



Additional death and invalidity cover

Who should read this?

All PSS members who are considering taking out additional death and invalidity cover.

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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.

What is additional death and invalidity cover?

All PSS members under 60 years of age are automatically covered in the event of death or permanent invalidity.

Extra cover is available provided that, together with your ongoing accrual, it does not exceed your potential maximum benefit limit. Your employer will pay up to half the costs of the standard premium for the additional insurance.

There are some important things for you to know if you are applying for additional cover:

- > This additional cover is provided and underwritten by a separate life insurance company.
- > The life insurance company has the discretion to accept or refuse your application.
- > The life insurance company is entitled to charge an additional premium (also known as a premium loading) or exclude cover in some situations if the insurer believes there is an increased risk to them in providing cover.
- > This cover is only available if you cannot achieve the maximum coverage that would be available through the scheme. An example of this is if you would have a short prospective career before turning 60.

Additional death and invalidity cover may also be available if you want supplementary protection in the event of retirement on medical grounds or death occurring before age 60.

Who is eligible?

If you are a contributing member of the PSS, you can apply for additional death and invalidity cover, as long as any additional cover doesn't exceed your potential maximum benefit limit* (MBL) – a multiple of your final average salary. In addition, any applications made for additional cover are subject to the standard requirements and conditions of the group insurer.

* The maximum benefit limit (MBL) is a ceiling placed on the benefit you can receive. It is based on the length of your scheme membership, the level of your contributions and your final average salary (FAS).

For more information about MBLs see the **Maximum benefit limit** fact sheet at www.pss.gov.au

Please note that your MBL for death/invalidity cannot exceed 10 times your FAS.

For more information please call us on 1300 000 377.

How much cover can I get?

Follow these steps to determine the amount of any additional cover for which you may be eligible.

1. Determine your average superannuation salary using your salary over your three most recent birthdays. If you have been a member for less than three years, take the average of your salaries over your most recent birthday/s and your starting salary.
2. By following **Table 1** below, determine the maximum amount of additional cover available to you. Your present benefit accrual plus your prospective benefit accrual to age 60 determines the amount of additional cover you can take. Also, at the time you apply for additional cover, your case will be tested to see if you could exceed your potential maximum benefit limit.
3. Your cover may reduce due to the following:
 - > future salary increase
 - > percentage rate change in contributions.

If your retirement on medical grounds occurs after age 60, you would qualify for an age retirement benefit rather than the invalidity retirement benefit.

For more information on invalidity benefits please call us on 1300 000 377 or visit www.pss.gov.au

Table 1 - Maximum amount of additional cover available

Age of member when cover first taken	Maximum amount of additional cover
Less than age 40	2.20 x average salary
Age 40 to age 49	1.65 x average salary
Age 50 to age 59	1.10 x average salary
Age 60 or more	Not available

Note: Not all members qualify for maximum cover.

You will see that the maximum cover for a person aged less than 40 is 2.2 times average salary. However, when you turn 40, you can continue to have 2.2 times cover provided your maximum benefit limit is not exceeded.

How much does it cost?

The cost of additional cover is inexpensive when compared with similar cover taken privately, because this cover is subsidised by your employer and is provided at group rates.

Your employer will contribute half of the premium rate if you are a standard risk (that is, you are considered to be of good health and do not engage in hazardous pursuits). You pay the balance, deducted directly from your pay each fortnight and sent to us.

Note: For any period of unpaid leave the entire premium will have to be paid by you, the employee.

If you are considered to be a non-standard risk, your employer will still pay half the cost of a standard risk premium.

You will have to pay half the standard premium as well as the total of any extra premium determined by the insurer.

Table 2 shows how much you pay each year for each \$1,000 of cover.

As **Table 2** shows, additional cover is generally not available to members aged less than 21. This is because these members will, in most cases, already have maximum cover in the event of invalidity or death.

The following figures and examples apply from 1 September 2009.

Table 2 - Annual cost of additional benefit cover per \$1,000 cover			
Age next birthday	Rate per year \$	Age next birthday	Rate per year \$
22	0.40	42	0.92
23	0.40	43	1.00
24	0.41	44	1.13
25	0.42	45	1.26
26	0.39	46	1.41
27	0.40	47	1.58
28	0.41	48	1.78
29	0.41	49	1.97
30	0.44	50	2.19
31	0.44	51	2.44
32	0.46	52	2.71
33	0.48	53	3.02
34	0.51	54	3.34
35	0.54	55	3.69
36	0.57	56	4.08
37	0.61	57	4.51
38	0.66	58	5.00
39	0.71	59	5.42
40	0.78	60	5.88
41	0.85		

Example of cost of additional cover

Paul, aged 44, with an average salary of \$30,000, chooses to take out additional cover. The cost of his annual premium, assuming he is a standard risk and his actual plus prospective multiple is less than 6.35, would be calculated as follows.

Table 3 - Paul's cost for additional cover	
Average salary	= \$30,000
Maximum multiple	= 1.65 x average salary
Amount of cover	= 1.65 x \$30,000 = \$49,500
Rate for age 45 (next birthday)	= \$1.26 per \$1,000 cover
Annual premium	Amount of cover ÷ \$1,000 (\$49,500 ÷ \$1,000) = 49.5 = \$1.26 x 49.5 = \$62.37
Fortnightly cost	Annual premium ÷ annual fortnights (\$62.37 ÷ 26) = \$2.40
Paul's share	= \$1.20 per fortnight
Employer's share	= \$1.20 per fortnight

Examples of extent of additional insurance benefits

No benefits are payable on resignation or retirement.

Invalidity retirement

Natalie joined the PSS at age 36 and is retired on medical grounds at age 44 after eight years' membership.

Natalie has been contributing at an average rate of 5% of salary over that period. Her final average salary was \$32,000 and she took out the maximum additional cover when she was 42.

Her total invalidity pension per year would be:

Table 4 - Natalie's invalidity pension	
Average salary	= \$32,000
Benefit multiple	= 0.21
Multiple for maximum amount of additional cover	= 1.65
Pension conversion factor at age 60	= 11
Maximum benefit - additional cover	
(Number of years since joining until age 60 x benefit multiple + final average salary) ÷ pension conversion factor	
(24 x 0.21 + 1.65) x \$32,000 ÷ 11	= \$19,462 per year
Minimum benefit - no additional cover	
Number of years since joining until age 60 x benefit multiple + final average salary ÷ pension conversion factor	
(24 x 0.21) + \$32,000 ÷ 11	= \$14,662 per year

For more information on contributions higher than 5% please see the **Invalidity fact sheet**.

Upon death

Using the same example, if Natalie were to die at age 44, leaving an eligible spouse and two children, the following benefit could be paid to her spouse:

Table 5 - Natalie's spouse and children's pension	
Maximum benefit - additional cover	
Total invalidity pension per year x the rate of pension for eligible dependents	
\$19,462 x 89%	= \$17,321 per year
Minimum benefit - no additional cover	
Total invalidity pension per year x the rate of pension for eligible dependents	
\$14,662 x 89%	= \$13,049 per year
or	

Table 5 - continued Lump sum	
Maximum benefit - additional cover	
(Number of years since joining until age 60 x benefit multiple + maximum amount of additional cover) x final average salary (24 x 0.21 + 1.65) x \$32,000	= \$214,080 gross
Minimum benefit - no additional cover	
(Number of years since joining until age 60 x benefit multiple) x final average salary (24 x 0.21) x \$32,000	= \$161,280 gross

Changes to cost of additional cover

The premium for your additional cover will be adjusted each year on your birthday in line with the rates applicable for your age at that time.

Increases to your salary and age will mean that your premium will automatically be increased each year unless you choose to reduce the amount of your cover or you are required to do so because of the maximum benefits limit restrictions.

Benefits payable

- > The additional cover is payable as an indexed pension if you retire due to invalidity.
- > If you die, your spouse can take the benefit as either a lump sum or an indexed pension.
- > If you die without dependants, the benefit is paid to your estate as a lump sum.

Please note: the benefit will not be paid in the event of suicide or failure to disclose.

How do I apply for additional cover?

If you want extra cover or further information, fill out the **Additional death and invalidity cover** form at www.pss.gov.au and send to us for assessment.

See our address at the end of this fact sheet.

Medical evidence

The life insurance company will accept most applicants for additional cover initially on the basis of the personal medical statement completed when you apply for cover.

You might also need to have a medical examination or produce medical reports from your doctor to establish your level of fitness to obtain the cover.

If you need to have a medical examination, the life insurance company will advise you directly.

When does my cover begin?

Your cover under the policy will begin on the payday nominated by us after the insurer accepts your application.

Medical evidence required for the payment of additional invalidity cover?

When you apply for invalidity retirement the life insurance company will require you to undergo a separate medical examination by medical practitioners approved by the insurer to determine your eligibility for payment of the additional cover under the group life insurance policy.

What if I am a limited benefits member?

If you are classified as a limited benefits member, you can still apply for additional cover, but the life insurance company will determine whether to accept your application. The insurance company may also decide that loadings on the normal rate of premiums apply to you.

Can I continue the cover if I leave the PSS?

If you are under the age of 60 years who have additional death and invalidity cover (ADIC) at the time you exit the PSS you may apply for the continuation of cover option within 60 days of ceasing membership.

Please note that neither ARIA, the trustees nor ComSuper have any role in the continuation of cover. Your employer (past or present) will also not be responsible for any part of the premium. The continuation of cover will be a matter between yourself and the insurer.

For information about the options available and the conditions applying to this benefit you will need to contact the insurance company, AIA Australia Limited on 1800 333 613.

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

Warning - This Document Contains General Advice or Information Only

Any advice in this document has been prepared without taking account of your personal objectives, financial situation or needs. Because of this, you should, before acting on any advice in this document, consider the appropriateness of the advice, having regard to your objectives, financial situation and needs.

You may wish to consult a licensed financial planner to do this.

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