity benefits, where the pre 1 July 1994 member decides to convert all or part of their benefit to a life pension; and
- (d) redundancy benefits, where the pre 1 July 1994 member who has not yet attained their preservation age decides to preserve their entire redundancy benefit (100%) in the fund (see (b) below for details).

Members entitled to benefits in circumstances (a), (b) and (c) above have an immediate right to convert all or part of their benefit to a Contributory Scheme Life Pension calculated in accordance with the pension conversion factor of 12. Members must decide at the time of completing their payment instructions if they wish to convert all or part of their benefit to a Contributory Scheme Life Pension calculated using the pension conversion factor of 12.

Access to a pension conversion factor of 12 will be automatically lost if an eligible member fails to convert all or part of the current (Contributory Scheme retirement or redundancy, permanent incapacity or death benefit) benefit to a Contributory Scheme Life Pension using the pension conversion factor of 12.

Any part of the member's Contributory Scheme benefit that is not immediately converted to a Contributory Scheme Life Pension because it is rolled over to another complying super fund or taken as a cash lump sum loses access to the pension conversion factor of 12.

If at a later date, the member then wishes to rollover benefits to the Contributory Scheme to purchase a fully funded life pension, that life pension will be calculated using actuarial pension conversion factors rather than a factor of 12.

Redundancy less than preservation age (preserve pension conversion factor of 12)

A pre 1 July 1994 member who is made redundant prior to reaching their preservation age can elect to preserve 100% of the redundancy benefit in the Fund and preserve their

right to convert all or part of the balance of their Investment 12 account to a life pension calculated by using the pension conversion factor of 12.

When a member implements this option, the funded component of the redundancy benefit is transferred to the member's Investment 12 account and the unfunded employer share is transferred to the member's CPA 12 account.

When the member reaches their preservation age, the balance of the member's CPA 12 account is funded and transferred to the member's Investment 12 account, where the taxable component will be subject to a deduction for contributions tax.

The member may choose to:

- ▶ immediately convert all or part of the Investment 12 account to a fully funded RBF Life Pension calculated by using the pension conversion factor of 12;
- ▶ do nothing and continue to invest 100% of their benefit in their Investment 12 Account. Members are able to remain invested until they reach age 70.

Important

The right to use the pension conversion factor of 12 can only be exercised once and it must be exercised first before any other benefit disbursements.

Members will lose access to the pension conversion factor of 12 if any cash lump sum payment or rollover benefits are paid from their Investment 12 Account and CPA 12 Accounts before they have first purchased an RBF Life Pension calculated by using the pension conversion factor of 12.

Example - retain pension conversion factor of 12

The balance of the member's CPA 12 account is funded and transferred to the member's Investment 12 account on the member's 60th birthday giving a total Investment 12 account balance of \$600,000. The member has not retired from the workforce and they elect to continue to invest 100% of their benefit in their Investment 12 Account.

- ▶ The member retires at the age of 65 at which time the Investment 12 account is \$960,000.
- ▶ The member elects to convert 75% of their Investment 12 account (\$720,000) to a life pension calculated by using the pension conversion factor of 12, this results in a life pension of \$60,000 per annum.
- ▶ The residual 25% amount of \$240,000 must be rolled over to another complying fund or paid as a cash lump sum. No part of the residual 25% lump sum can be used at a later date to purchase a life pension using the pension conversion factor of 12.
- ▶ The member would have lost their right to purchase a pension using the pension conversion factor of 12 if they had to rollover \$240,000 to a complying fund before electing to purchase the life pension.

A pre 1 July 1994 member who

- ▶ ceases public sector employment on the grounds of retirement or redundancy on or after attaining their preservation age, or
- ▶ ceases public sector employment after RBF has determined that they are eligible for a benefit due to the existence of a permanent incapacity, partial and permanent incapacity or terminal illness; or
- ▶ is the surviving partner of a pre 1 July 1994 member;

must decide at the time of completing their payment instructions if they wish to convert all or part of their benefit to a Contributory Scheme Life Pension calculated using the pension conversion factor of 12.

Access to a pension conversion factor of 12 will be automatically lost if an eligible member fails to convert all or part of the current (Contributory Scheme retirement or redundancy, permanent incapacity or death benefit) benefit to a Contributory Scheme Life Pension using the pension conversion factor of 12.

Any part of the member's Contributory Scheme benefit that is not immediately converted to a Contributory Scheme Life Pension because it is rolled over to another complying super fund or taken as a cash lump sum loses access to the pension conversion factor of 12.

If at a later date, the member wishes to rollover benefits to the Contributory Scheme to purchase a fully funded life pension, that life pension will be calculated using actuarial pension conversion factors rather than a factor of 12.

(b) Actuarial pension conversion factors

Actuarial pension conversion factors are used to calculate the Contributory Scheme Life Pensions of post 30 June 1994 members who retire from their public sector employer.

Eligible members may rollover lump sum benefits from other superannuation funds to RBF and purchase a fully funded and taxed RBF Life Pension which is calculated using actuarial pension conversion factors.

A person is an eligible member if they fall into one or more of the following categories:

- 1) a person who was
 - i) a member of the former Non-Contributory Scheme or Contributory Scheme as at 14 May 1999; **or**
 - ii) as at 14 May 1999, they were entitled to a benefit under part 6 or 7 of the Retirement Benefits Regulations 1994; **or**
 - iii) (a) had an investment account that was established or maintained under the Retirement Benefits Regulations 2005 that was transferred to the Tasmanian Accumulation Scheme in accordance with Schedule 4B of the 1993 Act; **and**

- (b) a member of the Tasmanian Accumulation Scheme immediately before 31 March 2017 (other than an Investment 12 Account holder); **and**

- (c) at all times since becoming a member of the TAS, until immediately before the transfer date, retained an interest in the TAS; **and**

- (d) has attained preservation age or retired on the grounds of TPI; **and**

- (e) transfers to the contributory scheme the amount to be converted from a lump sum; **and**

- iv) was a member of the RBF Tasmanian Accumulation Scheme immediately before 31 March 2017 (other than Investment 12 Account members as per the Public Sector Superannuation Reform Act 2016); **and**

- v) since becoming a member of the RBF Tasmanian Accumulation Scheme they retained a financial interest in the Scheme up until 31 March 2017; **and**

- vi) has attained preservation age or retired on the grounds of total and permanent incapacity as determined by the Commission; **or**

- 2) a person who

- i) was a Fund Member (as defined in regulation 3 of the Public Sector Superannuation Reform Regulations 2017) immediately before 31 March 2017; **and**

- ii) has attained preservation age or has retired on the grounds of total and permanent incapacity as determined by the Commission; **or**

- 3) a person who is the spouse or former spouse of a Contributory Scheme member and the Contributory Scheme member established a Spouse RBF Investment Account in the spouse's name in accordance with Contributory Scheme governing rules immediately before 22 October 2010.

A surviving partner of a member or eligible member referred to above, is also eligible to purchase a RBF Life Pension.

Actuarial pension conversion factors are determined on the advice of the Commission's Actuary. The pension conversion factor that applies to a member is determined by the member's age, gender and whether or not a reversionary or non-reversionary life pension is selected.

For information on the differences between a reversionary and non-reversionary life pension please see the "Dying as a pensioner" section on page 12. The following actuarial pension conversion factors are current as at 8 January 2020.

Important: The actuarial pension conversion factors are subject to change without notice, you should confirm the current factors with us by calling the RBF Enquiry Line on **1800 622 631** prior to making any decisions.

Pensions with reversion to surviving partner			Pensions with NO reversion to surviving partner		
Age	Male	Female	Age	Male	Female
55	23.1500	22.8100	55	21.5600	22.2300
56	22.8000	22.4500	56	21.1700	21.8500
57	22.4400	22.0800	57	20.7700	21.4700
58	22.0600	21.7000	58	20.3600	21.0800
59	21.6800	21.3000	59	19.9400	20.6800
60	21.2800	20.9000	60	19.5000	20.2600
61	20.8800	20.4800	61	19.0500	19.8300
62	20.4600	20.0500	62	18.5800	19.3900
63	20.0300	19.6100	63	18.1000	18.9400
64	19.5800	19.1600	64	17.6100	18.4700
65	19.1300	18.6900	65	17.1000	18.0000
66	18.6600	18.2100	66	16.5900	17.5100
67	18.1800	17.7200	67	16.0700	17.0200
68	17.7000	17.2300	68	15.5500	16.5100
69	17.2000	16.7200	69	15.0100	16.0000
70	16.6900	16.2000	70	14.4700	15.4700

Pension conversion factors for members aged over 70 are available on request.

Calculating your Contributory Scheme Life Pension

Contributory Scheme members who joined after 30 June 1994 may convert all or part of a lump sum benefit to an indexed Contributory Scheme Life Pension using the actuarial pension conversion factors (please refer to the table above for the current conversion factors). The pension formula is as follows:

Annual Pension	= Lump sum x percentage to become a pension ÷ conversion factor
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Example:

Amanda retired on her 60th birthday and her Contributory Scheme lump sum benefit is \$475,000.

If Amanda decided to convert all of her total lump sum benefit to a reversionary Contributory Scheme Life Pension, her annual pension would be \$22,727, calculated as follows:

Annual Pension	= \$475,000 x 100% ÷ 20.90
	= \$22,727

Amanda is purchasing a reversionary pension. This means that when she dies, her surviving partner will be entitled to a surviving partner pension at the rate of two-thirds of her pension as at the date of her death. This pension is payable for the remaining life of the surviving partner. The surviving partner will also be provided with a once-off opportunity to commute all or part of their surviving partner pension to a lump sum benefit.

Half-yearly pension adjustment

RBF will increase your pension twice a year (first full pay in January and first full pay in July) in line with movement in the Consumer Price Index (CPI). If the CPI is negative your pension will remain at the same level until the next positive return.

How and when pensions are paid

Pensions are paid directly into pensioner's nominated bank accounts fortnightly and are calculated by dividing the annual amount by 26.

Retirement (full benefits) for Total and Permanent Incapacity (Post 1 July 1994 member)

A full benefits contributor who either retires as a result of Total and Permanent Incapacity or dies, has a benefit calculated as follows:

Lump sum¹²	FAS(3)
	x contributory service
	x benefit multiple factor
	PLUS
	FAS(3)
	x prospective service
	x 20%

In this case, prospective service is the period in years from the date of retirement or death to the lesser of:

- ▶ age 60; or
- ▶ 25 years.

Example

Using the example of Joan on page 11, her gross lump sum benefit is \$630,000, and Joan may elect to:

- (a) convert all of her benefit to a Contributory Scheme Life Pension; or
- (b) convert \$580,000 to a Contributory Scheme Life Pension and take \$50,000 as a lump sum payment. Joan's lump sum benefit is greater than \$50,000 and as a consequence she must convert the excess amount of her benefit \$580,000 (\$630,000 - \$50,000) to a Contributory Scheme Life Pension; or

¹² See pages 8 and 9 for definitions of FAS(3) and benefit multiple factor in the lump sum benefit formula.

(c) Joan may apply to the Commission for an additional lump sum up to a maximum of \$30,000. Assuming that Joan's application for the release of the additional lump sum was accepted and she takes \$80,000 of her Contributory Scheme benefit as a cash lump sum, the residual benefit of \$550,000 must be converted to a Contributory Scheme Life Pension using the actuarial pension conversion factors. Joan elects to purchase a reversionary life pension using the actuarial pension conversion factor of 28.24 giving an annual Contributory Scheme Life Pension of \$19,475 calculated as follows:

Annual Pension	= \$550,000 x 100% ÷ 28.24
	= \$19,475

Retirement (full benefits) for Total and Permanent or Partial and Permanent Incapacity (Pre 1 July 1994 member)

A pre 1 July 1994 contributor for full benefits who retires because of Total and Permanent Incapacity or Partial and Permanent Incapacity receives a pension calculated using this formula:

Pension¹³	<u>FAS(1) x benefit multiple factor</u>
	<u>x contributory service</u>
	12
	PLUS
	<u>FAS(1) x benefit multiple factor</u>
	<u>x prospective service</u>
	12

Prospective service will depend on the age of the member as at the date of retirement and the date the member first joined the Contributory Scheme.

For members who joined the Contributory Scheme after 1 April 1987, prospective service no longer applies from age 55. In most other cases it continues up to age 60. In the case of Total and Permanent Incapacity, prospective service is calculated to:

- ▶ age 60, for police officers contributing immediately before 1 April 1987 and who continued at all times to be such a contributor; or
- ▶ age 60, for females who were contributory members prior to 1 July 1982 and who continued at all times to be such a contributor; or
- ▶ age 65, for existing contributors contributing immediately before 1 April 1987 and who continued at all times to be such a contributor; or
- ▶ age 55, in the case of any other existing contributor.

Example – Partial and Permanent Incapacity (Pre 1 July 1994 member)

After 30 years' service, Murray at age 50 retired in 2017 on the grounds of Partial and Permanent Incapacity. At the time

of retirement Murray's FAS(1) was \$85,000. Because he joined before 1 April 1987, his prospective service continues to age 60, giving a total of 10 years prospective service. His contributions have always been at the basic rate, so his benefit multiple factor is 20%.

Murray's annual pension is \$56,666.67 calculated as follows:

Pension	<u>\$85,000 x 30 x .20</u>
	12
	PLUS
	<u>\$85,000 x 10 x .20</u>
	12
Total	= \$56,666.67

Example – Total and Permanent Incapacity (Pre 1 July 1994 member)

If Murray had retired on the grounds of Total and Permanent Incapacity his prospective service would have continued to age 65, giving him total prospective service¹⁴ of 15 years. Based on Total and Permanent Incapacity Murray's annual pension would be \$63,750 calculated as follows:

Pension	<u>\$85,000 x 30 x .20</u>
	12
	PLUS
	<u>\$85,000 x 15 x .20</u>
	12
Total	= \$63,750

Interim Invalidity pensions

Interim Invalidity means that RBF considers that the member is currently unfit to work in any position for which they are qualified by education, training or experience; but it is likely that the member will recover sufficiently to be able to return to work for which they are qualified by education, training or experience.

A member who has been on sick leave without pay for a continuous period of 30 days may be entitled to a pension up to 75% of the salary he or she would have received during the previous 12 months, had he or she continued to be employed. This pension is payable for a maximum of two years, or any shorter period the Commission may determine.

Pension payments stop when the period set for the interim pension expires. The member then either returns to work or is granted a Total and Permanent, a Partial and Permanent Incapacity benefit, or the member is taken to have ceased membership of the scheme and is entitled to a resignation benefit.

If a member subsequently recommences duty in their previous position or any other position within any Agency, their Contributory Scheme membership will be reinstated (rules apply).

¹³ See pages 8 and 9 for definitions of FAS(1) and benefit multiple factor in the pension calculation formula.

¹⁴ For the purpose of this example, the prospective service calculation assumes Murray is not a police officer. See page 11 for information on prospective service.

Anti-detriment rights of pre 1 July 1994 members

This section only applies to pre 1 July 1994 members who were contributing to the Contributory Scheme as at 30 June 1994 and have continued as members of the Contributory Scheme since that date.

The rights and benefits enjoyed by members of the Fund prior to 1 July 1994 are protected. Under the benefit protection rules, a pre 1 July 1994 member can elect to have their Contributory Scheme benefit calculated in accordance with current scheme governing rules or former scheme governing rules in accordance with the repealed Retirement Benefits Act 1982 (repealed Act).

Members do not need to make a choice until they cease employment at which time they will be provided with the full range of benefit options. In practice, the benefit comparison is made when members retire or accept a redundancy from their public sector employer on or after attaining preservation age. In these circumstances, the member may choose to have their benefits calculated in accordance with:

1. **Current scheme governing rules**, in which case the pre 1 July 1994 member can choose to convert all or part of their benefit to:
 - (a) a Contributory Scheme Life Pension which is calculated by reference to the **pension conversion factor of 12**.
 - (i.) The gross life pension is calculated as the member's final average salary FAS(3) times the member's accrued benefit multiple times the member's pension conversion percentage (percentage of retirement to be converted to pension), **divided by 12**.
 - Or**
 - (b) a Contributory Scheme Life Pension calculated in accordance with **Schedule 1**.
 - (i.) The Schedule 1 life pension is calculated by reference to the member's final average salary FAS(1) rather than FAS(3).
 - (ii.) An early retirement penalty may apply if the member is less than 60 and their ABMF is less than 8.
 - (iii.) The gross Schedule 1 life pension is calculated as the member's final average salary FAS(1) times the member's accrued benefit multiple times the member's early retirement penalty (if applicable) times the percentage of retirement

benefit to be converted to pension, **divided by 12**.

- (iv.) A member who elects to take a Schedule 1 Life pension may also qualify for the payment of their former SAF benefit (refer to Superannuation Accumulation Fund section below for more details).
2. **Former scheme rules** in which case the benefits are calculated in accordance with the repealed Act.
 - (i.) The primary repealed Act benefit is a life pension which may be commuted in whole or in part to a lump sum payment.
 - (ii.) The **maximum** Contributory Scheme Life Pension under the repealed Act is restricted to two thirds of the member's final average salary (no maximum applies to the pensions in 1(a) and 1(b) above).
 - (iii.) An early retirement penalty may apply if a member is less than 60 and their accrued benefit multiple is less than two thirds of their final average salary.
 - (iv.) A separate regulation 102 benefit multiple is maintained and calculated for the purposes of calculating benefits under the repealed Act. The accrual rates that apply to the regulation 102 benefit multiple are specific to the repealed Act.
 - (v.) Benefits are calculated on the basis of four contribution rates, 2.5%, 5%, 8% and 11%. Contributions in excess of the allowable contribution rates are refunded together with interest.
 - (vi.) **Overtime is excluded** from the calculation of final average salary FAS(1) under the repealed Act. (Overtime is included in the calculation of benefits in 1(a) and 1(b) above.)
 - (vii.) The amount and calculation of any commuted lump sum varies according to whether or not the member wishes to take 50% or less of their life pension as a lump sum.

A pre 1 July contributor who retires on or after reaching preservation age, and has their benefit calculated in accordance with Schedule 1 is eligible for an annual pension according to the following:

Pension¹⁵	FAS(1) x contributory service x benefit multiple factor x % of benefit being converted to pension x early retirement penalty¹⁶ ÷ 12
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¹⁵ See pages 8 and 9 for definitions of FAS(1) and benefit multiple factor in the pension calculation formula.

¹⁶ Under former scheme rules members with a retiring age of 65 who retired between age 55 and before age 60 had an early retirement penalty of 1% for every three months (or part thereof) before the date the member would have attained age 60. The penalty is incurred if the member's life pension is less than two-thirds of the member's average annual salary in the year immediately before retirement. A member who retired on their 55th birthday whose pension benefit is less than two-thirds of average salary would incur an early retirement penalty of 20%.

Superannuation Accumulation Fund (SAF) lump sum

Under the anti-detriment provisions, members may receive a SAF benefit calculated at 30 June 1994 and indexed thereafter. This will happen if the lump sum payable under the present scheme is less than the corresponding benefit that would have been payable under the previous scheme. The total lump sum under the previous scheme includes the indexed SAF benefit accrued to that date. RBF has records of SAF benefits as at 30 June 1994 and adjusts it for the greater of movement in the Consumer Price Index or Average Weekly Ordinary Time Earnings.

Retirement or redundancy on or after attaining preservation age and before 60 (Schedule 1 life pension)

Example

Mike retires on his 58th birthday after 35 years of full-time employment with his employer. He has:

- ▶ contributed at 5%, so his benefit multiple factor is 20%;
- ▶ a FAS(3) of \$80,000;
- ▶ a FAS(1) of \$82,500;
- ▶ 35 years of contributory service; and
- ▶ an early retirement penalty of 8% will apply to his Schedule 1 life pension calculations.

Mike's lump sum retirement benefit is \$560,000, calculated as follows:

Lump sum	FAS(3) x contributory service x benefit multiple factor x % to be taken as a lump sum therefore $= \$80,000 \times 35 \times 0.20$ = \$560,000
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If Mike takes all of his retirement benefit as a life pension calculated in accordance with Regulation 61(3) of the current scheme rules his annual life pension is \$46,667, calculated as follows:

Annual pension Regulation 61	Lump sum x % to be become pension $\div 12$ therefore $= \$560,000 \times 100\% \div 12$ = \$46,667
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If Mike takes a 100% pension calculated in accordance with Schedule 1 his annual pension is \$44,275, calculated as follows:

Annual pension Schedule 1	FAS (1) x contributory service x benefit multiple factor x % to be taken as a pension x early retirement penalty $\div 12$ therefore $= \$82,500 \times 35 \times 20\% \times 100\% \times (1 - 8\%) \div 12$ = \$44,275
----------------------------------	--

In this example Mike's Schedule 1 pension is less due to the 8% early retirement penalty.

Retirement on or after attaining age 60 (Schedule 1 life pension)

Example

Ann retires on her 61st birthday after 40 years of full-time employment with her employer. She has:

- ▶ contributed at 5% for 30 years, so her benefit multiple factor is 20% for this period;
- ▶ contributed at the rate of 15% of salary for 5 years, so her benefit multiple is 31.50% for this period;
- ▶ a FAS(3) of \$80,000; and
- ▶ a FAS(1) of \$84,000.

Ann's lump sum retirement benefit is \$686,000 calculated as follows:

Lump sum	FAS (3) x contributory service x benefit multiple factor x % to be taken as a lump sum therefore $= \{ \$80,000 \times [(35 \times 20\%) + (5 \times 31.50\%)] \} \times 100\%$ = \$686,000
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If Ann takes all of her retirement benefit as a life pension calculated in accordance with Regulation 61(3) of the current regulations her annual life pension is \$57,167, calculated as follows:

Annual pension Regulation 61	Lump sum x % to be become pension $\div 12$ therefore $= \$686,000 \times 100\% \div 12$ = \$57,167
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If Ann takes a 100% pension calculated in accordance with Schedule 1, her annual pension is \$60,025, calculated as follows:

Annual pension Schedule 1	[FAS(1) x contributory service x benefit multiple factor x percentage to be taken as a pension x (1 - early retirement penalty)] ÷ 12 therefore $= \{ \$84,000 \times [(35 \times 20\%) + (5 \times 31.50\%)] \}$ $\times 100\% \times (1 - 0\%) \div 12$ = \$60,025
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If Ann was to take a pension calculated in accordance with the previous scheme rules then her pension will be limited to two thirds of final average salary or an annual pension of \$56,000. Therefore, Schedule 1 of the current scheme provides the best option for Ann.

Redundancy 60 to 65 (under anti-detriment provisions)

A member who accepts a redundancy between the age of 60 and 65 is entitled to an additional benefit whereby their full-time equivalent service is projected from their final date of service to the date they would have attained age 65 as follows:

Lump sum Redundancy 60 to 65	= FAS(3) x contributory service x benefit multiple factor Plus FAS(3) x prospective service to age 65 x 20%
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Example

Allan takes a redundancy at age 60. He has:

- contributed at the rate of 5%, so has a benefit multiple factor of 20%;
- a FAS(3) of \$90,000;
- 30 years of contributory service; and
- 5 years of prospective service.

Allan has a lump sum of \$630,000 calculated as follows:

Lump sum	$(\$90,000 \times 30 \times 20\%) + (\$90,000 \times 5 \times 20\%)$ = \$630,000
-----------------	--

If Allan takes all of his redundancy benefit as a life pension calculated in accordance with regulation 61(3) of the current regulations his annual life pension is \$52,500, calculated as follows:

Annual pension Regulation 61 (3)	Lump sum x percentage to become pension ÷ 12 therefore $= \$630,000 \times 100\% \div 12$ = \$52,500
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If Allan's FAS(1) was \$95,000 and he elects to take all of his redundancy benefit as a life pension calculated in accordance with Schedule 1 his annual life pension is \$55,416 calculated as follows:

Annual pension Schedule 1	$= [(\$95,000 \times 30 \times 20\%) + (\$95,000 \times 5 \times 20\%) \div 12$ = \$55,416
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Power to vary pensions and lump sums

When a member who was a contributor at 30 June 1994 retires, RBF will allow the member on election, to take a benefit calculated under the repealed *Retirement Benefits Act 1982*.

In doing this, RBF will also calculate the benefit payable to the member under the SAF Agreement by taking the balance in the member's SAF account at 30 June 1994 and indexing it by the greater of, movement in the Consumer Price Index or Average Weekly Ordinary Time Earnings.

RBF can pay members who were contributors at 30 June 1994 a pension or lump sum (or combination), calculated under the repealed *Retirement Benefits Act 1982*.

Example

John is 54 when takes a voluntary redundancy. He has:

- 32 years of full-time contributory service;
- always contributed at the rate of 5% and has a benefit multiple factor of 20%;
- a FAS(3) of \$100,000;
- a balance of \$200,000 in his Basic Member account (notional member contributions); and
- a balance of \$20,000 in his SAF account

RBF calculated that John's lump sum benefit under the former scheme rules (3.5 x contributions and interest plus SAF balance) produced a higher lump sum than the benefit under the present scheme. At John's request RBF paid him \$720,000, the higher of the two.

Current scheme rules	$= \text{FAS}(3)^{17} \times \text{contributory service} \times \text{benefit multiple factor}$ $= \$100,000 \times 32 \times 20\%$ = \$640,000
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OR

Former scheme rules (Regulation 102)	$= 3.5 \text{ contributions and interest} + \text{SAF balance}$ $= 3.5 \times \$200,000 + \$20,000$ = \$720,000
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17 See page 8 for definition of FAS(3).

Managing the Contributory Scheme

The Superannuation Commission as trustee

As the Trustee of the Retirement Benefits Fund, the Superannuation Commission manages the Contributory Scheme to provide benefits on retirement and other forms of separation for members, their beneficiaries, or representatives.

In doing so, it is bound by the *Public Sector Superannuation Reform Act 2016*, Public Sector Superannuation Reform Regulations 2017 and any other applicable laws of Tasmania and the Commonwealth.

Superannuation Commissioners

The Commission consists of up to three people appointed by the Treasurer. The Treasurer also appoints a member of the Commission as the chairperson of the Commission. Appointments are for a maximum period of 5 years and members may be reappointed.

The Chair of the Superannuation Commission is Ms Evelyn Horton. This appointment is effective 1 October 2019.

Ms Leigh Mackey and Mr Chris Bevan are Commissioners within the Superannuation Commission, effective 1 April 2017.

Resolving service and salary questions

If there are questions regarding the nature or length of a member's service, or about whether a periodic payment should be regarded as salary, the matter is firstly determined by a delegate of the Commission. A delegate of the Commission will also, if necessary, determine in the first instance the amount of "salary" being received at any time and decide whether any payment to a public sector employee should be regarded as an allowance for superannuation purposes.

Invalidity rulings

If a member has a bodily infirmity or a physical or mental incapacity which warrants retirement on the grounds of invalidity, the member's eligibility for an invalidity benefit will be determined by a delegate of the Commission. If the delegate decides that a member may recover sufficiently to return to work after a period of incapacity, it may grant an Interim Invalidity pension for the time off work. **A member should not resign until he or she has accepted the outcome of any RBF ill health benefit application.**

Reinstatement of member rights

The Commission and its delegate may reinstate rights, privileges or benefits lost by a member, or also those they may otherwise have obtained, if it decides the loss was not due to the member's own fault and it is equitable to do so. The reinstatement of a lost right requires the approval of the Minister.

A right to be heard

If a member is unhappy with the exercise of a discretion made by a delegate of the Commission they have the opportunity to appear before and be heard by the Commission. The Commission will also consider medical reports or other relevant evidence the member or pensioner may wish to submit.

Further information

Member Benefit Statements

Once a year you will receive a Member Benefit Statement which provides benefit estimates and account details for your Contributory Scheme membership. Member Benefit Statements are provided as at the end of the financial year.

Charges against your account for death and incapacity premiums will also be shown.

Other brochures and booklets

Fact sheets on individual topics are available from the RBF website at www.rbf.com.au or alternatively please contact the RBF Enquiry Line on **1800 622 631** to obtain a copy.

Pre-retirement interviews

An appointment for a pre-retirement interview can be arranged by phoning the RBF Enquiry Line on **1800 622 631**.

RBF will also supply pre-retirement information to you in writing but we will not provide this information to a third party without your written consent.

Website access

You can obtain further details on your benefit amount, personal details, any contributions you have made and your beneficiary details by visiting the MemberAccess website at www.rbf.com.au.

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Contacting **RBF**

Contact RBF if you would like additional information or assistance.

RBF Enquiry Line: 1800 622 631 or
+61 2 8571 6868
(international)

Visit: www.rbf.com.au

Write: RBF, Reply Paid 89418,
PARRAMATTA NSW 2124

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