

Invalidity retirement benefit

What is invalidity retirement?

Invalidity retirement occurs if you are retired from employment before the normal retirement age on the grounds of a physical or mental incapacity to perform your duties. The normal retirement benefit is payable on retirement from age 58 (age 55 for former State Public Service Superannuation Fund (SPSSF) members and some members of earlier schemes).

There are two categories of the invalidity benefit. These are determined by whether or not you are covered for the additional benefit and, if so, by the severity of the invalidity. These are partial and permanent invalidity, or total and permanent invalidity.

Partial and permanent invalidity

The partial and permanent invalidity benefit is available to all members of SASS, and it applies where a member retires from employment and the scheme administrator, Mercer, is satisfied that:

- (a) the retirement was due, directly or indirectly, to the permanent physical or mental incapacity of the scheme member (not being caused by the member and intended to produce the incapacity), and
- (b) the scheme member is permanently unable to perform the duties that were required to be performed before suffering the incapacity.

The benefit is made up of:

- (a) the balance in the member's personal account, and
- (b) the employer-financed benefit, which is 2.5% (3% for former SPSSF members) of the higher of final salary or final average salary for each accrued benefit point.

Total and permanent invalidity

The total and permanent invalidity benefit is only available to a SASS member covered for the additional benefit. It applies where a member retires from employment with an employer and the scheme administrator, Mercer, is satisfied that:

- (a) the retirement was due directly or indirectly to the permanent physical or mental incapacity of the member (not being caused by the member and intended to produce the incapacity), and
- (b) the scheme member is permanently unable to engage in any paid employment in which, in the opinion of the Trustee, it would be reasonable to expect the member to engage.

In addition to the benefit payable on partial and permanent invalidity, the additional benefit is payable. This is 4% of the higher of final salary or final average salary for each prospective benefit point to age 58. This may vary for members who were compulsorily transferred into SASS from earlier schemes that were closed.

Prospective benefit points are the benefit points you could have been expected to accrue between the date of your invalidity retirement and the early retirement age. Their calculation is based on your average rate of benefit point accrual during your membership. These make up the future service component of an invalidity benefit.

Additional benefit cover is a form of insurance that will extend your benefit if you suffer total and permanent invalidity or death. This additional cover is funded by a levy against your account (your employer pays 75% of the cost) and the rate is determined by your age and the amount of cover.

The STC schemes are administered by Mercer Administration Services (Australia) Pty Ltd on behalf of the schemes' trustee, SAS Trustee Corporation (STC). STC is governed by the *Superannuation Act 1916*, the *State Authorities Superannuation Act 1987*, the *State Authorities Non-contributory Superannuation Act 1987*, the *Superannuation Administration Act 1996* and the *Police Regulation (Superannuation) Act 1906*. The schemes are also subject to Commonwealth superannuation and tax legislation.

STC has published this fact sheet. STC is not licenced to provide financial product advice in relation to the STC schemes or to their members.

Reasonable care has been taken in producing the information in this fact sheet and nothing in it is intended to be or should be regarded as personal advice. If there is any inconsistency between the information in this fact sheet and the relevant scheme legislation, the scheme legislation will prevail. In preparing this fact sheet, STC has not taken into account your objectives, financial situation or needs. You should consider your personal circumstances, and possibly seek professional advice, before making any decision that affects your future.

To the extent permitted by law, STC, its directors and employees do not warrant the accuracy, reliability or completeness of the information contained or omitted from this fact sheet.

Basic Benefit and Additional Employer Contribution (AEC) account

In addition to the above benefits provided by SASS, members are also entitled to a benefit called the Basic Benefit. The Basic Benefit is fully paid for by your employer and accrues at the rate of up to 3% of final average salary for each year of service from 1 April 1988.

Certain members are also entitled to the additional employer contribution (AEC) benefit. Not all SASS members will have an AEC account, as it only applies to members whose employment after 30 June 2013 was subject to NSW Public Sector Wages Policy. Eligible members receive an additional employer contribution at the rate of 0.25% of their salary for the 2013-14 financial year, 0.5% for the 2014-15 to 2020-21 financial years, 1.0% for the 2021-22 financial year, 1.5% for the 2022-23 financial year, 2% for the 2023-2024 financial year and 2.5% for the 2024-2025 financial year. Interest is paid on the contributions that accumulate in an AEC account.

Commonwealth Government contributions

Commonwealth Government contributions may also be paid in addition to both the partial and permanent and total and permanent invalidity benefits. Commonwealth Government contributions are contributions paid by the Commonwealth Government into an account in your name if you meet certain eligibility criteria. See STC Fact Sheet 13: *Information about the Commonwealth Government's superannuation co-contribution and the low income superannuation tax offset* for more information.

Final salary/final average salary

Final salary is the amount of salary for superannuation purposes, paid or payable on your exit date.

Final average salary is the average of the salaries for superannuation purposes, paid on your exit date and the two preceding annual review days (31 December).

Do I have to preserve part of my benefit?

Commonwealth provisions will generally require part of your superannuation benefit to be preserved until you:

- reach age 65, or
- cease employment from age 60, or
- retire from the workforce at or after your preservation age (between 55 and 60).

However, in the event of an invalidity exit, any preserved component is able to be released if the Trustee is satisfied that

the exit is due to permanent incapacity. You may be required to attend an independent medical assessment. For the purpose of Commonwealth rules, permanent incapacity means retirement on medical grounds where certification has been provided by two qualified medical practitioners stating you are unlikely to ever be employed in a capacity for which you are reasonably qualified by education, training or experience. The release of any preserved component is dependent on the provision of these certificates.

If you are applying for total and permanent invalidity, you will be required to supply one of these certificates as part of the assessment process. You may choose to supply a second certificate to enable the release of the preserved component.

If you are applying for partial and permanent invalidity, then the provision of these certificates of incapacity is voluntary. However, if the certificates are not supplied, there may be a portion of your benefit which must remain preserved.

The provision of two incapacity certificates will also influence the tax treatment of your benefit. If two incapacity certificates are provided, then an invalidity component can be applied to the benefit. This component is tax free.

Invalidity benefits cannot be deferred and must be either paid to you or rolled over to another superannuation arrangement.

Further information about the compulsory preservation rules is contained in STC Fact Sheet 4: *When can I be paid my superannuation benefits?* and in the Annual Statement we send you toward the end of each year.

Terminal illness

A member suffering from a terminal medical condition may be able to have their benefit paid tax free. A member is considered to have a terminal medical condition when two registered medical practitioners have certified that the person suffers from an illness, or has incurred an injury, that is likely to result in the death of the person within 24 months of the certification.

To qualify for the tax-free provisions, you must have ceased employment (the cessation of employment does not have to be on the basis of invalidity) and be applying for a lump-sum benefit. You will also need to provide two certificates of incapacity, at least one from a specialist in an area related to the illness or injury, specifying that you have a terminal medical condition.

A superannuation lump-sum benefit paid to a person with a terminal medical condition must be cashed and cannot be rolled over within the superannuation system.

For more information regarding terminal illness provisions, please contact Customer Service on 1300 130 095.

Death and disability provisions for Fire Fighters, Paramedics & Police Officers

If you are employed by the NSW Fire Brigade, NSW Ambulance Service or NSW Police Force, you may be covered under the revised death and disability (D&D) provisions. If you currently do not have additional benefit cover, **you are not eligible to apply for this cover.**

Scheme legislation was amended to allow members with additional benefit cover to opt out and take up the new insurance arrangements provided under the revised D&D provisions.

Members who elected to opt out cannot opt back in and apply for additional benefit cover. For members who elected to retain their additional benefit cover, there are no changes to the SASS additional benefit provisions.

In the event of total and permanent invalidity, partial and permanent invalidity, or death, any benefits payable under the revised D&D provisions are in addition to the SASS benefit.

Fact sheets about related topics:

SASS Fact Sheet 4: *Optional Additional Benefit Cover*

STC Fact Sheet 3: *Taxation*

STC Fact Sheet 4: *When can I be paid my superannuation benefits?*

STC Fact Sheet 10: *Basic Benefit*

STC Fact Sheet 13: *Information about the Commonwealth Government's Superannuation Co-contribution and the low income superannuation tax offset*

STC Fact Sheet 20: *SANCS Additional Employer Contributions (AEC) Account*

30/09/2024

More information

If you need more information, please contact us:

Telephone: **1300 130 095** (for the cost of a local call, unless calling from a mobile or pay phone)
8.30 am to 5.30 pm, Monday to Friday.

Personal interviews: Please phone 1300 130 095 to make an appointment.

Postal address: State Super, GPO Box 2181, Melbourne VIC 3001

Internet: www.statesuper.nsw.gov.au

Email: enquiries@stc.nsw.gov.au