

Benefits on Early Voluntary Retirement

Early voluntary retirement – between age 55 and 60

If you voluntarily retire between ages 55 and 60, (except due to invalidity), you can choose between taking:

- a fortnightly pension (indexed annually), or
- a single lump sum payment, or
- a part pension, part lump sum payment.

If you elect to take the full pension and no lump sum when you retire, you will get a second and final opportunity to commute (exchange) some or all of your pension for a lump sum when you reach age 60. If you take a part pension, part lump sum when you retire you will not get a further opportunity to commute at age 60, as you are only able to make ONE commutation election.

Service

The amount of your benefit depends on your length of service and age at retirement. The closer you are to age 60, the higher the benefit for each year of service. The maximum early voluntary retirement benefit is payable after 30 years service. Service generally accrues at a reduced or nil rate during periods of part-time employment and leave without pay (including part-time leave without pay). Any of these periods will reduce your potential benefit entitlement unless you have accrued at least 30 years equivalent full-time service.

The benefit entitlements set out in this Fact Sheet assume that service throughout your membership has been full-time.

Pension

The pension benefit payable is a percentage of your *salary of office* (superable salary) at the point of retirement, with the amount depending on both your age and the length of PSS membership at that time. In the case of a person working part-time, the superable salary is the equivalent full-time or *attributed* salary. Here are some examples:

Pensions as percentage (%) of superable salary on early voluntary retirement (table 1)

In the pension calculation, both your age and length of scheme membership are calculated to the last completed month.

Example: Table 1

Age at retirement (exact birthday)	Full Years of Service		
	25	26	27
55	48.50	50.44	52.38
56	50.92	52.96	54.99
57	53.35	55.48	57.61
58	55.77	58.00	60.23
59	58.20	60.52	62.85

Example: Table 1 continued

Age at retirement (exact birthday)	Full Years of Service		
	28	29	30 or more
55	54.32	56.26	58.20
56	57.03	59.07	61.11
57	59.75	61.88	64.02
58	62.46	64.69	66.93
59	65.18	67.51	69.84

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.

If you retired on your 55th birthday after 30 years service, on an annual superable salary of \$80,000, you would be entitled to a pension of approximately \$1,785 per fortnight, or \$46,560 per annum (58.20% of salary), indexed annually.

If you elect to take the full pension when you retire you will have a final opportunity to exchange all or part of your pension for a lump sum when you reach age 60.

Lump sum option

If you elect to receive all of your early retirement benefit as a lump sum instead of a pension, the lump sum payable is equal to your superable salary at the time of retirement (determined in the same way as set out above for **Pension**), multiplied by a factor (number) which depends on your age at retirement and length of service. Some examples are set out in Table 2.

The lump sum factor shown below assumes that your service throughout your membership will be full-time. Your service will be reduced to take account of any period of part-time employment or leave without pay (including part-time leave without pay). However, if you have at least 30 years equivalent full-time service you will be entitled to have your benefit calculated on the maximum lump sum factor.

Lump sum as a multiple of superable salary (table 2)

Example: Table 2

Age at retirement (exact birthday)	Full Years of Service*		
	25	26	27
55	6.32	6.57	6.83
56	6.40	6.66	6.91
57	6.47	6.73	6.99
58	6.53	6.79	7.05
59	6.58	6.84	7.11
60	6.62	6.89	7.15

Example: Table 2 continued

Age at retirement (exact birthday)	Full Years of Service*		
	28	29	30 or more
55	7.08	7.33	7.58
56	7.17	7.42	7.68
57	7.25	7.51	7.76
58	7.31	7.58	7.84
59	7.37	7.63	7.90
60	7.42	7.68	7.95

* Please note that, in accordance with scheme legislation, the period from the date of your scheme entry to your next birthday after that date does not count as service for the purpose of determining the lump sum multiple.

If you retired on your 55th birthday after 30 years service, on a superable salary of \$80,000, and elected to take the retirement benefit as a lump sum instead of a pension, the lump sum would be \$606,400 (7.58 x \$80,000).

Part pension, part lump sum option

When you retire you also have the option to exchange part of your pension for a lump sum and continue to receive a reduced pension. If you elect to receive part of your early retirement benefit as a lump sum instead of a pension, the lump sum payable is equal to your superable salary at the time of retirement (determined in the same way as set out above for **Pension**), multiplied by a factor (number) which depends on your age at retirement and length of service (see Table 2 for examples of these factors) multiplied by the proportion that you elect to exchange for a lump sum (commute). An example of this calculation is shown below:

Example:

If you retired on your 55th birthday after 30 years service, on a superable salary of \$80,000, and elected to take half of your retirement benefit as a lump sum and half of your retirement benefit as a pension, the lump sum would be \$303,200 (7.58 x \$80,000 x 0.5).

The reduced pension in this case would be approximately \$893. per fortnight, or \$23,280 per annum (58.20% of salary x 0.5), indexed annually.

When can you elect to commute your pension to a lump sum?

A member has up to two opportunities to commute their Early Voluntary Retirement pension to a lump sum. These are:

- on the day the pension first becomes payable; and
- on the day the member turns 60, **provided that no previous commutation has been made.**

If a member elects to commute their pension on the day it becomes payable they can lodge an application to commute their pension up to six months prior to their intended last day of service or up to six months after the pension first becomes payable. The commutation will be effective on the day that the pension first became payable, and any pension payments made after that day (but prior to the election being processed) will be deducted from the lump sum benefit that is paid.

If a member has not previously commuted any part of their pension, they can elect to commute all or part of their pension on their 60th birthday by lodging an application up to six

months prior to their 60th birthday or up to six months after their 60th birthday. The commutation will be effective on the member's 60th birthday, and any pension payments that were made after that day (but prior to the commutation being processed) will be deducted from the lump sum benefit that is paid.

Example:

If you retired on your 55th birthday after 30 years service, on a superable salary of \$80,000, you would be entitled to a pension of approximately \$1,785 per fortnight, or \$46,560 per annum (58.20% of salary), indexed annually.

If you initially elected to receive a full pension, but decided after three months that you wanted to commute your pension in full, you could lodge an application to commute your pension as it would still be within six months of the date the pension first became payable. You would be eligible to receive a lump sum of \$606,400 (7.58 x \$80,000), but this would need to be reduced by any pension payments already received. If you had received six fortnightly pension payments you would have been paid \$10,710, so a lump sum of \$595,690 would be payable.

Basic Benefit and Additional Employer Contribution (AEC) account

The Basic Benefit is payable in addition to the PSS benefits detailed above. Certain members are also entitled to the additional employer contribution (AEC) benefit.

The Basic Benefit is fully paid for by your employer and accrues at the rate of up to 3% of either final average salary or final salary for each year of service from 1 April 1988 or employment commencement date if later. On early voluntary retirement, the salary figure used to calculate the basic benefit is your final average salary, i.e. the average of your salaries at the date of ceasing employment and at 31 December in each of the two previous years.

Not all PSS 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 and 1.0% from 1 July 2021. The AEC rate will increase in line with future increases in the SG rate and will be calculated as the SG rate less 9%. Interest is paid on the contributions that accumulate in an AEC account.

PSS members were not eligible for the AEC benefit from 1 July 2013 to 30 June 2014, as the 0.25% SG rate increase that applied from 1 July 2013 was not taken into account in the Crown Employees (Police Officers - 2011) Award. PSS members, other than members of the Police Executive Service, became eligible on 1 July 2014.

Your Basic Benefit and any AEC benefit are generally subject to compulsory preservation until you have reached your Commonwealth preservation age (between 55-60). See STC Fact Sheet 10: *Basic Benefit* and STC Fact Sheet 20: *SANCS Additional Employer Contributions (AEC) Account* for more information.

Fact Sheets about related topics:

PSS Fact Sheet 3: *Benefits on Normal Retirement*

PSS Fact Sheet 5: *Involuntary retirement*

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*

More information

If you need more information, please contact us:

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