Super SA

Government of South Australia

FACT SHEET

# Pension
## Transition to Retirement

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

**SA Public sector employees have the ability to access their super under Transition to Retirement (TTR) arrangements.**

## Background

Once you attain your Commonwealth Government preservation age (see table) the 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.

## 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 (i.e. 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 (i.e. $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 calculation 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.
- 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 (i.e. $45,000 x 6% = $2,700), and he will only accrue 7.2 points per year (i.e. 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 the salary is reduced by 40% only 7.2 Points will accrue each year instead of 12 Points. See the Pension and Lump Sum 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.

**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) | $15,262 | $10,621 |
| Add 10% untaxed super offset | - | $1,676 |
| Net income | $59,738 | $54,026 |

## Retirement Transfer Balance Cap

Lifetime Pensions, such as the Super SA Pension, count towards the Federal Government's Transfer Balance Cap. The General Transfer Balance Cap was previously $1.6 million and was indexed to $1.7 million on 1 July 2021. If you commenced retirement pensions before 1 July 2021, you will have a personal Transfer Balance Cap of between $1.6 and $1.7 million, which can be viewed on ATO online via MyGov.

For Lifetime Pensions, the amount 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 1 July 2017. If you exceed your personal Transfer Balance 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 your personal Transfer Balance Cap. We encourage you to seek financial advice around this.

When commencing an Income Stream or commuting a pension entitlement, you need to be aware of your personal Transfer Balance Cap and the amount that can be rolled over into a retirement phase account, such as the Super SA Income Stream. Any amounts in the accumulation phase, such as Triple S and the Super SA Flexible Rollover Product, are not counted towards your Transfer Balance Cap.

For further information please call the ATO Super helpline on **13 10 20** or visit **www.ato.gov.au**

## Are there 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?

You may already have your own financial planner. If you don't, you can contact the Financial Planning Association and they can recommend a suitable adviser. Or you can take advantage of the service available through Industry Fund Services (IFS). The financial planners at IFS can advise you about the options available to SA public sector employees. If you would like to make an appointment with an IFS planner, please call Super SA on **1300 162 348** and they will put you in touch.

| 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. |

## We're here to help

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