TRANSITION TO RETIREMENT

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IN THIS FACT SHEET

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

The SA Parliament has passed legislation that provides SA public sector employees with options for greater flexibility with both their super and working arrangements as they approach retirement.

Background

Once you attain your Commonwealth Government preservation age (see table) the Transition to Retirement (TTR) rules allow you to receive part of your pension entitlement if you reduce your working hours or salary. The pension entitlement you receive will supplement your reduced income as a result of phasing into retirement. You cannot take any portion of your super as a lump sum cash payment before you fully retire from the SA public sector.

Commonwealth Government preservation age

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

Please note: Commonwealth Government preservation rules are different from preservation rules in Super SA schemes. You need to be aware of this if you are rolling money out of a Super SA scheme and into the Super SA Flexible Rollover Product.

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
– 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 pension entitlement with the proportion being equivalent to the proportion of salary reduction reflected in the TTR arrangement.

Example:

Kevin is a 60-year-old Pension Scheme member. His pre-TTR salary is $75,000. He wants to reduce his working hours from five to three days a week (ie a reduction of 40%), reducing his salary to $45,000, but he does not want to take such a major reduction in income. Kevin would like to access TTR arrangements through his agency and the Chief Executive of the agency approves of the arrangement.

His accrued retirement entitlement at the time he commences his TTR pension would be a lifetime pension of $1,723 per fortnight.

Under TTR rules he is able to take up to 40% of his pension entitlement to supplement his income. This will give him a TTR Pension of $689 per fortnight (ie $1,723 x 40%).

Kevin will receive a portion of his TTR pension tax free, based on the total of his member contributions made since 1983 to the time he commences his TTR. The table on page 2 shows how Kevin's tax free portion is calculated.

As a result Kevin can reduce his working hours to three days a week, and by supplementing his income by taking 40% of his current pension entitlement through TTR arrangements will only reduce his net income by $5,712 pa.

How will I receive my super payments under TTR?

– You will receive your TTR entitlement as an indexed pension.
– The percentage of salary received as a TTR pension will be deducted from the percentage of salary that you receive when you permanently retire from the SA public sector.

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IN THIS FACT SHEET

– If you have a Rollover Account, a portion of that account can be rolled over into an income stream, such as the Super SA Income Stream (minimum balance $30,000).
– If you have a Triple S Account you may also be able to roll over a portion of this into an income stream and receive an income payment from both.

How do TTR arrangements affect my future entitlements?

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. Therefore your fortnightly retirement income when you fully retire from the SA public sector will be less than it would have been had you not accessed TTR.

For example, 40% of Kevin's total entitlement is taken as a TTR entitlement so the Points reduction will be approximately 40% of the total number of Points.

Once he takes his TTR entitlement, Kevin must contribute at his standard member contribution rate of 6% of his salary (ie $45,000 x 6% = $2,700), and he will only accrue 7.2 points per year (ie 12 x $45,000/$75,000).

Kevin's TTR pension will be indexed by the Consumer Price Index (CPI) and when he fully retires the balance of his pension entitlement will be paid based on his final salary.

The example shown does not take into account the accumulated value of receiving the TTR Pension prior to retirement.

What else do I need to know?

– Your TTR pension can only be commuted on full retirement provided this occurs within six months of the TTR pension commencing.
– Your member contributions will be adjusted effective from the date your TTR commences. You must contribute at your standard contribution rate.
– Points that you accrue following the TTR will be calculated as a percentage of standard points accrual. As a result of your part-time employment, your benefit accrual will be less than it would if you had not accessed TTR. For example, where

How is Kevin's tax free portion calculated?

The tax free percentage of the TTR pension is based on the total of his member contributions made since 1983 to the time Kevin commences his TTR. Assuming Kevin's member contributions since 1983 are $50,000:

Total annual pension = $1,723 x 313/12 = $44,942

Australian Taxation Office Pension Valuation Factor for a 60-year-old = 16.513

Australian Taxation Office valuation = $44,942 x 16.513 = $742,127

Tax free % = $50,000 / $742,127 x 100 = 6.737%

Annual TTR Pension = $689 x 313/12 = $17,971

Tax free amount of TTR Pension = $17,971 x 6.737% = $1,211

	Before TTR	After TTR
Salary	$75,000	$45,000
TTR pension	-	$17,971
Total income	$75,000	$62,971
Less tax free income	-	$1,211
Taxable income	$75,000	$61,760
Less income tax, Medicare Levy and Low Income Tax Offset (LITO)	$17,422	$12,781
Add 10% untaxed super offset	-	$1,676
Net income	$57,578	$51,866

TRANSITION TO RETIREMENT

SUPER SA
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IN THIS FACT SHEET

the salary is reduced by 40% only 7.2 Points will accrue each year instead of 12 Points. See the *Points* fact sheet for more information on points.

- The percentage of salary taken as a TTR pension is deducted from all future retirement quotes and payments.
- The TTR pension will be indexed by the CPI and will not be adjusted for future increases in salary.
- The non-accessed pension entitlement still accruing in respect of service will be adjusted for future increases in salary.
- If you return to your previous level of employment, the TTR pension will be suspended.
- If you have a Triple S Account you may also be able to roll this into an income stream under Early Access to Super.

Retirement Transfer Balance Cap

Lifetime Pensions, such as the Super SA Pension, now count towards the Federal Government's $1.6 million Retirement Transfer Balance Cap, legislated as part of the 2016-2017 budget. The amount of Lifetime Pension that counts towards the Cap will be 16 times the total annual pension as at 1 July 2017, or the date the pension commences after this.

If this is amount is over the $1.6 million Cap, you do not need to commute the lifetime pension, however any other retirement accounts you have (such as the Super SA Income Stream) will need to be reduced by the excess amount above $1.6 million. We encourage you to seek financial advice around this.

If you choose to commute some or all of your pension entitlement, you need to be aware of the Retirement Transfer Balance Cap of $1.6 million that can be deposited into a retirement-style account, such as the Super SA Flexible Rollover Product (FRP).

Are their any other options to help me transition to retirement besides taking out a TTR pension?

Yes. SA public sector employees are 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.

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 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.

TRANSITION TO RETIREMENT

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