



If you are a member with a defined benefit, there are important considerations to think about if you leave your employer, whether it's for another job, to take a break, or to retire.



## What's different about a defined benefit?

If you have a defined benefit your benefit is calculated by a formula, usually based on:

- an average of your salary over the last few years before you retire
- the number of years you work for your employer
- the money put in by you.

This is different to an accumulation style super account which depends on the money put in by you, your employers and the returns this money earns, minus any fees and insurance premiums. Depending on your category, your benefit may be a 'hybrid', meaning your defined benefit may only apply in certain circumstances e.g. after a certain age, or if it is higher than certain accumulation accounts (sometimes referred to as an accumulation underpin).

Most members with a defined benefit also have an accumulation component within their superannuation account,

referred to as an 'Additional account'. In most cases you are able to choose the investment option for this portion of your account.

With a defined benefit you generally have more certainty about how much you will have at retirement, although this is dependent on staying with your employer and your salary in the years leading up to retirement. If you have a hybrid benefit, a portion of your benefit may also be impacted by market fluctuations in some circumstances. It's also possible that your employer may pay or partially pay your fees and insurance fees for your defined benefit.

In addition, the 'concessional contributions' for your defined benefit component are based on a prescribed formula (called Notional Taxable Contributions or NTC). You may be eligible for special grandfathering arrangements where your NTC amount is capped at your concessional limit, meaning you are not required to pay any excess contributions tax. If you are a high-income earner who receives a Division 293 tax assessment, it is important to note that the NTC amount used for this purpose is not capped.



## What happens when you leave your employer?

Your defined benefit is part of your employer plan, so when you leave your employer your defined benefit ends and your account is moved to an accumulation style account.

When your employer tells us that you have ceased employment with them, we transfer your defined benefit and any Additional accounts you have to iQ Super – General (which is being renamed to iQ Super – For Life from 1 October 2020). Generally, this doesn't happen immediately as your employer needs to send us your final salary details and contributions so we can calculate your defined benefit.

All your account details, including your member number will be transferred. If you have registered for online access to your account, your login details and password won't change. However, some things will change, including your fees and your investments. We'll send you a letter with details of the transfer and your new account, along with a Product Disclosure Statement (PDS) for iQ Super – General which will show your new fees.

If you're retiring, we'll go through the same process, and once you have an iQ Super – General account you can choose to open an iQ Retirement account and rollover your benefit into this account which will pay you a regular income stream. Some retiring defined benefits members will be able to opt-in to start a lifetime pension.



## Making an investment choice

For members, one of the most attractive features of a defined benefit is that they are not generally affected by market fluctuations, so if there is a market downturn the value of your defined benefit does not change (unless it is a hybrid benefit in which case a portion of your benefit may move with the markets). In iQ Super – General, being an accumulation style account, your entire balance is affected by market movements.

In iQ Super – General you'll be able to choose how your entire balance is invested. There will be over 20 investment options available to you. You can select multiple options and different allocations for your current balance and any future contributions or rollovers made to your account.

When your account is transferred, your defined benefit component will be invested in the Australian Cash Option. This option is not designed for growth, so if you are looking to increase your balance over the medium to long term, you may want to consider switching to another option.

For your Additional account, if you have made an investment choice the investment strategy for both your balance and future contributions will be maintained when your account is transferred. If you haven't made an investment choice, both your balance and future contributions will be invested in the GoalTracker Option.

We'll encourage you to review your investment strategy as soon as possible after the transfer to ensure you are in the most appropriate option(s) for you.

### The GoalTracker Option – personalised investments

GoalTracker is our newest investment option designed to help you achieve a great life after work. GoalTracker automatically invests your super based on information it knows about you, such as your age. When you're younger, your investment strategy will have a higher allocation to growth assets to help grow your super balance. And as you approach retirement, it will increase your allocation to defensive assets to help protect your savings.

By telling us more about you, we can further personalise

your investment strategy to your circumstances with GoalTracker Plus.

GoalTracker also helps you work out how much money you'll need to fund the retirement lifestyle you want and then shows you if you're on track to get there. You'll also receive ongoing guidance and suggestions to help you get and keep your super on track.

You can find out more about GoalTracker in the latest issue of Achieve.

## We're here to help

Before you make any decisions about your defined benefit, it's a good idea to get some help. Whether you've recently left your employer, are about to retire or just want to better understand your benefits, we can talk you through your options. In particular, if you're thinking about leaving your defined benefit, make sure you contact us, because if you leave, you can't re-join.

**Call: 1800 555 667 International: +612 8571 5588 Email: [iq@russellinvestments.com.au](mailto:iq@russellinvestments.com.au) Website: [russellinvestments.com.au/super](https://russellinvestments.com.au/super)**

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