

Fact sheet

This fact sheet provides you with specific information about how working part-time affects your contributions and benefits in Division C. This is additional information to your member booklet, therefore you should read your member booklet (available from our website) before reading this fact sheet.

Resignation, retrenchment and age retirement benefits

These benefits are generally based on your super salary over the last 3 years (known as your Final Average Salary, or FAS) times your multiple.

The FAS used to calculate your age retirement benefit is subject to a minimum equal to a prescribed salary, which is \$69,542 for 2014-15. The prescribed salary is indexed each year to the movement in Average Weekly Ordinary Time Earnings (AWOTE).

You should refer to your member booklet for further information on these benefits before you continue reading this fact sheet.

Final Average Salary (FAS)

If you are working part-time (i.e. less than 76 hours per fortnight), the super salary used in calculating your FAS is the full-time equivalent of your part-time super salary. In this case, the super salary used in calculating your FAS will be your part-time super salary converted to a full-time equivalent by multiplying your hourly rate of super salary by 76 hours.

For example, if you work 50 hours per fortnight and your super salary is \$20,000 per year, then your full-time equivalent super salary will be \$30,400 per year calculated as follows:

$$\begin{aligned} &= (\text{Super salary} \times \text{full-time hours per fortnight}) \div \text{your actual hours per fortnight} \\ &= (\$20,000 \times 76) \div 50 \\ &= \$30,400 \text{ per year} \end{aligned}$$

Your FAS will grow over time depending on growth in your hourly rate of pay. FAS growth does not depend on the number of hours you work.

Consequently, a change in your hours itself will have no impact on your current FAS or future growth in your FAS.

Your FAS will not reduce under any circumstances. If your hourly rate of super salary reduces for any reason, it will not result in a reduction in FAS. Although your average annual super salary over the last three years could eventually reduce as a result of this, your FAS will remain at its highest amount ever.

Accordingly, if you reduce your hours (e.g. by transferring to part-time employment) and also your hourly rate of super salary reduces, this will not reduce your FAS. However, the future growth in your FAS will slow as a result of a reduction in your hourly rate of super salary and could eventually stop altogether depending on the future growth in your hourly rate of super salary.

Multiple

Your multiple generally grows over time, unless (for example) you have reached your maximum multiple (generally 7.6).

The growth rate is based on your contribution rate and is adjusted to reflect your standard working hours. For example, if you work 38 hours per fortnight, the growth rate in your multiple will be half the growth rate in your multiple if you were to work full-time (i.e. 76 hours per fortnight). More information about contribution rates and how these influence growth in your multiple is provided in your member booklet or a recent benefit statement.

In general this means is that the level of new accruals in your benefit is in proportion to the number of hours you work.

If you change your hours, your existing multiple is unaffected. The future rate of growth in your multiple will be higher or lower, depending on whether you increased or reduced your hours respectively, and will be in proportion to the change in your hours.

If you reduce your hours, it is possible to increase the rate of growth in your multiple by increasing your contribution rate, but it may not be possible to fully offset the reduced growth resulting from your reduced hours as the maximum rate of contributions you can make is 10% (except in limited circumstances, where a lower maximum applies).

Summary

Growth in your total benefit generally depends on growth in your FAS and growth in your multiple.

Working part-time means that your multiple grows at a rate that reflects your part-time hours (in proportion to full-time rates). Your FAS is measured at full-time equivalent rates of super salary and therefore does not depend on the number of hours you work. However, the rate of growth in your FAS does depend on future changes in your rate of super salary.

If you change your hours, your existing benefit is not affected. However, the future growth in your benefit will be affected depending on:

- whether your change in hours is an increase or a decrease and the extent of that increase or decrease (affecting future growth in your multiple)
- whether your hourly rate of super salary has changed in conjunction with your change in hours and if so, the extent of the change in your hourly rate of super salary (affecting future growth in your FAS)
- whether the growth in your hourly rate of super salary is affected in the future (affecting future growth in your FAS).

Death and Total and Permanent Incapacity (TPI) benefits

Death and TPI benefits are based on your current resignation or age retirement benefit (whichever is applicable), plus a measure of the prospective movement in your resignation/retirement benefit to age 60 by calculating future growth in your multiple assuming you had remained in service to age 60.

You should refer to your member booklet for further information on these benefits before continuing to read this fact sheet.

The FAS used to calculate a death or TPI benefit is subject to a minimum equal to the prescribed salary, which is \$69,542 for 2014-15. The prescribed salary is indexed each year to the movement in Average Weekly Ordinary Time Earnings (AWOTE).

If you have already reached your maximum multiple (generally 7.6), a change in your working hours will generally not impact the amount of any benefit (because there will be no future change in your multiple to age 60).

If, however, your current multiple is less than the maximum, then while you are working part-time or reduced hours, your prospective multiple growth to age 60 will be less, reflecting your reduced hours.

This will usually result in an immediate reduction in your death and TPI benefits. Conversely, increasing your hours will usually result in an immediate increase in your death and TPI benefits.

For example

You are 40 years old and currently working full-time (76 hours per fortnight). You have a FAS of \$30,000 per year and your current (accrued) multiple is 3.

In determining your death and TPI benefits, because your FAS (\$30,000) is less than the prescribed salary (\$69,542), the prescribed salary applies.

While working full-time, your lump sum death benefit would be calculated as:

$$\begin{aligned} &= (\text{Current accrued multiple} + \text{prospective multiple at age 60}) \times \text{prescribed salary} \\ &= (3 + 3.8) \times \$69,542 \\ &= \$472,886 \end{aligned}$$

Note: The prospective multiple at age 60 is for illustrative purposes only, based on a contribution rate of 5% of your super salary and will therefore be different based on each member's circumstances. This example also assumes no surcharge account balance applies, which would be deducted from the amount of any benefit if applicable.

While working full-time, your TPI pension benefit would be \$33,778 per year, which is calculated as the lump sum death benefit divided by 14. The pension amount would be indexed annually to movements in the Consumer Price Index.

If you change to part-time and working 38 hours per fortnight (i.e. half of normal full-time working hours), immediately after the change your lump sum death benefit would reduce because your prospective multiple at age 60 is halved based on your reduced hours.

The calculation of your new death benefit would be as follows:

$$\begin{aligned} &= (\text{Current accrued multiple} + \text{prospective (now halved) multiple at age 60}) \times \text{prescribed salary} \\ &= (3 + 1.9) \times \$69,542 \\ &= \$340,756 \end{aligned}$$

In the same way, your TPI pension benefit immediately reduces to \$24,340 per year (instead of \$33,778), calculated as the new lump sum of \$340,756 divided by 14.

Member contributions

Although FAS calculations are based on the full-time equivalent of your super salary, if you are working part-time, your personal contributions to Division C are based on your percentage contribution rate multiplied by your part-time super salary.

This reflects the fact that your future multiple growth rate is in proportion to the number of hours you work.

The rules for determining how working part-time may impact on your benefits are complex and individual circumstances may differ. For further assistance on the impact of working part-time on your benefits, you should seek advice from an independent professional financial adviser.

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