

Early Release of a Benefit on Grounds of Severe Financial Hardship

An application for early release of your superannuation benefit on grounds of financial hardship can only be accepted if made on **STC Form 224: Application for early release of a benefit on grounds of severe financial hardship**. Please contact Customer Service to obtain a form or download a copy from the website.

Who can apply?

Early release of a superannuation benefit on grounds of severe financial hardship is available, subject to conditions, to members of the State Authorities Superannuation Scheme (SASS), State Superannuation Scheme (SSS), Police Superannuation Scheme (PSS) and the State Authorities Non-contributory Superannuation Scheme (SANCS – basic benefit). A member of these schemes may be able to access part of their benefit while they are still contributing to their respective scheme as an active member.

A scheme benefit that was deferred when the scheme member left NSW public sector employment may also be released.

When can payment be approved?

Commonwealth legislation generally requires superannuation benefits to remain in the superannuation system until a member meets a condition of release of benefits. These conditions include:

- Ceasing employment with your current employer — at which time you are able to access what is known as the non-preserved portion of your benefit.

- Retiring from the workforce after reaching your preservation age — at which time you are able to access both the non-preserved and preserved portions of your benefit. The preservation age is 55 if you were born before 1 July 1960, increasing progressively if you were born after that date to age 60 if you were born after 30 June 1964.

However, release of a benefit before meeting one of these conditions is available in certain circumstances. One of these is where the trustee of a superannuation fund approves payment to help relieve a member's severe financial hardship.

If you do not meet the conditions for release of your benefit on the grounds of severe financial hardship, you may still be able to apply for early release of a benefit amount on compassionate grounds. Please see *STC Form 225: Application for early release of a benefit on compassionate grounds* and *STC Fact Sheet 6: Early Release of a Benefit on Compassionate Grounds*.

What conditions apply?

To be eligible for release of your superannuation benefit on grounds of financial hardship, you must satisfy us that you meet the conditions of either Case 1 (no age restriction) or Case 2 (if reached preservation age – refer table on Page 2). The difference is explained in this fact sheet.

If you cannot show that you meet the conditions under Case 1 or Case 2, we cannot authorise the release of your benefit on grounds of financial hardship.

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.

Case 1 (no age restriction) applications

Eligibility

You can apply for a financial hardship benefit under Case 1 if you are:

- (a) in receipt of a Commonwealth income support payment from either Centrelink or the Department of Veterans' Affairs (DVA) (depending on which body makes your income support payments) at the time of the request and you have been receiving this payment for the last (continuous) 26 weeks; and
- (b) unable to meet reasonable and immediate family living expenses. These include mortgage repayments, household expenses, rent and rental bond, child support and child care, debts, car repair bills, health costs, veterinary bills and school fees.

To prove that you have been receiving income support payments for the last (continuous) 26 weeks you must provide us with a letter from Centrelink or the Department of Veterans' Affairs (DVA) (depending on which body makes your income support payments), stating that you are currently in receipt of a Commonwealth income support payments, and have been for a continuous period of at least 26 weeks. The letter must be dated within 21 days of your application for the payment of your benefit.

Centrelink has developed a special letter which it provides if you are claiming early release of your superannuation benefits on the grounds of severe financial hardship. For members applying under Case 1 criteria, the letter issued by Centrelink is called a Q230 letter. When applying for the letter, it is important that you tell Centrelink the reason for your request. Centrelink will be able to advise you whether the particular payments you receive qualify as income support payments under the Commonwealth's superannuation rules. **Your application cannot be accepted if the appropriate Centrelink letter is not attached.**

Evidence of severe financial hardship

For early payment of your superannuation benefit to be approved on the grounds of severe financial hardship, you also need to establish that you are unable to meet reasonable and immediate family living expenses. To meet Commonwealth requirements, the application form requires you to provide a statutory declaration to say that you are unable to meet such expenses, and to provide detailed information about your financial circumstances.

The Commonwealth has issued guidelines to assist trustees in determining whether an application satisfies this condition and if so, the extent of financial assistance that may be provided.

Generally speaking, *business expenses* and *anticipated (future) expenses* do not satisfy the test of reasonable and immediate family living expenses. Examples of the types of expenses that may qualify include mortgage, rent and credit debts, health costs, schooling, household expenses.

You should also provide a bank account statement in your name (or joint names of which you are one) dated within the past three months showing the current account balance. Note that if an EFT payment is to be made, the bank account details on the statement provided must match the details supplied on the application form.

Agreement to benefit reduction under Case 1

The early release of part of your superannuation benefit will reduce the amount of the scheme benefits you will receive in the future. Your application can only be considered if you provide written consent to this reduction.

How much can I receive under Case 1?

If you meet the eligibility criteria under Case 1, the before-tax amount released to you cannot exceed the value of your accrued withdrawal (resignation) benefit entitlement at the date of the release. In the case of a deferred benefit, this is the immediate lump sum benefit amount (see your Annual Statement).

In monetary terms, the maximum amount of a benefit that may be released is \$10,000 (before tax) in any 12 month period. The minimum payment is \$1,000 (unless your balance is less than this amount).

Subject to this maximum amount, the actual amount that may be approved for release will be determined by the Trustee, based on its assessment of your application.

Case 2 (reached preservation age) applications

Eligibility

You can apply for a financial hardship benefit under Case 2 if you:

- (a) have reached your preservation age (see table); and
- (b) are not gainfully employed (part time or full time) at the date of this application; and
- (c) have been in receipt of a Commonwealth income support payment for a cumulative period of 39 weeks since reaching preservation age.

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

To prove that you have been receiving income support payments for a cumulative period of 39 weeks since reaching your preservation age you must provide us with a letter from Centrelink or the Department of Veterans' Affairs (DVA) (depending on which body makes your income support payments), stating that you have been receiving Commonwealth income support payments for a cumulative period of 39 weeks since reaching your preservation age.

For members applying under Case 2 criteria, the letter issued by Centrelink is called a Q251 letter.

Agreement to benefit reduction under Case 2

An early release payment under the Case 2 criteria can only be paid if you agree that the payment will reduce the amount of the scheme benefits you will receive in the future. Your application can only be considered if you provide written consent to this reduction.

How much can I receive under Case 2?

In monetary terms, if eligible under Case 2 there is no maximum amount of a benefit that may be released in any 12 month period. However, the before-tax amount released to you cannot exceed the value of your accrued withdrawal (resignation) benefit entitlement at the date of the release. In the case of a deferred benefit, this is the immediate lump sum benefit amount (see your Annual Statement).

What tax is payable?

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.

A benefit payment made to a person aged less than 60 comprises a tax free component and taxable component.

The tax free component is generally based on the proportion of the benefit paid to you that is financed by your personal contributions to the scheme after 30 June 1983, plus a part of your benefit that accrued before 1 July 1983 (if any).

Concessional rates of tax apply to the taxable component of a superannuation benefit received by a person who has reached their preservation age. The taxable component of a superannuation benefit paid before a member's preservation age is subject to higher (though still concessional) rates of tax. Your preservation age depends on your date of birth and will be between age 55 and 60 (see table). Your preservation age is also shown on your annual statements.

The scheme administrator will calculate how much of your before-tax benefit should be released to provide the after-tax amount that is approved for release to relieve the financial hardship.

How will my benefit be reduced?

If the early release amount is paid from a benefit you have left deferred in the scheme:

- your deferred benefit will be reduced at the time you receive the early release payment, and
- from that time, your deferred benefit will receive interest based on this lower account balance. In the case of a deferred SSS pension benefit, the annual CPI adjustment will be based on the reduced pension entitlement. Please refer to STC Fact Sheet 11: *CPI Adjustment of your pension* for more information.

If the early release amount is paid from your current contributory scheme benefit:

- the early release amount paid will create a corresponding debt account which will have interest at the fund earning rate applied to it.

Payment of the debt will occur through reduction of your contributory scheme benefit when it is either deferred in the scheme or is paid to you.

- If you are entitled to a lump sum SANCS basic benefit (3% productivity type benefit), the debt will be deducted from that entitlement first.
- If it is necessary to deduct a debt from any pension benefit to which you are entitled, the pension reduction will be calculated using special lump sum factors supplied by the scheme's actuary. Reduction of a retirement pension for an early release debt will not affect your right to exchange (commute) your pension to a lump sum within the scheme rules.

Details of your debt account or deferred benefit reduction, as appropriate, will be shown on your Annual Statement.

Proof of identity and age

You will need to provide certified documentation with your application form to prove that you are the person to whom the superannuation entitlements belong.

A list of acceptable documents and persons who can certify copies of these documents is included in STC Form 224: *Application for early release of a benefit on grounds of severe financial hardship*.

What should I do next?

Your completed application form and attached Centrelink letter should be sent to the postal address shown. You should generally expect a response to your application within five working days after all necessary documentation has been received by Mercer.

More information

If you need more information, please contact us:

Telephone: **SASS** 1300 130 095 **SSS** 1300 130 096 **PSS** 1300 130 097 **Deferred Benefits** 1300 130 094
8.30 am to 5.30 pm, Monday to Friday.

Personal interviews: Please phone 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