



# Lump Sum Maximum Benefit Limits

## What are Maximum Benefit Limits (MBLs)

MilitarySuper rules provide limits to contributions which can be made relative to a member's Pension Maximum Benefit Limit (Pension MBL) or Lump Sum Maximum Benefit Limit (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 MilitarySuper. Should you reach the higher Pension MBL you may continue to make ancillary contributions but you must cease making personal contributions ie 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 information in relation to the Pension MBL please refer to the **Pension Maximum Benefit Limits (MS20)** factsheet.

## How are MBLs calculated

Both the MBLs are calculated by reference to your Final Average Salary (FAS). The table below summarises the formulas used to calculate MBLs. The dollar amounts shown are those applying for 2019–20; they are increased every year in accordance with the increase in Average Weekly Ordinary Time Earnings (AWOTE).

It should be noted that none of the various ancillary benefits are used when assessing the MBL under the MSB Legislation.

## Will my benefit still grow?

Yes. The formula used to calculate the final employer benefit for Lump Sum 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 option.



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## Maximum Benefit Limits 2019–20

Final Average Salary	Lump Sum MBL	Pension MBL
Less than \$76,720	\$613,760	\$767,200
\$76,720 to \$122,500	8 times FAS	10 times FAS
\$122,501 to \$227,250	\$245,000 plus 6 times FAS	\$367,500 plus 7 times FAS
Greater than \$227,250	\$926,750 plus 3 times FAS	\$1,049,250 plus 4 times FAS

**Note:** The figures in the table should be used as a guide only, as the amounts change in July every year.

### Example: Calculation of Maximum Benefit Limits

Wing Commander Hartmann's FAS is \$135,000. Using the formula's for the MBL thresholds 2019-20, in the previous table. The following shows Wing Commander Hartmann's thresholds:

Lump sum MBL	= \$245,000 + (6 x \$135,000)
	\$245,000 + \$810,000
	\$1,055,000
Pension MBL	\$367,500 + (7 x \$135,000)
	\$367,500 + \$945,000
	\$1,312,500

### 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 happens if I reach my MBL?

The higher limit is the Pension MBL. If you have been notified that you have reached your Pension MBL we will arrange with your pay office to cease your contributions and will send you a letter to confirm that this has occurred.

If you reach the lower Lump Sum MBL you have a choice. You may elect to stop paying contributions after you have been notified that you have reached your Lump Sum MBL. **You can only make an election after receiving a written notification. Consider any move to stop paying contributions carefully.**

If you believe you are nearing your Lump Sum MBL, you may wish to seek information on how ceasing your contributions will affect your overall benefit. If you have been notified that you reached your Lump Sum MBL and elect to stop contributing, you will not be able to resume making contributions for this period or any subsequent periods of service. Even if you elect to stop contributing, once you become entitled to receive your benefit you will still be able to take your employer benefit as either a pension or a lump sum.

The following calculations illustrate how final benefits are determined where a member elects to cease contributions on reaching the Lump Sum MBL. If you require further information on any of the assumptions underlying the calculation such as the calculation of the employer multiple, please refer to the **MilitarySuper Product Disclosure Statement (PDS)** or contact MilitarySuper on **1300 006 727**. Please refer to the **Pension MBL** factsheet for further detail on how final benefits are calculated if a member retires after having reached their Pension MBL.

## Example – Lump Sum MBL reached 7 July 2014

### Scenario 1: Member elects to cease contributing

A contributing member with a Final Average Salary (FAS) of \$80,000, has served 25 years and when notified that their total benefit had reached their Lump Sum MBL of \$640,000 (8 x \$80,000 refer to table) elected to cease contributing to MilitarySuper.

At the time of the election to cease contributions the member's total benefit was \$647,000 calculated as follows:

Member benefit (MB)	\$195,000
Employer benefit (EB) \$80,000 x 5.65 (based on 25 years service)	\$452,000
<b>Total benefit (TB)</b>	<b>\$647,000</b>

Thereafter as the member has elected to cease contributions 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) are reflected in your FAS and 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 made an election to cease contributing on reaching their Lump Sum MBL.

For the purpose of this calculation the following assumptions are made. The member continued in the ADF, was promoted during this time and retired three years later on 7 July 2017 with a FAS of \$95,000. The member benefit has grown by \$40,000 (due to changes in unit prices, note that this increase is used for illustration purposes and is not intended to be a guide to future or past investment returns). As the member has not been making personal contributions the employer multiple is calculated in accordance with **Schedule 8** (see **Appendix** for details).

### Maximum Benefits Limits 2014–15

FAS	Lump Sum MBL	Pension MBL
Less than \$68,640	\$549,120	\$686,400
\$68,640 to \$109,620	8 times FAS	10 times FAS
\$109,621 to \$203,370	\$219,240 plus 6 times FAS	\$328,860 plus 7 times FAS
Greater than \$203,370	\$829,350 plus 3 times FAS	\$938,970 plus 4 times FAS

The member's total benefit on 7 July 2017 is calculated as follows:

Member benefit (MB)	\$235,000
Employer benefit (EB) <b>Schedule 8 Part 5</b> (see <b>Appendix</b> )	\$573,313
<b>Total benefit (TB)</b>	<b>\$808,313</b>

### Entitlements

The member is aged 60 at discharge so they elect 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 member's 60<sup>th</sup> birthday is 11 (refer to the CSC website).

Employer benefit	\$573,313
Pension conversion factor	11
Starting annual indexed pension	<b>\$52,119.36</b>
Lump Sum member benefit	<b>\$235,000</b>

For comparison purposes we will assume the same member does not elect to cease contributing when notified that they had reached or were approaching their Lump Sum MBL.

### Scenario 2: The same member elects to continue making contributions

#### Maximum Benefits Limits 2017–18

FAS	Lump Sum MBL	Pension MBL
Less than \$73,270	\$586,160	\$732,700
\$73,270 to \$116,990	8 times FAS	10 times FAS
\$116,991 to \$217,030	\$233,980 plus 6 times FAS	\$350,970 plus 7 times FAS
Greater than \$217,030	\$885,070 plus 3 times FAS	\$1,002,060 plus 4 times FAS

The same member at the time of reaching their Lump Sum MBL in 2014 chose to continue contributing (at 5% and had elected to remain in the default option of Balanced) and retires on 7 July 2017. Their FAS has grown to \$95,000 (as above) and the employer multiple is now 6.49 because it grows in accordance with the usual employer benefit formula (refer to the **MilitarySuper PDS** for further details) while the member is making personal contributions.

The member benefit had grown by \$15,000 (hypothetical change in unit prices and fortnightly contributions).

Member benefit (MB)	\$250,000
Employer benefit (EB) \$95,000 x 6.49 (based on 28 years service)	\$616,550
<b>Total benefit (TB)</b>	<b>\$866,550</b>

In summary, by the time of retirement, using the member's FAS of \$95,000 the Lump Sum MBL had grown to \$760,000 (8 x FAS) and the member's pension MBL was \$950,000 (10 x FAS).

Based on the member continuing to contribute, they would not have reached their Pension MBL at the time of retirement on 7 July 2017 and their accrued benefit would exceed the current Lump Sum MBL by over \$100,000.

## Entitlements

The member is aged 60 at discharge so they elect 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 member's 60th birthday is 11.

<b>Employer benefit</b>	<b>\$616,550</b>
<b>Pension conversion factor</b>	<b>11</b>
<b>Starting annual indexed pension</b>	<b>\$56,050</b>
<b>PLUS Lump sum member benefit</b>	<b>\$250,000</b>

## How can I get more information?



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