OPTIONAL DEFERRED BENEFIT

What is the deferred benefit option?
As an alternative to receiving the withdrawal benefit immediately payable on resignation, dismissal, discharge or retrenchment, you may choose to defer your entitlement in SASS. It will then be paid later after attaining the retirement age, on total and permanent invalidity or on death.

The deferred benefit option is designed to assist mobility of employment. It means if you stop working for a scheme employer, you can keep your accrued rights in the scheme and receive a larger employer-financed benefit.

There are some differences to the general rules — described immediately below — that apply if you:
• transferred into SASS from an earlier closed scheme, or
• if you elect to defer a retrenchment benefit.

These differences are described under the heading What different rules apply to the calculation of benefits?

How is the optional deferred benefit calculated?
At the time it is deferred, the optional deferred benefit consists of:

(a) the balance in your personal account, and
(b) the employer-financed benefit, which is 2.5% of your final average salary for each benefit point which attracts employer-financed benefit at the date of exit, reduced by a discount factor (currently 0.99 or 1% per annum) to take account of the period of time by which your date of exit precedes your 58th birthday, and
(c) the basic benefit, which is up to 3% of final average salary for each year of service from 1 April 1988, and
(d) 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. Eligible members receive an additional employer contribution at the rate of 0.25% of their salary for the 2013/14 financial year and 0.5% of their salary for the 2014/15 and later financial years. Interest is paid on the contributions that accumulate in an AEC account.
(e) any Commonwealth Government contributions amount.

The total amount deferred (i.e. the balance in your personal account, the employer-financed benefit, the basic benefit and any AEC account balance or Commonwealth Government co-contributions amount) is adjusted for investment earnings and management charges from the time it is deferred until the time the benefit is paid.

What different rules apply to the calculation of benefits?
1. Transferees from earlier schemes
The value of benefit points accrued by transferees from the State Public Service Superannuation Fund (SPSSF) are based on 3% of salary instead of the standard 2.5%.

Members who transferred from the SPSSF to SASS in 1989, together with certain former members of closed Local Government funds who were compulsorily transferred into SASS, retain the right to receive retirement benefits at age 55. For these members, the discount factor referred to in (b) in the section How is the optional deferred benefit calculated? is calculated to age 55, and the deferred benefit is payable when that age is reached.

The State Super schemes are administered by Mercer Administration Services (Australia) Pty Ltd on behalf of the Trustee, SAS Trustee Corporation (STC). SASS is governed by the State Authorities Superannuation Act 1987, the State Authorities Non-contributory Superannuation Act 1987 and the Superannuation Administration Act 1996. The scheme is also subject to Commonwealth superannuation and tax legislation.

STC has published this fact sheet. STC is not licensed to provide financial product advice in relation to SASS.
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 in or omitted from this fact sheet.
Your eligible retirement age (55 or 58) is shown on your SASS Annual Statement.

2. Deferring due to retrenchment
If you defer a benefit due to retrenchment, the employer-financed benefit component described in (b) in the section (How is the optional deferred benefit calculated?) is calculated on the higher of your final salary or final average salary. This benefit is not reduced by a discount factor. **Note:** If you request that your deferred retrenchment benefit is paid from the fund, either by taking the non-preserved component in cash and rolling over the rest of your benefit to another fund, or rolling over the full amount of the benefit to another fund, the full amount of the employer-financed benefit can be paid, i.e. you will not forfeit part of the benefit.

**When is the optional deferred benefit payable?**
Subject to the conditions applying to the release of the compulsorily preserved component of your benefit (see *Do I have to preserve part of my benefit?*), the optional deferred benefit is payable (subject to preservation rules) if you apply in writing:
(a) at any time on or after you reach the eligible retirement age shown on your Annual Statement (55 or 58),
(b) if you suffer total and permanent physical or mental incapacity, where the incapacity prevents employment in any occupation it would be reasonable to expect you to undertake,
(c) on financial hardship or compassionate grounds (subject to meeting eligibility conditions and payment limits),
(d) in the event of death, or
(e) on retirement from the workforce, subject to the following conditions:
1) you have reached your preservation age, and
2) you certify that you:
   (i) have permanently retired from the workforce, and
   (ii) have no intention at any time in the future of seeking gainful employment, either on a full-time or part time basis

Your preservation age is shown on your Annual Statement, or you can use the table below to work it out.

<table>
<thead>
<tr>
<th>Member's date of birth</th>
<th>Preservation age</th>
</tr>
</thead>
<tbody>
<tr>
<td>Before 1 July 1960</td>
<td>55 years</td>
</tr>
<tr>
<td>Between 1 July 1960 and 30 June 1961</td>
<td>56 years</td>
</tr>
<tr>
<td>Between 1 July 1961 and 30 June 1962</td>
<td>57 years</td>
</tr>
<tr>
<td>Between 1 July 1962 and 30 June 1963</td>
<td>58 years</td>
</tr>
<tr>
<td>Between 1 July 1963 and 30 June 1964</td>
<td>59 years</td>
</tr>
<tr>
<td>After 30 June 1964</td>
<td>60 years</td>
</tr>
</tbody>
</table>

For more information on this issue, see STC Fact Sheet 4: *When can I be paid my superannuation benefits?*

If you are a public sector executive officer who deferred a benefit without ceasing employment, you must cease the employment that gave rise to the deferred benefit before you can claim payment of the benefit, including the immediate lump-sum benefit described below.

Under legislation, it is not possible to have a scheme contributory benefit paid out and leave just the basic benefit and any AEC or co-contributions amount deferred. When the scheme contributory benefit is paid out, unless alternative instructions are received, the basic benefit and any AEC or co-contributions amount will be automatically transferred to First State Super.

Further, 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.
Can I change my mind after opting to defer my benefit?

Subject to the compulsory preservation rules set out below, you may, at any time, choose to take the cash amount which would otherwise have been paid to you at the time of exit, adjusted by investment earnings and management charges. Choosing to take this immediate lump sum before your retirement age means you forfeit your right to the deferred lump sum (except in the case of a deferred retrenchment benefit).

Where your benefit was automatically deferred on your transfer to another scheme without you ceasing employment, the immediate lump sum can only be claimed when you cease employment with your current employer.

Do I have to preserve part of my benefit?

Commonwealth provisions generally require at least part of your superannuation benefit to be preserved (i.e. retained in the superannuation system) until a condition of release is satisfied – these conditions include:

- reaching age 65,
- ceasing employment from age 60,
- permanent retirement from the workforce at or after your preservation age (between 55 and 60),
- total and permanent incapacity or death
- suffering from a terminal illness.

Earlier payment may also be made on financial hardship or compassionate grounds, subject to eligibility conditions and limits on the amount that may be released.

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 the Annual Statement we send you each year 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 benefit amounts already paid to you on financial hardship or compassionate grounds; or additional tax paid on employer contributions for members that have not provided their Tax File Number (TFN).

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.

If you are eligible for a SASS pension, tax is generally not payable if you are over the age of 60, but some tax may be payable if your pension is more than $100,000 per annum. Tax may be payable on your pension if you are under 60.

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 SASS 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 9: Retrenchment benefit
SASS Fact Sheet 10: Resignation (withdrawal) 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