

## Retrenchment benefit

### What is retrenchment?

A retrenchment benefit is payable from SASS if you have not reached your eligible retirement age and your service with an employer is compulsorily terminated, or you accept an offer of retrenchment on the grounds that:

- the employer no longer requires your services and, on termination of that service, does not propose to fill your position, or
- the work that you were engaged to perform is completed, or
- the amount of work that the employer requires to be performed has diminished and as a consequence it is necessary for the employer to reduce the total number of employees.

### How is the benefit calculated?

The SASS benefit payable on retrenchment will comprise:

- the balance of your **personal account**, and
- the **employer-financed benefit** which, for each accrued benefit point, is 2.5% (3% for former State Public Service Superannuation Fund (SPSSF) members) of the higher of your final salary or final average salary. If you are retrenched after reaching your eligible retirement age, then the retirement benefit is payable. See SASS Fact Sheet 5: *Retirement Benefit* for more information, and
- the **basic benefit**, which is up to 3% of final average salary for each year of service from 1 April 1988, and
- any **Commonwealth Government contribution amount**, and

- any **additional employer contribution (AEC)** account balance. 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. 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*.

**Note:** A retrenchment benefit is payable only if no other benefit is payable. If you apply for a retrenchment benefit, you will need to acknowledge that you understand no other benefit can be paid to you from SASS.

### Do I have to preserve part of my benefit?

Commonwealth provisions generally require part or all 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 Commonwealth preservation age (between 55 and 60).

Your preserved component is also immediately payable in the event of permanent incapacity or death.

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 towards the end of each year.

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.

## Can I voluntarily defer payment?

You may choose to leave your retrenchment benefit in the Scheme instead of receiving immediate payment of the benefit. The benefit is adjusted for investment earnings and management charges while deferred. Refer to SASS Fact Sheet 13: *Optional Deferred Benefit* for more information.

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.

## 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 (except on death).

The amounts shown in your last Annual Statement 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. If a family law split has

been processed on your account a final calculation will be made of the benefit reduction that applies to any employer financed benefits - see SASS Fact Sheet 14 *Family Law and Superannuation Splitting*.

## 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 the Scheme 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 13: *Optional deferred 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*

## 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.

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