

## Fact sheet

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

## Resignation, retrenchment and age retirement benefits

These benefits are generally based on your super salary over the last 2 years (your 'Final Average Salary') times your multiple. This is referred to as your 'Method 1 benefit'.

If you are a former member of Division B of the SBV Staff Superannuation Fund (SBV SSF), on resignation and retrenchment, in lieu of your Method 1 benefit, you have the option of taking a lump sum benefit based on 2 times your standard contributions with interest plus any special contributions with interest less your surcharge account balance. This is referred to as your 'Method 2 benefit'.

You should refer to your member booklet for further information on these benefits before reading on.

### Method 1 benefit

#### Final Average Salary (FAS)

If you work part-time, your FAS will be calculated as your average super salary over the previous two years. The super salary used in this calculation is the full-time equivalent of your part-time super salary.

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

$$\begin{aligned} &= (\text{Super Salary} \times \text{Full-Time Hours Per Fortnight}) \div \text{Your Actual Hours Per Fortnight} \\ &= (\$20,000 \times 76) \div 50 \\ &= \$30,400 \text{ pa} \end{aligned}$$

If you change your working hours (eg. transfer from full-time to part-time employment) and your hourly rate of super salary does not change, in calculating your FAS, your super salary will be grossed up to an equivalent full-time super salary. Hence, there will be no impact on your FAS as a result of the change in your hours (except if the change in working hours has affected the potential future growth in your hourly rate of super salary which would impact on your future FAS growth rate).

If you reduce your working hours (eg. transfer from full-time to part-time employment) and your hourly rate of super salary also reduces, this will reduce your future FAS growth rate and may

eventually result in a reduction in your FAS. However, you may protect your FAS from reducing as a result of the reduction in your hourly rate of super salary by electing to make personal contributions to Division E based on your previous hourly rate of super salary.

#### Multiple

Your multiple generally grows over time (unless, for example, you have reached your maximum multiple). The growth rate is based on your contribution rate (see your member booklet) 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 instead work full-time (ie. 76 hours per fortnight).

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 rate of growth in your multiple going forward will be higher or lower, depending on whether you increase or reduce 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 rate of contributions, 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 generally 6%, but can be 8% if you are aged over 40 and you meet certain other conditions (in limited circumstances, a lower maximum applies).

#### Vesting

In respect of your Method 1 resignation benefit, your member booklet states that if you do not complete 15 years of membership by the time of your resignation, the amount of your employer-financed benefit will be reduced by 1/15th for every year that your actual membership is less than 15 years.

As this 'vesting' calculation is based on the number of years of your actual membership and as such membership is not adjusted for variations in working hours, working part-time does not impact on how this 'vesting' calculation works. For example, regardless of your working hours' history, if you have worked for the Group for 10 years (from say 1 August 1990 to 1 August 2000) and then immediately resign, your employer-financed benefit will be reduced by 5/15ths or 33.33%.

### Discounting

Your member booklet dictates that if you resign or are retrenched (before age 55) and you choose to have your employer-financed benefit paid out of Division E, your employer-financed benefit will be reduced by 2% for each year you have remaining until age 55 (with a maximum reduction of 50%). (The Trustee may amend this discount percentage rule from time to time.)

Working part-time does not impact on how this discounting calculation works and hence your discount factor.

### Summary

Growth in your total Method 1 benefit is generally dependent on growth in your FAS and growth in your multiple.

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

If you change your hours, your existing benefit is unaffected. However, the future growth in your benefit will be affected. The manner in which it will be affected depends 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); and
- Whether the growth in your hourly rate of super salary is affected in the future (affecting future growth in your FAS).

### Method 2 benefit

As mentioned earlier, this benefit option is only available to former members of Division B of the SBV SSF on resignation or retrenchment.

The Method 2 benefit is an accumulation benefit that depends on your contributions, employer allocations and the interest rate credited to your account.

If you work part-time, your contributions and employer allocations will be commensurately lower compared to a full-time situation. This simply reflects the fact that your super salary is lower because of your part-time status (the contributions being determined as a percentage of your super salary).

## Death and Total and Permanent Disablement (TPD) benefits

Death and TPD benefits are based on your current retirement benefit plus a measure of the prospective movement in your retirement benefit to age 55 by calculating future growth in your multiple assuming you had remained in service to age 55. You should refer to your member booklet for further information on this before reading on.

While you are in part-time employment, your prospective benefit calculation will be based on the slower future growth in your multiple reflecting your current part-time hours continuing to age 55.

A consequence of this is that reducing your hours will usually result in an immediate reduction in your death and TPD benefits, reflecting a lower prospective benefit due to a reduction in the future part-time hours used in the calculation. Conversely, increasing your hours will usually result in an immediate increase in your death and TPD benefits.

For example, Catherine is 40 years old and currently working full-time (76 hours per fortnight). She has a FAS of \$30,000 pa and a multiple of 3. She is making personal contributions to Division E at a rate of 6% of her super salary. Her surcharge account balance is zero.

Catherine's lump sum death benefit is currently \$180,000, calculated as follows:

$$\begin{aligned} &= (\text{Total Prospective Multiple at age 55} \times \text{FAS}) - \text{Surcharge Account Balance} \\ &= (6 \times \$30,000) - \$0 \\ &= \$180,000 \end{aligned}$$

Her TPD pension benefit, which would be paid for life and indexed to movements in the Consumer Price Index, is currently \$16,363 pa. This is calculated as \$180,000 (the death benefit) divided by 11.

Catherine changes her standard working hours to 38 hours per fortnight. Immediately after the change in hours takes place, Catherine's lump sum death benefit drops to \$135,000 (from \$180,000). This is because her total prospective multiple at age 55 in the above formula has immediately reduced as a result of the calculation of future multiple growth until age 55 being based on the reduced hours. The calculation of the new death benefit is as follows:

$$\begin{aligned} &= (\text{Total Prospective Multiple at age 55} \times \text{FAS}) - \text{Surcharge Account Balance} \\ &= (4.5 \times \$30,000) - \$0 \\ &= \$135,000 \end{aligned}$$

For the same reason, Catherine's TPI pension benefit immediately becomes \$12,272 pa (instead of \$16,363 pa). This is calculated as \$135,000 divided by 11.

## 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 E 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. If you are a former member of Division B of the SBV SSF, in respect of your Method 2 resignation and retrenchment benefits, this is also consistent with the way accumulation benefits typically 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.

### Commonwealth Bank Group Super

#### Internet

Visit us at [oursuperfund.com.au](http://oursuperfund.com.au)

#### Intranet

HR Intranet > Employee Benefits > Commonwealth Bank Group Super (under 'Useful links') (employees only)

#### Email

[oursuperfund@cba.com.au](mailto:oursuperfund@cba.com.au)

#### Phone

Call us on 1800 023 928 between 8.30am and 5.00pm (Sydney time) Monday to Friday

#### Fax

(02) 9303 7700

#### Mail

GPO Box 4758  
Sydney NSW 2001

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