

Fact sheet

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

Age retirement benefits

On retirement on or after age 55, you are entitled to an indexed pension from Division D. Your indexed pension is based on your average super salary over the last 2 years (your 'final average salary'), your age and your period of service (excluding any period of leave without pay) at the time your benefit becomes payable.

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, 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 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 D based on your previous hourly rate of super salary.

Qualifying period of service

If you have ever worked part-time, as your FAS is determined on a full-time equivalent basis, your 'qualifying period of service' used to determine your indexed pension will be subject to an adjustment which reflects any period of part-time hours. For example, if you

have worked for 35 years at 38 hours per fortnight (being half of the full-time number of hours of 76 per fortnight), your qualifying period of service used to determine your indexed pension will be adjusted to be 17.5 years (ie. $35 \text{ years} \times (38 \div 76)$).

The adjustment to your qualifying period of service has the effect of slowing the growth in your indexed pension, in comparison to a member who has always worked full-time, to reflect your actual working hours history.

If you have 35 years of full-time service, the pension payable at age 60 is 63% of your FAS at retirement. If your qualifying period of service at retirement is less than 35 years, your indexed pension will be discounted by 1/35th for each year short of 35 years service. This discounting simply reflects the fact that your overall pension percentage increases with your service period.

If you have ever worked part-time, your pension payable at age 60 will involve greater discounting (than if you had worked full-time all your career) because your period of qualifying service used to work out the discounting will be adjusted down to reflect your hours of work relative to a full-time employee.

Example

Lisa is age 60 and has worked 28 years part-time. Lisa has always worked 38 hours per fortnight (ie. half full-time hours of 76 hours per fortnight). Lisa's current super salary is \$15,000 pa.

In determining her FAS, the average of Lisa's full-time equivalent super salary over the past 2 years is used. Her current full-time equivalent super salary is \$30,000 pa (ie. $15,000 \times (76 \div 38)$). Lisa's current FAS is \$29,000 pa and her surcharge account balance is zero.

In determining her indexed pension, Lisa's qualifying period of service is 14 years (ie. $28 \times (38 \div 76)$). Hence the discount for falling short of 35 years will be commensurately higher than if she had worked full time. The adjustment to her pension will be $(35-14) \div 35$, which is a 60% adjustment downwards.

Accordingly, Lisa's initial indexed pension amount at age 60 is calculated as follows:

$$\begin{aligned}
 &= 63\% \times \text{FAS, discounted by 60\%} \\
 &= 63\% \times \$29,000, \text{ discounted by 60\%} \\
 &= \$18,270 \text{ discounted by 60\%} \\
 &= \$18,270 \times 40\% \\
 &= \$7,308 \text{ pa}
 \end{aligned}$$

Resignation benefits

On resignation, you will be entitled to a lump sum benefit with a choice of having it calculated either under Method 1 or 2:

- Method 1 resignation benefit is based on a proportion of your lump sum retirement benefit as if you had retired at age 60.
- Method 2 resignation benefit is based on 2 times your own compulsory (normally 6%) contributions with interest plus any special additional contributions with interest less your surcharge account balance.

These benefits are explained in more detail in your member booklet.

Method 1 resignation benefit

This is a lump sum commutation of the 63% pension payable at age 60. It is based on your total actual and prospective qualifying period of service to age 60 and then adjusted (ie pro-rated) for your actual qualifying period of service in comparison to your qualifying period of service had you remained employed by the Group to age 60. If you would not have exceeded 35 years of qualifying service at age 60, the pension on which the commutation is based is adjusted down by 1/35th for each year you qualifying period of service at age 60 would have been short of 35 years. The lump sum is also net of any surcharge account balance.

If you are working part-time, your actual and prospective qualifying period of service used to determine the above benefit is your actual and prospective period of service adjusted down to reflect your hours worked relative to full-time hours.

For example, Jill is 45 years of age and has worked for the Group for 13 years. She has also worked part-time at 38 hours per fortnight for the whole of her career (full-time hours are 76 per fortnight). Jill's super salary is currently \$15,000 pa and her current surcharge account balance is zero. She is married and her husband is 48 years of age.

Jill's full-time equivalent super salary is currently \$30,000 pa (ie. $15,000 \times (76 \div 38)$). Her FAS is \$29,000 pa.

If Jill continued working for the Group until age 60, she would have 28 years' service at age 60.

As Jill has worked 38 hours per fortnight for the whole of her career to date, her qualifying period of service at age 60 would be adjusted down to 14 years (ie. $28 \times (38 \div 76)$).

The adjustment to her pension will be $(35 - 14) \div 35$, which is a 60% adjustment downwards.

Accordingly, Jill's age 60 lump sum would be based on an indexed pension of:

= 63% of FAS, discounted by 60%

= \$7,308 pa.

Using the commutation factor tables at the back of your member booklet, Jill's age 60 lump sum benefit would be \$118,389 (ie. $7,308 \times 16.2$).

Jill's resignation lump sum benefit would be based on her age 60 lump sum adjusted down for the fact that she has not actually worked to age 60. Her qualifying period of service to date would be adjusted down to 6.5 years (ie. $13 \times (38 \div 76)$) to reflect her part-time hours history.

Accordingly, Jill's resignation lump sum benefit would be equal to \$54,966 (ie. $118,389 \times (6.5 \div 14)$).

Method 2 resignation benefit

This 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).

Retrenchment benefits

On retrenchment, you will be entitled to a lump sum benefit with a choice of having it calculated either under Methods 1 or 2:

- Method 1 retrenchment benefit is based on a proportion of your lump sum retirement benefit as if you had retired at age 60 and is equal to your Method 1 resignation benefit described above.
- Method 2 retrenchment benefit is based on 3 times your own compulsory (normally 6%) contributions with interest plus any special additional contributions with interest less your surcharge account balance.

These benefits are explained in more detail in your member booklet.

How the Method 1 benefit works if you are a part-time employee is described above in the 'Resignation Benefits' section above.

As the Method 2 retrenchment benefit has a similar structure as the Method 1 resignation benefit (the only difference being the relevant multiple of your compulsory contributions with interest), how both benefits work if you are a part-time employee are similar and you should refer to the *Resignation benefits* section above.

Death and Total and Permanent Disablement (TPD) benefits

In the event of death or TPD you (or your spouse in the case of a death benefit) will be entitled to an indexed pension. Your indexed pension is based on your FAS, qualifying period of service and age.

If you are under age 60 at the time your death or TPD occurred, your age will be assumed to be 60 and the qualifying period of service used will include prospective service to age 60 (ie the benefit will be based on your age retirement benefit at age 60). If you are over age 60 at this time, your death and TPD benefits will be based on your existing age retirement benefit.

If you are under age 60, your total death and TPD benefits will not immediately change if you reduce your working hours (eg. transfer to part-time employment).

However, the impact will be that they will be lower than they otherwise would have been (if you had not reduced your hours) and this 'gap' will grow over time.

There are two main reasons for this:

1. The component of your total death and TPD benefits in respect of actual service will be lower than they otherwise would have been as your benefit accruals while on the reduced hours arrangement will be commensurately lower; and
2. The component of your death and TPD benefits in respect of prospective service to age 60 will be lower than they otherwise would have been as the prospective component is based on your average hours over your working career. These average hours will be reducing as time passes on your lower working hours arrangement.

The opposite effect applies if you increase your working hours.

If you are aged over 60 years, your total death and TPD benefits are unaffected immediately by a reduction in your working hours. However, these benefits will be lower than they otherwise would have been (if you had not reduced your hours) for the reason explained in point 1 above (point 2 above does not apply for members over age 60).

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 D are based on your percentage contribution rate multiplied by your part-time super salary.

This reflects the fact that your qualifying period of service used to calculate your Division D benefits is adjusted down in line with your working hours. In respect of your Method 2 resignation and retrenchment benefits, it 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.

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