



# Retrenchment

## Who should read this?

Any member who is in the process (or has accepted an offer) of retrenchment. This includes dismissal initiated by the employer on the grounds of inefficiency.

## What is in this fact sheet?

- > What you should know up front
- > Am I eligible for involuntary retirement benefits?
- > What are my retrenchment options?
- > What is my SIS upper limit?
- > What is my preservation age?
- > What happens to my surcharge debt (if any)?
- > Am I eligible for a retrenchment benefit if I have ceased PSS membership?
- > What are my retrenchment options? – in detail
- > What happens to amounts I transferred into the PSS?
- > Estimating the value of my retrenchment benefit
- > How much time do I have?
- > It is important to keep in touch
- > What forms do I need to complete?
- > How do you pay my benefit?
- > What about tax?
- > What if I am in financial hardship?
- > How do I get more information?

## What you should know up front

It is important that you read the disclaimer at the end of this fact sheet. Before making any decisions, please read the **PSS product disclosure statement** and consider seeking advice from a licensed professional such as a financial planner, accountant or solicitor.

## Am I eligible for involuntary retirement benefits?

You will be eligible to receive an involuntary retirement (retrenchment) benefit if you are a PSS member and:

- > your employer makes you redundant
  - > you accept an offer of retrenchment or a redundancy package from your employer
  - > you are dismissed on grounds of inefficiency
- or
- > you elect to cease PSS membership, join another eligible scheme and are later retrenched before reaching your minimum retirement age.

If you finish work with your current employer and start shortly after with another employer covered by the PSS, you may not be eligible.

You will not be eligible for retrenchment benefits if you work for an Australian Government agency that has been sold or its functions transferred, and you remain employed by the new service provider. Contact your personnel section or phone us on **1300 000 377** for more information.

## What are my retrenchment options?

Depending on your circumstances and the age at which you are retrenched, you may be able to choose one of the following options:

- > preserve your total benefit
- > take part of your benefit as a lump sum and preserve the balance
- > take a lump sum (or rollover) with no pension
- > take a pension only
- > take part of your benefit as a lump sum and convert the balance to pension
- > arrange to have a transfer value paid to another eligible scheme
- > combine your final benefit accrual with another PSS membership.

## What is my SIS upper limit?

The Superannuation Industry (Supervision) (SIS) Regulations introduced a number of changes from 1 July 1999. One of these changes relates to the amount of the lump sum that you can access before reaching preservation age.

The SIS upper limit is the amount you could have taken as a cash lump sum had you been involuntarily retired (retrenched) on 30 June 1999.

If you preserve your benefit in the PSS and claim your benefit before reaching your preservation age, your lump sum cannot exceed your SIS upper limit. You will need to pay any balance that exceeds your SIS upper limit into a rollover fund.

## What is my preservation age?

On 1 July 1999, a number of changes relating to your superannuation preservation age were introduced by the *Superannuation Industry (Supervision) Act 1993 and SIS Regulations 1994*.

These changes include gradually increasing the minimum age (known as 'preservation age') at which you can take a lump sum of your superannuation benefit without restriction.

Date of Birth	Preservation age
Before 1/7/1960	55
Between 1/7/1960 and 30/6/1961	56
Between 1/7/1961 and 30/6/1962	57
Between 1/7/1962 and 30/6/1963	58
Between 1/7/1963 and 30/6/1964	59
After 30/6/1964	60

These changes do not effect your right to take a PSS benefit in the form of a pension. In some circumstances it can effect your lump sum benefit options.

## What happens to my surcharge debt (if any)?

The Superannuation Contributions Surcharge is a tax on your surchargeable superannuation contributions. It only applies to members whose taxable income plus their employer superannuation contributions (productivity and notional contributions) exceeds certain amounts. The superannuation surcharge does not apply to contributions made after 30 June 2005.

If you accrue a surcharge debt, any amount remaining unpaid at the end of a financial year will attract interest at the 10-year Treasury bond rate. This will remain in place until you clear your debt or we pay your final benefit. If you have an outstanding surcharge debt when you claim your benefit, you may nominate the benefit component (pension or lump sum) from which you wish to recover the debt.

For further information see **The facts about the super contributions surcharge** fact sheet available on our website at [www.pss.gov.au](http://www.pss.gov.au) or call us on 1300 000 377.

## Am I eligible for a retrenchment benefit if I have ceased PSS membership?

If you are a PSS preserved member as a result of electing to cease PSS membership to join another eligible superannuation scheme then you may be eligible for a retrenchment benefit if you meet the following criteria:

- > you had continuous service in Australian Government employment since electing to cease PSS membership
- > you have been retrenched (or dismissed on inefficiency grounds) by your employer before reaching your minimum retirement age.

If you meet these criteria then you will have the same retrenchment benefit options as a PSS contributing member.

## What are my retrenchment options – in detail

### Option 1 – Preserve your total benefit

You can preserve your benefit in the PSS for later payment, usually upon retirement from the workforce after reaching age 55.

While preserved, your employer component accrues in line with the Consumer Price Index (CPI); your member and productivity components accrue at the Fund's earning rate. As a preserved benefit member you may choose the Cash Investment Option for your taxed accumulation components (member and productivity). If you do not make a choice we will continue to invest these components in the Default Fund. For more information about the Cash Investment Option, please see the **PSS product disclosure statement** from our website [www.pss.gov.au](http://www.pss.gov.au)

You can take the preserved benefit as a lump sum or you can convert the lump sum to full or part pension.

If you have not reached your preservation age, when you do claim your preserved benefit, any lump sum will be limited to your SIS upper limit (refer to page 2). You must rollover the balance of the benefit into another fund until you reach preservation age.

For certain types of preserved benefits, you will need to supply certified copies of documents that establish your identity. Details of the number and types of documents required are on the relevant application forms.

### Option 2 – Take part of your benefit as a lump sum and preserve the balance

This option is not available if you joined the PSS after 1 July 1999 and:

- > you are under the age of 55
- or
- > you are between 55 and 60 and have not left the workforce.

For more information, please refer to SIS upper limit information on page 2.

You can take part of your benefit as a lump sum and preserve the balance in the PSS. However, if you have not reached your minimum retiring age (generally 55) at the time of your retrenchment – the lump sum that you can take is limited to the lesser of:

- > your member contributions and fund earnings

or

- > your member contributions and fund earnings up to your SIS upper limit (refer page 2).

If you are aged between 55 and 60 and have not left the workforce, your lump sum is limited to your SIS upper limit.

Your employer component increases each year in line with the CPI. As a preserved benefit member you may choose the Cash Investment Option for your taxed accumulation components (member and productivity). If you do not make a choice, we will continue to invest these components in the Default Fund. For more information about the Cash Investment Option, please see the **PSS product disclosure statement** from our website [www.pss.gov.au](http://www.pss.gov.au)

Your preserved benefit will be payable as a lump sum once you reach age 55 and leave the workforce.

If you have not reached your preservation age, when you do claim your preserved benefit, any lump sum will be limited to your SIS upper limit. You must rollover the balance of the benefit over into another fund until you reach preservation age.

**If you take any part of your benefit and preserve the balance in the PSS, you will not have the option of taking a PSS pension when you claim your preserved benefit.**

For certain types of preserved benefits, you will need to supply certified copies of documents to establish your identity. Details of the number and types of documents required are on the relevant application forms.

### Option 3 – You can take a lump sum only

You can elect to take your entire benefit out of the PSS as a lump sum benefit.

However, if you have not reached your minimum retiring age (generally age 55) at the time of your retrenchment, the lump sum immediately payable is limited to the lesser of:

- > your member contributions and fund earnings

or

- > your SIS upper limit (refer to page 2).

If you are between age 55 and 60 and have not left the workforce, the lump sum immediately payable is limited to your SIS upper limit.

In both circumstances, you must rollover the balance of your lump sum to a rollover institution.

You can also rollover your entire lump sum to a rollover institution if you wish.

#### Option 4 – Take a pension only

You can convert your entire PSS benefit to a CPI-indexed pension, which is payable for life.

There are reversionary benefits payable to eligible spouses and children in the event of your death.

#### Option 5 – Take part of your benefit as a pension and part as a lump sum

This option is not available if you joined the PSS after 1 July 1999 (refer to SIS upper limit information on page 2).

You can take your benefit as a combination of CPI-indexed pension and lump sum. However, if you have not reached your minimum retiring age (generally age 55) at the time of your retrenchment, the lump sum you can take at retrenchment is limited to the lesser of:

- > your member contributions and fund earnings
- or
- > your SIS upper limit (refer to page 2).

If you have reached your minimum retiring age but you are under age 60 and have not left the workforce, your lump sum is limited to the lesser of:

- > 50% of your total PSS benefit
- or

- > your SIS upper limit (refer to page 2).

If you take this option and are over the age of 60, or if you have reached your minimum retiring age and have left the workforce, your lump sum is limited to 50% of your total PSS benefit.

There are reversionary benefits payable to eligible spouses and children in the event of your death.

#### Option 6 – You can arrange to have a transfer value paid to another eligible scheme (this is not a rollover)

If you start work with an employer that participates in an eligible superannuation scheme and you become a member of that scheme, you may pay a transfer value of your total benefit to that other scheme, in exchange for that scheme's benefits. This is providing you have not taken a refund of your member component.

Eligible superannuation schemes include the following:

- > AV Super (previously known as the CAA Staff Superannuation Fund)
- > Defence Force Retirement and Death Benefits Scheme
- > Northern Territory Government and Public Authorities Superannuation Scheme
- > Parliamentary Contributory Superannuation Scheme
- > QSuper
- > Queensland Electricity Supply Industry Superannuation Scheme
- > Queensland Local Government Employees Superannuation Scheme
- > Queensland Parliamentary Contributory Superannuation Scheme
- > UniSuper – Accumulation Plan 2.

#### Option 7 – You can combine your final benefit accrual with another concurrent membership

If, at the time of retirement, you are also a PSS member in respect of another (concurrent) period of employment, you can elect to combine your benefit accrual with the other PSS membership. This is only possible if the combination does not exceed your maximum benefit limit (MBL).

Where you have elected to cease your PSS membership, this is no longer an option. Concurrent memberships would have been combined and preserved upon electing to cease PSS membership.

For more information on MBLs refer to **The facts about maximum benefit limits (MBL)** available from our website [www.pss.gov.au](http://www.pss.gov.au)

## What happens to amounts I transferred into the PSS?

The treatment of transfer amounts depends on when you transferred them into the PSS.

Amounts transferred into the PSS before 1 January 1996 (or which accrued in another fund before 1 January 1996) are part of your total benefit.

Depending on what benefit option you chose, you may be eligible to convert the transfer amount into a pension or take it as a lump sum.

If you choose to have it paid as a pension, we will credit you with an additional benefit multiple. The calculation of this benefit multiple will be based on the value of the transfer amount you paid into the scheme and your average salary.

If you choose to have it paid as a lump sum, you receive the value of the transfer value (including any interest) to the date of exit.

Please let us know how you would prefer to have this paid by filling out the **Retirement Supplement (SR-Supplement)** form and submitting it with your benefit application.

If you have transfer values from 1 January 1996 onwards, we can only pay these to you as a lump sum.

## Estimating the value of my retrenchment benefit

You can estimate the value of your retrenchment benefit using the i-Estimator, our online calculator. You'll need an access number to user this service. If you don't have one, or you've misplaced it, call us on **1300 000 377** and we can give you one over the phone.

If you are within 12 months of leaving the PSS please complete an **Estimate Request** form for a detailed estimate of your benefit.

## How much time do I have?

You have 90 days after ceasing to be a member to choose a benefit option. If you miss this deadline, we will preserve your benefit in the PSS. This means you may not be able to choose another benefit option other than preservation.

## It is important to keep in touch

If you have preserved all or part of your benefit in the PSS, it is important that you continue to advise us of any changes to your address.

This allows us to keep in touch with you and ensure that you continue to receive your Annual Member Statements.

Also, we must pay your PSS preserved benefit to you when you reach age 65. If we have lost contact with you by that stage, we will treat your benefit as unclaimed.

## What forms do I need to complete?

You must complete the following form(s) to claim your benefit:

- > **Involuntary retirement benefit application**
- > **Retirement Supplement (SR Supplement)** if you have paid a transfer amount (refer page 4) to the PSS and want those funds paid separately from your primary benefit
- > **Tax file number declaration** for taxation assessment purposes.

You can obtain these PSS forms from your personnel section or by visiting our website at [www.pss.gov.au](http://www.pss.gov.au) The **Tax file number declaration** is available from your personnel section, the Australian Taxation Office, or call us on **1300 000 377**.

## How do you pay my benefit?

We must pay **pensions and lump sums** into an Australian bank account (not a mortgage account). The account should be in your name or it may be a joint account, provided you are one of the account holders.

We will make all **lump sum rollover cheques** payable to your nominated rollover fund and, unless you specify otherwise, sent care of you at your home address.

## What about tax?

The following table shows current tax rates applicable to superannuation lump sum payments.

We deduct PAYE tax from your fortnightly superannuation pension.

Any lump sum benefit will have tax deducted before payment.

It is optional for you to provide your Tax File Number (TFN) however, if you do not provide your TFN, your pension and any lump sum benefit will be taxed at a higher rate.

If we have your TFN, we will provide it to the rollover institution when you rollover all or part of your benefit. Please write to us if you do not want us to do this.

For more information on tax please see **The facts about tax and your PSS benefit** fact sheet, visit our website at [www.pss.gov.au](http://www.pss.gov.au) or call us on 1300 000 377.

## What if I am in financial hardship?

If you elect to preserve your retrenchment benefit in the PSS and are in financial hardship, you may be able to access up to \$10,000 of your compulsorily preserved superannuation benefits.

We make this payment available to you strictly for the purpose of meeting immediate living expenses or for compassionate reasons such as serious illness or potential loss of the family income.

For more information please call us on 1300 000 377 or visit our website [www.pss.gov.au](http://www.pss.gov.au)

## How can I get more information?

EMAIL [members@pss.gov.au](mailto:members@pss.gov.au)

PHONE 1300 000 377

FAX 02 6272 9613

MAIL PSS  
PO Box 22  
Belconnen ACT 2616

WEB [www.pss.gov.au](http://www.pss.gov.au)

Tax treatment of lump sums					
		Percentage of tax payable on a taxed source		Percentage of tax payable on an untaxed source	
		Tax-free component	Taxable component	Tax-free component	Taxable component
Under 55		0%	21.5%	0%	31.5%
					Top marginal tax rate above \$1.1 million threshold
55-59 (and reached preservation age)	Up to \$150,000 threshold	0%	0%	0%	16.5%
	Above \$150,000 threshold	0%	16.5%	0%	31.5%
60 and over		0%	0%	0%	16.5%
					Top marginal tax rate above \$1.1 million threshold

**Please note:** The \$150,000 threshold is calculated across your entire taxable benefit.  
The \$1.1 million threshold is applicable to the untaxed component of your benefit.

### Warning - This Document Contains General Advice or Information Only

Any advice in this document has been prepared without taking account of your personal objectives, financial situation or needs. Because of this, you should, before acting on any advice in this document, consider the appropriateness of the advice, having regard to your objectives, financial situation and needs. You may wish to consult a licensed financial planner to do this.

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