

Optional Additional Benefit Cover

All of us look forward to and plan for a safe and secure retirement. Unfortunately, retirement due to ill health, or death, before reaching retirement may be an unforeseen reality.

That's where the SASS additional benefit cover can help you and your family at a critical time.

Here's how the additional benefit cover works

The additional benefit is payable on top of the standard benefits available to all contributors where retirement due to total and permanent invalidity or death occurs before normal retirement age.

The intention of the additional benefit is to make up the difference between the standard benefit and the benefit you would have received if you were able to continue in your current employment until you reached normal retirement age. This is age 58 for most members. However, members who were transferred into SASS after their original scheme closed may be eligible for a retirement benefit on leaving employment from age 55. Your eligible retirement age is shown on your SASS Annual Statement.

Calculation of the additional benefit is based on your salary and the assumed extra benefit points you would have accrued by normal retirement age (based on your average contribution rate so far), had total and permanent invalidity or death not occurred.

For an explanation of benefit points see SASS Fact Sheet 3 *Benefit Points System*.

The assumed extra benefit points are called prospective benefit points. They are calculated by multiplying your average contributed benefit points, up to the date of calculation, by the period of service between calculation date and your early

retirement age; subject to the total number of points not exceeding 180 (i.e. the addition of the prospective points and accrued points cannot exceed 180). The actual calculation formula for the additional benefit is:

Additional benefit = higher of final or final average salary x 4% x prospective benefit points

The standard maximum point accrual in SASS is 6 points per year. Members' contributions are subject to a maximum of 6 points per year (calculated as an average of 6 points per year over the course of their membership). See SASS Fact Sheet 3 *Benefit Points System* for further information. This same limit applies to prospective points.

It is important to note that any period of non-prescribed LWOP or part-time employment will reduce the service applicable to your membership and therefore reduce the additional benefit amount.

Here is an example of how the additional benefit is calculated

Let's use the example of a member who joined the SASS scheme at age 28 contributing at 5% for 7 years. His contribution increased and remained at 6% for the next 5 years until age 40, when he exits the scheme due to total and permanent invalidity. The member's final salary at age 40 is \$60,000 which, for the purposes of this example, we will assume is higher than his final average salary.

Note: This example is based on the member working full-time throughout the period of membership. It does not take into account any period of LWOP or part-time employment.

To calculate this member's additional benefit we first need to calculate the average contributed points up to date of exit. In

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this example this would be calculated as follows.

The average contributed points for the 12 years of SASS membership are calculated as below.

Average contributed points per year

Contributed points* ÷ years of SASS membership

= 65 ÷ 12

= 5.4167

*The contributed points are based on a rate of accrual of approximately 1 point per year per percent contributed. Contributed points are shown on your Annual Statement.

Maximum benefit points per year = 6

Accrued benefit points per year

This is the lesser of the average contributed points per year and maximum benefit points per year

= lesser of 5.4167 and 6

= 5.4167

Prospective benefit points

The next step is to calculate prospective points. This is calculated on a monthly basis, and so is the average monthly contribution rate multiplied by the period between exit and normal retirement (in months).

= 5.4167/12 x period in months from age 40 to retirement age, 58

= 0.4514 x 216 months

= 97.5024

At this stage the prospective points are added to your accrued points. Accrued points are the lesser of your contributed and maximum points. If the total points is greater than 180 then your prospective points will be reduced, bringing the total points to the maximum of 180.

Additional benefit

Once we have the prospective points we can calculate the additional benefit amount.

Using the current example, this member's additional benefit would be:

Final salary x 4% x prospective points

= \$60,000 x 4% x 97.5024

= \$234,005.76

Additional benefit levy – how much does it cost?

The levy you pay is based on advice provided by the Scheme Actuary who estimates the cost of providing the additional benefit cover. The actuary calculates premium rates that are used to determine the amount of the levy that each member with additional benefit cover must pay each year. The actuary reviews the cost of providing the cover each year and premium rates are adjusted as required. If the actuary determines that premium rates must be increased to meet the cost of providing the cover, and you have additional benefit cover, you will be advised in writing of the change in premium that you are required to pay, prior to the change in the premium taking effect.

If you have additional benefit cover the amount of levy that you will pay is calculated on 1 April each year, and is based on the premium rate payable for your age next birthday, and the amount of additional benefit cover you have, at 1 April. The amount you pay is 25% of the premium, i.e., 25% of the cost of providing the additional benefit cover. Your employer pays the additional cost of providing the additional benefit cover.

Call Customer Service on 1300 130 095 for an estimate of what the additional benefit cover will mean to you and how much it will cost.

How is the premium paid?

Your premium is deducted from your SASS personal account each month (after interest has been credited) which means that no extra deductions are made from your pay. Nor does deduction of the premium reduce the value of the employer-financed benefits you accrue during your membership.

This premium and the premiums paid by other members covered for the additional benefit form a pool to meet 25% of the cost of the benefit; your employer pays the rest.

How to apply

If you are a current member of SASS, you can apply up to age 58. A different age limit may apply to members who were compulsorily transferred into SASS from earlier schemes which closed.

All you need do is complete the confidential *Application for Additional Benefit cover* form – which is available on the State Super website. Alternatively, a form may be obtained by calling Customer Service.

Most applications will be assessed on the information provided on the application form. However, if we are unable to make an assessment of your eligibility for the additional benefit cover from this information, you may be required to provide additional

information or undergo a medical examination. The additional benefit cover will begin from the date your application is approved and the levy becomes payable from the first day of the month in which the additional benefit application was approved.

Where a member dies or is retired due to total and permanent invalidity before their application for additional benefit cover has been approved or rejected and the application is subsequently approved, the additional benefit cover commences on the day prior to the date of the person's death or retirement on the grounds of total and permanent invalidity. Approval of additional benefit cover in these circumstances will require satisfactory evidence that the death or invalidity is unrelated to any pre-existing medical condition or medical history that was or should have been disclosed during the application process.

Once approved, additional benefit cover cannot be cancelled.

Please note:

- Full and frank disclosure is required for your application and medical examination.
- All applications are dealt with in strict confidence.

Death and disability provisions for Fire Fighters, Paramedics & Police Officers

If you are employed by the NSW Fire Brigade, NSW Ambulance Service or NSW Police Force, you may be covered under the revised death and disability (D&D) provisions. If you currently do not have additional benefit cover, **you are not eligible to apply for this cover.**

Scheme legislation was amended to allow members with additional benefit cover to opt out and take up the new insurance arrangements provided under the revised D&D provisions.

Members who elected to opt out cannot opt back in and apply for additional benefit cover. For members who elected to retain their additional benefit cover, there are no changes to the SASS additional benefit provisions.

In the event of total and permanent invalidity, partial and permanent invalidity, or death, any benefits payable under the revised D&D provisions are in addition to the SASS benefit.

More information

If you need more information, please contact us:

Telephone: 1300 130 095 (for the cost of a local call, unless calling from a mobile or pay phone)
8.30 am to 5.30 pm, Monday to Friday.

Personal interviews: Please phone 1300 130 095 to make an appointment.

Postal address: State Super, GPO Box 2181, Melbourne VIC 3001

Internet: www.statesuper.nsw.gov.au

Email: enquiries@stc.nsw.gov.au