

## Defined Benefit Scheme

# How Does the Defined Benefit Scheme Work?

The Defined Benefit Scheme is a split benefit scheme which contains both defined benefit and accumulation components. Contributing members and their employers make contributions to fund units which can be either converted to a fortnightly lifetime pension or withdrawn as a lump sum upon retirement.

### Pension benefit

During membership, both the member and the employer contribute to pension units in order to fund a member's eventual pension, which is payable upon retirement or on ceasing employment.

The pension benefit consists of two components:

- **Personal Account** - this is the member funded portion of the pension benefit and contributions made are used to partially fund 'units' of pension. Units are paid for concurrently with a small amount paid for each unit over the full term of the membership. Please note, members must contribute in order to meet their defined benefit obligations; and
- **Employer Financed Benefit** - this is the employer funded portion of the pension benefit. These contributions are also used to fund the same pension units a member is contributing towards.

The final pension benefit payable to a member will be calculated based on the reason for leaving employment with a Scheduled Employer, the member's final salary and the units purchased throughout the life of membership in the Defined Benefit Scheme.

Please note, the pension benefit may be converted to a lump sum. For more information please refer to the

'Benefits' section of the Defined Benefit Scheme PDS from [eisuper.com.au/pds](http://eisuper.com.au/pds).

### Lump sum benefit

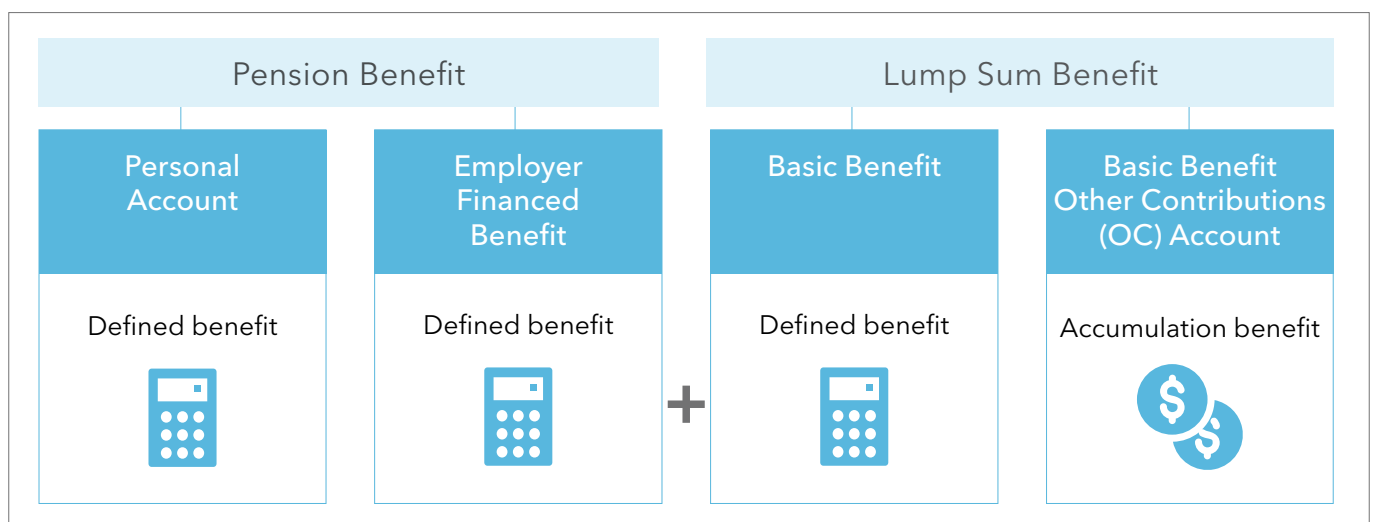
The lump sum benefit is called the Basic Benefit.

The Basic Benefit is made up of two (2) components:

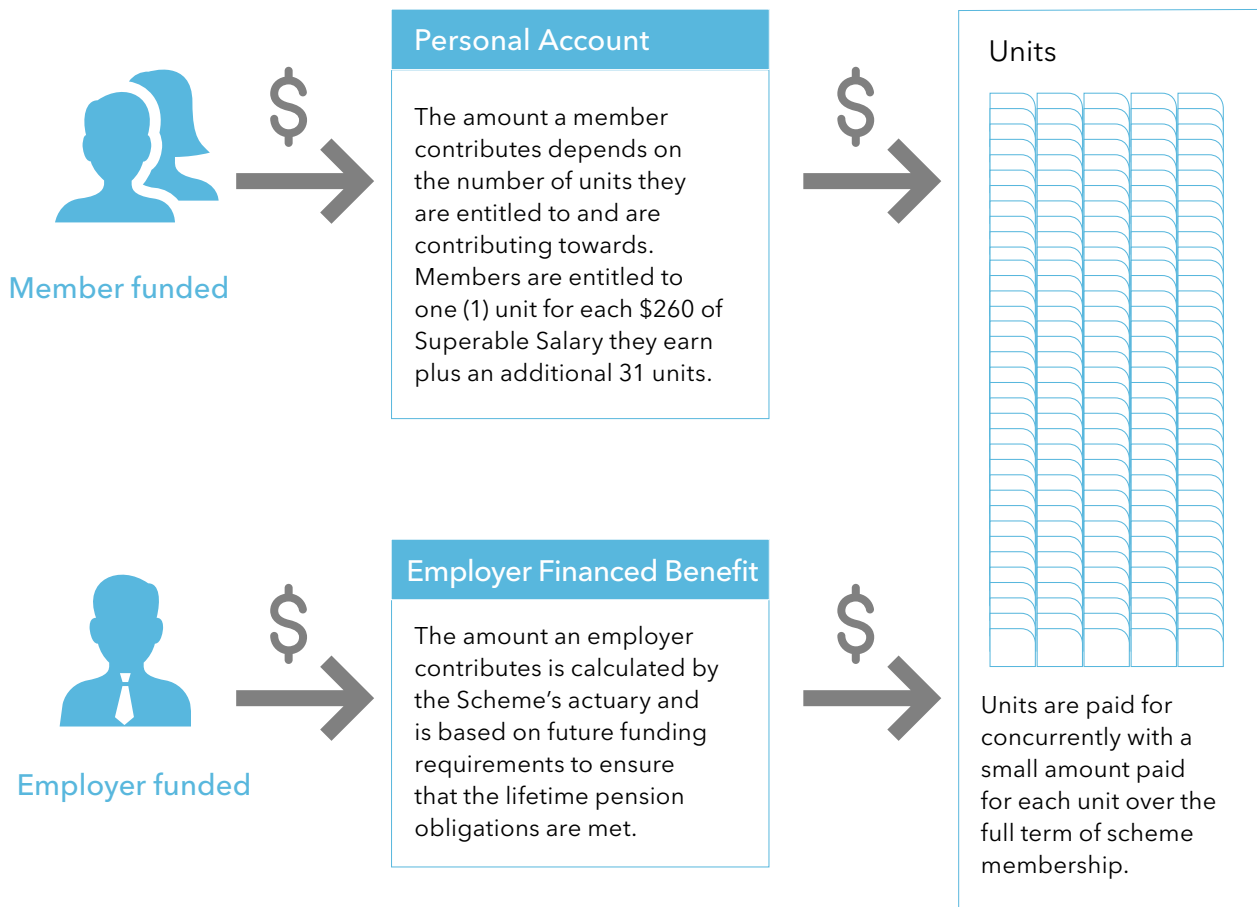
- **Basic Benefit** - a non-contributory fully employer funded benefit. This is generally equal to 3% of either the Final Average Salary or Final Salary (depending on the circumstances of exit from the Defined Benefit Scheme) for each year of service since 1 April 1988 (less 15% contributions tax from 1 July 1988); and
- **Basic Benefit - Other Contributions (OC) Account** - this is the accumulation component (if any) of the Basic Benefit. This account can be used for the purpose of making additional contributions and rolling over amounts from other super funds. This account is also able to accept Government co-contributions, spouse contributions and award contributions from employers. Please note, it is not compulsory to contribute to this account.

Please note, the lump sum benefit cannot be amalgamated with the pension benefit.

## Defined Benefit Scheme - Your Account



## Pension Benefit



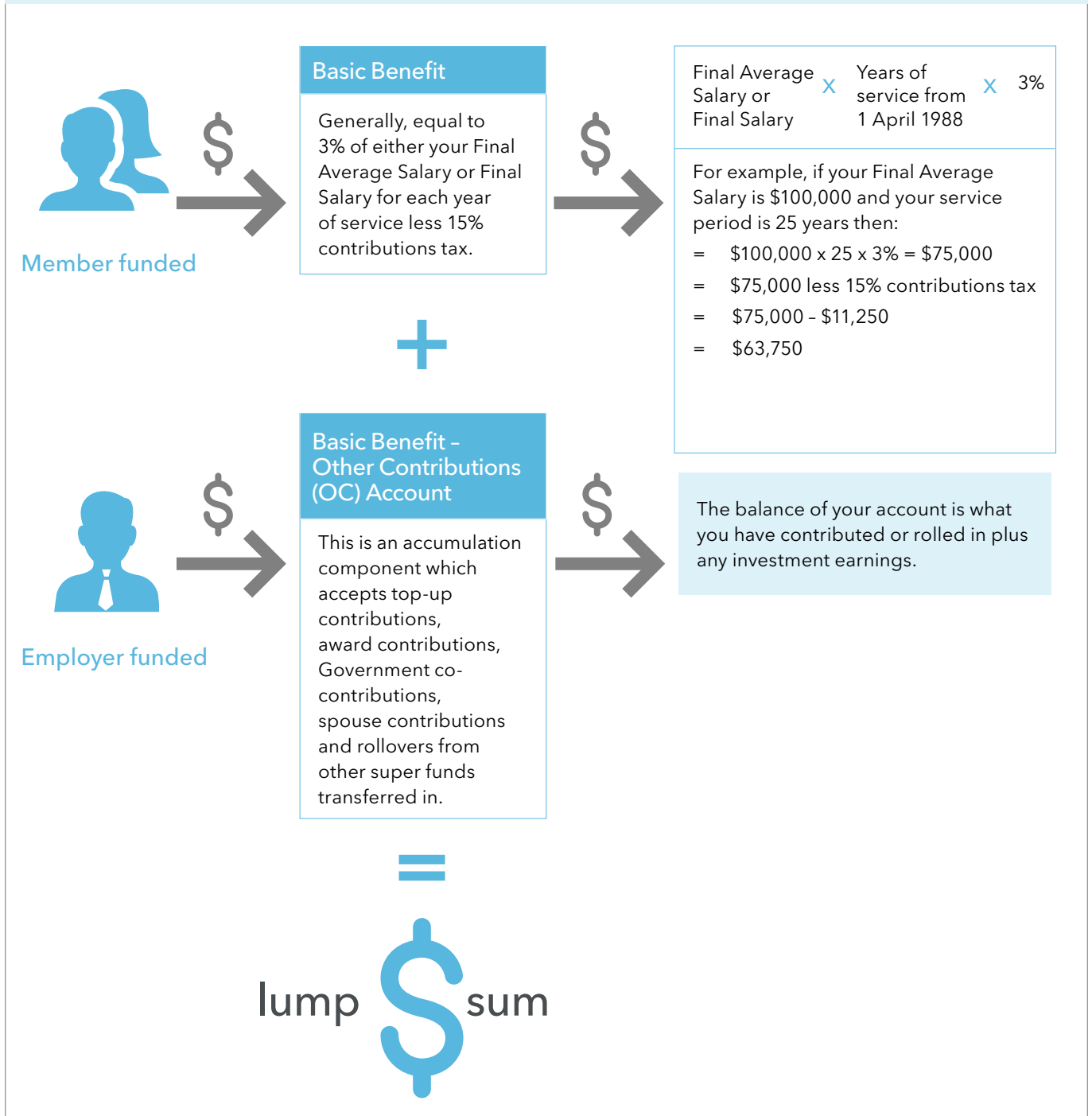
### How do units convert to a fortnightly lifetime pension?

$$\text{Nominal pension entitlements} \times \text{number of units} - 15\% \text{ contributions tax} = \text{Fortnightly pension payment}$$

For example, if a member retires with a unit entitlement of 100 (fully paid) they would receive a fortnightly pension of:

$$\begin{aligned} &= \$5.50 \times 100 - 15\% \text{ contributions tax} \\ &= \$550 - 15\% \text{ contributions tax} \\ &= \$550 - \$82.50 = \$467.50 \text{ fortnightly pension payments.} \end{aligned}$$

## Lump Sum Benefit



This diagram is for illustrative purposes only, to show how the Defined Benefit Scheme works generally. Your individual circumstances may differ. For further information, please contact us.

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