

Contributing to Gold State Super

While you are a Gold State Super member, you need to contribute to your account. You can choose to contribute either 3%, 4% or 5% of your gross remuneration, depending on your needs.

The average rate you contribute over your entire membership period is known as your Average Contribution Rate (ACR). We accept contributions up to a maximum ACR of 5%¹.

Your contributions can be made from your after-tax salary or from your before-tax salary, known as salary sacrifice.

What is salary sacrifice?

Salary sacrifice means you give up part of your before-tax salary and have it paid into your Gold State Super account instead. By salary sacrificing, you might pay less income tax while still contributing the same amount to your super.

To start salary sacrifice contributions, you need to set up a contractual agreement with your employer, called a salary sacrifice arrangement.

Salary sacrifice to your Gold State Super account

Your prescribed Gold State Super contributions are deducted from your gross salary and paid by your employer to your Gold State Super account. These contributions will appear on your benefit statement as salary sacrificed contributions.

Additional contributions (i.e. over and above your prescribed Gold State Super contributions) can be made to another super fund. See the 'Making extra salary sacrifice contributions' section for more information.

Salary sacrifice contributions are not taxed upfront²

With an untaxed fund like Gold State Super, generally no tax is deducted when a contribution is made. Instead, you pay tax when you withdraw your benefit, roll it over to a taxed fund or into a retirement income stream.

Salary sacrifice contributions are not capped for Gold State Super members

Concessional contributions made to West State Super or Gold State Super count towards your concessional contributions cap, but are not capped within those schemes.

That is, the annual cap does not limit the amount of concessional contributions that you can make to a constitutionally protected fund, however, as such contributions to a constitutionally protected fund count towards your annual cap, they do limit your ability to make further concessional contributions to other non-constitutionally protected super funds. For example, if you made \$25,000 concessional contributions to West State Super (including your employer contributions) you wouldn't be able to make any further concessional contributions to a taxed scheme in that financial year.

With Gold State Super, an untaxed plan cap per super fund (indexed annually) applies to the untaxed element of your benefit. This is the amount that can be paid as a lump sum or rolled over to a taxed fund and still be subject to concessional tax treatment.

The untaxed plan cap for the 2018/19 financial year is \$1.480 million per super fund.

For information on the tax on your Gold State Super benefit, read the '**Tax and super**' brochure available from gesb.wa.gov.au/brochures.

The cost of salary sacrifice

You can usually salary sacrifice directly to your Gold State Super account at no cost through your employer's payroll system, if this is in line with your employer's agreement.

If your salary sacrifice is arranged through a third party salary packaging provider, they may charge a fee.

Arranging your salary sacrifice

You should first check with your employer to confirm what arrangements they have for salary sacrificing to your super. They should be able to arrange for your super contributions to be deducted from your before-tax salary.

Finding the right advice

There are a number of factors to take into account when deciding whether to start salary sacrifice contributions. You might want to seek advice for your personal circumstances from a qualified financial adviser. For more information about your advice options, see the 'Help, forms and tools' section of our website at gesb.wa.gov.au/help.

¹ In some circumstances, it is possible to increase your contribution rate above 5%, for example, if you are a Police Officer, a Magistrate or an Industrial Commissioner (as defined in the *State Superannuation Regulations 2001*), or when you have taken Recognised Unpaid Leave and you chose not to pay any contributions. For more information, read the 'Gold State Super essentials' brochure available at gesb.wa.gov.au/brochures.

² There is a contributions tax for very high income earners. It applies to concessional contributions, including those made to tax-exempt constitutionally protected funds like Gold State Super. For more information, read the 'Tax and super' brochure available at gesb.wa.gov.au/brochures.

Example 1

Comparing super contributions with and without salary sacrifice

The table below outlines the difference between making contributions from your after-tax salary (without salary sacrifice) in comparison to your before-tax salary (with salary sacrifice).

Meet Julie

Julie's annual salary is \$60,000 and she currently contributes 5% per year (\$3,000) to her Gold State Super account.

	Without salary sacrifice	With salary sacrifice
Gross salary	\$60,000	\$60,000
Salary sacrifice contribution	\$0	\$3,000
Taxable income	\$60,000	\$57,000
Less income tax including Medicare Levy	\$11,617 ³	\$10,573 ⁴
After-tax income	\$48,383	\$46,463
After-tax contribution	\$3,000	\$0
Take-home pay	\$45,383	\$46,463
Net amount into super	\$3,000	\$3,000
Total benefit (income plus super)	\$48,383	\$49,463

Please note: the figures above are for the 2018/19 financial year.

After arranging salary sacrifice contributions through her employer:

- Julie's taxable income has been reduced by \$3,000 to \$57,000. Her salary sacrifice contributions to her Gold State Super account are not included in her assessable income
- Julie's total benefit (net income plus super) has increased from \$48,383 to \$49,463 – an increase of \$1,080 per year
- For the purpose of calculating her Gold State Super benefit, Julie's salary is still considered to be \$60,000 per year
- Julie's salary sacrifice contributions are treated as employer contributions. Gold State Super is an untaxed fund, so no contributions tax is deducted. However, Julie will pay tax when she withdraws her benefit, or rolls it over to a taxed fund or retirement income stream

Making extra salary sacrifice contributions

If you would like to make salary sacrifice contributions over your maximum ACR, they need to be made to your GESB Super or West State Super account. If you don't already have one of these accounts, we can automatically open a GESB Super account for your extra contributions.

Both GESB Super and West State Super are market-linked schemes. It's important to keep in mind that when you invest in this type of fund, your benefit is not guaranteed and will be influenced by the performance of the financial markets.

For more information, please read the relevant Product Information Booklets available at gesb.wa.gov.au/brochures.

To make extra contributions, you will need to decide how much you would like to contribute and then complete a '**Payroll deduction**' form available at gesb.wa.gov.au/forms.

Before making salary sacrifice contributions, we recommend obtaining independent financial advice to find out if salary sacrifice is suitable for your personal circumstances.

Example 2

Making extra super contributions using salary sacrifice

Meet Tim

Tim is paying the highest rate of income tax and receives a salary increase of \$5,000. He is considering salary sacrificing the extra \$5,000 into his super instead of taking it as cash.

This is an additional contribution, so it will be paid into Tim's GESB Super account. The tables below compare his options.

Tim takes the extra \$5,000 as cash

\$5,000	(extra salary before tax)
-\$2,350	(income tax + Medicare Levy ⁵)
\$2,650	(extra take-home pay)

Tim sacrifices the extra \$5,000 salary into super

\$5,000	Additional contribution
-\$750	Contributions tax of 15% ⁶
\$4,250	Amount contributed to GESB Super

Please note: the figures above are for the 2018/19 financial year.

³ Includes low income tax offset of \$100 and low and middle income tax offset of \$530 (total tax offset: \$630).

⁴ Includes low income tax offset of \$145 and low and middle income tax offset of \$530 (total tax offset: \$675).

⁵ The figure is based on the 2018/19 financial year.

⁶ As the additional contribution will be paid into GESB Super, a taxed fund, contributions tax is applied at the time the contribution is made.

By salary sacrificing \$5,000 into his super:

- Tim contributes \$1,600 more to his super than if he took the salary increase as cash, and then made a personal (after tax) contribution. These savings will vary depending on your own personal income tax rate
- Tim can grow his overall super benefit, as his contributions to GESB Super are in addition to his Gold State Super contributions
- The salary sacrifice contributions are treated as employer contributions and are generally taxed at 15%⁷

If Tim had a West State Super account, his salary sacrifice contributions would not be taxed until he accessed his benefit⁸.

For more information, read the '**Contributing to your super**' brochure available at gesb.wa.gov.au/brochures or call your Member Services Centre on 13 43 72.

Important things you need to know

Benefit calculations – salary sacrifice and 'super salary'

Gold State Super is a defined benefit scheme. Your Final Benefit is calculated as a multiple of your salary at selected dates averaged over the last two years of your employment.

When you salary sacrifice a part of your salary, the forgone cash value of your salary is still recognised as part of your 'super salary' for benefit purposes.

Note: where a non-cash benefit is not 'convertible' to cash (e.g. motor vehicle provided to some senior executives), it is not recognised as salary for super purposes.

Limits on salary sacrifice amounts to Gold State Super

Over your entire Gold State Super membership, your Average Contribution Rate cannot exceed 5%. There are some circumstances where it is possible to increase your contribution rate⁹. Therefore, there is a limit as to how much you can salary sacrifice into your Gold State Super account.

⁷ The figure is based on the 2018/19 financial year.

⁸ If you are a high income earner whose income and relevant concessional contributions exceed \$250,000 then you may also be liable for Division 293 tax. For more information see the 'Tax and super' brochure available at gesb.wa.gov.au/brochures.

⁹ Police officers, Magistrates and Industrial Commissioners. Read the 'Gold State Super essentials' brochure for more information, available at gesb.wa.gov.au/brochures.

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See 'Making extra salary sacrifice contributions' on page 2 for other ways to make additional salary sacrifice contributions to super.

If you want to salary sacrifice more than 50% of your salary, you will need to obtain financial advice before entering into a salary sacrifice arrangement. For help with finding an adviser, see our website at gesb.wa.gov.au/advice.

Eligibility for government payments

The amount you salary sacrifice will be reported by your employer on your PAYG payment summary. This amount could affect whether you're eligible for:

- The spouse super contributions tax offset
- A deduction for personal super contributions (deductions cannot be claimed for personal super contributions made to an untaxed fund, such as West State Super)
- All dependent tax offsets
- Centrelink and Child Support Agency benefits (e.g. family tax benefit, child care benefit)

Commonwealth Government Super Co-contribution

Salary sacrifice contributions are not eligible contributions that count towards the Commonwealth Government Super Co-contribution.

Insurance cover

The amount of your death or disability cover is not affected if you salary sacrifice your contributions.

Accessing your super

Your Gold State Super benefit will remain preserved until you reach 55 years of age (or earlier on death or disability) and you are no longer working in the WA public sector or working less than 10 hours a week.

Salary sacrifice contributions to GESB Super or West State Super are preserved until you meet a super condition of release, such as retirement. Read the '**Accessing your super**' brochure for more information, available from gesb.wa.gov.au/brochures.

How to contact us

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