Benefits on Normal Retirement

Important: Service – the benefit entitlements set out in this Fact Sheet assumes that your service throughout your membership has been worked on a full-time basis. 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.

Normal retirement - age 60 or later

- If you retire at age 60 or later, you have the choice between taking an indexed fortnightly pension or a lump sum payment, or a combination of both.
- **Pension:** The pension benefit is a percentage of your annual *salary of office* (superable salary) at the time of retirement. In the case of a person working part-time, the superable salary is the equivalent full-time or *attributed* salary. If you have completed 30 years service or more, the pension is equal to 72.75% of your superable salary. The approximate percentages for periods of service less than 30 years are shown in Table 1.

Example: table 1

If you retired at age 60 after 30 years service on an annual superable salary of $50,000, you would be entitled to a pension of approximately $1,394 each fortnight, or $36,375 each year (72.75% of salary), indexed annually.

- **Lump sum:** You may elect to commute all or part of your pension to a lump sum.
- If you elect to receive all of your retirement benefit as a lump sum instead of as a pension, the lump sum payable is equal to your superable salary at the time of your retirement multiplied by the relevant factor in Table 2. If you elect to receive part of your benefit as a lump sum and the rest as pension, the lump sum is calculated on a proportional basis.

The lump sum factors shown in Table 2 assume 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.

Table 1 - Annual pension as a percentage (%) of superable salary (at age 60)

Full Years of Service	Additional Months of Service											
	0	1	2	3	4	5	6	7	8	9	10	11
25	60.6%	60.8	61.0	61.2	61.4	61.6	61.8	62.0	62.2	62.4	62.6	62.8
26	63.0%	63.3	63.4	63.6	63.8	64.0	64.2	64.4	64.6	64.8	65.0	65.2
27	65.4%	65.6	65.8	66.0	66.2	66.4	66.6	66.8	67.0	67.2	67.4	67.6
28	67.9%	68.1	68.3	68.5	68.7	68.9	69.1	69.3	69.5	69.7	69.9	70.1
29	70.3%	70.5	70.7	70.9	71.1	71.3	71.5	71.7	71.9	72.1	72.3	72.5
30	72.75%											

Table 2 - Lump sum multiples – retirement at age 60

Full Years of Service	Factor (times Superable Salary)
25	6.62
26	6.89
27	7.15
28	7.42
29	7.68
30 or more	7.95

Examples: table 2

Full Commutation:

If you retired at age 60 after 30 years service on a superable salary of $60,000 per annum, and elected to take the retirement benefit wholly as a lump sum instead of as a pension, the lump sum would be $477,000 (7.95 x $60,000).

Partial Commutation:

If you elected to commute half (50%) of your benefit to a lump sum and receive the other half as a pension, the lump sum would be $238,500 (7.95 x $60,000 x 0.5)

In addition to the lump sum you would receive a pension of $21,825 per annum (72.75% x 60,000 x 0.5) which is adjusted annually by CPI.

An election to take a lump sum can be made at retirement, or no later than six months after your retirement. The effective date of an election to commute a pension to a lump sum is the date of retirement.

Any pension that may be paid to you between your date of retirement, and day the lump sum payment is paid to you will be deducted from the lump sum.

If you do not make an election to commute all or part of your PSS benefit on or before the expiration of six months from retirement, your benefit will be paid as a pension only.

Benefit reduction for tax

The scheme is required to pay Commonwealth tax on employers contributions made to fund your benefits accrued since 1 July 1988. Your benefits will be reduced to offset this tax (except on death). The amounts shown in the Annual Statement we send you each year are calculated after the benefit reduction has been applied.

Your benefits will also be reduced by any surcharge tax liability or early release of benefit debt you may have.

In addition, if you have not provided the scheme with your TFN, your benefit may also be reduced to offset the additional tax paid by the Fund on employer contributions (including Salary Sacrifice contributions) received since 1 July 2007.

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.

More Information

Basic Benefit and Additional Employer Contribution (AEC) account

The Basic Benefit and AEC are payable in addition to either the pension or lump sum benefit. See STC Fact Sheet 10: *Basic Benefit and* STC Fact Sheet 20: *SANCS Additional Employer Contributions (AEC) Account* for more information.

Death benefits

On the death of a retired PSS member, a spouse pension is payable only to an eligible person (which includes a de facto partner and may include a same sex partner) and only where the scheme member elected to receive a pension. The partial commutation of a member's pension reduces a spouse's pension entitlement on a proportional basis. A spouse or de facto partner's pension is **not payable** where the member exchanged the whole of their pension entitlement for a lump sum (see PSS Fact Sheet 6, *Death Benefits*).

Commonwealth Government contributions

Commonwealth Government contributions include the super co-contribution and the Low Income Superannuation Tax Offset (LISTO). Further information can be found on STC Fact Sheet 13: *Information about the Commonwealth Government's Superannuation co-contribution and the Low Income Superannuation Tax Offset.*

Pension indexation

Pensions payable from the scheme are adjusted in October each year, according to the percentage movement in the Consumer Price Index (All Groups Index) for Sydney over the previous year from June quarter to June quarter. A phasing-in formula applies in the first year after pension payments begin.

Option to postpone pension commencement

Important note: *The intention of this option is to provide members with more flexibility to arrange their tax position with respect to benefit payments. Members should carefully consider the advantages and disadvantages of this option and* *seek their own financial advice if they are unsure. It should be noted that the Commonwealth Government abolished the Reasonable Benefits Limits (RBL) system with effect from 1 July 2007.*

A member entitled to a pension benefit may nominate a pension commencement date that is later than the date from which pension would otherwise commence to be paid to them under the scheme rules.

If a member elects for a later commencement date, **no pension is payable in respect of the period of voluntary pension postponement** ie. pension payments are forgone for the period.

However, a period of pension postponement may be counted, in accordance with the normal scheme rules, for the purposes of the annual CPI adjustment of the pension.

An election to nominate a later pension commencement date must be lodged with Mercer no later than three months after the 'original' pension commencement date. There is no time limit on the nominated pension commencement date.

Fact Sheets about related topics:

PSS Fact Sheet 4: *Benefits on Early Voluntary Retirement*

PSS Fact Sheet 8: *2006 Amendments to PSS Legislation*

STC Fact Sheet 3: *Taxation*

STC Fact Sheet 10: *Basic Benefit*

STC Fact Sheet 11: *CPI Adjustment of your pension*

STC Fact Sheet 20: *SANCS Additional Employer Contributions (AEC) Account*

11/05/2022

More information

If you need more information, please contact us:

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