Optional deferred benefit

What is the deferred benefit option?

As an alternative to receiving the withdrawal benefit immediately payable on resignation, dismissal, discharge or retrenchment (or the retirement benefit payable once reaching retirement age), you may choose to defer your entitlement in SASS. The deferred benefit can then be paid on application, after attaining the retirement age, on total and permanent invalidity or on death.

The deferred benefit option is designed to assist mobility of employment. It means if you stop working for a scheme employer, prior to attaining your scheme retirement age, you can keep your accrued rights in the scheme and receive a larger employer-financed benefit.

There are some differences to the general rules — described immediately below — that apply if you:

- transferred into SASS from an earlier closed scheme, or
- if you elect to defer a retrenchment benefit.

These differences are described under the heading *What different rules apply to the calculation of benefits?*

How is the optional deferred benefit calculated?

If you are deferring after reaching your scheme retirement age, the deferred benefit will be equal to your retirement benefit.

If you are deferring prior to reaching your scheme retirement age, the optional deferred benefit consists of:

(a) the balance in your **personal account**, and

(b) the **employer-financed benefit**, which is 2.5% of your final average salary for each benefit point which attracts employer-financed benefit at the date of exit, reduced by a discount factor (currently 0.99 or 1% per annum) to take account of the period of time by which your date of exit precedes your 58th birthday, and

(c) the **basic benefit**, which is up to 3% of final average salary for each year of service from 1 April 1988, and

(d) any **additional employer contributions (AEC)** account balance if applicable. To find out more about this balance and if it is applicable to you, please refer to STC Fact sheet 20: *SANCS Additional Employer Contributions (AEC) Account.*

(e) any **Commonwealth Government contributions amount**.

The total amount deferred (i.e. the balance in your personal account, the employer-financed benefit, the basic benefit and any AEC account balance or Commonwealth Government co-contributions amount) is adjusted for investment earnings and management charges from the time it is deferred until the time the benefit is paid.

What different rules apply to the calculation of benefits?

1. Transferees from earlier schemes

The value of benefit points accrued by transferees from the State Public Service Superannuation Fund (SPSSF) are based on 3% of salary instead of the standard 2.5%.

Members who transferred from the SPSSF to SASS in 1989, together with certain former members of closed Local Government funds who were compulsorily transferred into SASS, retain the right to receive retirement benefits at age 55. For these members, the discount factor referred to in (b) in the section *How is the optional deferred benefit calculated?* is calculated to age 55, and the deferred benefit is payable when that age is reached.

Your eligible retirement age (55 or 58) is shown on your SASS Annual Statement.

2. Deferring due to retrenchment

If you defer a benefit due to retrenchment, the employer-financed benefit component described in (b) in the section *How is the optional deferred benefit calculated?* is calculated on the higher of your final salary or final average salary. This benefit is not reduced by a discount factor. **Note:** If you request that your deferred retrenchment benefit is paid from the fund, either by taking the non-preserved component in cash and rolling over the rest of your benefit to another fund, or rolling over the full amount of the benefit to another fund, the full amount of the employer-financed benefit can be paid, i.e. you will not forfeit part of the benefit.

When is the optional deferred benefit payable?

Subject to the conditions applying to the release of the compulsorily preserved component of your benefit (see *Do I have to preserve part of my benefit?*), the optional deferred benefit is payable (subject to preservation rules) if you apply in writing:

(a) at any time on or after you reach the eligible retirement age shown on your Annual Statement (55 or 58),

(b) if you suffer total and permanent physical or mental incapacity, where the incapacity prevents employment in any occupation it would be reasonable to expect you to undertake,

(c) on financial hardship or compassionate grounds (subject to meeting eligibility conditions and payment limits),

(d) in the event of death, or

(e) on retirement from the workforce, subject to the following conditions:

  1) you have reached your preservation age, and

  2) you certify that you:

    (i) have permanently retired from the workforce, and

    (ii) have no intention at any time in the future of seeking gainful employment, either on a full-time or part time basis

Your preservation age is shown on your Annual Statement, or you can use the table below to work it out.

Member's date of birth	Preservation age
Before 1 July 1960	55 years
Between 1 July 1960 and 30 June 1961	56 years
Between 1 July 1961 and 30 June 1962	57 years
Between 1 July 1962 and 30 June 1963	58 years
Between 1 July 1963 and 30 June 1964	59 years
After 30 June 1964	60 years

For more information on this issue, see STC Fact Sheet 4: *When can I be paid my superannuation benefits.*

If you are a public sector executive officer who deferred a benefit without ceasing employment, you must cease the employment that gave rise to the deferred benefit before you can claim payment of the benefit, including the immediate lump-sum benefit described below.

Under legislation, it is not possible to have a scheme contributory benefit paid out and leave just the basic benefit and any AEC or co-contributions amount deferred. When the scheme contributory benefit is paid out, the basic benefit and any AEC or co-contributions amount must also be paid out or transferred to a complying superannuation fund.

Further, when a deferred SASS member reaches their retirement age (55 or 58 depending on their category of membership), they can choose to remain deferred in SASS where their benefit will attract investment earnings. Alternatively, their deferred lump-sum benefit may be transferred or paid out of the scheme (subject to Commonwealth preservation requirements).

Members are contacted regarding their options for payment at that time. If a member elects to remain deferred in SASS after reaching their retirement age, they can apply for payment of their benefit at any time. Once a deferred member reaches age 65 their benefit can only remain deferred if they continue to be employed for at least 10 hours a week. Once a deferred member reaches age 70 their benefit can only remain deferred if they continue to be employed for at least 30 hours a week.

Can I change my mind after opting to defer my benefit?

Subject to the compulsory preservation rules set out below, you may, at any time, choose to take the cash amount which would otherwise have been paid to you at the time of exit, adjusted by investment earnings and management charges. Choosing to take this immediate lump sum before your retirement age means you forfeit your right to the deferred lump sum (except in the case of a deferred retrenchment benefit).

Where your benefit was automatically deferred on your transfer to another scheme without you ceasing employment, the immediate lump sum can only be claimed when you cease employment with your current employer.

Can I still take the immediate lump sum after I reach the scheme retirement age if it is a larger amount than the deferred benefit?

Yes, you can still elect to apply for the immediate lump sum benefit once you reach the scheme retirement age if it is a larger amount than your deferred benefit. Sometimes, due to differing investment strategies, your immediate lump sum benefit can be higher than your deferred benefit, although generally this will not be the case. However, it is important to note that the immediate lump sum benefit will not be payable if your benefit is being paid due to:

- Death;
- Invalidity;
- Permanent retirement from the workforce;
- Reaching age 65 and employed for less than 10 hours a week;
- Reaching age 70 and employed for less than 30 hours a week; or;
- if you make an application for payment of the deferred lump sum benefit

In the event your benefit is paid due to one of the above events, the deferred lump sum benefit will be paid, which may be lower than your immediate lump sum benefit at the time of payment.

Do I have to preserve part of my benefit?

Commonwealth provisions generally require at least part of your superannuation benefit to be preserved (i.e. retained in the superannuation system) until a condition of release is satisfied — these conditions include:

- reaching age 65,
- ceasing employment from age 60,
- permanent retirement from the workforce at or after your preservation age (between 55 and 60),
- total and permanent incapacity or death
- suffering from a terminal illness.

Earlier payment may also be made on financial hardship or compassionate grounds, subject to eligibility conditions and limits on the amount that may be released.

Benefit reductions

Since 1 July 1988, SASS has been required to pay Commonwealth tax on the employer contributions used to finance your benefits that accrue from that time. In addition, the tax is payable on any contributions you make on a salary-sacrifice basis. Your benefits will be reduced to offset this tax.

The amounts shown in the Annual Statement we send you each year are calculated after the benefit reduction has been applied.

Before payment, the benefit calculated will also be reduced, if appropriate, by any contributions surcharge tax debt or No TFN contributions tax debt. Your benefit may also be reduced by amounts already paid to you on financial hardship or compassionate grounds.

Benefits tax

No 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.

Benefits are not assignable

Benefit entitlements from SASS cannot be assigned, charged or passed on to another person. This means that a member cannot use a prospective benefit entitlement as security for a current debt or liability. However, at the time of exit from employment, the member may direct Mercer to pay the benefit to a bank, building society or credit union account.

Fact sheets about related topics:

SASS Fact Sheet 5: *Retirement benefit*

SASS Fact Sheet 9: *Retrenchment benefit*

SASS Fact Sheet 10: *Resignation (withdrawal) benefit*

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*

22/05/2023

More information

If you need more information, please contact us:

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