Early Voluntary Retirement

If you are contributing for retirement at age 60, you may elect to retire with a reduced pension at any time after reaching age 55. If you are a woman contributing for retirement at age 55, you cannot elect to retire before that age. In most cases, the early voluntary retirement pension is made up of:

- the **employee-contributed pension** which would otherwise be payable at age 60, adjusted according to the amount you have contributed towards that pension at the retirement date. It is calculated as $2.20 of pension multiplied by the number of units that have been paid for and adjusted to reflect the fact that payment is being made before the retirement age of 60, plus
- the **employer-financed pension** which would otherwise be payable at age 60, calculated as $3.30 of pension multiplied by the number of units you are entitled to and adjusted by the extent to which the service actually provided is less than the service which would have been provided to age 60.

Where the length of SSS membership at the retirement date is relatively short (e.g. less than 15 years), the pension entitlement may be calculated by an alternative formula based on your pension unit position 2½ years before retirement. Your benefit will be based on the formula that gives the higher result.

A member who retires on an early voluntary basis cannot pay the contributions that may have become payable in the future had the member remained employed until age 60.

Pension entitlements vary significantly between members as it depends on your individual contribution history, the age you joined SSS and the length of your membership. An estimate of your pension entitlement may be obtained from Customer Service.

Pensions are adjusted annually in line with movements in the Consumer Price (All Groups Sydney) Index. A phasing-in formula applies in the first year after pension commencement.

All or part of an early voluntary retirement pension may be commuted (exchanged) to a lump sum subject to the commonwealth preservation restrictions, and if that option is not exercised immediately on retirement, an option to commute becomes available again at age 60. Refer to SSS Fact Sheet 14: *Exchanging your pension for a lump sum*, for the exact details on commutation options.

Your lump sum basic benefit, additional employer contribution (AEC) account balance, and the balance of your Commonwealth Government contributions account (if any), is also payable on early voluntary retirement.

Do I have to preserve part of my benefit?

NSW and Commonwealth Government legislative requirements are outlined below, including when you can access your pension, the possible advantages and disadvantages of retiring at or after age 55, and your options for receiving your pension.

Legislative requirements

There are two legislative jurisdictions which cover superannuation rules for members of the State Superannuation Scheme (SSS):

- **NSW Government legislation** governs the rules of the scheme, such as the type and amount of the benefit payable from the scheme in different circumstances and the age at which the member becomes entitled to the benefit.
- **Commonwealth Government legislation** controls how much tax a member will be required to pay on the benefit available from the scheme. Taxation on SSS benefits is applied at a concessional rate i.e. at a rate which is generally less than the rate applied to general income.

In order to attract this lower rate of tax, a superannuation scheme must comply with certain rules. These rules are applied to all superannuation schemes and are referred to as the preservation payment standards.

Who may be affected?

The standards set by the Commonwealth Government do not affect the age at which you become entitled to a retirement benefit in SSS, as the scheme rules which are legislated by the state government still apply. However, the payment standards may mean that you may not be able to access part of the benefit (the preserved component) until you reach what is referred to as your *preservation age* and you also meet a Commonwealth *condition of release.*

The standards apply to all members of SSS. This means that although an early voluntary retirement benefit can be commenced from age 55 under the SSS rules, there will be restrictions on the amount of the benefit that can be accessed and/or the way in which it can be accessed if the member is not able to meet a condition of release at that time.

The provisions also include the basic benefit and any AEC account balance payable from the State Authorities Non-contributory Superannuation Scheme (SANCS). The effect of the preservation payment standards on an individual member depends on the member's age at the time they exit their public sector employment and the reason for their exit.

Commonwealth preservation age

Your preservation age depends on when you were born. If you were born on or before 30 June 1964, you have already reached your preservation age. If you were born on or after 1 July 1964, your preservation age is age 60.

See page 4 for options to consider if you become eligible for your SSS pension before you reach your preservation age.

Conditions of release

You will satisfy a condition of release if:

- **you retire from the workforce at or after your preservation age**

  If you are less than 60 years of age, 'retirement' means you have ceased work permanently and intend never to be gainfully employed for 10 hours or more in any week in the future.

- **you cease an employment arrangement from age 60, regardless of whether you intend to return to work**

  Once you have reached age 60, you can access your preserved benefit whenever you cease employment, whether permanently or not.

- **you reach age 65, even if you continue to work**

  At age 65 you can access all of your benefit, whether or not you have ceased employment or retired.

Your benefits may be released early if:

- you become permanently incapacitated or die
- you meet the criteria on financial hardship or compassionate grounds.

See STC Fact Sheet 2: *Early release of superannuation benefit on grounds of severe financial hardship* or STC Fact Sheet 6: *Early release of a superannuation benefit on compassionate grounds* for more information.

How much of my benefit is currently preserved?

Part of your pension will be 'preserved' if you:

- have not reached your preservation age
- retire before age 60, after reaching your preservation age, but do not declare that you have retired from the workforce (this also applies to lump sum benefits).

An estimate of your early voluntary retirement benefit is available by contacting Customer Service on 1300 130 096, it shows both the preserved and non-preserved components of the pension if a condition of release is or is not met.

You will not be able to immediately exchange (commute) the preserved part of your pension for a lump sum. However, if you have met a condition of release when you reach age 60, and you have not previously exchanged any of your pension for a lump sum – you will have a further opportunity to exchange both the non-preserved and preserved components of your pension for a lump sum within six months after reaching age 60. To meet a condition of release at age 60, you would need to end an employment arrangement you were in at that time or no longer be employed.

However, as an alternative, the preserved portion of your pension can be paid immediately in the form of a non-commutable pension. This option would result in you relinquishing your right to exchange this portion of your pension for a lump sum. For further information see Option 2 on page 5.

How is the non-preserved amount calculated?

The non-preserved amount was calculated on 1 July 1999 when the Commonwealth introduced new preservation standards for superannuation money. It's the maximum amount you could have accessed immediately on 30 June 1999 if you had left the scheme at that time. Your non-preserved amount will always stay the same – it's not adjusted or indexed.

What about benefits accumulated under SANCS?

Your preserved component will include the basic benefit and any AEC account balance payable from the State Authorities Non-contributory Superannuation Scheme (SANCS), if you have not met a condition of release.

Do I pay tax on my benefits?

If you are receiving a SSS pension, tax is generally not payable if you are over the age of 60, but some tax may be payable if your pension is more than $118,750 per annum. Tax may be payable on your pension if you are under 60.

No benefits tax is payable on superannuation lump sum payments if you are over the age of 60 when the lump sum benefit is received. If you are under 60, tax may be payable.

Please see STC Fact Sheet 3: *Taxation*, for details of the Commonwealth tax rules regarding superannuation, including:

- the amount of tax payable on superannuation benefit payments at certain ages, and
- the importance of providing your TFN.

Benefit reductions

SSS is required to pay Commonwealth tax on employer contributions for the part of your benefit that has accrued since 1 July 1988. Your benefit will be reduced to offset this tax. The amounts shown in the Annual Statement we send you are calculated after the benefit reduction has been applied. In addition, tax is payable on any contributions you make on a salary-sacrifice basis.

Before payment, the benefit calculated will be reduced, if appropriate, by any contributions surcharge debt or benefit amounts already paid to you on financial hardship or compassionate grounds.

If you have not provided us with your Tax File Number (TFN), the Fund is liable to pay additional income tax on assessable contributions (such as employer and salary sacrifice contributions) made on your behalf. Commonwealth legislation requires superannuation funds to pay additional income tax (30% plus the Medicare levy (2%) on top of the 15% contributions tax already paid) on assessable contributions received from members who have not provided their TFN.

Following changes to the *Superannuation Act 1916,* the Trustee requires member benefits to be reduced by the No TFN contributions tax amount, to enable the Fund to recover the additional tax paid.

If you need any assistance, please contact Customer Service on 1300 130 096.

[1]Financial Advice

Aware Super financial planners have the knowledge and expertise to advise you about your scheme and have been providing advice to State Super members for over 30 years.

To speak to an Aware Super financial planner about your situation, please call **1800 841 633** or visit **aware.com.au/statesuper**.

[1]SAS Trustee Corporation (State Super) (ABN 29 239 066 746) is not licensed to provide financial product advice and nothing in this document constitutes financial product advice. This document contains factual information only and is not intended to imply any recommendation or opinion about any financial product. You should consider obtaining professional financial product advice which takes into account your objectives, financial situation and needs before making any financial decisions.

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Options to consider if you become entitled to your SSS retirement benefit before you reach your preservation age.

OPTION 1: Resign from employment from age 55 but before reaching your preservation age and only access the non-preserved part of your benefit

Option	Taxation	Issues to consider	
		Possible advantages	**Possible disadvantages**
You can take the non-preserved portion of your early voluntary retirement pension on resignation from age 55, and allow the preserved portion to accumulate as a lump sum to be paid after you reach your preservation age and satisfy a condition of release. This option is available if you resign/retire before reaching your preservation age, even if you have not satisfied a condition of release.	Any non-preserved pension in payment will be split between taxable and tax-free components. The taxable component is subject to full marginal tax rates until you reach your preservation age, when you will receive a 15% tax offset until age 60. Tax is generally not payable on your pension if you are over the age of 60, but some tax may be payable if your pension is more than $118,750 per annum. The low rate tax-free threshold will not be applied to any lump sum cash benefit you take as a result of exchanging the non-preserved component of the pension for a lump sum before you reach your preservation age. The taxable portion of a non-preserved commuted lump sum received as a cash payment and not rolled over, will be subject to tax of 20% plus the Medicare levy (2%), if taken before you reach your preservation age. See STC Fact Sheet 3: *Taxation* for further details.	Your full early voluntary retirement pension will commence at the time you retire, although you will only be paid the non-preserved portion. The preserved portion of your pension will accrue each fortnight in a deferred account. This account will accumulate as a lump sum superannuation benefit (including earnings), payable once you reach your preservation age and meet a condition of release. **Note:** If, at the time you reach your preservation age, you are employed for 10 hours a week or more and you are under age 60, you would be required to end the employment arrangement you were in. You would also need to declare that you intend to leave the workforce permanently before being able to access the accumulated preserved pension and have the full fortnightly pension including the previously preserved component restored for immediate payment each fortnight. Alternatively you would need to wait until you reach age 60 and resigned from an employment arrangement at that time, or wait until age 65, when you would be able to access the full pension and accumulated lump sum without needing to resign from your employment.	You will only be able to access the small non-preserved portion of your pension, which isn't likely to be enough to pay for your living expenses. The basic benefit and any AEC account balance will be required to be preserved and will not be available until you reach your preservation age and meet a condition of release. You can only exchange the non-preserved portion of your pension for a lump sum within six months of starting to receive it. However, if no lump sum is taken at this time the non-preserved portion of the pension can be exchanged for a lump sum within six months of reaching age 60. The preserved portion of the pension may also be commuted at age 60 if no previous election has been made to commute and a condition of release is satisfied at this time i.e. you have left the workforce permanently or you resign from an employment arrangement at that time.

OPTION 2: Resign from employment from age 55 but before reaching your preservation age and access the whole early voluntary retirement pension

Option	Taxation	Issues to consider: Possible advantages	Issues to consider: Possible disadvantages
Resign and take your full pension each fortnight, on the basis that you relinquish your right to exchange the preserved portion of your pension for a lump sum. Note: This option will prevent your spouse from exchanging the preserved portion of their pension for a lump sum on your death, unless you die within 20 years of starting your pension or your life expectancy, whichever is earlier. This option is available if you resign from your employment before you turn 60 and elect to receive a 'non-commutable' pension.	Your fortnightly pension payments will be split between taxable and tax free components. The taxable component will be subject to full marginal tax rates until you reach your preservation age, when you will receive a 15% tax offset until age 60. Tax is generally not payable on your pension if you are over the age of 60, but some tax may be payable if your pension is more than $118,750 per annum. The low rate tax-free threshold will not be applied to any lump sum taken in exchange for the non-preserved component of your pension before you reach your preservation age. The taxable portion of a non-preserved commuted lump sum received as a cash payment and not rolled over, will be subject to tax of 20% plus the Medicare levy (2%), if taken before you reach your preservation age. See STC Fact Sheet 3: *Taxation* for further details.	You will receive the full early voluntary retirement pension from your retirement date to be available to meet your living expenses.	You will never be able to exchange the preserved portion of your pension for a lump sum unless you later meet a condition of release within 6 months of your pension commencing. Your spouse will not be able to exchange the preserved portion of the pension they receive on your death for a lump sum, unless you die within 20 years of starting your pension or your life expectancy, whichever is earlier. The basic benefit and any AEC account balance will be preserved and will not be available until you reach your preservation age and meet a condition of release. If you elect to have the entire pension paid to you then your basic benefit and any AEC account balance must be rolled over to another superannuation fund (it cannot remain deferred in SANCS). You can only exchange the non-preserved portion of your pension for a lump sum within six months of starting to receive it. However, if no lump sum is taken at this time the non-preserved portion of the pension can be exchanged for a lump sum within six months of reaching age 60.

OPTION 3: If your preservation age is less than 60 years, wait and retire at your preservation age

Option	Taxation	Issues to consider: Possible advantages	Issues to consider: Possible disadvantages
Resign and take the full early voluntary retirement pension. To do this, you must declare that you have retired permanently from the workforce and you intend never to be gainfully employed for 10 hours or more in any week in the future.	The taxable part of your pension is taxed at full marginal tax rates less a 15% tax offset, until age 60. Tax is generally not payable on your pension if you are over the age of 60, but some tax may be payable if your pension is more than $118,750 per annum. If you meet a condition of release, you can choose to exchange the pension for a lump sum within six months of pension commencement. You can also apply the low rate tax-free threshold to a commuted lump sum or SANCS benefit.	The amount of the early voluntary retirement benefit as a percentage of the normal retirement benefit increases the closer you are to age 60 when you resign. You can access the full early voluntary retirement pension and exchange all or part of it for a lump sum, if you meet a condition of release.	You wait longer to retire.

OPTION 4: If your preservation age is 60 years, wait to access the benefit once you reach age 60

Option	Taxation	Issues to consider	
		Possible advantages	**Possible disadvantages**
Resign and take the full normal retirement pension when you leave employment at or after age 60.	Tax is generally not payable on your pension if you are over the age of 60, but some tax may be payable if your pension is more than $118,750 per annum. No benefits tax is payable on superannuation lump sum payments if you are over the age of 60 when the lump sum benefit is received. See STC Fact Sheet 3: *Taxation* for further details.	On resignation from your employment at or after age 60 you will be able to access the full normal retirement pension. You will be able to exchange (commute) up to the full normal retirement pension for a lump sum within six months of reaching age 60 (or pension commencement if later than age 60) if you meet a condition of release (i.e. you resign from an employment arrangement you are in at that time). For further information please refer to Fact Sheet 7: *Normal Retirement Benefit*.	You wait longer to retire.

How do I apply for my benefit?

In order to apply for an early voluntary retirement benefit, you must complete SSS Form 512: *Application for payment or deferral of SSS benefits*. This form can be obtained from Customer Service or on the State Super website at **www.statesuper.nsw.gov.au.**

Fact sheets about related topics:

SSS Fact Sheet 7A: *Normal retirement benefit*

SSS Fact Sheet 14: *Exchanging your pension for a lump sum*

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 11: *CPI Adjustment of your pension*

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*

11/02/2025

More information

If you need more information, please contact us:

Telephone: **1300 130 096** (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 130 096 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