



Contributing to the PSS

Who should read this?

Every PSS member should read this fact sheet because it explains one of the most important aspects of your super – your contribution rate.

This fact sheet shows how the rate you choose affects your final benefit and what you need to consider when making your choice.

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What you should know up front

It is important that you read the disclaimer at the end of this fact sheet. Before making any decisions, please read the **PSS product disclosure statement** and consider seeking advice from a licensed professional such as a financial planner, accountant or solicitor.

Why are my contributions important?

You could be looking at a retirement of up to twenty years or more. That's a great length of time to enjoy not working, but it also means you have to ensure your final benefit is enough.

One of the most important choices you have to make is the rate at which you are going to contribute because your contribution rate determines your Benefit Multiple – a factor used to calculate your final benefit when you exit the PSS.

The higher your contribution rate, the greater your employer-financed component, and the greater your Total Benefit Multiple. See **How can I maximise my Benefit Multiple?** on page 3.

Here's an example of how your contribution rate can work for you.

Table 1		
	Peter	Alice
Contribution rate and years of membership which determine the Accrued Benefit Multiple (ABM)	20 years @ 2% 10 years @ 5% = an ABM of 5.10	10 years @ 5% 12 years @ 10% 8 years @ 2% = an ABM of 7.02
Final Average Salary (FAS) averaged across the last three years of work	\$58,000	\$58,000
FAS x ABM = Total Benefit	\$58,000 x 5.10 = \$295,800	\$58,000 x 7.02 = \$407,160
Resulting CPI - indexed pension at age 60	\$26,890 p.a.	\$37,014 p.a.

Note: Peter and Alice started on the same day and earned the same salaries for their working lives

How much can I contribute?

You have the flexibility to choose a contribution rate of between 2% and 10% of your salary (as a whole percentage). Or you can choose not to contribute at all. We understand that your financial needs can vary and the PSS allows you to change your contribution rate at any time.

If you don't choose a specific rate when you start employment, we will set your commencing contributions at a rate of 5% of your salary. Your contributions come from your after-tax salary and are classed as non-concessional contributions for tax purposes.

There is a cap for tax purposes on non-concessional contributions across all your super funds.

The cap on non-concessional contributions is

- > \$150,000 per year; or
- > \$450,000 over three years for members under 65.

Contributions up to the cap are tax-free. Any contributions over this cap will be taxed at the top marginal tax rate. Amounts transferred into the PSS from other super funds do not count towards the cap.

What is my super salary?

Your super salary is your basic salary plus any recognised allowances. Payments for such things as overtime, accommodation or travelling, are not counted as salary for super purposes.

Your contributions are deducted from your after-tax salary.

How much will my employer contribute?

Your PSS benefit is made up of three parts:

- > A member component – your contributions plus fund earnings on this amount. This is a taxed component because it is money paid from your after-tax salary directly into the PSS to be invested.
- > A productivity component – a fortnightly contribution by your employer plus Fund earnings. This is called a 'taxed' component because it includes money paid directly into the PSS to be invested. Any productivity components paid before 1 July 1990 are treated as an 'untaxed' component.
- > An employer financed component – a defined amount financed by your employer. This is the balance required to make up your total benefit after your member and productivity components have been deducted from your final benefit. This is an 'untaxed' component because it is paid from the Consolidated Revenue Fund (CRF), not the PSS. For tax purposes, it is treated as coming from an 'untaxed source'.

As a member of the PSS, your benefit will include a significant employer component*, which is payable when you retire from the workforce.

In many cases the more you contribute, the greater your employer-financed component, and the bigger your superannuation benefit will be. If you elect not to make contributions (0%), your employer will continue to make contributions. These will accrue a benefit multiple at 0.11 per annum.

** For a ten-year period of membership in the PSS – not necessarily a continuous period or the first ten years – the maximum your employer will contribute towards your benefit is based on an average membership contribution of 5% per annum, regardless of whether you are contributing above that amount. See **Are there any rules that I need to know about?** on page 3.*

Can I vary my contribution rate at any time?

Yes. You can vary your percentage rate of contributions at any time to suit your financial circumstances. Just complete the **PSS change my super contribution rate** form on the last page of this fact sheet or from www.pss.gov.au and return it to your personnel section.

What happens if I don't supply my Tax File Number (TFN)?

It is not an offence not to quote your TFN. However giving us your TFN will have the following advantages (which may not otherwise apply):

- > we will be able to accept all types of contributions (subject to scheme rules)
- > the tax on contributions to your superannuation account/s will not increase
- > other than the tax that may ordinarily apply, no additional tax will be deducted when you start drawing down your superannuation benefits; and
- > it will make it much easier to trace different superannuation accounts in your name so that you receive all your superannuation benefits when you retire.

What if I go on leave?

Generally contributions are payable when you go on leave.

However if you are taking maternity or parental leave, you need to contact your personnel section to make arrangements before your leave commences.

For more information about contributions whilst on leave, please see **The facts about leave without pay** fact sheet at www.pss.gov.au

How can I maximise my Benefit Multiple?

The contribution rate you choose is a factor that determines your Benefit Multiple. The Benefit Multiple in conjunction with your Final Average Salary (FAS) is used to calculate your final benefit when you exit the PSS.

Total Benefit Multiple × FAS = Lump sum benefit

Final Average Salary is normally a calculation based on the average of your annual super salaries on your last three birthdays before leaving the PSS.

How can I estimate the benefit I will receive?

You can estimate your retirement benefit by using the i-Estimator on our website at any time - 24 hours a day, seven days a week.

You can recalculate your benefit as your circumstances change. The i-Estimator is a valuable asset if you need to estimate figures for retirement planning.

You can access the i-Estimator in **Member Services Online** or, if you are retiring within 12 months and you want a detailed benefit estimate, complete the **Request for benefit estimate** form (available on the PSS website) and return it to us and we will send you a written estimate.

You'll need an access number to use this service. If you don't have one, or you've misplaced it, call us on **1300 000 377** and we can give you one over the phone.

Are there any rules I need to know about?

There are two factors that may affect the amount of PSS benefit you can accumulate. These are:

- > The 'Ten Year Rule'
- > Your Maximum Benefit Limit.

The Ten Year Rule

Your contributions will be matched by a significant employer-financed component – at least 11%, which is payable when you retire from the workforce.

For a ten-year period (any 260 pay days on which you are due to contribute), not necessarily a continuous period or the first 10 years, the maximum your employer will contribute towards your benefit is based on an average member contribution rate of 5% per annum, regardless of whether you are contributing above that amount.

The Ten Year Rule is one of the two limits on the amount of PSS benefit you can accrue. Irrespective of your actual contribution rates, your employer's maximum share of your PSS benefit is calculated as if you had contributed

at 5% for ten years and at 10% for the balance of your membership. If your contribution rates exceed this average, an adjustment is made to the normal Benefit Multiple calculation.

Table 2: MBLs applying from 1 July 2009

Average salary	Maximum Benefit
Less than \$55,000	\$550,000
\$55,000 and over	10 times average salary

Maximum Benefit Limit

There is an overall limit on the amount of benefits payable under the rules, called a Maximum Benefit Limit (MBL). This limit varies depending on salary and generally only affects long-serving members.

If you reach your MBL you are regarded as a maximum benefits member from that time onwards, irrespective of any future changes. Your personnel section will be advised to stop your contributions if you reach your MBL during your period of membership. Productivity contributions will also stop at that time.

Your final benefit will be the maximum benefit payable based on your Final Average Salary (FAS) at the time you cease employment; that is, your benefit will still increase with salary growth.

Example of MBL calculations

Example 1

Steve retires at age 60. His FAS is \$47,000. Looking at table 2, above, the maximum PSS benefit he could get due to his MBL would be \$550,000.

Example 2

Anne retires at age 65. Her FAS is \$83,000. The maximum PSS benefit she could get would be \$830,000.

We will notify employers of members who are about to, or who have already reached their MBL.

For more information on MBLs, please see **The facts about Maximum Benefit Limits** fact sheet at www.pss.gov.au

Where can I get more information?

EMAIL members@pss.gov.au

PHONE 1300 000 377

FAX 02 6272 9613

MAIL PSS
PO Box 22
Belconnen ACT 2616

WEB www.pss.gov.au



Australian
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Alliance

PSS change my super contribution rate

PLEASE READ CAREFULLY BEFORE COMPLETING THIS FORM

Use this form if you are a PSS contributing member and want to change your contribution rate.

You can change your contribution rate:

- > at any time
- > to any whole percentage rate between 2% and 10%
- > to 0% and not contribute at all.

Remember

- > the maximum benefit you can accrue is limited to what you would have accrued had you contributed at 5% for ten years of your contributory service and 10% for the rest of your contributory service, plus any excess employee component
- > if you become entitled to invalidity retirement benefits, the accrual for any future service component takes your average percentage rate over the last three years into account.

For more information, see **The PSS Super Book** available at www.pss.gov.au or by calling us on 1300 000 377.

Fill in your details and new percentage rate and give it to your personnel section.

DO NOT SEND IT TO US.

PLEASE WRITE IN BLOCK LETTERS

Reference (AGS) number

Title (please tick one) Mr Ms Mrs Miss Other

YOUR NAME

Surname

Given name/s

I elect to contribute % of my salary for super purposes

SIGNATURE

DATE

DAY	MONTH	YEAR
<input type="text"/>	<input type="text"/>	<input type="text"/>

Privacy

We are committed to protecting your privacy. We collect personal information from you only for the purposes of establishing and administering your super, to send you information about new products or services (provided by us or others) and to invite you to participate in our member research.

If you would prefer not to receive information about new products and services, or participate in member research, you can opt out by calling us on 1300 000 377.

If you do not opt out, then you are taken to have consented to our use of your personal information for the purposes of informing you about new products and services or inviting you to participate in our member research until you elect to opt out.

A full copy of our privacy policy is available at www.pss.gov.au or call us on 1300 000 377.