

Fact sheet

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

What happens to my personal contributions?

As a Division B member, you must generally contribute 5% of your super salary. These are your 'basic contributions'. You can also make additional voluntary contributions ('supplementary contributions') but your maximum total contribution rate cannot exceed 10% of your super salary.

If you change to part-time employment, you will continue to make personal contributions but they will be calculated based on your part-time super salary.

Your personal contributions will therefore be lower than if you were working full-time, but will continue to be deducted from your pay each fortnight.

You can, however, choose to increase your supplementary contribution rate (to a maximum total rate of 10%). Depending on your circumstances, this may or may not be sufficient to achieve a similar amount of personal contributions.

For example, if you transfer from full-time to part-time employment:

	Currently (under full-time employment)	New (under part-time employment)
Super salary	\$50,000 pa	\$25,000 pa
5% basic contributions	\$2,500 pa	\$1,250 pa
3% supplementary contributions	\$1,500 pa	\$750 pa
Total contributions (=8%)	\$4,000 pa	\$2,000 pa

If you want to keep your total contributions at a similar level, you can increase your supplementary contributions to 5% (\$1,250 p.a.), which would bring your total contributions of \$2,500 p.a. You cannot increase your supplementary contribution rate to more than 5%, as your total contribution rate cannot exceed 10%.

What happens to my benefits?

Your Division B benefit upon ceasing employment with the Commonwealth Bank Group or exercising super choice is made up of an indexed pension and a non-indexed pension (which can be converted to a lump sum equal to your accumulated contributions).

Note: If you cease employment or exercise super choice before age 55, you must leave your benefits in Division B until age 55 to be entitled to these pension benefits.

Resignation and retirement benefits

Indexed Pension

Your indexed pension is based on your super salary, an age factor and a service factor.

Your benefit salary is determined by effectively comparing all hourly rates of super salary paid to you during your employment, selecting the highest hourly rate of salary ever paid and expressing it as an annual salary.

In addition, if you have ever changed the number of hours worked during your career, your benefit salary will be subject to an adjustment which reflects changes to your working hours.

This adjustment ensures that the rate of your pension accrual is proportionate to the number of hours you have worked. That is, the higher your standard working hours, the higher the rate of pension accrual applicable and the lower your standard working hours, the lower the rate of pension accrual applicable.

The rate of pension accrual in Division B reduces by 50% after 20 years of service and reduces again by another 75% after 30 years of service. This is reflected in the rate of increase in your service factor over time – for the first 20 years of service, your service factor increases by 0.02 pa; for the next 10 years, it increases by 0.01 pa; after that, it increases by 0.0025 pa until accruals cease after 50 years of service.

If your period of service exceeds 20 years and you have increased your working hours in the past, there is a special calculation performed which may result in an adjustment being applied to the benefit salary.

This adjustment relates to the progressive reduction in the pension accrual rate after 20 years (explained above). The special calculation involves ranking the number of hours worked per fortnight in different periods of your career from the highest number to the lowest number and reallocating them over your period of service, so that the higher numbers of hours are credited to the earlier years with the higher pension accrual factors. That is, your history of working hours is notionally rearranged, as if the highest number of fortnightly hours had been worked first (when the rate of pension accrual is highest) and the lowest number of fortnightly hours had been worked last. This has the effect of

ensuring that you are credited with the maximum possible pension accruals in total, taking into account the service factor scale and your working hours history.

Changing your working hours does not have any immediate impact on your total pension accrual up to the time of the change. However, it will impact on the rate at which you accrue new pension benefits going forward. If you increase your working hours, the rate of new pension benefit accruals going forward will increase. Conversely, if you reduce your working hours, the rate of new pension benefit accruals going forward will reduce.

For example, you are currently a full-time employee earning \$35,000 pa and you have worked with the Group for 25 years and have had periods of part-time employment in that time. Your working hours history with the Group is as follows:

Hours start date	Hours per fortnight (F/T = 76)	Years on these hours	Years employed at start date
1/7/1986	76	7	0
1/7/1993	45	6	8
1/7/1999	56	4	14
1/7/2003	26	5	18
1/7/2008	76	4*	23

* Assumes 'today' is 1 July 2012.

For the purposes of determining your benefit salary (which is used to calculate your indexed pension entitlement), Your working hours history is notionally re-arranged from highest to lowest over time as follows:

Notional hours start date	Hours per fortnight (F/T = 76)	Years on these hours	Years notionally employed at start date	Service factor full-time accrual rate
1/7/1986	76	11	0	0.02 pa
1/7/1996	56	4	10	0.02 pa
1/7/2000	45	6	14	0.02 pa
1/7/2006	26	5	20	0.01 pa

Your service factor is equal to 0.47 ie 21 years at 0.02 pa plus 5 years at 0.01 pa.

Your 'adjusted service factor', determined on a pro rata basis according to the re-arranged hours history table, is 0.3666. This factor is calculated as follows:

Step 1

The sum of: [11 years at a rate of 0.02 pa] + [4 years at a rate of 0.0147 pa (ie. $[(0.02 \times 56) \div 76]$] + [6 years at a rate of 0.0118 pa (ie. $[(0.02 \times 45) \div 76]$] + [5 years at a rate of 0.0034 pa (ie. $[(0.01 \times 26) \div 76]$]

$$= (11 \times 0.02) + (4 \times 0.0147) + (6 \times 0.0118) + (5 \times 0.0034) \\ = 0.3466$$

Your benefit salary is then calculated as follows:

$$= [\text{Current Super Salary (for contributions)} \times \text{Adjusted Service Factor}] \div \text{Service Factor (not adjusted)} \\ = [\$35,000 \times 0.3666] \div 0.47 \\ = \$27,300$$

If you are currently 55 years of age and retires, your initial indexed pension would be calculated as Service Factor x Age Factor (of 0.75) x Benefit Salary (assuming your surcharge account balance is zero). This would equal a pension of \$9,214 pa (ie $0.45 \times 0.75 \times \$27,300$), indexed to CPI.

Note that if your current working hours remain unchanged for the next year (ie. you continue to work full-time), then your adjusted service factor at the end of the next year (by re-performing the special calculation above as at that time) would be equal to 0.3607. Given your adjusted service factor as at the start of that year was 0.3466 (see above), this means that your Adjusted Service Factor increased by 0.0141 in that year. This is higher than the nominal rate of accrual of the service factor between 20 and 30 years of service of 0.01 pa because of the impact over the year of the adjustments being applied to your rate of pension accrual through the special calculation mechanism.

Non-Indexed Pension

Your non-indexed pension is based on your accumulated contributions and age at the time this benefit becomes payable.

As your contributions are based on your part-time super salary, your accumulated contributions at retirement or resignation will be lower than if you had been working higher hours (eg. full-time).

Overall, your non-indexed pension will be lower than it would have been had you remained in full-time employment, but will be at a level consistent with contributions you have made to 'purchase' your non-indexed pension.

Retrenchment benefits

Retrenchment benefits are the same as resignation benefits except you have the additional option on retrenchment (in lieu of receiving the indexed and non-indexed pensions at age 55) of a lump sum benefit of 3.5 times your accumulated compulsory contributions, plus a return of any additional voluntary contributions, plus your interim benefit less your surcharge account balance.

You should note that, if you are working part-time, your accumulated contributions will be lower (compared to working higher hours or full-time) to the extent that your contributions have been based on a lower super salary for your period of part-time employment.

Death and Total and Permanent Incapacity (TPI) Benefits

In the event of death or TPI, an indexed and non-indexed pension is payable (the non-indexed pension can be converted to a lump sum equal to your accumulated contributions).

Your indexed pension is based on your Benefit Salary, an Age Factor and a Service Factor. If you are under age 60, your age (to determine the Age Factor) is assumed to be 60 and the service

period used (to determine the Service Factor) includes prospective service to age 60. For the purposes of determining your death or TPI benefits, it is assumed that you would have continued to work to age 60 at the hours that you were working at the time of your death or TPI.

The calculation of the indexed pension on death or TPI is subject to a potential adjustment as a result of applying the special calculation described earlier in respect of any changes you have had to your working hours. This special calculation is performed in the same way as described in the *Resignation and Age Retirement Benefits* section of this fact sheet and includes consideration of the hours assumption described above in respect of your prospective service to age 60.

As your prospective service to age 60 is taken into account for death and TPI and as the calculation of these benefits incorporates an assumption that you would have continued to work to age 60 at the hours that you were working at the time of your death or TPI, your total death and TPI benefits will increase or decrease immediately upon you increasing or decreasing your working hours respectively if you are under age 60.

In these circumstances, your non-indexed pension as well as indexed pension benefits will be immediately impacted. This is because, if you are under age 60, your non-indexed pension is based on 40% of your indexed pension.

If you are over age 60, your death and TPI benefits are based on your accrued age retirement benefit. It contains no allowance for prospective service.

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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