

PARLIAMENTARY SUPERANNUATION SCHEME

PSS 2 SCHEME



MEMBER BOOKLET

February 2009

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INFORMATION ON THE PARLIAMENTARY SUPERANNUATION SCHEME “PSS 2”

Superannuation is an important part of your financial planning, helping you maintain the lifestyle you want when you retire.

As a South Australian Member of Parliament who commenced parliamentary service on or after 24 August 1995 and before 18 March 2006, or elected to transfer from PSS 1 in October 1997, you enjoy the many benefits of belonging to PSS 2.

What are the benefits of being a member of PSS 2?

- The scheme provides a fortnightly income when you retire involuntarily or voluntarily from State Parliament. The fortnightly income is calculated as a percentage of your basic salary and salaries of any prescribed offices held (as defined in the Parliamentary Superannuation Act 1974) and at the salary rates applicable on the day you cease service;
- A fortnightly income in the event of your death or invalidity; and
- The option to commute – or exchange – part or all of your fortnightly income to a lump sum.

In addition, if you were a former member of PSS 1 who transferred to PSS 2, you will receive a 3% of salary ‘productivity’ benefit that is provided for under Triple S. When you claim your super benefit, your Triple S entitlement may, subject to preservation rules, be paid to you in addition to the benefits outlined in this booklet.

If your Triple S entitlement is subject to preservation, you can either roll over the entitlement to another fund or leave it in the scheme until claimed on or after age 55.

We suggest that by reading – and retaining – this booklet, you will have a better understanding of your PSS 2 benefits available to you under the Parliamentary Superannuation Scheme. The booklet contains much of the detail you need to know about your scheme and answers many frequently asked questions.

If you have any questions or require further information, please do not hesitate to contact the scheme’s:

- **Administration Officer** on (08) 8226 9839; or the
- **Director, Superannuation Policy** on (08) 8226 9514; or the
- **General Manager, State Superannuation Office** on (08) 8226 9692.

Contact can also be made by writing to the:

Parliamentary Superannuation Board
GPO Box 48
ADELAIDE SA 5001

Fax: (08) 8226 9594

UNDERSTANDING YOUR SUPERANNUATION ACCOUNTS

Accounts

You have a contribution account into which your contributions, together with investment earnings, are paid.

Most of the benefits you will receive from the scheme are calculated as a percentage of salary and paid as a fortnightly income. They are not related to how much you have in your contribution account.

Crediting Rate

The Board declares a crediting rate that is applied annually to your contribution account. The rate is based on Funds SA's investment earnings.

Member Contributions

You are required to contribute 11.5% of your basic salary, plus 11.5% of any additional salary you receive from a prescribed office¹.

If you complete 20 years and 1 months parliamentary service, your contribution reduces to 5.75% of your basic salary plus 11.5% of any additional salary received from a prescribed office.

Employer Contributions

The State Government makes sufficient contributions to meet the benefit payable to you when you retire.

¹ A prescribed office is a parliamentary office or position that attracts an additional salary e.g. Ministerial salary or parliamentary committee salary.

WHAT BENEFITS DOES THE SCHEME PROVIDE?

There are two types of retirement benefits payable under the scheme – involuntary retirement and voluntary retirement.

Involuntary Retirement

You are considered to have retired involuntarily if your term of office expires or you resign and a Judge² is satisfied that:

(a) you genuinely sought election but:

- you were defeated in the election; or
- you did not become a candidate because you:
 - ◆ failed to secure the support of a political party from which you reasonably sought support; or
 - ◆ were expelled from a political party; or
 - ◆ suffered ill health; or
 - ◆ any other good and sufficient reason; or

(b) you were elected at the first election, after you ceased to be a member of the South Australian Parliament, for the Parliament of another State, Territory or the Commonwealth.

Voluntary Retirement

If you cease to be a member for reasons other than:

- your death;
- your retirement on the grounds of invalidity; or
- the scenarios outlined for involuntary retirement

you are considered to have retired voluntarily.

To be eligible for a fortnightly income on the grounds of voluntary retirement, you need to:

- have had at least 15 years parliamentary service; or
- have served in four Parliaments totalling at least 13 years; or
- be aged at least 60 and served at least six years.

If you have not met the eligibility criteria you will receive a lump sum benefit.

² This is a Judge of the Supreme Court nominated by the Governor to deal with matters relating to the Parliamentary Superannuation Act 1974.

Amount of Fortnightly Income

Your basic annual income, which is paid fortnightly from the scheme, is:

- 41.2% of your basic salary at the date you retire; plus
- 0.2% of your basic salary for each whole month of service greater than six years.

If you held any prescribed offices when you were a Member of Parliament, you will receive an additional income. The additional income is based on the length of membership of each prescribed office held and the relevant salary of that position at the date you retire.

The maximum percentage of your income is 75% of basic salary and 75% of the salaries of any prescribed offices held.

Fortnightly incomes paid from the scheme are adjusted twice yearly, on 1 April and 1 October, according to the movement in the Consumer Price Index, All Groups for Adelaide (CPI).

If the CPI for a particular period is negative, the Treasurer has the authority to not apply the negative adjustment, avoiding a decrease in your fortnightly income. When this occurs, the next positive adjustment will be reduced proportionally to take the negative adjustment into account.

Example A

If you retire **involuntarily**:

- with seven years (or 84 months) service; and
- your basic salary is \$125,060 when you retire; and
- you have not received any additional salary as a result of holding a prescribed office during your parliamentary service

your annual income from the scheme will be calculated as follows:

	41.2%	x basic salary
plus	0.2%	x basic salary for each whole month of service greater than six years
	= 41.2%	x \$125,060
plus	0.2%	x (84 – 72) x \$125,060
	= 43.6%	x \$125,060
	=	\$54,526 per annum

Example B

If you **involuntarily** retire under the same conditions as in Example A but you also held a prescribed office for a period of two years, which attracted a salary loading of 10%, your annual income from the scheme will be \$56,089 per annum.

Example C

If you retire **voluntarily**:

- with 15 years service;
- your basic salary is \$125,060 when you retire; and
- you have not received additional salary during your period of parliamentary service

your annual income from the scheme will be calculated as follows:

	41.2%	x basic salary
plus	0.2%	x basic salary for each whole month of service greater than six years
	= 41.2%	x \$125,060
plus	0.2%	x (180 – 72) x \$125,060
	= 62.8%	x \$125,060
	= \$78,538	per annum

Example D

If you retire **voluntarily** under the same conditions as in Example C but you also held a prescribed office for a period of five years, which attracts a salary loading of 10%, your annual income from the scheme will be \$82,446 per annum. In this example, this is determined by the member receiving an additional 6.25% of the higher salary (10% loading) multiplied by 5 years (ie 6.25% x 5 x \$12,506), as an additional income stream benefit.

Reduction of Fortnightly Income

If you are less than age 60 and have earned ‘other income’, your fortnightly income from the scheme will be reduced by one dollar for every two dollars you earn.

The following types of income are considered ‘other income’:

- salary or wages you received from a job either in Australia or overseas
- commissions, for example payment for something you may have sold
- self-employment income (less reasonable operating expenses)
- income splitting, for example where part of your income is paid to someone else
- salary sacrifice, for example benefits given to you instead of taxable income.

Income not considered ‘other income’:

- interest
- dividends from shares

- rent from property you own, unless this forms part of your occupation
- motor vehicle allowances
- allocated pensions
- overseas pensions
- Commonwealth benefits.

Example E

If you receive an annual income from the scheme of \$82,446 per annum and you are less than age 60 and have earned ‘other income’ of \$50,000, your annual income from the scheme will be reduced to \$57,446 per annum.

Commutation

If you are:

- receiving a fortnightly income; or
- entitled to receive a fortnightly income

you may elect to commute – or exchange – all or part of your income to a lump sum.

You will receive \$10 for each \$1 of annual income you commute.

To commute all or part of your income, you need to apply to the Parliamentary Superannuation Board within three months of becoming eligible for the fortnightly income.

Invalidity

If a Judge is satisfied that you are unable to continue as a Member of Parliament due to invalidity, you will receive a fortnightly income equal to your retirement benefit payable under the scheme.

If you retire due to invalidity and:

- you were a Member of the Parliament of another State, Territory or the Commonwealth before becoming a member of the South Australian Parliament; and
- you are not entitled to a fortnightly income as a result of your service with that Parliament

your period of service with the other Parliament will be taken into account when determining your invalidity retirement benefit.

Death Benefit

If you die while you are:

- a Member of Parliament

a benefit will be paid to your spouse and/or any eligible children. If you do not have a spouse or any eligible children, a lump sum will be paid to your estate;

or if you die while you are:

- a former Member of Parliament receiving a fortnightly income; or
- a former Member of Parliament with a suspended fortnightly income³

a benefit will be paid to your spouse and/or any eligible children.

Spouse Pension

Your spouse is entitled to receive an indexed fortnightly income for life.

Your spouse is defined as a person who is lawfully married to you. It includes a putative spouse as defined under the *Parliamentary Superannuation Act 1974*.

(a) If you die while you are a Member of Parliament, your spouse is entitled to a fortnightly income that is the greater of:

- 75% of the fortnightly superannuation income that would have been paid to you had you retired on the grounds of invalidity on the date of your death; or
- 75% of 41.2% of the basic salary you received immediately prior to your death;
or

(b) If you die while receiving a fortnightly income, your spouse is entitled to a fortnightly income of 75% of your fortnightly superannuation income.

If you had commuted part of your fortnightly income, the fortnightly income paid to your spouse is reduced accordingly.

³ Details of when your fortnightly income is suspended is explained later in 'Recognition of Previous Service' under the section titled 'What Factors Will Affect My Entitlement?'

Commutation of Spouse Pension

Your spouse can commute up to 100% of their fortnightly income. To do this, your spouse needs to apply to the Parliamentary Superannuation Board within six months of the date from which they first became eligible for the fortnightly income.

The amount of lump sum paid on commutation is determined according to your spouse's age. It is calculated using the following table:

Age of your spouse at the date they commute	Amount of lump sum for each dollar of annual income commuted
50 years or less	\$11.50
50 – 55	\$11.50 – \$11.00
55 – 60	\$11.00 – \$ 9.75
60 – 65	\$ 9.75 – \$ 8.50
65 – 70	\$ 8.50 – \$ 7.25
70 – 80	\$ 7.25 – \$ 4.75
80 – 90	\$ 4.75 – \$ 2.25
90 – 100	\$ 2.25 – \$ 0.00

Child's Fortnightly Income

If you die and have children who are:

- under the age of 16; or
- full-time students under the age of 25

they will receive a fortnightly income (no commutation is applicable).

If a spouse benefit is payable, the child's fortnightly income is:

- **one or two children** ~ **one-third** of the difference between your fortnightly income and your spouse's fortnightly income to each child; or
- **three or more children** ~ **an equal share** of the difference between your fortnightly income and your spouse's fortnightly income to each child.

If you do not have a spouse, the child's fortnightly income is:

- **one child** ~ **45%** of your fortnightly income; or
- **two children** ~ **40%** of your fortnightly income to each child; or
- **three children** ~ **30%** of your fortnightly income to each child; or
- **four or more children** ~ **an equal share** of your fortnightly income to each child.

Estate Benefit

If you die while you are a Member of Parliament and do not have:

- a spouse; or
- children under the age of 16; or
- full-time students under the age of 25

your estate will receive your superannuation benefit.

This is a lump sum and will be the greater of:

- an amount equivalent to the amount determined by the commutation of two-thirds of the fortnightly income that you would have been entitled to if you had retired, using the values shown in the table below; or
- an amount equivalent to the amount determined by the commutation of two-thirds of 41.2% of your basic salary immediately before your death, using the values shown in the table below.

Your age at death	Amount of lump sum for each dollar of annual income commuted
50 years or less	\$11.50
50 – 55	\$11.50 – \$11.00
55 – 60	\$11.00 – \$ 9.75
60 – 65	\$ 9.75 – \$ 8.50
65 – 70	\$ 8.50 – \$ 7.25
70 – 80	\$ 7.25 – \$ 4.75
80 – 90	\$ 4.75 – \$ 2.25
90 – 100	\$ 2.25 – \$ 0.00

WHAT FACTORS WILL AFFECT MY ENTITLEMENT?

If you are receiving a fortnightly income from the scheme and you become a Member of Parliament again, your fortnightly income will be suspended while you are a Member of Parliament.

If you are receiving a fortnightly income from the scheme and you are undertaking employment in a prescribed office or position, the fortnightly income will be reduced by the amount of salary or other remuneration paid in respect of the prescribed office or position.

Tax

Your fortnightly income is taxed at normal Pay As You Go (PAYG) rates.

A portion of your fortnightly income will be tax free. The amount of your tax free income is calculated as a percentage of your fortnightly income and takes into account the after-tax contributions you make to PSS 1. Once you reach age 60, you will receive a 10% tax offset which will reduce your tax. The 10% tax offset is calculated on the taxable amount of your fortnightly income.

Any part of your fortnightly income that you commute to a lump sum will be subject to lump sum tax rates.

When you are paid a lump sum, you will receive a payment summary detailing the relevant information and, if applicable, the tax deducted.

When you roll over your lump sum benefit to another complying fund, your new fund will deduct 15% contributions tax from the "Taxable (untaxed)" component.

To ensure your benefit is taxed at concessional rates, you should provide your Tax File Number (TFN) to the Parliamentary Superannuation Board when you leave State Parliament. If you do not provide your TFN, any benefits will be taxed at a higher rate.

Compared to most types of savings, superannuation savings are taxed concessionaly.

The Australian Taxation Office (ATO) classes the Parliamentary Superannuation Scheme as an untaxed fund. Accordingly, the Parliamentary Superannuation Board is not required to pay tax on your employer contributions or investment earnings. Instead, all tax is paid on the end benefit.

Surcharge

This tax was imposed by the Commonwealth Government on your surchargeable contributions (employer contributions) once your income reached certain levels. The surcharge rate was reduced to zero on 1 July 2005. Any surcharge liability that accrued prior to 1 July 2005 is still payable.

You are able to commute a portion of your fortnightly income to pay your Surcharge liability.

RULES AND GENERAL INFORMATION

What rules are applied to the Parliamentary Superannuation Scheme?

The Parliamentary Superannuation Scheme is established under the *Parliamentary Superannuation Act 1974*.

The Act sets out the rules under which the scheme is administered and benefits are paid.

Copies of the Act are available from the Parliamentary Superannuation Board. They can also be accessed via the website www.legislation.sa.gov.au.

We will advise you of any amendments affecting your benefit should the Act be amended.

How secure is the information about my super?

Your super details are confidential and are only divulged:

- as required by any State or Commonwealth Act;
- to you, or to somebody else with your consent;
- to your employing agency; or
- to any other person in connection with the administration of the Act or as required by a Court of Law.

How is the scheme administered?

The *Parliamentary Superannuation Act 1974* is administered by the South Australian Parliamentary Superannuation Board, which comprises:

- the President of the Legislative Council;
- the Speaker of the House of Assembly; and
- another person nominated by the Governor.

The Parliamentary Superannuation Scheme is administered on a day-to-day basis by the State Superannuation Office, which is a branch of the Department of Treasury and Finance.

Contributions to the scheme are managed and invested by Funds SA, a statutory authority established under the *Superannuation Funds Management Corporation of South Australia Act 1995*.