

# Pension Maximum Benefit Limits

Military Super

AFSL: 238395  
ABN: 50 925 523 120  
Board ABN: 72 406 779 248

MS20 - July 2011

## What is the Pension Maximum Benefit Limit (MBL)

The Scheme rules provide limits to contributions which can be made relative to a member's Pension MBL or Lump Sum MBL. The higher limit is the Pension MBL and the lower limit is the Lump Sum MBL. Once you reach the Lower Lump Sum MBL **you can choose** whether or not to continue to contribute to Military Superannuation Benefits Scheme (MSBS - known as MilitarySuper). Should you reach the higher Pension MBL you may continue to make ancillary contributions but **you must cease** making personal contributions i.e. those contributions of between 5% and 10% of your salary for superannuation purposes which are being deducted from your salary and paid into MilitarySuper. If this occurs we will notify you and arrange to cease your contributions immediately. If you require further information in relation to the Lump Sum MBL please refer to the Lump Sum MBL fact sheet (MS02).

## Basic Pension MBL Rule

Under the MSBS Rules, **you must cease** making personal contributions after you have been notified that your total benefit equals or exceeds your Pension MBL.

## How will I know I have reached the Pension MBL?

MilitarySuper notifies you when your total benefit (Employer Benefit **plus** your Member Benefit) reaches your Pension MBL and the date your Member Contributions, and Productivity Contributions paid by Defence, will cease.

Once you have been notified that you have reached your Pension MBL, you are regarded as an MBL Member. Regardless of any future changes that may occur during the rest of your current period of service, you cannot recommence paying Member Contributions, and your employer cannot recommence paying Productivity Contributions.

Your Pension MBL is determined using the following table. **Note that the dollar amounts shown are those applying for the 2011-12 financial year and are indexed each year with the increase in Average Weekly Ordinary-Time Earnings (AWOTE).**

### Maximum Benefit Limits 2011/2012

Final Average Salary	Lump Sum MBL	Pension MBL
Less than \$61,670	\$493,360	\$616,700
\$61,670 to \$98,490	8 times FAS	10 times FAS
\$98,490 to \$182,740	\$196,980 plus 6 times FAS	\$295,470 plus 7 times FAS
Greater than \$182,740	\$745,200 plus 3 times FAS	\$843,690 plus 4 times FAS

## Will my benefit still grow?

Yes. The formula used to calculate the final Employer Benefit for Pension MBL Members is different to the usual Employer Benefit formula, and takes into account your situation at the time your contributions ceased as well as the maximum benefit payable when you discharge.

## Member Benefit

Your Member Benefit will continue to accrue in line with the earnings of your chosen investment strategy.

## Employer Benefit

Your Employer Benefit will continue to grow with any increases in your Final Average Salary (FAS) and future MBL table increases as demonstrated in the appendix.

## What are my contribution options once I reach the Pension MBL?

You can continue, or commence, paying Ancillary Contributions for yourself or on behalf of your spouse after reaching your Pension MBL. For more information regarding these Ancillary Contributions, and resulting Ancillary Benefits, please see the relevant fact sheets available on the MilitarySuper website at [www.militarysuper.gov.au](http://www.militarysuper.gov.au) or phone a Customer Service Representative on **1300 006 727**.

## What if I am retired on invalidity grounds from the Australian Defence Force?

Special rules apply when calculating your Employer Benefit if you have achieved your Pension or Lump Sum MBL and are retired on invalidity grounds. If you are in this situation, please contact a Customer Service Representative via e-mail at [members@enq.militarysuper.gov.au](mailto:members@enq.militarysuper.gov.au) or by calling **1300 006 727**.

## What if I have completed more than one period of service?

A Pension MBL only relates to the period of service that you are undertaking at that time. A new Pension MBL applies for each period of service that you have. If you discharge and re-enlist at a later date, a new Pension MBL would apply for that period, regardless of whether or not you had attained your Pension MBL during a previous period of service.

## Family Law and Pension MBL's

The Pension MBL relates to your overall benefit for the period of service that you are undertaking at that time, regardless of the fact that you may have had your Member and Employer Benefits reduced as a result of Family Law/Property Settlement.

It is important that you are aware that there is also a lower limit called a Lump Sum MBL. This is covered in the fact sheet 'Lump Sum Maximum Benefit Limit', available from the website [www.militarysuper.gov.au](http://www.militarysuper.gov.au).

Customer Service Centre

**1300 006 727**

**FACT SHEET**

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## Example - Pension MBL reached 7 June 2008

### Member ceases contributing upon reaching Pension MBL:

A contributing member with a Final Average Salary (FAS) on ceasing contributions of \$75 000, has served 29 years and must cease contributions when their benefits have reached the Pension MBL.

Thereafter as contributions have ceased, the Employer Benefit is calculated by reference to Schedule 8, Part 5 of the scheme rules (see appendix for details). The formula contained in Schedule 8 is different to the usual Employer Benefit formula. It takes into account your situation at the time your contributions ceased as well as the maximum benefit payable when you exit. Increases in your salary while you are serving in the Australian Defence Force (ADF) and reflected in your FAS are included in the calculation of your Employer Benefit on discharge from the ADF.

The following table shows the accrual of the member's final benefit after having ceased contributing on reaching their Pension MBL.

### Maximum Benefit Limits - 2007/2008

Final Average Salary	Lump Sum MBL	Pension MBL
Less than \$51 270	\$410 160	\$512 700
\$51 270 to \$81 890	8 times FAS	10 times FAS
\$81 890 to \$151 940	\$163 780 plus 6 times FAS	\$245 670 plus 7 times FAS
Greater than \$151 940	\$619 600 plus 3 times FAS	\$701 490 plus 4 times FAS

### Benefit at the time contributions were ceased:

Pension MBL: \$75 000 x 10 = \$750 000

Member Benefit (MB)	\$242 250
Employer Benefit (EB) \$75 000 x 6.77 (based on 29 years service)	\$507 750

**Total Benefit (TB) \$750 000**

Member continued in the ADF, was promoted during this time and retired 3 years later on 7 June 2011 with a FAS of \$98 000. The Member Benefit had grown by \$50 000 (interest only) by this time.

Member Benefit (MB)	\$292 250
Employer Benefit (EB) Schedule 8, Part 5 Calc (see appendix)	\$728 360

**Total Benefit (TB) \$1 020 610**

### Maximum Benefits Limits 2010/2011

	Lump Sum MBL	Pension MBL
Less than \$59 400	\$475 200	\$594 000
\$59 400 to \$94 870	8 times FAS	10 times FAS
\$94 870 to \$176 030	\$189 740 plus 6 times FAS	\$284 610 plus 7 times FAS
Greater than \$176 030	\$717 830 plus 3 times FAS	\$812 700 plus 4 times FAS

### Entitlements:

The member celebrates their 55th birthday on 8 June 2011 and elects to convert the entire Employer Benefit to an indexed pension and claim their Member Benefit as a lump sum having met the conditions of release.

The pension conversion factor on the members 55th birthday is 12.

Employer benefit	\$728 360
Pension conversion factor	12
Starting annual indexed pension	<b>\$60 696.67 p.a.</b>
Lump sum member benefit	<b>\$292 250 gross</b>

### 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.

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

Any financial product advice in this document is general advice only and has been prepared without taking account of your personal objectives, financial situation or needs. Therefore, before acting on any such general advice, you should consider the appropriateness of the advice, having regard to your own objectives, financial situation or needs. You may wish to do so with or without the assistance of a licensed financial adviser.

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## Appendix

### Schedule 8, Part 5 Calculation

A member whose total benefit exceeds the Pension MBL will cease making contributions.

In such a circumstance, the calculation of the Employer Benefit is different to that for a contributing member, and the following formula is used to calculate it:

$$\text{(PMBMR} \times \left(\frac{\text{TB}}{\text{FASC}} \div \text{PMBMC}\right) \times \text{FASR}) - \text{MB}$$

Where:

FASC means the person's final average salary on ceasing contributions; and

FASR means the person's final average salary on retirement; and

PMBMC means the person's maximum benefit multiple when they ceased contributing

PMBMR means the person's maximum benefit multiple on retirement

MB means the amount of the person's member benefit on ceasing contributions; and

TB means the sum of the person's employer benefit and member benefit on ceasing contributions.

### Example using the example from previous page

PMBMR = 9.904183673

TB = 750 000

FASC = 75 000

PMBMC = 10

FASR = 98 000

MB = 242 250

PMBMC = as MBL tables 2007/2008 (divided by FASC)  
 $(75\ 000 \times 10) \div 75\ 000 = 10$

PMBMR = as MBL tables 2010/2011 (divided by FASR)  
 $(98\ 000 \times 7 + 284\ 610) \div 98\ 000 = 9.904183673$

$$\text{(PMBMR} \times \left(\frac{\text{TB}}{\text{FASC}} \div \text{PMBMC}\right) \times \text{FASR}) - \text{MB}$$

$(9.904183673 \times \left(\frac{750\ 000}{75\ 000} \div 10\right) \times 98\ 000) - 242\ 250$

$(9.904183673 \times (10 \div 10) \times 98\ 000) - 242\ 250$

$(9.904183673 \times (1) \times 98\ 000) - 242\ 250$

$(9.904183673 \times 98\ 000) - 242\ 250$

$970\ 610 - 242\ 250 =$

$\$728\ 360$