



The facts about CSS Retrenchment

Who should read this?

Any member who is being made redundant or has accepted an offer of retrenchment or redundancy or any member who is being retired on the grounds of inefficiency.

What is in this fact sheet?

- > Am I eligible for involuntary retirement benefits?
- > My retrenchment options
- > My SIS Upper Limit
- > What is my preservation age?
- > What happens to my surcharge debt (if any)?
- > My retrenchment options in detail
- > 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 we pay you?
- > What about tax?
- > Where can you get more information?

Am I eligible for involuntary retirement benefits?

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

- > are made redundant
- > accept an offer of retrenchment or a redundancy package from your employer
- > are retired on the ground of inefficiency.

You may not be eligible if you commence with another department or agency covered by the CSS shortly after finishing work with your present employer.

* 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.

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 (including a transfer value to another eligible superannuation scheme)
- > take a lump sum (or rollover) with no pension
- > take a maximum pension with no lump sum
- > take a reduced maximum pension with a refund of your productivity benefit
- > take a standard pension with a lump sum
- > postpone all or part of your benefit.

My SIS Upper Limit

A restriction has been placed on how much of your superannuation benefit can be paid as a lump sum cash benefit. This is called your *SIS Upper Limit*. It is the cash amount you would have received if you had been retrenched on 1 July 1999.

If you are under age 55 when you are retrenched, or between 55 and 60 and you have not retired from the workforce, any cash lump sum benefit paid cannot exceed your SIS Upper Limit.

Your SIS Upper Limit will not affect your pension benefits.

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 and Regulations (SIS)*.

These changes include gradually increasing the minimum age at which you can take a cash lump sum of your superannuation benefit without restriction.

Date of Birth	Preservation
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

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

What happens to my surcharge debt (if any)?

The superannuation contributions surcharge is payable by members whose taxable income and employer's contributions to their superannuation exceeded an annual defined threshold. You may also have a surcharge debt if you have declined to provide your tax file number for superannuation purposes. Even though superannuation surcharge has been abolished, the CSS is required to report outstanding superannuation surcharge debts to the Australian Tax Office (ATO).

Any surcharge debt you have accrued must be recovered at the time of payment of your benefit, unless you preserve your benefit in the CSS. If you preserve your benefit and you have an unpaid surcharge debt, you may pay the amount at any time prior to the payment of your preserved benefit*. Any surcharge debt outstanding when your preserved benefit becomes payable will be deducted from your final benefit payment.

* any surcharge debt that remains unpaid attracts interest at the prevailing 10-year Treasury bond rate.

My retrenchment options in detail

Option 1—Preserve your total benefit (including electing to have a Transfer Value paid to another eligible superannuation scheme)

You can preserve your entire benefit in the CSS irrespective of your age when you are retrenched. Taking this option can sometimes result in a higher pension benefit when you eventually claim your benefit.

If you have reached minimum retiring age (usually age 55), you can claim your deferred benefit* the day after you preserve it, if you wish. However, any lump sum payments of your member and productivity components would be subject to any SIS restrictions.

* Your deferred benefit will generally be a standard CPI-indexed pension, with your member and productivity (if any) components taken as a once off lump sum, an additional non-indexed pension, or a combination of lump sum and non-indexed pension.

For certain types of deferred 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.

See our publication **The facts about preservation** for more information.

Arrange to have a transfer value paid to an eligible scheme

This option is dependent on you first choosing Option 1, i.e. preserving your total benefit.

If after preserving your benefit, you commence work with an employer that participates in an eligible superannuation scheme, you may have a transfer value* paid to the eligible scheme. Generally, you must notify us of such an election within 3 months of joining that scheme.

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—Investment Choice Plan

* Your transfer value is calculated based on 3.5 times the total of your basic contributions plus Fund earnings, plus any supplementary contributions and Fund earnings, and the productivity component.

Option 2—Take a lump sum (or rollover) with no pension

You can elect to take your entire benefit* as a lump sum.

However, If you are under age 55, the amount of the lump sum that you can take as cash is limited to the lesser of your total member component or your SIS Upper Limit (refer page 2).

If you are over age 55 but less than age 60 and you have not retired from the workforce, you are restricted to a cash lump sum of your SIS Upper Limit.

In both these circumstances, you would have to rollover the remainder of your total lump sum to another complying superannuation fund.

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

* equal to 3.5 times the total of your basic contributions plus Fund earnings, plus any supplementary contributions and Fund earnings, and the productivity component.

Option 3 – Take a maximum pension with no lump sum

Generally, this option is only available if you are aged 55 years or more.

You can take a standard CPI-indexed pension, and purchase an additional non-indexed pension with your member and productivity components. The amount of your additional non-indexed pension cannot exceed a maximum value, which is determined according to your age and final salary. Any excess contributions will be paid as a lump sum.

Option 4 – Take a reduced maximum pension with a refund of your productivity benefit

This option is only available if you are aged 31 years or more.

You can take a standard CPI-indexed pension plus an additional non-indexed pension purchased with your member component. In addition you will receive a lump sum or rollover of your productivity payment.

If you are under age 55, or between 55 and 60 and have not left the workforce, your productivity component must be paid into a rollover institution.

Option 5 – Take a standard pension with a lump sum

This option is only available if you are aged 31 years or more.

You can take a standard CPI-indexed pension plus a lump sum or rollover of your member and productivity components.

If you are under age 55, or between 55 and 60 and have not left the workforce, your productivity component must be paid into a rollover institution.

In addition, if you are under age 55, or between 55 and 60 and have not left the workforce, the amount of your member component that you can take as a cash lump sum is restricted to your SIS Upper Limit. Any balance must be paid to a rollover institution.

Option 6 – Postpone all or part of your benefit

This option is only available if you are aged 55 or more and you do not intend to retire from the workforce.

You can choose to:

- > postpone the receipt of your standard CPI-indexed pension and productivity component and take as much of your member component as SIS allows immediately as a lump sum (the balance will be paid to a rollover institution); or
- > postpone the receipt of your standard CPI-indexed pension and the productivity component and take your member component immediately as an additional non-indexed pension; or
- > postpone your total benefit.

You can claim your postponed benefit at any time provided you have left the workforce. You cannot however, postpone your benefits beyond your 65th birthday.

Your benefit will be paid with effect from the date that you provide ARIA with written advice that you have left the workforce.

Estimating the value of my retrenchment benefit

You can estimate the value of your retrenchment benefit using the i-Estimator, our online calculator. To do this you will need an Access Number. If you don't have one, you can apply for a number by completing an Access Number application form. The application form is available from our website, www.css.gov.au or by calling us on 1300 000 277.

If you are within 12 months of leaving the CSS please call us on 1300 000 277 for a more detailed estimate of your benefit.

How much time do I have?

Preservation of benefits

Elections to preserve your superannuation benefit in the CSS must be completed within 21 days of your retrenchment.

All other options

You have 90 days from the date of ceasing to be a member to nominate your benefit option. If you fail to complete your benefit application form within the 90 day period, the CSS rules provide that your benefit will be determined to be a maximum pension (option 3 or 4 above

depending on your age). This means that you may not be able to choose another benefit option other than maximum pension.

If you have made an election to receive a lump sum benefit but you have not provided details of where the lump sum is to be paid, we may pay your lump sum to an Eligible Rollover Scheme. You will lose all future rights to any CSS benefit options.

It is important to keep in touch

If you preserve your benefit in the CSS, it is important that you continue to advise us of any changes to your address.

This will allow us to keep in touch with you and ensure that you continue to receive your Annual Member Statement so that you know how much super you have.

If you cannot be contacted after you cease employment, you may be treated as an unclaimed benefits member. We may then determine your benefit as being a maximum pension. You will then lose all future rights to any other benefit options available in the CSS.

What forms do I need to complete?

You must complete the following form to claim your benefit:

- > **involuntary retirement benefit application**

While it is not compulsory to provide your Tax File Number (TFN), you should also complete a **Tax File Number declaration** form. You can obtain the benefit application from your personnel section or by visiting the CSS website at www.css.gov.au The **Tax File Number declaration** is available from your personnel section, the Australian Tax Office, or call us on 1300 000 277.

How do we pay you?

Pensions and cash lump sums must be paid into an Australian bank account*. The account should be in your name or it may be a joint account, provided you are one of the account holders.

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

* Please do **not** nominate a mortgage account _ to receive your lump sum.

What about tax?

Table: Tax on benefits by age from 1 July 2007

Under 55 (Please note that you can only access your CSS benefit under age 55 in very limited circumstances. For more information on how you can access your benefit under age 55 visit www.css.gov.au)	Between 55 and 59 (And have reached preservation age)	60 and over
<p>Benefits from a taxed source</p> <ul style="list-style-type: none"> > If you are eligible to take part of your benefit as a lump sum, the taxable component will be taxed at 20%. Your lump sum may include a tax-free component. > If you are eligible to purchase a non-indexed pension with your member contributions and post-June 1990 productivity, the taxable component will be taxed at your marginal tax rate. Your pension may also include a tax-free component. <p>Benefits from an untaxed source</p> <ul style="list-style-type: none"> > If you are eligible to take part of your benefit as a lump sum, the taxable component will be taxed at 30% up to a threshold of \$1 million and at the top marginal tax rate above this amount. Your lump sum may include a tax-free component. > If you are eligible to take a CPI-indexed pension, the taxable component will be taxed at your marginal tax rate. 	<p>Benefits from a taxed source</p> <ul style="list-style-type: none"> > If you take any part of your benefit as a lump sum, the taxable component will be tax-free up to a threshold of \$140,000 and taxed at 15% above this amount. Your lump sum may also include a tax-free component. > If you purchase a non-indexed pension with your member contributions and post-June 1990 productivity, the taxable component will be taxed at your marginal tax rate less a 15% tax offset. Your pension may include a tax-free component. <p>Benefits from an untaxed source</p> <ul style="list-style-type: none"> > If you take any part of your benefit as a lump sum, the taxable component will be taxed at 15% up to a threshold of \$140,000, then 30% up to \$1 million and at the top marginal tax rate above this amount. Your lump sum may also include a tax-free component. > The taxable component of your CPI-indexed pension and any non-indexed pension purchased with pre-July 1990 productivity, will be taxed at your marginal tax rate. 	<p>Benefits from a taxed source</p> <ul style="list-style-type: none"> > If you withdraw any part of your benefit as a lump sum, the component from a taxed source will be tax-free. > If you purchase a non-indexed pension with your member contributions and post-June 1990 productivity, the component from a taxed source will be tax-free. <p>Benefits from an untaxed source</p> <ul style="list-style-type: none"> > If you take any part of your benefit as a lump sum, the taxable component will be taxed at 15% up to a threshold of \$1 million and at the top marginal tax rate above this amount. Your lump sum may include a tax-free component. > The taxable component of your CPI-indexed pension and any non-indexed pension purchased with pre-July 1990 productivity, will be taxed at your marginal tax rate, less a 10% tax offset.

Tax offset example

The following example shows how the tax offset is calculated.

If the untaxed component of your fortnightly pension is \$1000, the offset amount is 10% of \$1000 which is \$100.

If your marginal tax rate is 30%, you would pay \$300 tax per fortnight before the offset.

You then deduct the offset amount from the amount of tax applicable based on your marginal tax rate i.e. $\$300 - \$100 = \$200$.

Tax liability for that fortnight would now be \$200.

PAYG tax is deducted from your fortnightly superannuation pension.

Any cash lump sum benefit will have tax deducted before payment. However, if your start date for taxation purposes is before 1 July 1983, you may have to also declare a portion of your cash lump sum benefit that relates to your pre-July 1983 period of service as taxable income.

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

If you do provide your TFN and you are rolling over all or part of your benefit, your TFN will be transferred to the rollover institution.

For information on tax matters including the taxable components of your benefit and tax concessions (if any) available on your pension you can refer to the **Tax and Your CSS Benefit booklet**, visit the CSS website (www.css.gov.au) or call us on 1300 000 277.

If you are in financial hardship

If you elect to preserve your retrenchment benefit in the CSS and you are later in financial hardship, you may be able to access up to \$10 000 of your compulsorily preserved productivity component without affecting your standard CPI indexed pension.

This payment will be made available strictly for the purposes of meeting immediate living expenses for compassionate reasons such as serious illness or potential loss of the family home.

Where can you get more information?

EMAIL members@css.gov.au

PHONE 1300 000 277

FAX 02 6272 9612

MAIL CSS
PO Box 22
Belconnen ACT 2616

WEB www.css.gov.au

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.

Australian Reward Investment Alliance
(ARIA) ABN: 48 882 817 243 AFSL: 238069
RSE Licence no: L0001397,
Trustee of the Commonwealth
Superannuation Scheme (CSS)
ABN: 19 415 776 361 RSE: R1004649