

The concessional contributions cap and NTCs for former WEHI members

Who is this fact sheet for?

UniSuper's Defined Benefit Division (DBD) members who transferred to UniSuper from the Walter and Eliza Hall Institute (WEHI) of Medical Research fund, and whose benefits are still subject to the minimum benefit guarantee under the transfer terms (former WEHI members).

What this fact sheet covers

This fact sheet explains how the concessional contributions cap could affect your super, and how notional taxed contributions (NTCs) apply to Walter and Eliza Hall Institute (WEHI) Defined Benefit Division (DBD) members.

What are concessional contributions?

Generally, a concessional contribution is a contribution made by or for you before tax, and may include:

- any notional taxed contributions to the defined benefit component
- any contributions made under a salary sacrifice arrangement
- any employer contributions made to your accumulation component
- any personal contributions that are claimed as a tax deduction (where you're eligible to claim the tax deduction).

Please note if you split your concessional contributions with your spouse, the full amount of the original contributions still counts towards your concessional contributions cap.

What are concessional contributions?

The government imposes limits, called contributions caps, on the total amount of contributions you can make to super in each financial year and still receive concessional tax treatment on those contributions.

The concessional contributions cap could have a significant impact on your super so it's important to understand the implications of your cap and what you can do to minimise its impact on you.

Concessional contributions made into your super each financial year (in total across all the super funds you have) that don't exceed your concessional contributions cap are taxed at a concessional rate of 15%¹.

If you exceed the cap, you may pay a higher tax rate on contributions that exceed the cap and an excess concessional contributions charge, or we may refuse to accept contributions in some circumstances.

The cap applies to all concessional contributions made by you or on your behalf in a financial year, regardless of how many employers or super funds you have.

It's your responsibility to monitor the contributions made into your UniSuper account, and to any accounts you may hold in other super funds, to ensure you don't exceed the cap.

For more information about what happens when you exceed your contributions caps, refer to the *Defined Benefit Division and Accumulation 2 Product Disclosure Statement* at unisuper.com.au/pds.

¹ If you're a high income earner with 'income for surcharge purposes' of more than \$250,000 within a financial year, an additional tax of 15%—known as the Division 293 tax—applies to any concessional (before-tax) super contributions you make. The Division 293 tax isn't applied to non-concessional (after-tax) contributions or excess concessional contributions.

Please note

It's your responsibility to track whether you'll exceed or have exceeded your contributions caps.

Log in to your account at unisuper.com.au to review how you're tracking against your current contributions caps.

What are notional tax contributions?

Notional taxed contributions (NTCs) are the notional amount of contributions (excluding after-tax member contributions) that relate to your defined benefit interest.

NTCs are counted towards a member's concessional contributions cap and are added to the other concessional contributions made to a member's accumulation style accounts in a financial year to determine whether the member's concessional contributions cap has been exceeded.

NTCs are used because it isn't possible to identify the actual amount of contributions (either salary sacrifice or employer) funding a member's defined benefit component.

NTCs are generally lower than the actual level of employer contributions and default employee salary sacrifice contributions that are made into the defined benefit (DB) component on a member's behalf, and so tend to (in general terms) be of benefit to DBD members compared with accumulation members.

This means there may be more scope for DBD members to 'top up' their contributions before they reach the annual cap.

The extent of this benefit, however, varies between different sub-groups of DBD members, because of the way the government has constructed the NTC formula.

Special 'grandfathering' rules for DBD members on 12 May 2009

If you've been a DBD member prior to 12 May 2009, special 'grandfathering' arrangements generally apply. For these members, if the notional taxed contribution (NTC) amount is calculated to be above the concessional contributions cap and you're grandfathered we'll report to the ATO that your NTCs are equal to the cap (but not above it).

These grandfathering rules only apply to NTCs (which relate to the defined benefit component of your benefit). They don't apply to other concessional contributions made to an accumulation component or to concessional contributions made to another fund that would also count towards a member's concessional contributions cap for a financial year.

Note: These grandfathering rules don't apply to members who joined the DBD after 12 May 2009. Grandfathering rules can be lost for members who left the DBD after 12 May 2009 and since returned. Grandfathering rules can also be lost in other cases— including where your superannuation salary is increased by a non-arm's length amount, or the rules of the Fund are changed resulting in an increase in the value of your retirement benefit.

Calculating the annual NTC amount

To determine the NTC amount for a financial year, we use the following formula:

$$1.2 \times \left(\text{NEW ENTRANT RATE} \times \text{SUPERANNUATION SALARY AT START OF FINANCIAL YEAR} \times \frac{\text{DAYS IN NTC CATEGORY}}{365} - \text{ANY AFTER-TAX CONTRIBUTIONS made to the DB component} \right)$$

THE NTC FORMULA EXPLAINED

| | |
|---|---|
| New entrant rate | The Fund's actuary has calculated new entrant rates for UniSuper defined benefit members. These rates are determined by the date the member joined the Fund and groupings of the selected member contribution rates. The regulations prescribe the way new entrant rates must be calculated. To see your new entrant rate, please refer to the table to the right. |
| Super salary at start of financial year | Generally this is your annual salary as at 1 July of the financial year |
| Days NTC category | How many days in the financial year you were in the same benefit category, adjusted for any periods of part-time work. |
| Any after-tax contributions to the DB component | This is the amount of after-tax member contributions paid by or on behalf of you in respect of your defined benefit component in the financial year. |

The NTC amount determined using the above formula could be further increased in some cases including where your superannuation salary is increased by a non-arm's length amount or the rules of the Fund are changed resulting in an increase in the value of your retirement benefit.

This NTC amount, together with any other concessional contributions made to the accumulation component, is reported to the ATO and compared to the concessional contributions cap.

Your NTC new entrant rate

Your NTC new entrant rate is used to determine your annual NTC amount as discussed above.

| THE NTC FORMULA EXPLAINED | DEFAULT MEMBER CONTRIBUTION RATE | | NTC NEW ENTRANT RATE |
|--|----------------------------------|------------------|----------------------|
| | <i>Before tax</i> | <i>After tax</i> | |
| 17% either: | 8.25% | 7.00% | 17% |
| 14% to DBD; 3% to accumulation component, or | 5.25% | 4.45% | 14% |
| | 4.70% | 4.00% | 13% |
| 17% to the DBD after member reduces default member contributions | 3.55% | 3.00% | 12% |
| | 2.35% | 2.00% | 12% |
| | 1.20% | 1.00% | 11% |
| | 0.00% | 0.00% | 10% |
| 14% to the DBD only | 8.25% | 7.00% | 17% |
| | 7.70% | 6.55% | 16% |
| | 6.55% | 5.55% | 14% |
| | 5.35% | 4.55% | 12% |
| | 4.20% | 3.55% | 11% |
| | 3.00% | 2.55% | 10% |

Example

| WEHI MEMBER PROFILE FOR 2021-22 FINANCIAL YEAR | |
|---|---|
| Age | 40 years |
| Days in NTC category (adjusted for any periods of part-time work) | 365 (employed full time during entire financial year) |
| Employer contribution rate | 17% |
| Default member contribution rate (before tax) | 8.25% (maximum default member contribution) |
| Superannuation salary at 1 July 2021 | \$100,000 p.a. |
| NTC new entrant rate (from table on previous page) | 17% |

To calculate the NTC amount of this member for 2021-22:

$$1.2 \times \left(17\% \times \$100,000 \times \frac{365}{365} - 0 \right) = \$20,400$$

As the member has salary sacrificed the maximum default member contribution, there can be no after-tax contributions made to the defined benefit component on their behalf that can be deducted as part of the formula.

The 3% additional employer contributions, and any additional concessional contributions, made to the accumulation component MUST be added to this figure in order to calculate the member's total concessional contributions to UniSuper for the financial year.

In this case the member's total concessional contributions reported to the ATO for 2021-22 will be:

$$\$20,400 + \$3,000 = \$23,400$$

This member is below their \$27,500 concessional contribution cap.

These calculations assume no concessional contributions are made for the member to another super fund and no additional concessional contributions are made for the member to their UniSuper accumulation component.

Where can I get help?

- To see your personal NTC amount log into your account at unisuper.com.au and visit the NTC area under the My Account tab.
- Call us on **1800 331 685** for general information and to ask any questions you have about concessional contributions caps, NTCs, or super in general.
- Meet with one of our super consultants to discuss your super contributions. Visit unisuper.com.au/campusbookings.

Before making any decision about the options available to manage your concessional contributions, we strongly recommend you consult a qualified financial adviser. You can speak to UniSuper Advice for personal advice that takes your specific financial goals and needs into account. For more information visit unisuper.com.au/advice, or call UniSuper Advice on **1800 823 842**.

This information is of a general nature only and includes general advice. It has been prepared without taking into account your individual objectives, financial situation or needs. Before making any decision in relation to your UniSuper membership, you should consider your personal circumstances, the relevant product disclosure statement for your membership category and whether to consult a licensed financial adviser.

This information is current as at July 2021 and is based on our understanding of legislation at that date. Information is subject to change. To the extent that this fact sheet contains information which is inconsistent with the UniSuper Trust Deed and Regulations (together the Trust Deed), the Trust Deed will prevail.

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Fund: UniSuper, ABN 91 385 943 850

Trustee: UniSuper Limited, ABN 54 006 027 121, AFSL No. 492806

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