

## Gold State Super essentials




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## Glossary of terms

GESB is dedicated to simplifying investment, super and retirement, by using plain language that is easy to understand.

This document includes quite complex information around final benefit calculations and super industry and scheme terms that, in some cases, require a more detailed explanation. Each time you see this icon it denotes that the term is further explained in the glossary:

 **Refer to glossary**

We hope this helps.

## GOLD STATE SUPER FACT SHEETS

If you would like more information on a particular feature of Gold State Super, please contact your Member Services Centre or see the detailed fact sheets, available at [gesb.com.au/brochures](http://gesb.com.au/brochures).

- Working part-time
- Transition to Retirement
- Salary Sacrifice
- Insurance and your super
- Salary maintenance
- Your super and divorce
- Resigning from the WA public sector
- Your super and redundancy
- Taking unpaid leave

# Your super

There are two main types of super schemes: accumulation and defined benefit schemes.

- Gold State Super is a *defined benefit* scheme which means that your final benefit is determined by applying a fixed, or 'defined', formula. With Gold State Super your benefit grows with your salary and service, and is WA state government guaranteed.
- With *accumulation* schemes your final benefit depends on your accumulated contributions, plus earnings, less fees and other charges. The earnings credited depend on which investment plan you have chosen, and how the super fund's investments perform. This means the returns will vary from year to year. GESB Super and West State Super are both *accumulation* schemes.

Gold State Super is an 'untaxed' scheme, as is West State Super. With an untaxed scheme, your super is taxed at the time you access your benefit, usually at retirement, or if you transfer your super to a retirement income stream such as GESB's Allocated Pension or another complying fund. An untaxed scheme will generally provide you with a slightly higher benefit over time. Gold State Super was closed to new members on 29 December 1995.

## BENEFITS AND FEATURES OF GOLD STATE SUPER

<b>Security</b>	<ul style="list-style-type: none"> <li>● You have the security of knowing your benefit is guaranteed by the WA state government.</li> <li>● You can be certain of how much you will have when you retire as your benefit isn't impacted by the performance of investment markets.</li> <li>● Your benefit grows with salary increases and length of service, which gives you protection against inflation.</li> </ul>
<b>No extra fees</b>	<ul style="list-style-type: none"> <li>● There are no charges deducted from your account for administration, insurance and other running expenses.</li> </ul>
<b>Choice of prescribed contribution amount</b>	<ul style="list-style-type: none"> <li>● You can choose the amount you contribute by selecting the contribution rate that best suits you, from 3%, 4% or 5% of your gross remuneration. (Some members can contribute more than 5%. See page 10 for more details.)</li> </ul>
<b>Special catch-up rates</b>	<ul style="list-style-type: none"> <li>● If you've contributed 3% or 4% in the past, you can 'catch up' by contributing 6% or 7%, until your Average Contribution Rate reaches 5%.</li> </ul>
<b>Flexibility</b>	<ul style="list-style-type: none"> <li>● You can change your contribution rate at any time, with the change taking effect from the beginning of the next contribution period.</li> </ul>
<b>Convenience</b>	<ul style="list-style-type: none"> <li>● Your contributions are automatically deducted from your pay.</li> </ul>
<b>Automatic Death and Permanent Disability Insurance</b>	<ul style="list-style-type: none"> <li>● Death and disability insurance is an integral part of Gold State Super and is provided at no extra cost to members while employed in the WA public sector. Cover applies 24 hours a day, 7 days a week, no matter where you are.</li> </ul>
<b>Untaxed benefits</b>	<p>If you also have a West State Super account, you may be able to accumulate more than \$2m in concessional tax benefits across both your Gold State Super and West State Super accounts. See page 23.</p>
<b>Additional contributions</b>	<p>You can make voluntary contributions to your existing West State Super or GESB Super account. If you do not currently have one of these accounts, a GESB Super account will be automatically opened for you to receive any extra contributions.</p> <p>If you are making required contributions to Gold State Super from after-tax monies, then you may be eligible for a Commonwealth Government Super Co-contribution. This will be credited to your West State Super or GESB Super account. See page 12.</p>
<b>Tax advantages when withdrawing your benefit</b>	<p>For Gold State Super members with pre 1 July 1983 service, there may be advantages in rolling over benefits into a West State Super account <i>before</i> making a withdrawal.</p> <p>Members should be aware, however, that when benefits are combined into a West State Super account, any withdrawal or roll over to a complying super fund will trigger crystallisation of the tax-free and taxable components of the combined amount.</p> <p>For detailed examples and calculations call your Member Services Centre. You may also find it useful to read our fact sheet called 'Understanding your West State Super account'.</p>

# Your final benefit

Your final benefit is calculated using:

- Your completed months of Equivalent Full-Time Contributory Service
- Your Average Contribution Rate, and
- Your Final Remuneration

It may also include a Transferred Service Benefit from the WA Public Sector Pension Scheme, or a Non-Contributory Service Benefit if you transferred from the Non-Contributory Scheme to Gold State Super before 28 September 1993.

To calculate your estimated Final Benefit, we follow three steps:

## STEP 1 We determine your 'Selection Date'

We multiply your Contribution Rate by your fortnightly Remuneration as at a 'Selection Date'. The Selection Date is either the 1st or 16th of the month, two months before the month of your birthday (ie if your birthday falls between 1-15 May we use the 1st March as your Selection Date for the previous two years; if your birthday falls in the second half of May we use the 16th March).

## STEP 2 We calculate your Final Remuneration

To calculate your Final Remuneration, we use your average Remuneration based on three dates:

- The first date we use is the date you stop working
- The other two dates we use are your Selection Dates for the previous two years

The fortnightly Remuneration on the above dates is multiplied by the number of days between each date and then divided by 14 (the number of days in a fortnight).

We've used the following detail in the example below to illustrate the calculation of Final Remuneration:

- Retirement date: 25 September 2013
- Selection date: 1 April
- The fortnightly Remuneration at retirement date: \$2,362
- The number of days between 1 April 2013 and 25 September 2013: 178 days

Retirement date:	25 Sept 2013	$\$2,362 \times 178 \div 14$	=	\$30,031.14
Selection date #1:	1 April 2013	$\$2,362 \times 365 \div 14$	=	\$61,580.71
Selection date #2:	1 April 2012	$\$2,150 \times 187 \div 14$	=	\$28,718.00
		<b>Total</b>	=	\$120,329.71
The total Remuneration is then divided by two, to determine the Final Remuneration				<b>Final Remuneration = \$60,164.86</b>

For part-time employees, your Final Remuneration is based on your equivalent full-time salary. See page 5 and 6 for more information.

## STEP 3 We calculate your Final Benefit

To calculate your final Gold State Super benefit, we multiply your Service Multiple by your Final Remuneration:

$$\text{Service Multiple} = \frac{\text{Completed Months of Service}}{12} \times 20\% \times \frac{\text{Average Contribution Rate}}{5}$$

Service Multiple x Final Remuneration = Final Benefit

Call us if you would like us to calculate a current benefit estimate for you and before you make any decisions about your super benefit. We want to ensure you get the best results possible.

The following examples provide more detail on the final benefit calculation.

 [Refer to glossary](#)

**Example 1**

Joe joined Gold State Super at age 25, worked full-time for 30 years and retired at 55. Assumptions about Joe:

- 360 months Completed Months of Service
- 5% Average Contribution Rate
- Final Remuneration of \$50,203.57

**Using our Gold State Super benefit formula (refer to Step 3)**

$$\left[ \frac{360}{12} \times 20\% \times \frac{5}{5} \right] \times \$50,203.57 = \text{Total benefit of } \mathbf{\$301,221.42 \text{ (before-tax)}}$$

Using the same assumptions as the example above, see the difference in Joe's final benefit, based on Average Contribution Rates of 3%, 4% or 5%.

Average Contribution Rate	Benefit accrual	Period	Final Benefit
3%	12% per year	30 years	3.6 x \$50,203.57 = \$180,732.85
4%	16% per year	30 years	4.8 x \$50,203.57 = \$240,977.13
5%	20% per year	30 years	6.0 x \$50,203.57 = \$301,221.42

These calculations are estimates only and do not take into consideration taxation or other factors that may affect your final benefit. GESB recommends you seek professional advice from a qualified adviser on your personal circumstances before making any changes to your super arrangements.

**WORKING PART-TIME**

When you work part-time your benefit will accrue at a slower rate. This is because your service benefit accrues according to the hours you actually work. For example, a full-time worker normally accrues one month of service every 30.4 days. Part-time employment at 75% of the full-time equivalent lengthens the accrual of one month of service to 40.5 days.

If you change to part-time, the contributions you pay to Gold State Super are based on your part-time salary. For example, if your standard full-time salary was \$50,000 and you start working 50% of the normal full-time hours and are paid \$25,000 per year, the contributions you pay will be based on \$25,000, ie the contributions you need to pay are reduced.

The good news is when we calculate your Final Remuneration to determine your Gold State Super benefit, it is based on your equivalent full-time salary, regardless of whether you are working part-time or full-time.

The following examples illustrate how working full-time or part-time for the next five years will affect Tom's final Gold State Super benefit.

**Assumptions about Tom**

- Age: 55 years
- Average Contribution Rate: 5%
- Final Remuneration: \$50,000 (full-time equivalent)
- Completed Months of Service: 120 months

### Example 2

Tom continues to work full-time for the next five years.

#### Gold State Super benefit formula:

$$\frac{180^*}{12} \times 20\% \times \frac{5}{5} \times \$50,000 = \mathbf{\$150,000}$$

\*Full-time for five years equates to 60 months of service. Tom's original 120 months of contributory membership + 60 months = 180 months.

### Example 3

Tom converts to part-time work (ie 50% full-time equivalent) for the next five years.

#### Gold State Super benefit formula:

$$\frac{150^*}{12} \times 20\% \times \frac{5}{5} \times \$50,000 = \mathbf{\$125,000}$$

\*Part-time for five years equates to 30 months of service. Tom's original 120 months of contributory membership + 30 months = 150 months.

When Tom reverted to part-time working he actually paid less in contributions to his Gold State Super. Therefore, although his super is \$25,000 less than if he had worked full-time, Tom would have saved \$6,250 in contributions (5% of \$25,000 multiplied by 5) and would have worked 50% less time for the last five years.

### Making extra super contributions

You can always make voluntary contributions to your existing West State Super or GESB Super account. If you're not sure whether you are making your maximum contribution to Gold State Super, log onto Member Online at [gesb.com.au](http://gesb.com.au) or call your Member Services Centre.

### Returning to full-time employment

If you return to full-time work, you cannot increase your contributions into Gold State Super above the maximum Average Contribution Rate. Your contributions will continue to be made at your elected contribution rate. However, by making sure you are paying at your maximum Average Contribution Rate, you will receive the maximum benefit.

Other things you need to know when choosing to work part-time:

- Your employer should notify us if you decide to start working part-time.
- Once we are notified of your reduction in hours, we will advise your employer to reduce the fortnightly contribution you pay. If your contributions do not reduce after the start of your part-time service, please call your Member Services Centre.
- You will notice a change to your member statement. Within the 'membership details' section and under the title 'Contributory membership', it will indicate that your months of credited service have accumulated at a slower rate when compared to previous periods when you were working full-time.

## TAKING UNPAID LEAVE

During some point in your working career, you may need to take unpaid leave. The length of time you take and the reason why you take it will determine what effect unpaid leave will have on your Gold State Super benefit.

### Types of unpaid leave for super purposes

#### 1. Recognised Unpaid Leave is:

- When you are on parental leave
- When you are on sick leave
- Any period of unpaid leave where normal employee entitlements, such as annual leave, sick leave or long-service leave continue to accrue, or
- Any other period of unpaid leave that your employer formally agrees to be treated as Recognised Unpaid Leave for superannuation purposes. If your unpaid leave is approved on this basis, your employer is required to notify us in writing.

All periods of Recognised Unpaid Leave are considered 'good service' for superannuation purposes. During 'good service' your Gold State Super benefits will continue to accrue as normal.

#### 2. Unrecognised Unpaid Leave:

- Is any period of unpaid leave that does not qualify as Recognised Unpaid Leave
- Will impact on your super entitlements

An example of Unrecognised Unpaid Leave is unpaid leave that is taken for personal reasons, such as an extended overseas vacation.

### Effects of unpaid leave on your Gold State Super benefit

Type of unpaid leave	Membership and employer notification	Contributions	Insurance cover*
<b>Period of less than three months leave</b>			
<b>Recognised Unpaid Leave</b>	Your Gold State Super membership is not affected.	You are still required to make member contributions to your Gold State Super account.	Your insurance cover is not affected.
<b>and</b>	Your employer is not required to inform us.		
<b>Unrecognised Unpaid Leave</b>	Your employer is not required to inform us.		
<b>Period of more than three months leave</b>			
<b>Recognised Unpaid Leave</b>	Your Gold State Super membership is not affected. Your employer needs to notify us in writing.	There are three options available regarding contributions while you're on unpaid leave. See options overleaf.	The insurance cover you receive will depend on the contribution option you choose. See options overleaf.
<b>Unrecognised Unpaid Leave</b>	Your Gold State Super membership entitlement will be affected. Your employer needs to notify us in writing.	You are not able to contribute to your Gold State Super account  The period will not be counted as service in the calculation of your final benefit.	Your insurance cover will automatically lapse, but can be maintained if you elect to pay an insurance premium.

\* Insurance cover is only available to members under age 60.

 [Refer to glossary](#)

## Contributions while taking unpaid leave

There are three options available to you regarding contributions while you're on unpaid leave.

### **OPTION 1**    **Defer contributions**

You may choose to defer your contributions until you return to work. To avoid paying interest, you will need to repay the deferred contributions owing for your period of unpaid leave in the same amount of time you took as unpaid leave.

For example, if you take six months unpaid leave and elect to defer your contributions, you have a maximum of six months to repay the contributions owing following your return to work, to avoid paying interest.

In accordance with legislation, GESB may charge interest on any amounts outstanding at the end of the defined period.

If you select this option, your account operates as if you are at work, meaning both your normal Gold State Super benefits and insurance cover for death and disability will continue to accrue at the current rate.

### **OPTION 2**    **Continue contributions**

When on Recognised Unpaid Leave, you can continue to make your regular Gold State Super contributions by either:

- Sending your normal contribution amount to GESB each fortnight, or
- Paying the contributions in advance to cover your period of unpaid leave

If you select this option, your account operates as if you are at work, meaning both your normal Gold State Super benefits and insurance cover for death and disability will continue to accrue at the current rate.

### **OPTION 3**    **Reduced benefit option**

If you decide not to pay any Gold State Super contributions for your period of leave, your elected contribution rate during this period will change to 0%. Your Gold State Super benefit will still accrue over your period of leave, so you will see an overall reduction to your Average Contribution Rate.

Normal Gold State Super benefits, as well as your insurance cover for death and permanent disability will be reduced in accordance with your Average Contribution Rate.

Following your return to work, you may increase your contribution rate up to 7% (for the period of time required) to bring your Average Contribution Rate back up to 5%. You can apply to change your contribution rate at any time by writing to us. Once we receive your request, your change will take effect from the beginning of the next contribution period.

If you retire, die or become totally and permanently disabled before your Average Contribution Rate reaches its previous level, your benefit will be reduced.

You may wish to seek financial advice as to whether Option 3 is suitable for you.

## Choosing your contribution option

Once we have been advised of your Recognised Unpaid Leave, we will write to you asking that you select one of the options. You will need to advise us of your choice within one month of receipt of our letter.

If you do not advise us of your selection within the month, you will automatically be deemed to have chosen Option 1 - 'Defer contributions'.

## SALARY MAINTENANCE

Salary maintenance allows Gold State Super members to have their super contributions and benefits maintained at their higher salary when a change in employment conditions results in a decrease in salary.

Benefits in Gold State Super are calculated as a multiple of your salary. If your equivalent full-time salary is reduced, your benefit will subsequently reduce. Salary maintenance enables you to preserve the value of the benefit that you have already accrued, and may also protect the accrual of benefits in the future.

 **Refer to glossary**

### Types of salary maintenance

There are two types of salary maintenance: either full or partial, depending on your age at the time of the salary reduction and the circumstances leading to the reduction in salary.

- **Full salary maintenance**  
This allows your contributions and entitlements to be maintained, including any salary increases of the higher paid position that you previously held.
- **Partial salary maintenance**  
This allows your contributions and entitlements to be based on your higher salary until such time as the salary of your new position exceeds it.

Full salary maintenance may apply if:

- You accept a lower paid position due to ill health or workers compensation
- You accept a lower paid position within the same organisation or another WA state government employer due to redeployment
- You accept a lower paid position if your job is reclassified after positions are reorganised by your employer
- You revert to a lower paid position following the lapse of a renewable fixed-term contract (ie a contract where there is an option to renew the term at the discretion of the employer) and the reason the contract is not renewed is not due to your misconduct or inefficiency
- You are aged 50 years or more and you choose to reduce your salary voluntarily
- You reduce your hours of work for health reasons, but your employer maintains your classification at the higher full-time equivalent hours

Partial salary maintenance may apply, if you are aged under 50 and you choose to reduce your salary voluntarily. Examples of voluntary salary reductions include:

- If you lose allowances in your current position or by taking a new position
- If you accept a lower paid position for personal reasons

Salary maintenance will not apply if:

- Your salary is reduced due to your own misconduct or inefficiency
- You choose to reduce the number of hours you work
- Your salary is reduced if you revert to your lower paid substantive position following the lapse of a non-renewable fixed-term contract\*
- You are receiving a Higher Duties Allowance
- You receive a redundancy payment and rejoin the Gold State Super scheme within the 12 month eligibility period

\* The salary paid during the term of the contract is not recognised for superannuation purposes.

### Applying for salary maintenance

If you wish to apply for salary maintenance, you are required to put your request in writing, citing your member number and the contact details of your employer at the time of the reduction. GESB will advise you on the outcome of your application.

The letter can be posted to: GESB, PO Box J 755, Perth WA 6842 or faxed to 1800 300 067.

# Contributions to your Gold State Super

You can contribute from 3% to 7% of your salary, either before or after tax. However, over your total membership period, your Average Contribution Rate cannot exceed 5%.

There are some circumstances where it is possible to increase your contribution rate above 5%:

- If you are a Police Officer, a Stipendiary Magistrate or an Industrial Commissioner (see 'Special arrangements' below), or
- Where your Average Contribution Rate has been reduced by a period of contributing at 3% or 4%, or
- Where you have taken periods of recognised unpaid leave and you chose not to pay any contributions

In these last two circumstances, it is possible to increase the contribution rate up to 6% or 7%, but only for the period of time required to bring your Average Contribution Rate back up to 5%. See the previous 'Taking Unpaid Leave' section for more details.

## CHANGING YOUR CONTRIBUTION RATE

You can apply to change your contribution rate at any time by writing to GESB. Once GESB receives your request, any changes will take effect from the beginning of the next contribution period.

If you have any financial concerns about paying your contributions at your current contribution rate, please contact your Member Services Centre.

If you can afford it, it's in your best interests to aim to achieve an Average Contribution Rate of 5% because, in doing so, you receive the maximum employer contribution and subsequent benefit.

<b>For every year you contribute</b>	<b>3%</b>	<b>4%</b>	<b>5%</b>
you accrue the following percentage of your Final Remuneration for each year of equivalent full-time contributory membership	12%	16%	20%

## Special arrangements

Police Officers, Stipendiary Magistrates and Industrial Commissioners can contribute more than an average of 5% between the ages of 45 and 55. The employer contribution will increase in line with the member contribution.

### Police Officers

Between the ages of 45 and 55, Police Officers may increase their contributions up to a maximum of 7.5% for a proportionately higher benefit of 30% of final remuneration per year.

For example, if contributions are made at the maximum rate of 7.5% for 10 years, the member will accrue an entitlement equivalent to 15 years normal membership.

### Stipendiary Magistrates

Magistrates who receive a fixed income at regular intervals for services rendered are known as Stipendiary Magistrates. Unlike Judges, who are ineligible for Gold State Super membership, Stipendiary Magistrates are not entitled to a benefit under the *Judges' Salaries and Pensions Act 1950* and are therefore eligible for Gold State Super membership.

From age 45 (or later appointment), Stipendiary Magistrates may elect to increase their contribution percentage rate up to a maximum of 10% for a maximum period of 10 years. This election will provide a proportionately higher benefit of 40% of final remuneration per year.

For example, if contributions are made at the maximum rate of 10% for 10 years, the member will accrue an entitlement equivalent to 20 years normal membership.

### Industrial Commissioners

Industrial Commissioners have the option to increase their contribution percentage rate under the same conditions as those for Stipendiary Magistrates.

## CONTRIBUTIONS AND TAX

You can make contributions to Gold State Super from before-tax or after-tax income.

### Before-tax contributions

Before-tax contributions are also known as salary sacrifice contributions. When you salary sacrifice, you pay less income tax while still contributing the same amount to your account. These contributions are made from your gross salary which means they are paid by your employer to your Gold State Super account *before* tax is deducted.

So, if a \$100 member contribution was made into your Gold State Super account, the whole \$100 would remain in the scheme. The \$100 is part of the 'taxable component - untaxed element' and is taxed when you access your benefit. See the table on page 23 for more information.

Before deciding whether salary sacrifice contributions are right for you, we recommend that you talk to your employer. Any salary sacrifice agreement is between you and your employer and not with GESB. We also recommend that you seek financial advice before entering into any salary sacrificing arrangements.

For examples of salary sacrifice calculations, see the 'Salary Sacrifice' fact sheet for Gold State Super at [gesb.com.au/brochures](http://gesb.com.au/brochures).

### After-tax contributions

When you make after-tax contributions, they are paid by your employer to your Gold State Super account *after* income tax has been deducted. You will not pay any more tax on these amounts when you access your benefit. These are known as non-concessional contributions.

However, there are limits on the amount of after-tax contributions that can be made to any super scheme. Exceeding the contributions caps can be costly. Even if you exceed the non-concessional (after-tax) cap by making a genuine error, you will still have to pay the maximum marginal tax rate of 46.5% on any contributions made over the limit.

Non-concessional (after-tax) Contribution Cap	Special arrangement
\$150,000 pa <sup>1</sup>	If aged under 65, you can bring forward two years of contributions, ie \$150,000 plus \$300,000. If brought forward, the amounts are not indexed

<sup>1</sup> For 2011/12 but equal to six times the concessional contribution cap (currently \$25,000) for future years. The concessional contribution cap is indexed to average weekly ordinary time earnings (increased in \$5,000 increments) for future years.

If you earn less than \$61,920, after-tax contributions also count towards your potential eligibility for a Commonwealth Government Super Co-contribution. To find out whether you are eligible, see the Commonwealth Government Super Co-contribution section on page 12.

# Maximise your super

For some people, their final Gold State Super benefit may not be sufficient to support their desired retirement lifestyle. There are many ways in which you can maximise your super to have the lifestyle you want in retirement.

## **ADDITIONAL VOLUNTARY CONTRIBUTIONS**

You can make additional contributions into a GESB Super or West State Super account. If you don't already have one of these accounts, a GESB Super account will automatically be opened for you.

## **SPOUSE CONTRIBUTIONS**

A good way to secure a financial future for you and your partner is to make personal contributions on their behalf to an account with GESB. Making spouse contributions allows you to grow your joint retirement savings and you may receive a number of tax benefits. Plus your partner will have access to the benefits that a GESB membership offers.

If your partner doesn't already have a GESB Super or West State Super account, a GESB Super account will be automatically opened for them.

To start making spouse contributions you need to complete a 'Spouse contributions' application form and send it to us. Download this from [gesb.com.au](http://gesb.com.au) or call your Member Services Centre who can send you a copy.

## **COMMONWEALTH GOVERNMENT SUPER CO-CONTRIBUTION**

The super co-contribution is a Commonwealth government initiative to help you save for your retirement. If you're eligible, the government will match your personal (after-tax) contributions to your super with a co-contribution of up to \$1.00 for every \$1.00 you contribute, up to a maximum of \$1,000\*.

If you are making contributions to Gold State Super after tax, then you may be eligible for a co-contribution. This will be credited to your West State Super or GESB Super account.

**Please note:** Salary sacrifice contributions do not qualify for a Commonwealth Government Super Co-contribution payment, because they are treated as employer (before-tax) contributions for tax purposes.

For more information, see the 'Commonwealth Government Co-contribution' fact sheet and the co-contribution calculator tool at [gesb.com.au](http://gesb.com.au).

\* For the 2011/12 financial year. May change in future years.

## **CONSOLIDATING YOUR OTHER SUPER**

Since Gold State Super is a defined benefit scheme, you cannot transfer other super into the scheme. However, you can roll over super you have with another fund or make additional contributions into a West State Super or GESB Super account. If you don't have a West State Super or GESB Super account, we will automatically open a GESB Super account for you on receipt of any additional contributions or transfers from other super funds.

Gold State Super members who are currently employed with the WA public sector may be eligible to open a West State Super account, provided you have pre 1 July 1983 service. Once you stop working for the WA public sector you no longer have the right to open a West State Super account.

For more information, please call your Member Services Centre or visit our website at [gesb.com.au](http://gesb.com.au) for the relevant product information booklet.

## **WITHDRAWING AS A CONTRIBUTING MEMBER**

You may consider withdrawing from Gold State Super if:

- You are within the last two years of your Gold State Super membership and are not anticipating a pay rise.
- You have been receiving Higher Duties Allowance (HDA) continuously for 12 months and the HDA is ending within the last two years of your Gold State Super membership.

Withdrawing while still on HDA maximises your Gold State Super benefit. The withdrawal date from Gold State Super is the date the withdrawal form is received by GESB. When we calculate your Final Remuneration, your salary at the date of withdrawal is used as part of the calculation.

These are examples only and do not take into account your individual situation. For more information contact your Member Services Centre.

Withdrawing from Gold State Super does not mean you are entitled to payment of your Gold State Super benefit. If you withdraw from Gold State Super, your benefit will be preserved until you are 55 and cease work or working less than 10 hours.

If you withdraw from Gold State Super but remain employed in the WA public sector, a West State Super or GESB Super account will be opened for you. This account will receive 9% Superannuation Guarantee from your employer.

You should inform your employer and GESB if you intend to withdraw from Gold State Super. Call your Member Services Centre who can provide you with more information.

### IS YOUR SUPER ON TRACK?

CHECKLIST	✓
Ensure you receive the maximum contribution from your employer, by contributing your maximum Average Contribution Rate to Gold State Super.	
If you have contributed 3% or 4% at any time in the past, try to 'catch up' by increasing your contribution to 6% or 7% until you get your Average Contribution Rate to 5%. This will maximise your final benefit.	
Make additional contributions to GESB Super or West State Super. You can choose an investment plan to suit your individual financial goals. Simply complete a 'Super contribution' form or use the BPAY® facility through Member Online.	
Consider consolidating your other super accounts into your GESB Super or West State Super and save on fees. Simply complete a 'Super contribution' form and we'll do the rest of the work for you.	
Start making spouse or partner contributions and they will also receive the benefits a GESB account offers.	
Attend one of our free retirement seminars. You'll hear from GESB staff and a qualified financial planner, so you can learn how to maximise your super and plan the lifestyle you would like in retirement.	
Register for Member Online. With Member Online you can manage your super online 24 hours a day, 7 days a week. To register, visit our website at <a href="http://gesb.com.au">gesb.com.au</a> and follow the instructions.	

For more information about keeping your super on track or to download forms, visit [gesb.com.au](http://gesb.com.au).

## Accessing your super

For most members, you will be able to access your Gold State Super benefit when you turn 55 and are no longer working for the WA public sector.

At present, your super benefit may be paid out in the following circumstances:

- You are at least 55 years of age and have ceased public sector employment or have returned to the WA public sector and work less than 10 hours per week
- You apply to access your super benefit to purchase a Transition to Retirement income stream
- You die (in which case the benefit is paid to your estate)
- You become permanently disabled, or
- You receive approval from GESB to release your super on financial hardship or compassionate grounds

There are other circumstances where you may be able to access your benefit if you are under age 55. If eligible, a discount factor will apply. In this case, the Contributory Service Component of your benefit is subject to a discount factor of 1.75% pa for every year you are under age 55.

### If you were previously a member of the WA Public Sector Pension Scheme

If you have Gold State Super and were previously a member of the WA Public Sector Pension Scheme, the contributions you made to the scheme (plus interest) can be paid to you on the completion of your WA public sector employment if you are under age 55. However, your Past Service Benefit (from the WA Public Sector Pension Scheme) and Contributory Service Benefit will remain preserved with GESB until you become entitled to your benefit.

Your employer will tell us when you have ceased work and will send us information regarding your salary and last working date, along with any outstanding contributions. Once we have received this information, we will calculate your final benefit and send you a benefit statement. This statement details the components that make up your super benefit.

## RETIREMENT OPTIONS

### Retirement Income Allocated Pension

A Retirement Income Allocated Pension turns your super into a tax-effective regular income, paid monthly, quarterly or annually. It offers you the security of a regular income and allows you to invest your super in the investment plan of your choice. As your money is working in a tax-effective environment, your investment has the potential to grow.

Retirement Income Allocated Pensions allow you to adjust the level of income you receive each financial year (subject to it being at least at or above the minimum Commonwealth government limit) making it suitable to your changing financial circumstances. You also retain access to your funds at any time. The GESB Retirement Income Allocated Pension provides a tax-effective income for as long as there is money in your account.

### Transferring from an untaxed fund

When you transfer your investments into a retirement income stream from an untaxed fund, like West State Super and Gold State Super, the tax applied on the transfer is exactly the same as would be applied if you transferred to any other taxed super fund.

The receiving fund will deduct tax from your 'taxable component - untaxed element' at 15%. There is an untaxed plan cap amount of \$1.205 million for the 2011/12 financial year (indexed) per super fund. If your 'taxable component - untaxed element' exceeds this cap, the excess is taxed at 46.5%.

For details of your tax components, please call your Member Services Centre who will calculate these for you.

### Transition to Retirement

Transition to Retirement allows you to access your super benefits while you are still working. You don't have to reduce your work hours but you may choose to as a way to better align your work with your lifestyle, health or family priorities. If you do reduce your hours, the income you receive from your super benefits will help to supplement any loss of salary.

To be eligible for Transition to Retirement, you must have reached preservation age which for Gold State Super members is 55.

Transition to Retirement offers you significant financial benefits and the flexibility to:

- Boost your income - by receiving an income stream from an allocated pension, as well as your normal salary
- Boost your super - by continuing to work and sacrifice some of your salary to super
- Reduce your hours or change job responsibilities - without reducing your income

### Things you need to know about Transition to Retirement

- You can access your super once you reach 55.
- You can transfer up to 100% of your super benefit. This can be used to start a non-commutable income stream such as GESB's Retirement Income Allocated Pension.
- You can choose to receive a minimum\* and a maximum of 10% of the pension account balance each year.
- You can continue to work and continue to contribute into your Gold State Super account.
- You can continue making salary sacrifice contributions to West State Super or GESB Super.
- You can change the amount of pension you receive each year, subject to minimum and maximum limits.
- You are liable to pay any member contribution arrears owing on your Gold State Super account when your benefit is paid and not when you take a transfer under the Gold State Transition to Retirement rules.
- You won't be able to roll over the allocated pension back to Gold State Super if your personal circumstances change. However you can roll funds into an accumulation style super scheme like West State Super or GESB Super.

\*3% for the financial year 2011/12 and 4% for 2012/13. May change in future years.

It is possible for your Gold State Super account to carry contribution arrears. For example, if you take Recognised Unpaid Leave and you forget to send us your contributions every two weeks, then arrears will accrue.

It is important to realise that:

- Contribution arrears are not calculated or payable when you take a transfer under the Gold State Super Transition to Retirement rules, and
- You are liable to pay any contribution arrears owing on your Gold State Super account when your benefit is paid to you.

Changes to Super from 1 July 2007 mean that any withdrawal from an untaxed fund, such as Gold State Super, may trigger the crystallisation of the tax-free and taxable components of your current benefit including any pre 1 July 1983 service. For taxed funds such as GESB Super, this crystallisation took effect on 30 June 2007.

For members with a Gold State Super account, there may be advantages to rolling over benefits into a West State Super account before withdrawal. Gold State Super members interested in this option should contact GESB prior to accessing their benefit.

Both contributing and deferred members of Gold State Super can access 100% of their benefit from age 55 to start a non-commutable allocated pension.

- **For contributing members**

Accessing part or all of your benefit will reduce the Benefit Multiple used to establish the value of your final benefit. This reduction is called the Offset Multiple. Unless you elect to withdraw from Gold State Super, your account will remain open and your defined benefit and Benefit Multiple will grow as you continue working.

- **For deferred members**

Accessing part of your benefit reduces the value of your final benefit by the equivalent amount. Any remaining balance will continue to accrue at Perth Consumer Price Index (Perth CPI)\* +2%. If you roll over all of your benefit to an allocated pension, your Gold State Super account will be closed and the pre 1 July 1983 service (if applicable) will be crystallised.

\*Perth CPI calculated in accordance with the State Superannuation Regulations.

## REDUNDANCY AND RESIGNATION

Even if you don't stay in the WA public sector until retirement, you can still take advantage of the valuable benefits offered by Gold State Super. Entitlement and benefit options depend on whether you have reached preservation age. See the table on page 16 for more information.

### Benefit entitlement

If you are a Gold State Super member and are made redundant or resign from the WA public sector, then you are entitled to the total benefit built up on your behalf which can include:

- **Contributory Service Benefit** - your Gold State Super benefit including your personal and employer contributions, and if applicable
- **Transferred Contributions and Interest** - contributions and interest previously transferred from the WA Public Sector Pension Scheme, and
- **Transferred Service Benefit** - the additional service benefit based on past full-time employment given to you when you transferred from the WA Public Sector Pension Scheme to Gold State Super.

However, when you leave employment with the WA public sector, some of these components are treated differently.

### Calculating your benefit

Your retirement benefit is calculated using:

- Your completed months of Equivalent Full-Time Contributory Service
- Your Average Contribution Rate, and
- Your Final Remuneration

If you are made redundant or you choose to resign, your benefit will be calculated as at your termination or resignation date.

#### Example 4

Following is an example of how Matthew's benefit would be calculated

#### Assumptions about Matthew

- Age Matthew joined Gold State Super: 33 years
- Length of full-time employment: 12 years
- Age at redundancy: 45 years
- Average Contribution Rate: 5% (maximum)
- Final Remuneration at redundancy: \$50,000
- Completed Months of Service: 144 months (12 years x 12 months)

$$\frac{\text{Completed Months of Service}}{12} \times 20\% \times \frac{\text{Average Contribution Rate}}{5} \times \text{Final Remuneration}$$
$$\frac{144}{12} \times 20\% \times \frac{5}{5} \times \$50,000$$
$$= 12 \times 20\% \times 1 \times \$50,000 = \mathbf{\$120,000}$$

**Matthew's benefit was calculated to be \$120,000.**

#### Summary of entitlement and benefit options

Age/Event	Entitlement	What happens to my insurance?	When is tax paid?
<b>Under 55 years of age</b>		Your insurance cover for Death and Total & Permanent Disablement will cease.	Tax is not payable on your benefit until you take it out or roll it over another taxed super fund.
If you are made redundant or resign	Preserve your benefit in Gold State Super until you reach 55*.		
<b>55 years of age or over</b>		If you want to replace this, you will need to make your own arrangements for insurance cover.	See 'Tax considerations' section on page 23.
If you are made redundant or resign	This is regarded as normal retirement and you will have access to your benefit in full. You can open a GESB Retirement Income Allocated Pension, take a lump sum or roll over to another complying super fund.		

\* Important: If you are under 55 and transferred from the WA Public Sector Pension Scheme, you can elect to receive the Transferred Contributions and Interest component of your benefit when you resign or if you are made redundant†. All other funds must be preserved in Gold State Super until you reach 55 years of age. Under some circumstances, withdrawing the Transferred Contributions and Interest component of your benefit will result in your Transferred Service Benefit being forfeited. Please see 'Withdrawing as a contributing member' section on page 12 or contact your Member Services Centre for more information.

† There may be tax implications if you elect to receive the Transferred Contributions and Interest component of your benefit as cash.

#### PRESERVING YOUR BENEFIT IN GOLD STATE SUPER

Your Contributory Service Benefit and Transferred Service Benefit (if applicable) will be preserved in Gold State Super until you reach 55 years of age (or earlier in the case of death or disability). These funds will be indexed annually at a salary growth factor equivalent to the Perth Consumer Price Index (Perth CPI)<sup>#</sup> plus 1% pa until age 55, and then indexed annually at Perth CPI plus 2% pa.

<sup>#</sup>Perth CPI calculated in accordance with the State Superannuation Regulations 2001.

Any Transferred Contributions and Interest can be refunded to you if you are under 55 years of age, or preserved in the fund. If you decide to preserve this portion of your benefit, it will be indexed annually at Perth CPI plus 2% pa. Once you reach 55, however, the option to receive payment of only the Transferred Contributions and Interest is no longer available; the total account balance must be paid.

There are other circumstances where you may be able to access your benefit if you are under age 55. If eligible, a discount factor will apply. In this case, the Contributory Service Component of your benefit is subject to a discount factor of 1.75% pa for every year you are under age 55. For more information call your Member Services Centre.

### Advantages of preserving your benefit

Choosing to leave your benefit in Gold State Super means:

- You won't be charged any entry or penalty fees that could be incurred if you transferred your benefit to another super fund, and
- Your untaxed benefit will continue to grow until you reach retirement, and
- Your benefit is not subject to fluctuating market movements

### DIVORCE

In the event of separation or divorce, you will need to take a close look at your super arrangements as the *Family Law Act 1975* affects the way in which super entitlements are treated.

#### Splitting your super benefit in the event of a divorce

Super is treated as property that can be divided between parties in the event of a marriage breakdown. The splitting of your super can be authorised by:

- A formal agreement between you and your spouse called a 'Superannuation Agreement' or 'Binding Financial Agreement', or
- A 'Court Order' issued by the Family Court directing GESB to split your super

GESB will split your super entitlement in accordance with the Agreement or Order and create a separate 'interest', ie a new account, for your former, current or future spouse, unless otherwise directed by them.

#### Calculating the value of your benefit

The notional benefit amount shown on your most recent statement should not be used for family law valuation purposes because this value will not necessarily be representative of the true value of your benefit at a particular time for family law purposes.

For enquiries regarding your Gold State Super benefit amount, please complete the Family Court's Form 6 Declaration and the Superannuation Information Request Form, and return these to GESB. The forms are included in 'Superannuation Information (Do-it-yourself kit)', which is available for download from [www.familylawcourts.gov.au](http://www.familylawcourts.gov.au). Once we receive the forms we will be able to calculate the value of your benefit, after applying the appropriate Commonwealth reduction factor.

**Note:** Effective from 1 March 2009, the Commonwealth government amended the Commonwealth *Family Law Act 1975* to extend superannuation splitting to de facto couples. However, the Commonwealth changes do not apply to de facto relationships in WA.

#### Payment to your former spouse from your superannuation

Upon receipt of a splitting order or agreement, GESB will identify the non-member spouse's interest, adjust the amount by growth rates specified in the legislation, and split your benefit. The non-member spouse will be required to meet any tax liability on their component of the superannuation benefit, unless your order specifies otherwise.

Depending on your age and the status of your Gold State Super account (ie deferred or active) at the time your super is split, your benefit may have a discount factor applied to your multiple.

#### An eligible person has a right to information about your super

GESB may be obliged by the provision of the *Family Law Act 1975* to provide specified membership information to an 'eligible person' at their request.

Eligible persons have the right to obtain information about a member's super. If a person is eligible to receive the information, we must provide it to them. Eligible persons include:

- A member of GESB
- Their married spouse
- A person who is intending to enter into a pre-nuptial super agreement with a GESB member

When an eligible person other than the member requests or receives information, the GESB member cannot be notified by GESB, due to requirements of the Commonwealth Family Law legislation.

The type of information that can be provided to an eligible person includes:

- Membership history
- The current value of the member's benefit (or information to allow it to be calculated), and
- Details of any existing splitting orders

The purpose of providing access to information is to enable both parties to be able to verify the value of a member's super entitlement if a property split or a super agreement is about to occur.

The person requesting information about the super account must complete two forms; a Superannuation Information Request form and a Form 6 Declaration to certify that they are eligible to request the information.

These forms are included in the 'Superannuation Information (Do-it-yourself kit)', which can be downloaded by visiting the Family Law Court website at [www.familycourts.gov.au](http://www.familycourts.gov.au)

### **Application of the 'right to obtain information' rules**

The new Family Law legislation applies to all married couples who finalise a Court Order or super agreement on or after 28 December 2002. It does not apply to divorced couples whose property arrangements were legally finalised before the new laws came into effect on 28 December 2002, unless the Court sets aside an earlier Order.

If you have a Court Order from prior to 28 December 2002, which requires a payment from your superannuation account, please contact your Member Services Centre.

### **Fees and charges**

Super funds are entitled to levy reasonable fees and charges to recover costs involved in providing information or administering Court Orders or super agreements. Currently, GESB does not charge a fee for this service, but this is subject to change without notice. Your Member Services Consultants will be able to confirm any applicable fees at the time of your enquiry.

Due to the complex nature of super and family law, GESB strongly recommends members and spouses seek legal and financial advice before finalising an agreement involving a super fund, as there may be tax and other financial implications. You may also be eligible for services from Legal Aid. For more information about Legal Aid, phone 1300 650 579.

## Your insurance cover

Gold State Super includes automatic insurance cover for all contributing members up until the age of 60. This provides you and your family with the security of knowing that, while you are a member of Gold State Super, financial support is available should you die or become permanently disabled. This insurance cover is an integral part of Gold State Super and is provided to you at no extra cost.

### **LEVELS OF INSURANCE COVER**

Your insurance cover in Gold State Super is based on the results of the medical examination undertaken at the time you joined the scheme and will comprise one of the following:

#### **Standard Cover**

This means the results of your medical examination were satisfactory. Standard Cover provides the maximum insurance cover available under Gold State Super. In the event of your death or permanent disablement, your insured benefit is equivalent to what you would have received if you had continued as a contributing member of Gold State Super to age 60 years.

#### **Limited Cover**

Your medical examination revealed certain medical conditions that make you an above average risk of retiring prior to age 60, and your cover is limited to Minimum Cover in relation to these conditions. If your death or permanent disability is not caused by or related to the medical conditions for which your cover is limited, then benefits equal to Standard Cover are payable.

#### **Minimum Cover**

This means you only have basic cover because you chose not to have a medical examination at the time you joined Gold State Super. This cover is the same as that given automatically to all members and is based on the Commonwealth government's Superannuation Guarantee rate (currently 9%). Your insured benefit is equivalent to the value of the Superannuation Guarantee that you would have accrued from the date of death or from the date of retirement due to permanent disability until you reach age 60 years.

Your latest member statement shows your current level of insurance cover.

## CHANGING YOUR LEVEL OF INSURANCE COVER

You can undergo a medical examination to reassess your level of cover at any time, at your own expense. If you have Limited Cover, you can apply to have your cover reviewed if your medical condition(s) has improved. For information relating to the removal of limitations, call your Member Services Centre.

If you have Minimum Cover and you would like to increase your level of insurance cover, you will need to complete a medical examination, which will require part of the report to be completed by a Registered General Practitioner.

## DEATH AND PERMANENT DISABILITY BENEFITS

### Death Benefit

Your Death Benefit includes an insured component if you die whilst employed within the WA public sector and you are under age 60 years. The amount payable depends upon your accrued benefit at the time of death plus any insured component. The insured component is calculated based on your future service to age 60 and the level of your insurance cover.

**Note:** Upon death, your super benefit is paid to your estate. If you wish to have your super paid to certain beneficiaries, then you will need to make provisions in a Will.

### Total and Permanent Disability Benefit

You are deemed to be totally and permanently disabled if GESB is satisfied that you are medically incapable of working in your usual position until at least age 60 years, and any other alternative position for which you are qualified by way of experience, education and training or re-training.

A Total and Permanent Disability Benefit comprises your accrued benefit, together with an insured component. The insured component is calculated based on your future service to age 60 and the level of your insurance cover.

### Partial and Permanent Disability Benefit

You are deemed to be partially and permanently disabled if GESB is satisfied that you are medically incapable of working in your usual position to age 60 years, but have the capacity to perform the duties of an alternative position which is suitable to your experience, education and training or ability to be re-trained.

A Partial and Permanent Disability Benefit comprises your accrued benefit together with an insured component. The insured component is calculated similar to a Total and Permanent Disability Benefit and is reduced in proportion to your assessed future earning capacity to age 60 years.

## CALCULATION OF DEATH OR PERMANENT DISABILITY BENEFITS

Your Death or Permanent Disability Benefit is the sum of your accrued benefit plus insured component (see diagram overleaf).

### Accrued benefit

This is your total benefit built-up in Gold State Super until the date of death or retirement due to permanent disablement.

### Insured component

This is the benefit you would have built-up from the date of death or retirement due to permanent disablement until age 60 and is based on several factors.

Your death and disability insurance cover ceases on termination of your employment in the WA public sector, eg retirement, resignation, redundancy, privatisation, dismissal or when you reach age 60. If you die or become permanently disabled after ceasing employment with the WA public sector, your accumulated benefit plus interest would be payable.

The insured component for Death or Permanent Disability Benefits are determined by the following factors:

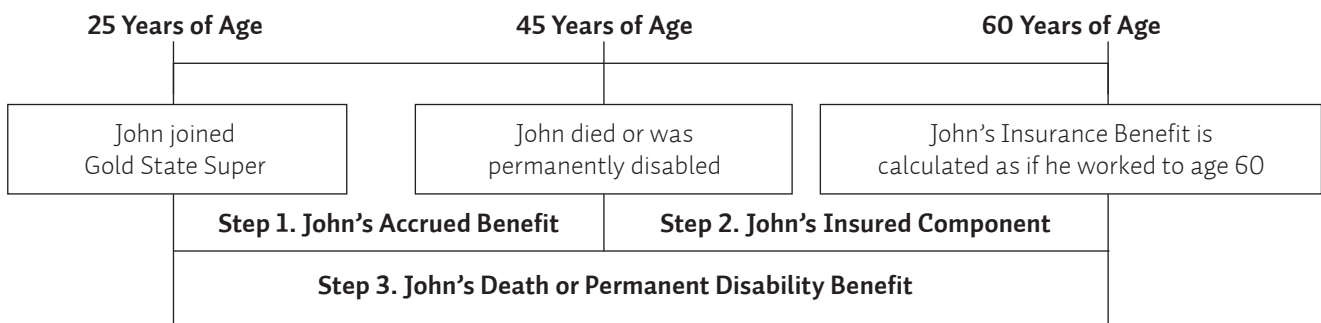
- Your Final Remuneration
- Your Notional Service to age 60, equals the number of completed months from the date of death or disability to age 60 years (pro rata if you work part-time)
- Your Average Contribution Rate
- Your level of insurance cover
- Your future remuneration capacity as determined by GESB (if a partial and permanent disability payment)

 [Refer to glossary](#)

The following examples show how John's Death Benefit (or permanent disability) would be calculated if he had Standard Cover or Minimum Cover. The assumptions for both scenarios are as follows:

**Assumptions about John**

- Age John joined Gold State Super: 25 years old
- Age John died or became permanently disabled: 45 years old
- Employment Status: Full-time
- Average Contribution Rate: 5% (maximum)
- Final Remuneration: \$45,000
- Completed Months of Service: 240 months (20 years x 12 months)
- Notional Service: 180 months (15 years to age 60 x 12 months)



**Example 5 – John has Standard Insurance Cover**

**STEP 1 Calculate the accrued benefit**

The following formula is used to calculate John's accrued benefit (as at the date of death or permanent disablement):

$$\frac{\text{Completed Months of Service}}{12} \times 20\% \times \frac{\text{Average Contribution Rate}}{5} \times \text{Final Remuneration}$$

$$\left[ \frac{240}{12} \times 20\% \times \frac{5}{5} \right] \times \$45,000 = \text{\$180,000 (before-tax)}$$

**STEP 2 Calculate the insured component of the Death or Permanent Disability Benefit**

To calculate the insured component we use the same formula as above, except we calculate the Notional Service John would have accumulated from the time of his death or permanent disablement until the age of 60. As John had 15 years until he reached age 60, his Notional Service is calculated as 180 months.

$$\frac{\text{Notional Service}}{12} \times 20\% \times \frac{\text{Average Contribution Rate}}{5} \times \text{Final Remuneration}$$

$$\left[ \frac{180}{12} \times 20\% \times \frac{5}{5} \right] \times \$45,000 = \text{\$135,000 (before-tax)}$$

**STEP 3 Calculate the Death or Permanent Disability Benefit**

This is the sum of the accrued benefit plus insured component as calculated in Steps 1 and 2.

$$= \$180,000 + \$135,000 = \text{\$315,000* (before-tax)}$$

\* GESB does not withhold tax as your estate is responsible for paying any relevant taxes.

**Example 6 – John has Minimum Insurance Cover****STEP 1 Calculate the accrued benefit**

This is the same as the accrued benefit calculation in the previous example, ie \$180,000 (before tax).

**STEP 2 Calculate the insured component of the Death or Permanent Disability Benefit**

The benefit amount changes in this example because John has Minimum Cover. In contrast to the last example, where the maximum 20% Average Contribution Rate was used in the calculation, in this case the 9% Superannuation Guarantee is used.


$$\frac{\text{Notional Service}}{12} \times 9\% \times \text{Final Remuneration}$$

$$\frac{180}{12} \times 9\% \times \$45,000 = \$60,750 \text{ (before-tax)}$$

**STEP 3 Calculate the Final Benefit**

This is the sum of the Accrued Benefit plus Death or Permanent Disability Benefit as calculated in Steps 1 and 2.

$$= \$180,000 + \$60,750 = \$240,750^* \text{ (before-tax)}$$

 [Refer to glossary](#)

**Note:** The final benefit may also include a transferred service benefit from the WA Public Sector Pension Scheme or a non-contributory service benefit if you transferred from being a non-contributory member to a contributory member before September 1993.

**WORKING PART-TIME CAN AFFECT YOUR DEATH OR PERMANENT DISABILITY BENEFIT**

If you change to working part-time, your accrued benefit will grow at a slower rate due to the fact that your Completed Months of Service accrue according to the hours you actually worked. The table below provides an example:

	Service multiple
Full-time employee (FTE)	Normally accrues one month of service every 30.4 days
Part-time employee	At 50% of full-time equivalent, normally accrues one month of service every 60.8 days

Your insured component will be lower than if you were full-time because your Notional Service is calculated based on your current part-time working arrangements.

Your equivalent full-time salary will be used when calculating your accrued benefit and insured component of the Death or Permanent Disability Benefit, regardless of whether you are working part-time or full-time.

For more information see the 'Working part-time' fact sheet for Gold State Super at [gesb.com.au/brochures](http://gesb.com.au/brochures) or call your Member Services Centre.

## TAKING UNPAID LEAVE CAN AFFECT YOUR DEATH OR PERMANENT DISABILITY BENEFIT

### Recognised Unpaid Leave

- If you take a period of 'Recognised Unpaid Leave' greater than three months and choose to continue paying your regular contributions, then your insurance benefit remains the same as if you were actually working.
- If you opt to have a 0% contribution rate, then your insured benefit will be reduced in line with your Average Contribution Rate.

### Unrecognised Unpaid Leave

- If you take a period of 'Unrecognised Unpaid Leave' then you can elect to maintain your current level of insurance cover by paying a premium.
- If you choose not to pay the premium and are permanently disabled or die while on that leave, your insured component is calculated as if you had Minimum Cover.

For more information about the differences between 'Recognised Unpaid Leave' and 'Unrecognised Unpaid Leave' see the 'Taking unpaid leave' fact sheet for Gold State Super at [gesb.com.au/brochures](http://gesb.com.au/brochures) or call your Member Services Centre.

### FOR CONTRIBUTION RATES OF LESS THAN THE MAXIMUM 5%

If your Average Contribution Rate is less than the maximum 5% then both your accrued benefit and insured component of the Death or Permanent Disability Benefit will be lower than if you contributed the maximum 5%. See example below.

#### Example 7

John has not contributed to Gold State Super at the maximum Average Contribution Rate. His average is only 3%.

#### STEP 1 Calculate the accrued benefit

$$\frac{\text{Completed Months of Service}}{12} \times 20\% \times \frac{\text{Average Contribution Rate}}{5} \times \text{Final Remuneration}$$

$$\left[ \frac{240}{12} \times 20\% \times \frac{3}{5} \right] \times \$45,000 = \text{\$108,000 (before-tax)}$$

#### STEP 2 Calculate the insured component of the Death or Permanent Disability Benefit

$$\frac{\text{Notional Service}}{12} \times 20\% \times \frac{\text{Average Contribution Rate}}{5} \times \text{Final Remuneration}$$

$$\frac{180}{12} \times 20\% \times \frac{3}{5} \times \$45,000 = \text{\$81,000 (before-tax)}$$

#### STEP 3 Calculate the Death or Permanent Disability Benefit

Accrued benefit + insured component

$$= \$108,000 + \$81,000 = \text{\$189,000 (before-tax)}$$

# Tax considerations

Once your Gold State Super benefit becomes payable, the tax treatment will depend on:

- How the benefit is paid
- Your age, and
- The taxable components of your benefit

Your benefit can be:

1. Paid as a lump sum
2. Rolled over to another super fund, or
3. Taken as an income stream (such as GESB's Retirement Income Allocated Pension)

## APPLICATION OF TAX TO BENEFITS PAID

### 1. Lump sum

If you take your benefit as a lump sum, it is taxed according to the components that make up your benefit (see table below). No tax is payable on the tax-free component.

Component	Age	Tax rate (inc. Medicare levy)
Taxable component - taxed element	Under 55	21.5%
	55 - 59	First \$165,000 <sup>1</sup> = 0% Balance = 16.5%
	60+	Nil
Taxable component - untaxed element	Under 55	First \$1.205 million <sup>1</sup> = 31.5% Balance = 46.5%
	55 - 59	First \$165,000 <sup>1</sup> = 16.5% From \$165,000 <sup>1</sup> up to \$1.205 million <sup>1</sup> = 31.5% Balance = 46.5%
	60+	First \$1.205 million <sup>1</sup> = 16.5% Balance = 46.5%

<sup>1</sup> For the 2011/12 financial year, indexed annually for future years.

**Note:** This does not include the Flood Levy. For more information, please refer to the 'Tax and super' fact sheet, available at [gesb.com.au/brochures](http://gesb.com.au/brochures).

### 2. Roll over your benefit

If you roll over all or any portion of your benefit to a complying super fund, you will be taxed on the untaxed element by the new fund at a rate of 15% when it is received. However, if you exceed your untaxed plan cap (ie \$1.205 million for the 2011/12 financial year) then GESB will deduct 46.5% tax on the excess prior to rolling over your money.

### 3. Income stream

If you transfer your super to an Allocated Pension to receive your super as an income stream, tax is deducted from your untaxed element at a rate of 15% when it is received by the other fund. However, if you exceed your untaxed plan cap (ie \$1.205 million for the 2011/12 financial year) then GESB will deduct 46.5% tax on the excess prior to rolling over your money.

### Example 8 – Tax calculation on a lump-sum benefit

John, 61, a recently retired teacher, has a West State Super and a Gold State Super account. Both are untaxed funds. John has decided to access his Gold State Super balance of \$300,000 as a lump-sum payment. Since he has already contributed \$50,000 from his post-tax income, this component is tax-free. The following shows how the tax is calculated on John's final benefit.

	Amount	Tax rate <sup>#</sup>	Tax withheld
<b>Gross benefit</b>	\$300,000		
<b>Tax-free component</b>	\$50,000	0%	Nil
<b>Taxable component - untaxed element</b>	\$250,000	16.5%	\$41,250
<b>Net benefit</b>	\$258,750		

<sup>#</sup> Includes Medicare levy of 1.5%.

**Note:** This does not include the Flood Levy. For more information, please refer to the 'Tax and super' fact sheet, available at [gesb.com.au](http://gesb.com.au).

The tax-free component is not subject to tax. The untaxed element of \$250,000 is taxed at a rate of 16.5% (including the Medicare levy and excluding the Flood Levy) because John is taking the benefit as a lump sum.

If John had elected to transfer his Gold State Super benefit to a taxed super scheme, such as GESB Super or GESB's Retirement Income Allocated Pension, the untaxed element of his benefit would have been taxed at only 15% (or \$37,500) leaving him with a net benefit of \$262,500.

## LIMITS

The Commonwealth government provides tax concessions to working Australians but limits the amount that individuals can contribute each year which can receive these tax concessions; these are known as contribution caps.

You are able to accumulate up to a maximum of \$1.205 million for the 2011/12 financial year per super fund (indexed annually) in concessional taxed (before-tax) benefits. This is the maximum amount of 'taxable component - untaxed element' that can be paid to you or rolled over to a taxed fund and still be subject to concessional tax treatment. For Gold State members, salary sacrifice contributions form a part of concessional taxed (before-tax) benefits. Any monies you accrue in excess of this cap in your Gold State Super account will have tax levied at the top marginal tax rate, currently 46.5% inclusive of Medicare levy.

## BENEFIT COMPONENTS IN UNTAXED FUNDS

Changes to super from 1 July 2007 mean that withdrawals from an untaxed scheme, like Gold State Super, can trigger the crystallisation of the tax-free and taxable components of a member's current benefit and will take into account any pre 1 July 1983 service (if applicable).

In the following example, we revisit John's situation to clarify tax paid on benefit components in untaxed funds:

### Example 9

If John has pre 1 July 1983 service, ie he started contributing or was deemed to have started contributing to a super fund before 1 July 1983, a proportion of his untaxed element would be tax-free.

Let's say that 20% of John's eligible service with the WA Education Department was before 1 July 1983 and 80% after. This would mean that 20% of the gross benefit of \$300,000 is tax-free. The table below illustrates this.

Members with pre 1 July 1983 service, like John, can maximise the tax-free percentage by making post-tax (personal) contributions (which are tax-free) into an untaxed funds like Gold State Super or West State Super. In most situations the tax-free proportion is generally calculated on the whole benefit (ie \$300,000) and not just the untaxed element (ie \$250,000).

	Amount	Tax rate	Tax withheld <sup>#</sup>
Gross Benefit	\$300,000		
• Tax-free component	\$50,000	Not assessable, not exempt income	Not applicable
• Taxable component - untaxed element	\$250,000		
• Pre 1 July 83 service	\$60,000	20% of the gross benefit of \$300,000 is tax-free	
• Post 1 July 83 service and now the Taxable component - untaxed element for this new calculation	$(\$250,000 - \$60,000) = \$190,000$	16.5%	\$31,350
Net benefit	\$268,650		

<sup>#</sup> Includes Medicare levy of 1.5% but excludes the Flood Levy. For more information, please refer to the 'Tax and super' fact sheet, available at [gesb.com.au/brochures](http://gesb.com.au/brochures).

**This is a complex area and GESB recommends that you seek professional financial advice and/or tax advice to ensure your calculation is made on the whole benefit.**

For members with a Gold State Super account and pre 1 July 1983 service, there may be advantages to rolling over benefits into a West State Super account before withdrawal. However, because the benefits are combined into a West State Super account, any subsequent withdrawal from the West State Super account will trigger crystallisation of the tax-free and taxable components of the combined amount.

For more information, call your Member Services Centre.

## TAX ON DEATH BENEFITS

The benefit payable on your death will be the balance in your account, plus any insured benefit (if applicable) paid as a lump sum to your estate.

Differing tax treatment will apply upon your death. If you die before you withdraw or roll over your super, we pay your super to your estate. GESB does not withhold tax as your estate is responsible for paying any relevant taxes.

Generally, when the executor of your Will pays the death benefit as a lump sum to a dependant, it will be paid tax-free. A lump-sum death benefit paid to a non-dependant, however, will be subject to tax at 15% plus Medicare levy on the taxed element of the taxable component and 30% plus Medicare levy on the untaxed element of the taxable component. The Flood Levy will also be applied where applicable.

A dependant includes:

- Your spouse (including a de facto or former spouse)
- A child aged under 18 (including an adopted child, a step child, or ex-nuptial child)
- Any person who is financially dependent on you, and
- Any person with whom you have an interdependent relationship

Two persons (whether or not related by family) have an interdependent relationship if:

- They have a close personal relationship, and
- They live together, and
- One or each of them provides the other with financial support, and
- One or each of them provides the other with domestic support and personal care






An interdependent relationship also includes two persons (whether or not related by family):

- Who have a close personal relationship, and
- Who do not meet the other criteria listed in the paragraph above because either or both of them have a physical, intellectual or psychiatric disability

# Glossary

<b>Average Contribution Rate</b>	is the average percentage rate of your salary at which you contributed during your employment while working for the WA public sector as a Gold State Super member.
<b>Completed Months of Service</b>	is your months of Equivalent Full-Time Contributory Service in Gold State Super.
<b>Contributory Service Benefit</b>	your Gold State Super benefit including your personal and employer contributions
<b>Equivalent Full-Time Contributory Service</b>	is used in the calculation of your final Gold State Super benefit. This is the number of equivalent full-time months you have contributed to Gold State Super. So if you were working 50% part-time for 12 months, you would only have accrued six equivalent full-time months of service.
<b>Final Remuneration</b>	<p>is your average salary based on three key dates during your last two years of employment as a Gold State Super member. For part-time employees, your Final Remuneration is based on your equivalent full-time salary. It includes Higher Duties Allowance (HDA) or Temporary Special Allowance (TSA), if one of these is received for at least 12 months continuously within the last two years of employment and is received on your ceasing date and/or one or both selection dates. For employees on secondment for at least 12 months on one of the three key dates, remuneration for that day is taken to be the higher of the remuneration for the job from which the employee was seconded and the remuneration for the job to which the employee was seconded. Please contact your Member Services Centre if you have any queries about the qualifying criteria, as each person's situation may be different.</p> <p><b>Note:</b> The final benefit may also include a transferred service benefit from the WA public sector pension scheme or a non-contributory service benefit if you transferred from being a non-contributory member to a contributory member before September 1993.</p>
<b>Notional Service</b>	is the potential number of equivalent months of service you would have worked from the date of death or retirement due to permanent disablement until the date of your 60th birthday.
<b>Recognised Unpaid Leave</b>	is leave that your employer counts as good service, eg parental or sick leave reasons.
<b>Remuneration</b>	is the salary that is counted for super purposes. Generally it comprises gross salary less any irregular payments such as overtime, bonuses and personal expense allowances.
<b>Selection Date</b>	this is the date each year we calculate the amount you need to contribute to Gold State Super, taking into account your chosen contribution rate. See page 4 for more information on calculating your Selection Date.
<b>Transferred Contributions and Interest</b>	if you were previously in the WA Public Sector Pension Scheme, then this component of your benefit is the contributions and interest previously transferred from the WA Public Sector Pension Scheme.
<b>Transferred Service Benefit</b>	if you were previously in the WA Public Sector Pension Scheme, then this additional service benefit is based on past full-time employment given to you when you transferred from the WA Public Sector Pension Scheme.
<b>Unrecognised Unpaid Leave</b>	is leave that your employer does not count as good service, eg leave for personal reasons.

## How to contact us

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