



CSF16
05/15

Redundancy

Who should read this?

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

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What you should know upfront

It is important that you read the **CSS Product Disclosure Statement (PDS)**, available at css.gov.au, as well as this factsheet (both of which provide general advice only, explained in the disclaimer below). We also recommend that you seek personal financial advice for your situation.

Redundancy vs invalidity retirement

You should talk to your employer about invalidity retirement options before accepting a redundancy as you may be eligible for invalidity benefits instead. An invalidity retirement pension is payable to you if we agree to your retirement because of a permanent medical condition which is likely to stop you from working again. If you decide to make a retrospective invalidity claim, we are required to make a determination to approve or reject your application, and this decision is often easier to make when you are still employed.

Personal financial advice

Ceasing employment is a significant event that may shape your immediate financial future. It is crucial that you make the right decision for your needs. To help you achieve the best outcome, we encourage you to speak to a qualified financial planner who understands your scheme and situation.

To make a personal advice service available to you, your super trustee, Commonwealth Superannuation Corporation, has partnered with experienced financial planners from Industry Fund Services. It is 'fee for service' advice where you know the exact cost upfront and do not pay commissions. Please note, it generally takes six weeks from when you first contact Industry Fund Services to receive personal advice.

To book or find out more, please call **1300 277 777** or visit csc.gov.au

Your Government Super at Work

Any financial product advice in this document is general advice only and has been prepared without taking account of your personal objectives, financial situation or needs. Before acting on any such general advice, you should consider the appropriateness of the advice, having regard to your own objectives, financial situation or needs. You may wish to consult a licensed financial advisor. You should obtain a copy of the **CSS Product Disclosure Statement (PDS)** and consider its contents before making any decision regarding your super.

Commonwealth Superannuation Corporation (CSC) ABN: 48 882 817 243 AFSL: 238069
RSEL: L0001397 Trustee of the Commonwealth Superannuation Scheme (CSS) ABN: 19 415 776 361 RSE: R1004649
Industry Fund Services (IFS) ABN 54 007 016 195 AFSL 232514

Are you eligible for redundancy benefits?

You will be eligible* to receive a redundancy benefit if you are a CSS member and you:

- > are made redundant
- > accept an offer of a redundancy package from your employer

or

- > are retired on the ground of inefficiency.

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

* You will not be eligible for redundancy 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 000 277.

What is your SIS upper limit?

Restrictions are 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 made redundant on 1 July 1999.

If you are under your preservation age when you are made redundant, or between your preservation age and 60 and you have not retired from the workforce, any cash lump sum benefit paid cannot exceed your SIS upper limit.

SIS restrictions will not affect your pension benefits.

Cashing restrictions

The *Superannuation Industry (Supervision) Regulations 1994* determines how much of your lump sum benefit can be accessed as cash. If you have:

- > reached your preservation age **and** permanently retired from the workforce
- or
- > reached age 60 and no longer work for the employer who contributed to the CSS on your behalf
- or
- > reached age 65

you can access your entire lump sum benefit as cash. However, if you have not met one of the above conditions, your access to a cash lump sum will be restricted. The amount that can be accessed as cash – your ‘unrestricted component’ – will vary depending on your situation, and is shown in your benefit estimate. Any part of the lump sum exceeding the

unrestricted component is classed as ‘compulsory preserved’ and must be paid to a regulated super fund.

You should contact us on 1300 000 277 to obtain a benefit estimate if you haven’t already.

What is your 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.

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

Your right to take a CSS benefit in the form of a pension is not affected by these restrictions.

What happens to your 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 (TFN) for superannuation purposes. Even though superannuation surcharge has been reduced to 0%, 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 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.

What are your redundancy options?

Option 1 – Preserve entire benefit

You can elect to preserve your benefit in CSS. You cannot make this election more than one month before your retirement date and no later than 21 days after your retirement date.

This option allows you to establish an entitlement to a deferred benefit which you can claim after you reach your minimum retiring age (normally age 55).

If you have reached minimum retiring age (usually age 55) you may claim your deferred benefit* the day after you preserve it. 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 one off lump sum, an additional non-indexed pension, or a combination of lump sum and non-indexed pension.

If you are made redundant you can preserve your entire benefit in CSS up to age 65 (at age 65 or older, you must claim your benefit the following day). Taking this option can sometimes result in a higher pension benefit when you eventually claim your benefit.

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.

For more information see our **Preservation of benefits** factsheet available at css.gov.au

Arrange to have a transfer value paid to an eligible scheme

This option is dependent on you first choosing **option 1**, ie 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 three 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 – Accumulation 2 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 – Maximum pension

You can take a standard CPI-indexed pension and an additional non-indexed pension funded by 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.

As there is a limit on the amount of non-indexed pension you can take, we will pay any excess member and/or productivity component as a lump sum, subject to cashing restrictions.

For details of limits please see **Table 1 of CSS benefit tables** available at css.gov.au

Option 3 – Maximum pension, lump sum of productivity

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

As there is a limit on the amount of non-indexed pension you can purchase, we will pay any excess member component as a lump sum. Lump sum payments are subject to cashing restrictions.

For details of limits please see **Table 1 of CSS benefit tables** available at css.gov.au

Option 4 – Standard pension, lump sum of member and productivity

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

Option 5 – Full lump sum

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

However, if you have not reached your preservation age and permanently retired from the workforce, the amount of the lump sum that you can take as cash is restricted to your SIS upper limit (refer page 2). Any amount of lump sum exceeding your SIS upper limit must be rolled over to a regulated super fund.

You can also rollover 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 6 – Postpone 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 your total benefit
- > 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 cash lump sum (the balance will be paid to a rollover institution)
- > 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.

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 Commonwealth Superannuation Corporation (CSC) with written advice that you have left the workforce.

Estimating the value of your redundancy benefit

You can estimate the value of your redundancy benefit using the i-Estimator, our online calculator. You'll need an Access Number to use this service. If you don't have an Access Number, or you've misplaced it, call us on 1300 000 277 and we can give you one over the phone.

In addition, your employer can request an estimate of your CSS benefits.

How much time do you have?

Preservation of benefits

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

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, CSS rules provide that your benefit will be determined to be a maximum pension (**Option 2** or **3** 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 Fund. You will lose all future rights to any CSS benefit options.

It is important to keep in touch

If you preserve or postpone your benefit in CSS or claim a pension, 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 (if preserved or postponed) 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 CSS.

What forms do you need to complete?

You must complete the **Redundancy (SRR1)** form to claim your benefit.

While it is not compulsory to provide your 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 css.gov.au

The **Tax File Number declaration** is available from your personnel section, the ATO, or call us on **1300 000 277**.

How is your benefit paid?

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.

We will send all rollover payments electronically to your nominated rollover fund(s). If your fund does not accept electronic payments, the payment will be issued in the form of a cheque and sent directly to the receiving fund. If you do not supply us with an address for the fund, the cheque will be sent directly to you.

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

What about tax?

The tax on your CSS benefit will depend on your age and if your benefit is sourced from contributions paid into CSS and earnings on those contributions (taxed source) or from other sources (untaxed source). Your CSS benefit includes two components – a tax-free component and a taxable component.

The taxable component is itself divided into two further components – a taxed element and an untaxed element.

The calculation of these components differs for both pensions and lump sums. If you elect to receive a superannuation pension, PAYG tax will be deducted from your fortnightly payments. Depending on your age and the components applied to your pension, you may also be entitled to a rebate.

To learn more about your CSS benefit components and their potential tax treatment, please read the **CSS PDS** including the **Tax and your CSS super** booklet. The ATO may provide further information visit ato.gov.au

We also strongly recommend you seek advice on tax of your CSS super from a licensed professional such as a financial planner (more information is provided at the start of this factsheet) or an accountant.

It is optional for you to provide your 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.

Note: We are required to validate your TFN with the ATO's records to confirm the TFN provided is yours and correct. Your TFN will be validated before your benefit can be rolled over to another Fund or paid using the SuperTICK validation service. If you do not provide your TFN, the processing of your benefit payment may be delayed.

How can you get more information?

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