



PSF23

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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 disclaimer below. Before making any decisions, please read the **PSS Product Disclosure Statement (PDS)** and consider seeking advice from a licensed professional such as a financial planner, accountant or solicitor.

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 **PSS 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 Public Sector Superannuation Scheme (PSS) ABN: 74 172 177 893 RSE: R1004595
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 PSS member and:

- > your employer makes you redundant
 - > you accept an offer of a redundancy package from your employer
 - > you are dismissed on grounds of inefficiency
- or

- > you elected to cease PSS membership, and remained in Australian Government employment, but are later made redundant by your employer.

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

*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 000 377 for more information.

What are your redundancy options?

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

- > preserve your entire benefit
- > take part of your benefit as a lump sum and preserve the balance
- > take a full lump sum
- > take a full pension
- > take part pension, part lump sum
- > arrange to have a transfer amount paid to another eligible scheme
- > combine your concurrent memberships.

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.

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 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.

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

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

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%, PSS is required to report outstanding superannuation surcharge debts to the Australian Taxation 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 PSS. 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.

Are you eligible for a redundancy benefit if you have ceased PSS membership?

If you elected to cease PSS membership to join another eligible superannuation scheme then you may be eligible for a redundancy benefit if you meet the following criteria:

- > you had continuous service in Australian Government employment since electing to cease PSS membership
- > you have been made redundant (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 redundancy benefit options as a PSS contributing member.

What are your redundancy options? – in detail

Option 1 – Preserve your entire benefit

You can preserve your benefit in PSS for later payment, usually upon retirement from the workforce after reaching age 55. This option is not available if you are aged 65 or more.

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 PDS** from our website pss.gov.au

When you are eligible to claim your preserved benefit, any lump sum will be paid in line with SIS regulations.

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

The amount of lump sum you can access will depend on your age and whether you have permanently retired from the workforce.

If you have not attained minimum retirement age

Any lump sum payable will be restricted to your member component up to your SIS upper limit. If you do not have a SIS upper limit, you will not be eligible for this option.

If you have attained minimum retirement age, but not minimum preservation age

Any lump sum payable will be restricted to your final benefit accrual up to your SIS upper limit. If you do not have a SIS upper limit, you will not be eligible for this option.

If you have attained minimum preservation age

If you have not permanently retired from the workforce and have not attained age 60, any lump sum payable will be restricted to your final benefit accrual up to your SIS upper limit. If you do not have a SIS upper limit, you will not be eligible for this option.

If you have permanently retired from the workforce or have attained age 60, you can access as much of your benefit as you like.

Please note you cannot preserve your benefit if you are aged 65 or more.

Your preserved 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 PDS** from our website pss.gov.au

When you are eligible to claim your preserved benefit, any lump sum will be paid in line with SIS regulations.

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

Option 3 – Full lump sum

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

If you have not attained minimum retirement age, the cash lump sum is limited to a refund of your member component up to your SIS upper limit. If you have not attained minimum preservation age and have not left the workforce, the cash lump sum immediately payable is limited to a refund of your final benefit accrual up to your SIS upper limit.

You must rollover any compulsory preserved component 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 – Full pension

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

Reversionary benefits are payable to an eligible spouse and children in the event of your death.

Option 5 – Part pension, part lump sum

You can take your benefit as a combination of CPI-indexed pension and lump sum. However, the amount of lump sum will be restricted to the **lesser of 50%** of your total defined benefit or:

If you have not attained minimum | retirement age:

Your member component up to your SIS upper limit. If you do not have a SIS upper limit, you will not be eligible for this option.

If you have attained minimum retirement age, but not minimum preservation age:

Your final benefit accrual up to your SIS upper limit. If you do not have a SIS upper limit, you will not be eligible for this option.

If you have attained minimum preservation age:

If you have not permanently retired from the workforce and have not attained age 60, the lump sum will be restricted to your final benefit accrual up to your SIS upper limit. If you do not have a SIS upper limit, you will not be eligible for this option.

If you have permanently retired from the workforce or have attained age 60, you can access up to 50% of your total defined benefit as a lump sum.

You must rollover any compulsory preserved component of your lump sum to a rollover institution.

Reversionary benefits are payable to an eligible spouse and children in the event of your death.

Option 6 – Transfer value to an eligible scheme

If you start work with an employer that participates in an eligible superannuation scheme and you become a member of that scheme as a result of your employment, you may pay a transfer value of your total benefit to that scheme, in exchange for that scheme's benefits, provided you have not accessed any part of your defined benefit.

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 – 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).

For more information on MBLs refer to our website pss.gov.au

What happens to amounts you transferred into PSS?

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

Amounts transferred into PSS before 1 January 1996 (or which accrued in another fund before 1 January 1996) are part of your defined 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 amount (including any interest) to the date of exit.

Please let us know how you would prefer to have this paid by filling out the relevant section of the **Redundancy benefit application** form.

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

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 000 377** and we can give you one over the phone.

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

How much time do you have?

You have 90 days after ceasing employment to choose a benefit option. If you do not choose an option within the 90 day period your benefit will be preserved in PSS. If you are 65 years of age or greater then your benefit could be classed as unclaimed and paid to the ATO.

It is important to keep in touch

If you preserve your benefit or claim a pension in 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 important information from us regarding your PSS entitlement.

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 you need to complete?

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

- > **Redundancy benefit application**
- > **Tax File Number declaration** for taxation assessment purposes (pension only).

You can obtain these PSS forms from your personnel section or by visiting our website at **pss.gov.au**. The **Tax File Number declaration** is available from your personnel section, the ATO, or call us on **1300 000 377**.

How is your benefit paid?

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

We will make rollover payments directly to your nominated rollover fund(s) or RSAs. Please make sure you have the correct postal address of your fund(s).

*Lump sum amounts cannot be paid into a mortgage account.

What about tax?

The tax on your PSS benefit will depend on your age and if your benefit is sourced from contributions paid into PSS and earnings on those contributions (taxed source) or from other sources (untaxed source). Your PSS 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 if applicable. Depending on your age and the components applied to your pension, you may also be entitled to a rebate.

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

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

How can I get more information?

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