



Improving your super – Purchase and upgrade of service

For Contributory Scheme members who are looking to upgrade past rates of contributions, purchase non-contributory or past service, or remove service penalties.

Introduction

The following information explains the terms and conditions that apply to Contributory Scheme members making an election to improve their Contributory Scheme benefit by upgrading past rates of contributions, purchasing non-contributory or past service or by removing their service penalties.

It is recommended that you read this fact sheet and contact the RBF Enquiry Line on **1800 622 631** if you have any further questions.

Upgrading past contribution rates

Contributory Scheme members are required to contribute to their super as part of the scheme rules. Whilst the current minimum contribution rate for most members is 5% of salary, members can increase this to a maximum of 15%. As part of the Contributory Scheme rules, members are also able to increase their past rates of contributions.

Past contributions can be increased to a maximum of 11% of salary.

There are a number of members who have at some time in the past or are currently contributing at a rate that is less than 5%. For these members to increase their rate of contributions, they must successfully complete a medical examination for RBF purposes at their own cost. RBF does not pay for this medical.

Purchasing non-contributory or past service

Members of the Contributory Scheme are able to purchase previous periods of service within the Tasmanian public sector under certain conditions.

Any of the following types of service may be purchased to increase your current Contributory Scheme benefit:

- ▶ immediately before becoming a contributor, you were a student teacher, cadet, apprentice or a trainee of any other kind employed in an agency; or

- ▶ immediately before becoming a contributor, you were an employee within the meaning of the regulations (permanent full-time or permanent part-time); or
- ▶ periods of leave without pay for which contributions were not made; or
- ▶ previous service as a member of the Contributory Scheme; or
- ▶ service as a married female employee or as a part-time employee whilst exempted from membership of the Contributory Scheme.

Why do I have a service penalty?

A service penalty occurs where a member did not contribute for the maximum units prior to transferring from the Superannuation Fund to the Retirement Benefits Fund (1971, 1975 or 1982). These members were given the opportunity to pay any arrears of contributions at the time of transfer.

Where the member elected not to pay any arrears of contributions that resulted from the transfer, a service penalty was recorded against their membership. Current legislation allows you to purchase the removal of this service penalty.

How do these purchases affect my final benefit?

Your final benefit is calculated using a formula which reflects your length of service, rates of contribution, employment percentage and full-time equivalent salary averaged over the last three years of service.

Increases to any of the components of the formula will increase your final benefit.

Therefore if you increase your service by purchasing non-contributory or past service, your final benefit will also increase. If you increase your contribution rate (past or current) this will also increase your final benefit. By removing a service penalty, your final benefit will also increase.

How do I make an election?

You may make an election by completing the 'Contributory Scheme – Application for a benefit upgrade' form. This form can be found on the RBF website at www.rbf.com.au or by calling the RBF Enquiry Line on **1800 622 631** and requesting a copy.

Only current members of the Contributory Scheme can make an election. RBF will determine if you are eligible to proceed with the election.

To validate an election, RBF may need to obtain previous employment history documents from your employing agency. These can take some time to locate. You are encouraged to seek this information prior to making an election to purchase non-contributory service to ensure there are no delays in processing your election.

You can purchase as little or as much as you can afford. Contact the RBF Enquiry Line on **1800 622 631** for more information. You may make an election at any time provided you are a member of the Contributory Scheme at the time. This may result in a number of elections during the course of your Contributory Scheme membership.

How will the election be processed?

Provided your election is valid, RBF will calculate the cost and provide you with a letter of offer and a Deed of Arrangement.

The commencement date of the Arrangement (the Deed) will be the date the election is received by RBF, and will remain valid for a 12 month period. The Deed will expire 12 months from that date.

If you make an election to do more than one of these improvement strategies, RBF may combine the costs into one Deed of Arrangement.

Where significant delays are experienced in validating your election, there may be period of time between the Deed's commencement date and the date on which you receive your letter of offer.

How is the cost calculated?

To calculate the cost, RBF will use your salary, age and actuarial factors current at the commencement date. These factors are regularly reviewed and can be changed at any time.

Do I have to proceed with the Deed?

You do not have to proceed with the Deed. You have 12 months from the commencement date in which to proceed with part or all of the purchase.

If you intend to proceed with the purchase, the Deed must be signed and returned to RBF within the 12 month period and before you cease employment with the Tasmanian public sector.

You may sign and return the Deed without providing payment. Even after you sign the Deed, you do not have to proceed with making any payments.

If you do not make a payment towards the Deed within 12 months of the commencement date, the Deed will lapse and have no further effect.

If you choose not to proceed with the Deed at this time, you may make a similar election at a later date and re-commence the process.

What payment options do I have?

You may make one payment for the full amount or make partial payments up to the expiry date of the Deed. Monthly interest at the Superannuation Commission's current charging rate will be applied to any payments made after 30 days from the date of the letter of offer.

Payments received by RBF after the expiry date cannot be applied towards the Deed.

Payment instructions must be received whilst you are a public sector employee. The Deed automatically lapses upon redundancy, resignation or retirement from the Tasmanian public sector and RBF is unable to accept any payments or instructions for payment past that date.

Payments may be made by:

- ▶ cheque; or
- ▶ rollover of funds from another super fund.

Payments made by personal cheques should be clearly marked as payments against the Deed. These payments will affect your non-concessional contributions limit.

How will payments be processed?

Following a full or partial payment RBF will advise the amount of service purchased, upgraded or service penalty that has been removed. When a part payment is received, RBF will also confirm the amount still owing.

What impact will the purchase have on my non-concessional contributions limit?

There is a limit on how much you can contribute to your super each year. Before you make a decision to proceed with payment of the Deed, you should understand the impact of the purchase on your non-concessional contributions limit. You are encouraged to discuss contributions limits with RBF before deciding whether to proceed with payment of the Deed.

Any payments received by cheque towards the purchase will be added to other personal contributions made in that financial year and the total will become your non-concessional contributions for the year. If you exceed the annual contributions limit, you may incur a tax liability.

If you pay for the Deed with funds rolled over from another super fund, the payment will not count towards your contributions limit for the year. This is because you will be using funds already in super and will not be contributing 'new' money into your super.

For more information on contribution limits please refer to the RBF website at www.rbf.com.au or call the RBF Enquiry Line on **1800 622 631**.

Other ways of improving your super

Do you qualify for the super co-contributions? Could you increase your savings by using salary sacrifice? How effective is your current savings strategy? There are many ways in which you can improve your super.

If you would like to know more about your super, simply call the RBF Enquiry Line on **1800 622 631** – we're here to answer your queries.

We also understand that sometimes a phone call is not enough. So, if you prefer, we will book a time to sit down with you to answer your questions about super. Our specially trained staff are willing to spend time making sure you understand your super before you make a decision.

Contacting RBF

Contact RBF if you would like additional information or assistance.

RBF Enquiry Line: 1800 622 631 or
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Visit: www.rbf.com.au

Fax: (03) 9245 5827 or
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