TRANSITION TO RETIREMENT

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contributing to your future

IN THIS FACT SHEET

This fact sheet provides you with general information about the Transition to Retirement options available to you as a Lump Sum Scheme member.

Background

Once you attain your Commonwealth Government preservation age (see table on page 3) the Transition to Retirement (TTR) rules allow you to receive part of your super entitlement as an income stream, such as the Super SA Income Stream. You can use an income stream to supplement your income when you reduce your working hours or salary. You cannot take any portion of your super as a lump sum cash payment.

Am I eligible for TTR?

To be eligible for TTR, you must meet all of the following:

- have reached your Commonwealth Government preservation age,
- have entered into an agreement with your employer to reduce your hours of employment, or undertake duties which reduce your salary, and
- undertake your TTR arrangement with a view to future retirement.

How much of my super can I access under TTR rules?

As a general rule you can access a proportion of your Lump Sum Scheme entitlement with the proportion being equivalent to the proportion of salary reduction reflected in the TTR arrangement.

In addition to the maximum amount described above, 100% of your PSESS account, if you have one, can be rolled over into the an income stream.

Example:

Cathy is a 57-year-old Lump Sum Scheme member. Her pre-TTR salary is $80,000. She wants to reduce her working hours from five to four days a week (ie a reduction of 20%) but she does not want to take such a major reduction in income. Cathy would like to access TTR arrangements through her employing agency and the Chief Executive of the agency approves of the arrangement.

Cathy wants to take 20% of her accrued retirement entitlement and 100% of her PSESS Account[1]. She can access 100% of her PSESS Account under TTR rules.

Cathy's TTR entitlement is calculated as follows:

Component	Accrued retirement entitlement	TTR partial withdrawal payment	Percentage of component
Employer	$180,000	$ 36,000	(20%)
Member Account	$150,000	$ 30,000	(20%)
Award Account	$ 40,000	$ 8,000	(20%)
PSESS Account	$ 30,000	$ 30,000	(100%)
Total	**$400,000**	**$104,000**	

Cathy will roll her $104,000 TTR entitlement into the Super SA Income Stream.

When Cathy's TTR entitlement is rolled into the Super SA Income Stream, 15% contributions tax will be deducted. Assuming Cathy has pre-1983 service and $60,000 in member contributions made since 1 July 1983, her net Super SA Income Stream balance will be $94,640 (ie $104,000 less $9,360 contributions tax).

Cathy's Super SA Income Stream balance will be reduced each year by her income drawdown amount and her total Lump Sum Scheme retirement entitlement will also be reduced as a result of TTR. Cathy's balance will also be affected by the investment returns achieved by her investment option.

Cathy's income stream payment must fall between the minimum limit (4% of account balance) and the maximum limit (10% of account balance) as she is under age 65:

- Minimum income stream = $3,790
- Maximum income stream = $9,460

Cathy chooses to take the maximum amount of $9,460.

Using her TTR arrangement Cathy can reduce her hours to four days a week and only reduce her

[1]Some members of this scheme have a Public Sector Employee Superannuation Scheme (PSESS) entitlement. If you have a PSESS Account it will be shown on your Annual Statement.

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If you enter into a TTR arrangement, your final super entitlement will be less than it would have been if you had not entered into that arrangement.

take-home pay by $2,125 per year. The table below shows how Cathy's annual income is worked out. **Cathy must remember that her final retirement entitlement will be reduced.**

	Income before TTR	Income after TTR
Salary	$80,000	$64,000
Income stream payment (maximum)	-	$9,460
Total income	$80,000	$73,460
Tax free income	-	$3,784
Taxable income	$80,000	$69,676
Less income tax, Medicare and Low Income Tax Offset (LITO)	$19,147	$15,583
Add 15% super tax rebate	-	$851
Net income	$60,853	$58,728

If Cathy was aged 60 or more her take-home pay would only reduce by $1,018 per year through TTR due to the different tax treatment of her Super SA Income Stream.

How do TTR arrangements affect my points?

There will be a reduction in the points you have already accrued and a reduction in the number of points you accrue in the future.

For example, 20% of Cathy's total entitlement is taken as a TTR entitlement so the points reduction will be approximately 20% of the total number of points.

Once she takes her TTR entitlement, Cathy must contribute at her standard member contribution rate of 6% of her salary (ie $64,000 x 6% = $3,840), and she will only accrue 9.6 points per year (ie 12 x $64,000/$80,000).

See the *Points* fact sheet for more information about Points.

What else do I need to know?

- The percentage reduction in employment applicable to a TTR arrangement is determined by you in conjunction with your employer
- If you have a Triple S Account you may also be able to roll this into an income stream under Early Access to Super
- You can roll 100% of your PSESS Account into an income stream under TTR rules
- When you roll any portion of your entitlement into the Super SA Income Stream (minimum account balance of $30,000), 15% contributions tax will be deducted from the Taxable (untaxed) component
- Your income stream payment must be between 4% and 10% of the account balance until you reach age 65
- Any investment earnings on your Income Stream will be taxed at up to 15%
- Your TTR balance in the Income Stream does not count towards the lifetime Retirement Transfer Balance Cap of $1.6 million
- Your employer will continue to contribute at the prescribed rate, based on your post-TTR salary
- Your salary and member contributions will be adjusted effective from the date your TTR commences. You must contribute at your standard contribution rate, and points you accrue in the future will be calculated as a percentage of the standard accrual rate.

Are there any other options to help me transition to retirement besides accessing TTR?

Yes. SA public sector employees are now able to take long service leave on a single day basis over an ongoing period of time as a means of phasing into retirement. This will have no impact on your super. If you wish to do this, talk to your Human Resources Manager.

If you have any questions, please contact Super SA on 1300 369 315 or email supersa@sa.gov.au.

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Need financial advice?

As a Super SA member, you can take advantage of the financial planning service available through Industry Fund Services (IFS). The financial planners at IFS know all about the options available to SA public sector employees. For more information, contact Super SA.

For help finding a financial planner of your choice, contact the Financial Planning Association of Australia.

TTR step-by-step process
1. Read this TTR fact sheet to determine eligibility conditions. You may also wish to attend a Super SA TTR seminar.
2. Seek professional financial advice when considering accessing TTR.
3. Contact Super SA to obtain a retirement quote.
4. Contact your HR or payroll office.
5. Once you have approval from your agency to enter into a TTR agreement, Super SA can provide you with a TTR quote.
6. When you have completed the TTR employment arrangement with your agency, Super SA will process the TTR.
7. If you vary your employment arrangement you may wish to review your TTR benefit.

Your Commonwealth Government preservation age depends on your date of birth:

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

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