



# Postponement of benefits

## Who should read this?

CSS members who have the option to postpone taking their benefit on retrenchment or retirement.

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## 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 **CSS product disclosure statement** and consider seeking advice from a licensed professional such as a financial planner, accountant or solicitor.

## Who can elect to postpone benefits?

As a CSS member you can choose to postpone all or part of your benefit if you are retrenched or retire on or after reaching minimum retiring age but before reaching the age of 65. However, you can only do this if you leave Commonwealth employment but **remain** in the workforce.

To make an election to postpone your benefits, you will be required to provide a statement that you will not be retiring from the workforce.

## Accessing lump sum benefits

The CSS, under the SIS Act, gradually increases the minimum age at which you can take a cash lump sum without any restriction, to age 60 for those born on or after 1 July 1960 (see the following table).

**Table 1 - Preservation ages**

Date of birth	Preservation age
Before 1 July 1960	55 years
1 July 1960 to 30 June 1961	56 years
1 July 1961 to 30 June 1962	57 years
1 July 1962 to 30 June 1963	58 years
1 July 1963 to 30 June 1964	59 years
After 30 June 1964	60 years

Your right to take a CSS benefit in the form of pension is not affected by these changes. In some circumstances, however, lump sum benefit options can be affected.

SIS sets no limit on the amount of a lump sum benefit that can be paid in the following circumstances:

- (i) if your preservation age is less than 60
  - when you have attained your preservation age and have retired permanently from the workforce
- (ii) on termination of employment on or after 60
- (iii) invalidity or death.

If you cease membership on retirement having attained minimum retiring age (usually 55) but not preservation age, your immediate access to a lump sum is restricted to the lump sum immediately payable had you been involuntarily retired on 1 July 1999 (your **SIS upper limit**).

Where SIS restricts your access to a CSS benefit the difference between your actual lump sum entitlement under the CSS rules and your SIS upper limit, if any, must be paid into a rollover institution for payment upon retiring from the workforce at or after preservation age.

## What options are available?

### Age retirement

Where you:

- > have reached minimum retiring age
- > but not age 65
- > are entitled to a CSS age retirement benefit but don't wish to retire from the workforce.

You can postpone all or part of your benefit for later payment. You cannot postpone your benefit if you have retired from the workforce.

When postponing CSS benefits you can:

- > postpone your standard CPI indexed pension and productivity component and take as much of your member component immediately as a lump sum as the SIS rules permit, with the balance (if any) rolled over until preservation age
- > postpone your standard CPI indexed pension and the productivity component and take your member component immediately as additional non-indexed pension
- > postpone all your benefits.

### Payment of a postponed age retirement benefit

A benefit that has been postponed is not payable until the earlier of either:

- > the date you turn age 65
- > the day on which you provide ARIA with a statement that you have retired from the workforce.

The benefit also becomes payable to an eligible spouse or children if you die before retiring from the workforce.

When a postponed standard pension becomes payable it is based on:

- > your age (in completed years) at the date the benefit is payable
- > the length of your contributory membership at the time you ceased to be a CSS contributor
- > the updated salary which applies for the position you held when you ceased to be a CSS contributor. The updated salary does not include either increments or allowances which were not included as salary at the date you ceased being a contributor.

Your postponed member and productivity components will continue to grow at the earning rate of the Fund, according to any investment choice you make, until the date the postponed benefit is paid.

If you postpone the total benefit in the CSS any unpaid surcharge debt you may have will continue to attract interest at the prevailing 10-year Treasury bond rate and will be recovered from the postponed benefit once that becomes payable.

**Note:** Where a former Provident Account member postpones the total benefit and claims the postponed benefit after age 60, the member has the further option to convert the benefit to a lump sum of three times the postponed value of basic contributions and Fund earnings, plus receive a lump sum of the productivity component and any supplementary contributions and Fund earnings.

If you wish to postpone receipt of your age retirement or retrenchment benefits, you have the following options:

### Retrenchment

If you have reached your minimum retiring age (usually 55) at the time of being retrenched and have left Commonwealth employment but have not retired from the workforce, the following postponement benefit choices are available:

- > postpone your standard CPI indexed pension and productivity component and take as much of your member component as SIS allows immediately as a lump sum
- > postpone your standard CPI indexed pension and the productivity component and take your member component immediately as additional non-indexed pension
- > postpone your total benefit.

### Payment of a postponed retrenchment benefit

A benefit that has been postponed is not payable until the earlier of either:

- > the date you turn 65
- > the day on which you provide ARIA with a statement that you have retired from the workforce.

The benefit also becomes payable to an eligible spouse or children if you die before retiring from the workforce.

When a postponed standard CPI indexed pension becomes payable it is based on:

- > your age (in completed years) at the date the benefit is payable
- > the length of your contributory membership (in years and days) at the time you ceased to be a CSS contributor
- > the current equivalent of the salary for the position you held when you ceased to be a CSS contributor. If there is no equivalent salary, it will be salary at exit updated by the AWOTE (Average Weekly Ordinary Time Earnings) index.

**Note:** The updated salary does not include either increments or allowances which were not included as salary at the date you ceased being a contributor.

Your postponed productivity and member components will continue to grow at the earning rate of the Fund, until the date the postponed benefit is paid. Payment of these benefits as lump sum is subject to the SIS rules.

Any surcharge debt you may have accrued will be recovered from pension when it becomes payable, unless you choose to have it recovered from a lump sum benefit.

**Note:** Unless you are a former Provident Account member aged 60 years or more, where you postpone your standard CPI indexed pension at exit, it must be paid as pension when claimed and cannot be converted to a lump sum.

The following examples have been simplified by using whole years of contributory membership when, in actual cases, years and days will be counted.

### Example 1

Paul, aged 55, ceases Commonwealth employment on 1 October 1999 to take up a private sector position. He is entitled to an age retirement benefit based upon:

Final salary	\$47 591
Contributory service	28 years (commenced pre-July 1976)
Standard indexed pension	* 37.5% of final salary (see the note at the end of Example 1)

### Assumptions used:

1. The CSS Fund's exit rate is 5 per cent per year.
2. The salary of the former position increases by 15 per cent over the five-year period.

As Paul is not leaving the workforce in this example, he would have two basic choices:

- > He could take his standard (indexed) pension immediately and take his member component as either a lump sum or as a non-indexed pension (the lump sum is the most common option). His productivity component would need to be paid into a rollover fund of his choice, for payment to him when he ultimately leaves the workforce.
- > He could elect to postpone all (or part) of his benefit until a later date.

In this example, Paul decides to postpone all of his benefit and claim it when he leaves the workforce on his 60th birthday. In this case, his benefit would be based upon:

Updated salary	\$54 730
Age attained	60 years
Contributory service	28 years
Standard indexed pension	* 45% of updated salary (see the note at the end of Example 1)

The following example shows what Paul's benefit would have been at the time he left the CSS and what it has grown to at the time of claiming his postponed benefit.

(cont)

**Example 1 (cont)**

Growth of postponed benefit	
1 October 1999	1 October 2004
\$17 847 standard (indexed) pension	\$24 628 standard (indexed) pension
PLUS	PLUS
\$80 000 member component	\$102 000 member component
OR	OR
\$7 400 p.a. non-indexed pension (9.25% of \$80 000)	\$10 200 p.a. non-indexed pension (10% of \$102 000)
PLUS	PLUS
\$18 000 productivity component	\$23 000 productivity component
OR	OR
\$1 665 p.a. non-indexed pension (9.25% of \$18 000)	\$2 300 p.a. non-indexed pension (10% of \$23 000)

Of course, by electing to postpone his benefit, Paul has forgone a pension for the five-year period between his 55th and 60th birthdays. If Paul had taken the pension, it would have also increased in line with cost-of-living adjustments.

**\*Note:** The percentages used to calculate standard (indexed) pensions in these examples can be found in the **CSS Benefit Tables** booklet which is available on the CSS website [www.css.gov.au](http://www.css.gov.au) or by calling 1300 000 277.

**Example 2**

Linda, aged 58 years, left Commonwealth employment on 1 November 1999 to establish her own small business. She was entitled to an age retirement benefit based upon:

Final salary	\$66 175
Contributory service	30 years (commenced pre-July 1976)
Standard indexed pension	** 42% of final salary (see note at the end of Example 2)

Linda decides to postpone her entitlement to a standard (indexed) pension and refund of her productivity component but takes an immediate refund of her member component to help start up her small business.

(cont)

**Example 2 (cont)****Assumptions used:**

1. The CSS Fund's exit rate is 5 per cent per year.
2. The salary of the former position increases by 21 per cent over the seven-year period.

On her 65th birthday, Linda claims her remaining benefit which would be based upon:

Updated salary	\$80 071
Age attained	65 years
Contributory service	30 years
Standard indexed pension	**50% of updated salary (see note at the end of Example 2)

The following example shows what Linda's benefit would have been at the time she left the CSS and what it has grown to at the time of claiming her postponed benefit.

Growth of postponed benefit	
1 November 1999	1 November 2006
\$27 793 standard (indexed) pension	\$40 035 standard (indexed) pension
PLUS	PLUS
\$100 000 member component (taken on exit)	
PLUS	
\$20 000 productivity component	\$28 000 productivity component

Of course, by electing to postpone her benefit, Linda has forgone a pension for the seven-year period between her 58th and 65th birthdays. If Linda had taken the pension, it would have also increased in line with cost of living adjustments.

**\*\*Note:** The percentages used to calculate standard (indexed) pensions in these examples can be found in the **CSS Benefit Tables** booklet which is available on the CSS website [www.css.gov.au](http://www.css.gov.au) or by calling 1300 000 277.

## Surcharge debt

The Superannuation Contributions Surcharge is a tax on surchargeable superannuation contributions. It was introduced from 20 August 1996 and is intended to apply to higher income earners. Full details of the surcharge are given in the fact sheet **The facts about the superannuation contributions surcharge**, which is available on the CSS website [www.css.gov.au](http://www.css.gov.au)

Any unpaid surcharge debt you may have accrued must be recovered from benefits payable at the time of your leaving the CSS. Normally an accrued surcharge debt is recovered by way of reduction to the pension otherwise payable, but you can choose to have it recovered from lump sum or rollover if you wish.

If you postpone your CSS benefit any unpaid surcharge debt you may have will continue to attract interest at the prevailing 10-year Treasury bond rate and will be recovered from the postponed benefit once that becomes payable.

## Election form

### Age retirement

The **Benefit application form—age retirement (SAR1-CSS)** lists all the benefit options available on age retirement, including the postponement options.

### Retrenchment

The **Benefit application form—involuntary retirement (SRR1-CSS)** lists all the benefit options available on retrenchment, including the postponement options.

## How to claim my benefit

To claim your postponed benefit once you have retired from the workforce, you should advise us of your intention to claim a postponed benefit. Advice of the current value of the benefit and detailed instructions on the procedures to follow to claim your benefit will be sent to you at that time.

## Annual statements

You will be sent a statement each year which shows the value of your equity in the Scheme under the postponed benefit rules. It is important that you advise us of any change in your address so that the statement can be sent to you.

## Where can I get more information?

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

PHONE 1300 000 277

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Belconnen ACT 2616

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