



Newsletter

Q SUPER – Information for Family Law Practitioners

specialising in superannuation valuations for family law purposes since 2003

Abstract – This Newsletter is a continuation of a series directed at specific superannuation schemes. Q Super is for Queensland Government's employees. It is unique. This newsletter explores those differences.

Orders, non-spouse information, free valuations, creation of separate interests, split mechanisms, contacts and tips and traps are all covered.

Q Super – Introduction

Q Super provides superannuation entitlements to existing and former State Government employees. Current employees would have either a lump sum defined benefit or an accumulation account or a combination. Former employees can either have a preserved account or be in receipt of a pension. Pensions can be either for retirement or for invalidity.

The derivation of the family law values for defined benefit members, preserved members, and pensioners are discussed later in this newsletter.

Q Super defined benefit account is quite generous and long serving employees on average salaries could have an account balance in excess of \$500,000. For the vast majority, the benefit paid is a lump sum based on average salary, period of account membership and contributions made by the member.

In keeping with all other defined benefit schemes, FLP should never use the member statement value for property purposes. To do so exposes the FLP to a potential claim for negligence. The base amount has to be equal or less than the family law value (FLV). Practitioners should obtain a FLV.

There are 3 basic issues that Family Law Practitioner (FLP) should keep in mind when dealing with a superannuation interest from Q Super.

Free FLVs

The first is that Q Super provides free FLVs. The response from an application for information (the Form 6) contains the FLV. This is the case for all accounts. The link to download QSuper's form 6 is at Q Super web site, click on forms & tools, then on forms & publications, - the form 6 is on page 2. The direct link is [here](#):

<http://qsuper.qld.gov.au/document/FO45.pdf>.



Most Q Super accounts are defined benefits. There are also accumulation accounts and allocated pension accounts

Locating the FLV

The second issue is locating the FLV. A question I am often asked is where on the Q Super form is the family law valuation. It is shown in the following screen shot. The FLV is circled in pink.

From: MCNA To: 31026131 14/09/2010 16:15 #072 P.002/006



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PERSONAL & CONFIDENTIAL
Members and their representatives

Dear Sir/Madam

Family Law Valuation - QSuper Defined Benefit account

I refer to your recent application requesting information from QSuper for Family Law purposes. The following information is provided based on the valuation date of 16 August 2010:

Member details

Member name:	
Eligible service date:	
Date joined QSuper:	
Retirement age:	65
Salary/Final Average Salary:	\$87,634.40
Accrued benefit multiple:	2.768

Account details

Subject to a payment flag (note 1)	No
Subject to a payment split	No
Account is an unsplitable interest (note 2)	No
Total Defined Benefit account (note 3)	\$242,572.00
Plus Accumulation account	\$9,411.44
Total of account	\$251,983.44
Less surcharge debt as at 16/08/2010	\$0.00
Balance of account (note 4)	\$251,983.44

This letter is issued by the Fund Administrator, QSuper Limited (ABN 50 125 248 286, AFSL 334546) on behalf of the QSuper Board of Trustees (ABN 52 125 029 048). The QSuper Board of Trustees is the issuer of interests in the QSuper Fund (ABN 60 903 115 663). The information has been prepared for general purposes only, without taking into account your financial objectives, situation or needs, so it may not be appropriate for your circumstances. You should read the product disclosure statement (PDS) and consider your circumstances before you make an investment decision. You can obtain a PDS from the QSuper website, or call us and we'll send you one. 4017 5711 08/09

Surcharge

Surcharge is identified as a separate line item.

Thirdly, Q Super FLV is Different

The trustees of Q Super exercised their right to have a different valuation regime for their defined benefit accounts. The result is that Q Super accounts have a higher value compared to those schemes that use the default mechanism.

Valuing a Q Super interest is complex involving a formula that takes into consideration average salary, period of account membership and contributions made by the member.

The FLV for a contributing member is derived as follows:

- Member balance plus earnings, and
- The employer component valued at the investment linked option (ILO). The ILO is the present day value of the employer component based on the number of years before age 55.
- Where a member is aged over 55 at the time of the calculation, the employer portion of the benefit is not discounted.

Most other superannuation schemes discount from age 65. The use of age 55 by QSuper results in a higher FLV compared to the default mechanism as used by schemes such as Telstra Super.

Legislative Authority

The Commonwealth Government



has approved, under regulation 38, *Family Law (Superannuation) Regulations 2001*, the Investment Linked option as the method for determining the value of a Q Super Defined Benefit interest.

The legislative instrument for the FLV is *The Family law (Superannuation) (Methods and Factors for valuing particular superannuation interests) Approval 2003 Part 1 item 2 item 1*.

Preserved Interests

A preserved interest relates to a superannuation entitlement that accrued to former State employees and who have not yet met a condition of release. The most common condition of release is reaching preservation age – between 55 and 65 depending on birth date and employment status.

When members preserves, they have a choice between linking future returns to investments or to a wage index (AWOTE). Linking to investment returns is the same as an accumulation account. The FLV for all preserved interests is the investment linked option.

Pension Interests

All pensions are derived using the default mechanisms as specified in *Family Law (Superannuation) Regulations 2001*.

Retirement pension options ceased many years ago so only older members would be in receipt of a retire-

ment pension. These days, the defined benefit only pays a lump sum.

Another type of pension is an invalidity pension. State and police employees have an option to take their invalidity benefit as a life pension. Invalidity pensions are only valued once the recipient has been in receipt of the pension for at least 2 years. This is in accordance with the definition of superannuation as specified in the *Regulations*.

Orders

The standard splitting order applies. Q Super does not have trustee preferred splitting orders.

Creation of a Separate Interest

Some superannuation schemes will only split an interest once the member receives payment. This is the default position for defined benefit schemes. Q Super has amended its trust deed to allow non-member spouses to roll out their split entitlement or to create a Q Super interest in their own name. This clean break means that the parties are independent and quite separate.

Split Mechanism

When the Q Super trustees split a defined benefit, the member's accrued benefit multiple (ABM) is reduced.

The reduction is a function of the base amount relative to the FLV. For example, if the FLV is \$100,000 and the base amount is \$30,000, the member's accrued benefit multiple is



reduced by 30%. If the ABM prior to the split was 2.4000, then the ABM after the split would be 2.4 less 30% of 2.4 which is 0.8. Thus the ABM after the split is 1.6.

After the split, the benefit grows at the normal rate. The split between the parties is a clean break. No party has any influence on the other's superannuation account after the split.

Due Notice and Non-member Spouse Information

Allow 3 to 4 weeks for turnaround time to ascertain whether Q Super objects or wishes to be heard in relation to the draft orders.

At the same time, the Form F090 – Non-member spouse information collection should be submitted. Without this completed form, Q Super will not give effect to the split. The absence of this form does cause delays. The link to download QSuper's form 6 is at Q Super web site, click on forms & tools, then on forms & publications, - the form 6 is on page 3, . Or click on this [link](#).

Accumulation account

Calculating the value of the interest to be split in an accumulation account is relatively straightforward. The balance of the account is the contributions paid in, plus investment returns earned, less fees, taxes, and insurance premiums (if applicable). As an accumulation account is unit based, the value of the account will equal the number of units held, multiplied by

the unit price applicable on the nominated valuation date. If a valuation date is not specified, Q Super will use the unit price applicable on the date the request for information is received by the Trustees.

Tips and Traps

FLP should be aware of the time difference of the Q Super valuation and the date of implementation for the orders. There will always be winners and losers and FLP should communicate that possibility and take the variation into account when it becomes material. This can be done through the orders or by having a review prior to submitting the orders.

Defined benefit accounts – the employer portion will increase each month. The member benefit changes in line with investment returns as does accumulation accounts

FLPs should account for superannuation referable to the marriage period where appropriate.

Q Super Contacts

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Questions?

Email any questions [here](#)
Peter Skinner
3 Nov 2010

