



RBF Superannuation & Phased-In Retirement

1. What is Phased-In Retirement?

Phased-In Retirement is a work initiative available through some employers which will allow staff to ease into retirement by working part time.

The scheme allows staff who have reached retirement age to elect to work less than full time over an agreed period with a view to eventual retirement.

This will allow members to work part time during their final years of service whilst the employer is able to provide new staff with work and training opportunities.

If you would like more information about Phased-In Retirement or to see if your employer offers this scheme, please contact your Human Resources section.

This program is different from Transition to Retirement where you commence an income stream using your superannuation and your employment may be unaffected. More information about Transition to Retirement can be found at the RBF website www.rbf.com.au or by contacting RBF direct by phoning 1800 622 631.

2. How does Phased-In Retirement change your RBF superannuation?

Participating in Phased-In Retirement is the same as choosing to work part time for RBF purposes. If you reduce the number of hours that you work per week, then you accumulate superannuation at a reduced rate.

How it affects your final benefit will depend on whether you are a member of the RBF Contributory Scheme or Tasmanian Accumulation Scheme (TAS).

3. Which RBF scheme am I in?

Your last Membership Statement notes which scheme you are in – RBF Contributory Scheme or Tasmanian Accumulation Scheme. You may also contact RBF if you are unsure of which scheme you are in.

4. How will the loss of overtime payments alter my RBF benefits?

The loss of overtime can have a dramatic effect particularly on your Contributory Scheme end benefit as overtime payments are included as salary for benefit calculation purposes.

5. How does Phased-In Retirement vary my RBF ill health and death benefits?

Participating in Phased-In Retirement will lower your RBF ill health and death cover. The younger you are, the greater the effect will be. You will need to consider the risks associated with ill health and death benefits carefully, prior to participating in Phased-In Retirement.

6. Phased-In Retirement & the Tasmanian Accumulation Scheme (TAS)

Members of TAS receive employer contributions equal to their fortnightly salary multiplied by the appropriate Superannuation Guarantee Contribution rate (currently 9%).

Members who joined TAS on or after 15 May 1999 also pay 5% employee contributions (5% of salary) unless they elect otherwise.

Fiona is working full time on a salary of \$45,500 pa.

Fiona's employer contributes $\$45,500 \times 9\%$ into TAS: \$4,095

Fiona contributes $\$45,500 \times 5\%$ into the Investment Account \$2,275

Annual Contribution \$6,370

End benefit equals the contributions made over a number of years plus investment returns.

IMPACT OF PHASED-IN RETIREMENT

Fiona decides to reduce her working hours to 40% of the full time equivalent for the final 2 years.

Fiona's reduced annual salary is $\$45,500 \times 40\% = \$18,200$

Fiona's employer contributes $\$18,200 \times 9\%$ into TAS: \$1,638

Fiona contributes $\$18,200 \times 5\%$ into the Investment Account: \$ 910

Annual Contributions during Phased-In Retirement \$2,548

End benefit equals the contributions made over a number of years plus investment returns.

Summary

From these examples, it can be seen that Fiona accumulates superannuation at a slower rate during the period of part time employment. Fiona could compensate for this by increasing her personal (non-concessional) contributions into superannuation or by using salary sacrifice (concessional contributions). Fiona would need to ensure her contributions did not exceed the contribution limits.

7. Phased-In Retirement & the RBF Contributory Scheme

The Contributory Scheme is a defined benefit scheme. As such, benefits payable are based on a formula which comprises the following 4 components:

Length of Contributory Service (years and days)

Rate(s) of member contribution.

Final Average salary received in last 3 years of service called FAS(3)*

Employment Percentage

* Where a member is working part time, the full time equivalent salary is used for benefit calculation purposes.

Members who participate in the Phased-In Retirement option will be treated as part time employees for benefit calculation purposes and their employment percentage will be adjusted during the Phased-In Retirement period.

Contributory Scheme members have their benefit calculated using the formula prescribed in the 2005 Regulations. Members who joined before 1 July 1994 may also have certain anti-detriment rights. The examples given below are provided for information purposes only and are calculated using the 2005 Regulations. Anti-detriment benefits, although not provided, will be reduced in a similar manner.

The Lump Sum formula is:

$$\begin{aligned} & \text{FAS(3)} \\ & \times \\ & \text{Length of Contributory Service} \\ & \times \\ & 20\% \text{ (if the member is contributing 5\%)} \\ & \times \\ & \text{employment \%} \end{aligned}$$

Scenario #1 - Retirement after 12 years full time contributory service

Graeme has a FAS(3) of \$52,555 and has contributed for 12 years and is now age 55. Graeme has always worked full time. If Graeme retired, his benefit is:

$$\$52,555 \times 12 \times 20\% \times 100\% \text{ (full time employment)} = \mathbf{\$126,132}$$

Scenario #2 – Graeme chooses to work an extra 3 years at the full time rate

If Graeme chose to work full time for another 3 years, he would have 15 years service at retirement. Assuming Graeme's FAS(3) remains unchanged, after 15 years full time service, Graeme's benefit would be:

$$\$52,555 \times 15 \times 20\% \times 100\% \text{ (full time employment)} = \mathbf{\$157,665}$$

The extra 3 years of full time service provided Graeme with an extra \$31,533.

Scenario #3 – Work 12 years full time then opted for Phased-In Retirement over the last 3 years of employment

After working 12 years full time, Graeme phased-in his retirement and worked 50% for his final 3 years.

FAS(3) remains unchanged as the final average salary used to calculate Graeme's end benefit is taken as the full time equivalent salary. FAS(3) is not affected by Phased-In Retirement.

It is easiest to think of Graeme's 15 years service as 12 years at full time plus 3 years at 50% part time.

Graeme's benefit if he retires after his 3 years part time (Phased-In Retirement) is:

$$\$52,555 \times 12 \times 20\% \times 100\% \text{ (full time employment)} = \$126,132$$

PLUS

$$\$52,555 \times 3 \times 20\% \times 50\% \text{ (part time employment)} = \$15,766.50$$

Total benefit: **\$141,898.50**

As can be seen from the examples, Graeme could leave after 12 years service, work full time or reduce his hours to part time. Graeme's superannuation grows while he continues to work. In this example, Graeme's lump sum end benefit increases by \$31,533 if he works his final 3 years full time and increases by \$15,766.50 if he works at 50% of his normal hours.

Summary

When you phase in your retirement the increase in your RBF Contributory Scheme will be reduced in direct proportion to the reduction in your employment percentage during the period. You can compensate for this by increasing your contributions into the Contributory Scheme to a maximum of 15% or by making additional contributions into the RBF Investment Account. You would need to check that your increased contributions did not exceed the contribution limits.

8. How do I find out more?

You are encouraged to contact RBF prior to entering into a Phased-In Retirement agreement to obtain information based on your personal circumstances.

RBF's specialist staff will discuss the effect of Phased-In Retirement on your end benefit. RBF can provide you with personal estimates and options that you may wish to consider in relation to Phased-In Retirement.

You should also ask if you have options to maximise your superannuation benefit, for example you may be able to upgrade your contribution rate for past service or purchase past non-contributory service.

To assist you in making your decisions, RBF staff are available to discuss your options. Telephone RBF on 1800 622 631 and ask to arrange a free personal interview.

For further information

Phone us on: 03 6233 3672 or 1800 622 631

Fax us on: 03 6233 3357

Email us at: super@rbf.com.au

Online at: www.rbf.com.au

Write to: The Chief Executive Officer
Retirement Benefits Fund Board
GPO Box 446
Hobart Tas 7001

Visit us at: Retirement Benefits Fund Board
39 Sandy Bay Road, Hobart

Personal interviews are available in Hobart, Launceston, Burnie and Devonport by appointment only. To arrange an interview, telephone 1800 622 631.

Disclaimer

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