

**INFORMATION SHEET**

# Pension Commutation

This information sheet contains information that will be relevant to you if you are about to retire, resign or be retrenched from the SA public sector, are under 60 years old and currently receiving an invalidity pension, or if your fortnightly income is preserved in the Pension Scheme until retirement age.

## What is commutation?

Commutation means choosing to exchange part or all of your fortnightly income for a lump sum:

- **If you are aged 55 or over and retire, resign or are retrenched** from the SA public sector, you may commute all or part of your fortnightly income to a lump sum, provided that you do so within three months from the start date of your fortnightly income.
- **If you are under age 55 and resign** from the SA public sector, and are entitled to receive a fortnightly income when you reach the age of 55, you will be given the option of commuting part or all of your fortnightly income to a lump sum, provided that you do so within three months from the start date of your fortnightly income.
- **If you are under age 55 and retrenched**, and entitled to receive a fortnightly income, when you reach the age of 55 you will be given the option of commuting part or all of your fortnightly income that you are actually receiving to a lump sum, provided you do so within three months of reaching the age of 55.

⚠ When considering commutation of your pension entitlement, we encourage you to seek professional financial advice.

For more information about your entitlement options, please refer to the Retirement, Resignation or Retrenchment information sheets.

Invalid pensioners under 60 years of age also have the option to commute a portion of their pension entitlement. More information for invalid pensioners is on page 2.

**Please note:** In the event of your death, your spouse and/or putative spouse also has an option to commute some or all of the fortnightly income they would receive to a lump sum, provided they advise Super SA of their intention to commute no later than six months after the income becomes payable. For more information on death entitlements, see the Death Entitlement information sheet.

## How your commutation amount is calculated

Commutation works by giving you a set lump sum amount for each \$1 of annual income you choose to forego. This set lump sum amount is calculated using the “commutation factors” that are set out in the superannuation regulations (see the table on the next page).

The amount you will receive is based on your age, in years and months, on the date of payment. The amount shown in the table below represents the gross amount you would receive, in a lump sum, for every dollar of annual income that you commute.

**Commutation rates for Super SA Pension Scheme members only** (not applicable to spouses)

Age	Amount
55	\$11.50
56	\$11.30
57	\$11.10
58	\$10.90
59	\$10.70
60	\$10.50
61	\$10.30
62	\$10.10
63	\$9.90
64	\$9.70
65	\$9.50
66	\$9.30

**Example:**

Nikitas decides to retire on his 58th birthday and commutes \$12,000 of his \$36,500 annual retirement income within three months of starting his pension payments.

By doing so, he reduces his annual income to \$24,500 and receives a gross lump sum of \$130,800 (i.e. 12,000 x 10.90).

**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 indexed to \$1.9 million on 1 July 2023. If you commenced retirement pensions before 1 July 2023, you will have a personal Transfer Balance Cap of between \$1.6 and \$1.9 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**.

**Tax**

Any part of your fortnightly income that you commute to a lump sum is taxed differently than it would be if you were taking it as fortnightly income.

When you receive your lump sum entitlement it will include a "tax-free component". This component comprises your after-tax contributions based on your tax-free percentage determined at the start of your pension and your pre-July 1983 component. Your tax-free component will not be taxed. The remainder of your lump sum entitlement is your "taxable (untaxed) component". You can either take the lump sum amount in cash or roll it over into a retirement product, such as the Super SA Income Stream or the Super SA Flexible Rollover Product. Each option – cash or rollover – is taxed differently.

Once you reach age 60, you will receive a 10% tax offset on the first \$106,250 of your annual pension, which will reduce your tax.

Any lump sum payment taken in cash or rolled over to another fund must have the tax components calculated in the same proportions as the components that make up your total entitlement. You are not able to select to take only your tax-free member contributions. This means that payments in cash or rollovers to another fund will contain taxable amounts and you may need to pay tax on these.

The tax treatment of super is complex and subject to change. For more information on tax, see the Pension and Lump Sum Tax information sheet.

**Commutation options for invalid pensioners**

Invalid pensioners who are not yet 60 years of age have the option to commute up to a maximum of 20% of their pension entitlement before they would usually have access to a lump sum. Invalid pensioners who joined the Scheme before 1 July 1974 and elected for an age of retirement of 55 years before that date also have access to this option.

**As an invalid pensioner how much can I commute before reaching retirement age?**

If you have not yet reached the age of retirement and are receiving an invalidity pension and you decide to commute some of your pension to a lump sum, lower valued commutation factors apply than those that used after retirement age.

The maximum amount of pension an invalid pensioner under retirement age may commute is 20% of their annual pension. This option can only be used once and only before the age of retirement is reached. When retirement age is reached, full commutation rights will apply.

## Commutation rates for members receiving an invalidity pension only

Age at date of commutation	Amount of lump sum for each \$1 of annual pension commuted
less than 50 years	\$7.70
50 – 55 years	\$7.70 - \$7.30
55 – 60 years	\$7.30 - \$6.50

### Example of commutation of part of an invalid pension:

Felicity is 48 years old and currently receiving an invalid pension of \$30,000 per annum. Felicity decides to commute \$4,500, which is 15% of her annual pension.

The results of commuting 15% of the pension are:

- Felicity's annual pension of \$30,000 will be reduced by \$4,500 to \$25,500
- a lump sum entitlement of \$34,650 will be paid (calculated by multiplying \$7.70 by \$4,500).

## Super SA Income Stream

The Super SA Income Stream gives you the option of converting any lump sum super payment you receive on retirement into a regular income stream, and it offers many benefits, including tax advantages for your money. You can also select from a range of investment options and enjoy low administration costs with no entry, exit or withdrawal fees. For more information on the Super SA Income Stream, see the Super SA Income Stream - Product Disclosure Statement.

## Super SA Flexible Rollover Product

The Super SA Flexible Rollover Product (FRP) allows you to keep your money within the super environment, offering you a low-cost and tax-effective environment in which you can park your super, while still allowing you access to some or all of your money (subject to preservation rules). It is free from entry, exit and withdrawal fees and it has low administration costs. You can contribute non-super monies and have the opportunity to create an account for your spouse or de facto. For more information on the Super SA FRP, see the Flexible Rollover Product - Product Disclosure Statement.

## Financial advice

When deciding whether to commute part or all of your pension entitlement to a lump sum or whether to take it as cash or as a rollover, you should consider seeking professional financial advice.

You may already have your own financial planner. If you don't, you can contact the Financial Advice Association Australia 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.

## How to commute your retirement entitlement

When you start receiving your fortnightly income, you will also receive a quote giving you a number of options. To commute all or part of your fortnightly income complete and return the Application to Commute Fortnightly Income form provided with the quote or available from the Super SA website.

## Further information

The following publications may be helpful if read in conjunction with this information sheet:

- Death Entitlement information sheet
- Resignation information sheet
- Retirement information sheet
- Retrenchment information sheet
- Pension and Lump Sum Tax information sheet
- Total and Permanent Disablement information sheet
- Super SA Flexible Rollover Product PDS
- Super SA Income Stream PDS

You can find more information about super on the Super SA website. Alternatively, if you have any enquiries regarding commutation or any other matters raised in this fact sheet, please contact Super SA.

## We're here to help



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**Disclaimer:** The information in this document is intended to help you understand your entitlements in the Pension Scheme. Super SA does its best to make sure the information is accurate and up to date. However, you need to be aware that it may not include all the technical details relevant to the topic. For the complete rules of the Pension Scheme, please refer to the Superannuation Act 1988. The Act and accompanying Regulations set out the rules under which the Pension Scheme is administered and entitlements are paid. You can access a copy from the Super SA website.

The Pension Scheme is an exempt public sector superannuation scheme and is not regulated by the Australian Securities and Investments Commission (ASIC) or the Australian Prudential Regulation Authority (APRA). Super SA is not required to hold an Australian Financial Services Licence to provide general advice about the Lump Sum Scheme.

The information in this document is of a general nature only and has been prepared without taking into account your objectives, financial situation or needs. Super SA recommends that before making any decisions about the Pension Scheme you consider the appropriateness of this information in the context of your own objectives, financial situation and needs and seek financial advice from a licensed financial adviser in relation to your financial position and requirements.

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