ACTIVE SUPER

FACTSHEET

A REDUCTION IN SALARY: RETIREMENT SCHEME

The value of your final benefit from the Retirement Scheme will depend partly on your salary. This is because the employer funded benefit components—the Employer Financed Benefit and defined Basic Benefit—use your final salary as part of their calculation.

If you were to suffer a reduction in salary, particularly if it happens close to your retirement, this can mean that your final or final average salary would be reduced and lead to you receiving a lower benefit.

A reduction in salary is often not something a person can control, so the Retirement Scheme rules contain a couple of options to protect members' benefits from being reduced in this way. This fact sheet explains those options.

CRYSTALLISATION

How does crystallisation work?

If, for any reason, you experience a single reduction of 20% or more in your full-time superable salary[1], you can apply to crystallise your benefit using the superable salary you were in receipt of before the reduction occurred.

This means that your benefit would be calculated as if you had ceased employment on the day before your salary was reduced, using the final average salary at that point in time (in other words, not using your new, lower salary).

Your benefit would then be deferred in the Retirement Scheme and you would have the option of re-joining the Retirement Scheme with a brand new, separate account and you would make contributions using your new, lower salary.

Important: Effective 2 May 2018, when you crystallise your benefit and re-join the Retirement Scheme via a second account, the combined Accrued Benefit Points for both accounts cannot exceed 180 Benefit Points.

Alternatively, you could choose to join the Active Super Accumulation Scheme.

[1] If you are working part-time the threshold of 20% or more applies to your full-time equivalent salary (in other words, the salary you would be earning if you were working full time).

It's important to note that an application for crystallisation must be accompanied by supporting evidence from your employer.

What happens to the crystallised benefit?

Your crystallised benefit is treated as a deferred Retirement Scheme benefit, which means that the whole benefit, including your contributions and the employer benefits will be invested according to your investment election. You will continue to receive six-monthly and annual statements to let you know how your chosen investment option is performing.

When is a crystallised benefit payable?

The crystallised benefit will become payable when you cease employment, subject to the preservation rules.

You should note that if you cease employment due to resignation, dismissal or discharge and apply to withdraw your benefit in cash prior to reaching your early retirement age (which is usually age 58 in the Retirement Scheme) you are likely to forfeit a significant portion of your Employer Financed Benefit. For more information on when a deferred benefit becomes payable, please see the Retirement Scheme Product Disclosure Statement (PDS) which is available on the Active Super website at activesuper.com.au/PDS or from Member Services.

Before you take any action or apply for crystallisation, we recommend that you contact Member Services or your financial planner.

RETAINING THE HIGHER SALARY

How does this work?

If you have suffered any salary reduction as a result of special circumstances or due to ill-health, you can lodge an application with the Active Super Trustee to keep your original higher salary on your Retirement Scheme membership.

This means that you would continue to contribute using the higher salary. It also means that if you cease employment under the Retirement Scheme, your benefit would be calculated using your previous, higher salary.

It's important to note that an application to retain a higher salary must be accompanied by supporting evidence.

What are the pros and cons?

The advantage of retaining your higher salary for super purposes is that your benefit will continue to accrue as if you had not experienced a salary reduction at all, which also means that the calculation of your final benefit entitlement from the Retirement Scheme would not reflect the reduction in your salary.

One thing to consider though is that your contributions will continue to be based on your previous, higher salary. As your actual take home pay would have been reduced, to continue making contributions to the Retirement Scheme in line with the previous higher salary may mean that you end up contributing a larger proportion of your take home pay towards your super.

NEED MORE INFORMATION?

If you would like further information on this fact sheet, please call Member Services on 1300 547 873 between 8.30am and 5.00pm, Monday to Friday.

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