

### The productivity benefit

In June 1986, as part of a National Wage Case, the Conciliation and Arbitration Commission allowed employers and unions to negotiate a superannuation arrangement costing no more than 3 per cent of wages. This arrangement is generally referred to as the 3 per cent productivity benefit or award superannuation.

The Commonwealth decided that the 3 per cent benefit should apply to all its employees, including members of the Defence Force, and that it should be phased in from 1 January 1988.

### The 3 per cent benefit and the MSBS

In the MSBS there are two distinct superannuation benefits:

- a member benefit of a lump sum of your own contributions and interest payable when you leave the ADF; and
- an employer-financed benefit payable as a lump sum, a pension or as a combination of both, generally payable on retirement from the workforce at or after reaching preservation age (see over page).

The 3 per cent productivity benefit forms part of this employer-financed benefit.

The Commonwealth pays an amount equal to 3 per cent of your fortnightly pay into the MSB Fund. The 3 per cent contributions earn the same return as the default investment strategy of the Fund.

The total employer benefit, including the 3 per cent component is based on the following:

#### Employer benefit growth table

Years of service	% of FAS* per year
0-7	18%
8-20	23%
More than 20	28%

\* Final average salary (FAS) is your average superannuation salary over the last three years (1 095 days) of your Defence Force service.

### Annual member statements

Each year you will receive a member statement which will show the amount of the 3 per cent benefit and the interest it has earned.

#### Example: benefit after 20 years' service

Bill resigns after 20 years of service on a final average salary of \$58 000.

#### Member benefit

Refund of contributions and interest

- 30 June 1999 member benefit paid as a lump sum
- post 30 June 1999 member benefit preserved in the MSBS or a rollover fund

#### Employer benefit

7 years @ 18% = 126% of \$58 000  
13 years @ 23% = 299% of \$58 000  
Total = 425% of \$58 000  
= \$246 500

If we assume the 3 per cent benefit, with interest, has amounted to \$43 000, then the Commonwealth makes up the balance of \$203 500 to reach the total employer benefit of \$246 500.

### Your employer benefit options

You can leave your employer benefit preserved in the MSBS until age 65, or after attaining age 55 your options are:

- take your employer benefit as a CPI indexed pension; or
- roll over your employer benefit to another superannuation fund;
- take 50 per cent or more of your employer benefit as indexed pension and preserve the balance in the MSBS or in a rollover fund; but
- you generally cannot take your employer benefit as a lump sum until you reach your preservation age (see the table on the right) and retire from the workforce;

- also, as an MSBS member, you may be eligible for a retention benefit after 15 years of unbroken service if you undertake to serve for another five years—contact your Pay Officer for details.

The taxed component of the productivity benefit (\$42 000 in the example on the previous page) remains in the MilitarySuper Fund and continues to grow according to the Board's default investment strategy until it is paid. The balance (\$187 500 in the example on the previous page) is adjusted annually in line with changes in the consumer price index.

### Preservation ages

Date of birth	Preservation Age
Before July 1960	55
July 1960 – June 1961	56
July 1961 – June 1962	57
July 1962 – June 1963	58
July 1963 – June 1964	59
After June 1964	60

### If you need more information ...

Phone: Customer Service Centre 1300 006 727  
Fax: (02) 6272 9617

Website: [www.militarysuper.gov.au](http://www.militarysuper.gov.au)  
Email: [members@enq.militarysuper.gov.au](mailto:members@enq.militarysuper.gov.au)

Post: PO Box 22  
Belconnen ACT 2616

Visit Unit 4 Cameron Offices  
Chandler Street Belconnen  
ACT 2617

ABN: 50 925 523 120  
SPIN: CMS0103AU

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Other editions in this information series are available from your Pay Office and include:

- About to leave the ADF?
- Dependants' Benefits
- Invalidity Benefits
- Leave Provisions
- Taxation of Lump Sums
- Rejoining the ADF
- The Productivity Benefit
- Summary of the Scheme

Superannuation Contributions Surcharge

The MilitarySuper Book, an overview of the scheme, is also available.

### Note: This document contains general advice or information only

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