Invalidity Retirement Benefit

What is invalidity retirement?

Invalidity retirement occurs if you are retired from employment because of invalidity, or physical or mental incapacity to perform your duties.

The question of whether those grounds exist is determined by the Trustee, who considers medical advice provided by the NSW Government Medical Assessment Service Provider or other medical advisers nominated by the Trustee.

What is the benefit?

Generally, the benefit payable is the pension you would have been eligible to receive at the normal retirement age, based on your salary and unit entitlement at the time your employment ceases.

One exception is that a full pension is not payable on previously abandoned units which were **voluntarily** recovered less than 2½ years before invalidity retirement. These units would qualify as reduced value units and only the employer-financed part of the benefit is paid for them. Your personal contributions for any of these units would be refunded.

Invalidity pensions are adjusted annually in line with movements in the Consumer Price (All Groups Sydney) Index. A phasing-in formula applies in the first year after a pension begins.

Can an invalidity pension be exchanged for a lump sum?

An option exists for an invalidity pension to be commuted (exchanged) for a lump sum at age 55 and, if that option is not exercised then, again at age 60. See SSS Fact Sheet 14: *Exchanging your pension for a Lump Sum*.

Basic benefit and Additional Employer Contribution (AEC) account

In addition to the above invalidity benefits provided by SSS, members are entitled to a benefit called the basic benefit. 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 your final salary, or your final average salary if you retire after age 55, for each year of service from 1 April 1988.

Not all SSS 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, 1.0% for the 2021-22 financial year, 1.5% for the 2022-23 financial year, 2% for the 2023-2024 financial year and 2.5% for the 2024-2025 financial year. Interest is paid on the contributions that accumulate in an AEC account.

Commonwealth Government contributions

Commonwealth Government contributions may also be paid in addition to the invalidity pension and other benefits mentioned above. Commonwealth Government contributions are contributions paid by the Commonwealth Government into an account in your name if you meet certain eligibility criteria. See STC Fact Sheet 13: *Information about the Commonwealth Government's superannuation co-contribution and the low income superannuation tax offset for more information*.

Contribution arrears

If your personal contribution account is in arrears when a benefit becomes payable, outstanding contributions (and interest, if applicable) must be paid or satisfactory arrangements made for payment, before the benefit can be paid to you. In certain cases, this may be achieved by simply reducing the benefit by the amount of any arrears.

A contribution debt can arise, for example, from deferral of contributions during periods of leave without pay. If you are retired due to invalidity within five years of the normal retirement age, you may also have some arrears because of the need for contributions to be retrospectively increased to the normal or full rate, on any instalment rate units for which you are contributing.

Commonwealth payment rules

Immediate payment of the full amount of your benefit is subject to satisfaction of the Commonwealth's payment rules. In the case of invalidity retirement, these rules require the trustee to be reasonably satisfied that you are unlikely to ever be employed in a capacity for which you are reasonably qualified by education, training or experience.

To satisfy this requirement you must provide the trustee with certification from two qualified medical practitioners stating that you are unlikely to ever be employed in a capacity for which you are reasonably qualified by education, training or experience. The release of any preserved component is dependent on the provision of these certificates.

The provision of two incapacity certificates may also influence the tax treatment of your benefit. If you are under your preservation age (age 55 to 60 depending on your date of birth) and two incapacity certificates are provided, then a 15% tax offset will apply to your pension. If you are under your preservation age and the certificates are not provided then no tax offset will apply. If you have already reached your preservation age you will be eligible for the 15% tax offset regardless of whether the certificates are provided. The tax free component of any lump sum payment you receive will also be greater if you provide the two certificates.

If this requirement is not satisfied, then part of your benefit must generally be preserved in SSS until you have reached the Commonwealth preservation age and certify that you have permanently retired from the workforce.

Your preserved component may include all or part of your basic benefit, any AEC account balance, Commonwealth Government Contributions and some of your pension benefit. If part of your pension is required to be preserved, you have two options for this part:

1. It can be immediately received as a non-commutable pension. If you do this, then this part of the pension can never be exchanged for a lump sum by you (unless another condition of release is met within 6 months of pension commencement). If you die, your spouse or de facto partner can only exchange any pension they are entitled to within 20 years of your pension commencing or within the period of your life expectancy from the date your pension commenced, whichever is the lesser.
2. The preserved component can be paid each fortnight into a separate account. It will be paid to you (together with the basic benefit, any AEC account balance and Commonwealth Government Contributions, if applicable) when you meet a Commonwealth condition of release, such as reaching the preservation age. The separate account will be adjusted for interest and management charges. The preserved component of the pension will also be adjusted annually in line with the CPI.

Your Annual Statement provides more information about the preserved benefit rules, including your own 'preservation' age. For more information, see also STC Fact Sheet 4: *When can I be paid my superannuation benefits?*

What if my health is restored?

Payment of an invalidity pension is reviewed from time to time until you reach age 55. At the time of any review, the Trustee may require your attendance at a medical examination to determine whether or not your health has been sufficiently restored to allow you to take up work again. If your health has been restored, arrangements are made for your re-employment and payment of your pension is terminated. If suitable employment cannot be found, payment of your pension continues.

Fact sheets about related topics:

SSS Fact Sheet 14: *Exchanging your pension for a lump sum*

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*

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More information

If you need more information, please contact us:

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