



# IMPACT OF CHANGES TO SUPERANNUATION SALARY UNDER THE SALARYLINK RULES



## What is Superannuation Salary?

Our Trust Deed defines Superannuation Salary as:

*Superannuation Salary consists of your regular wages or salary, including any allowances paid as a regular and continuing part of your wages or salary, but excludes commission, sums paid for overtime or other special services, bonuses and allowances of a non-permanent nature, provided that such allowances as prescribed by the Trustee may be included as part of salary and to be excluded from salary, shall be excluded.*

## How will changes to my Superannuation Salary impact my Salarylink benefit?

The change to your Superannuation Salary information may impact the following calculations:

- Final Average Salary
- Option 1: Basic Super (if under age 55)
- Option 2: Retirement Super (if under age 55)
- Retirement Super Benefit (if over age 55)
- Total and Permanent Disablement Benefit
- Accrued Benefit Percentage\*
- Death Benefit
- Ill-health Benefit
- Income Protection Benefit
- Investment fee

\*Accrued Benefit Percentage is only impacted if there is a salary reduction.

## What is my Final Average Salary (FAS)?

Your Final Average Salary (FAS) is determined as the average of your Superannuation Salaries paid over the previous three years to the date of calculation or when you cease work. If your Superannuation Salary is reduced, this will impact your FAS.

## What is my Benefit Percentage?

Your Benefit Percentage is based on your Salarylink contribution rate.

Total Salarylink contribution rate (% pa)	Benefit percentage (% pa)
1	10.2
2	11.4
2.5*	12.0*
3	12.6
4	13.8
5	15.0
6	16.2
7	17.4
8	18.6
9	19.8
10	21.0

\*Only available for selected members.

If you work part time, then for the period of part-time employment your Benefit Percentage will be calculated as a proportion of your full-time Benefit Percentage for that period based on the hours you worked. For example, if you work four days a week and your part-time percentage is now 80% and you are contributing 5% to Salarylink, then your benefit percentage per year is  $15\% \times 80\% = 12\%$ .

## What is my Accrued Benefit Percentage?

Your Accrued Benefit Percentage (ABP) is calculated based on your Benefit Percentage using years and complete days.\*

Your total ABP is the sum of all of the various Benefit Percentages which applied during your Salarylink membership.

\*Years and complete months before 1 July 2019.

## What is the impact of a salary reduction?

If your Superannuation Salary is reduced permanently, and not because you have reduced your working hours (e.g. part-time percentage):

1. We will verify with your employer that the Superannuation Salary reduction is a permanent and genuine salary reduction.
2. Your Superannuation Salary will be updated in your Salarylink account.
3. Your reduced Superannuation Salary will be phased into the FAS calculation over a three-year period.
4. A Salary Reduction Percentage (SRP) will be calculated as at the date your Superannuation Salary is reduced. It will then be gradually added to your ABP over the same three-year period in which the FAS is impacted by a genuine salary reduction. The SRP is designed to protect your benefits from a sudden income reduction.

### Salary reduction example

Elizabeth is a 56-year-old Salarylink member. She was working in a position which had a Superannuation Salary of \$70,000 p.a. She then decided to accept a lower paying position in a new team. This new position had a Superannuation Salary of \$60,000 p.a. At the date of Elizabeth's salary reduction, her ABP was 250%.

Her SRP is calculated as:

**(Previous Superannuation Salary/Current Superannuation Salary x ABP) – ABP**

= (\$70,000/\$60,000 x 250%) – 250%

= 291.667% - 250%

= 41.667%

Elizabeth contributes a total of 10% as member contributions to Salarylink and works full time. Therefore her standard benefit percentage per year is 21% (refer to the table under the heading "What is my Benefit Percentage?"). If Elizabeth remains full time and keeps contributing 10% to Salarylink, her ABP will accrue by her benefit percentage of 21% per year. Plus, over the next three years, her ABP will increase by an additional amount due to the SRP i.e. 41.667%/3 = 13.889%. This will result in an increase to her ABP of 34.889% per year until the SRP has been fully applied. The SRP will be fully applied once three years has lapsed since the effective date of her salary reduction.

If her circumstances stay the same, her benefit percentage will then be a total of 21% per year again.

Elizabeth's FAS calculation has been impacted as follows:

Year	Previous Superannuation Salary p.a.*	New Superannuation Salary p.a.*
1	\$70,000	\$60,000
2	\$71,500	\$61,500
3	\$73,000	\$63,000
<b>FAS</b>	<b>\$71,500</b>	<b>\$61,500</b>

\* Assumes an increase of Superannuation Salary of \$1,500 per annum.

Comparison of Elizabeth's retirement super calculation after three years:

	Retirement Super Benefit (no salary reduction)	Retirement Super Benefit (with salary reduction)*
Accrued Benefit Percentage	313.000%	354.667%
x Final Average Salary	\$71,500	\$61,500
<b>= Retirement Super Benefit</b>	<b>\$223,795.00</b>	<b>\$218,120.21</b>

\*Note: in this example if the SRP had not been applied, Elizabeth's final benefit would have been 313% x \$61,500 = \$192,495.

### How does a salary reduction impact my Salarylink insurance cover?

Your Salarylink Death and Total & Permanent Disablement (TPD) insurance cover is calculated as 15%<sup>#</sup> of your final Superannuation Salary\* for each year and complete day to age 65 from the date you are assessed as terminally ill, ceased service or your date of death.

Your Salarylink Income Protection insurance cover is calculated as a maximum benefit of the lesser of 75% of Superannuation Salary (a lower rate will apply if your annual salary exceeds \$400,000) or \$30,000 per month.

**If your Superannuation Salary is reduced as at the date of calculation of your insurance cover, then your insurance cover will also be reduced.**

If you work part time, your Salarylink insurance cover is multiplied by your part-time percentage.

Your Salarylink insurance cover may be subject to restrictions or limitations.

You should be aware that if your salary information is not correct or up to date, this may affect the calculation of your Salarylink insurance cover.

\* Final superannuation salary is your annual superannuation salary at the date of cessation of employment.\*Transitional arrangements may apply if you were a Salarylink member at 1 January 2005.

## WE'RE HERE TO HELP.

If you have any questions, we're happy to help. Just call **1300 467 875**, 8am – 8pm AEST /AEDT, Monday to Friday or visit [hostplus.com.au](http://hostplus.com.au)

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