Active Super Retirement Scheme Lifetime Pension

Who is entitled to a lifetime pension?

A member of the Retirement Scheme who was previously a member of the Local Government Pension Fund or NSW Retirement Fund (NRF) retained an option to receive a portion of their superannuation benefit as a lifetime pension (also known as an EFB Pension) subject to meeting certain eligibility requirements.

Former members of the Local Government Pension Fund also retained children's and orphan's pension options payable on the death of the member (subject to eligibility).

You can confirm if you are entitled to a lifetime pension by checking your latest annual benefit statement or by contacting Member Care.

Are there any restrictions on when the pension entitlement is payable?

An EFB pension option is only available to Contributory members ceasing employment at or after age 60, on total and permanent invalidity prior to age 60, or upon the member's death. For example, if a Contributory member ceases employment at age 58, they are not eligible for the EFB pension option. Retirement Scheme members who have deferred their benefit prior to age 60 are not eligible for a lifetime pension from the Scheme.

How does the pension work?

Eligible members can convert all or a portion of their lump sum Employer-Financed Benefit (EFB) (and Additional Benefit Cover, where applicable) into a pension. The value of the pension is calculated by using the member's benefit points, multiplied by their applicable salary and a factor. The factor used depends on the member's age at pension commencement, the reason for termination and whether a reversionary spouse pension is applicable (discussed below).

The value of the pension is reduced to take into account the 15% tax payable on employer contributions received for the period commencing 1 July 1988 to the date of exit.

Any pension paid to a member who is aged 60 or over is tax-free or, if under 60, a rebate may be available to reduce the tax payable. A member's remaining benefit, consisting of one or more of their personal contributions, Basic Benefit and Other Contributions entitlements, can be paid as a lump sum, rolled over, or be used to commence an income stream if desired.

How long will the pension last?

A Retirement Scheme pension is payable for life and is normally adjusted in October of each year in accordance with movements in the Consumer Price Index (ie inflation). Members who have been in receipt of the pension for the entire financial year each October are entitled to full indexation.

For new pensioners the October indexing is pro-rated depending on when you commenced the pension (as shown in the table below) until you have been receiving the pension for one full financial year.

Date commenced	Indexation
2/7 to 1/10 incl	75%
2/10 to 1/1 incl	50%
2/1 to 1/4 incl	25%
2/4 to 1/7 incl	0%

Once the election has been made to take a lifetime pension, it cannot be converted to a lump sum.

Can a member elect for their pension to continue after their death?

All pensions paid to former members of the Local Government Pension Fund are reversionary – ie the surviving spouse of a deceased pensioner is also entitled to a pension, subject to meeting eligibility requirements. Former members of the NSW Retirement Fund are required to nominate, prior to commencing the pension, whether or not they wish for their pension to retain a reversionary entitlement, that is, whether they wish for a pension to be paid to their surviving spouse upon their death. Once a decision has been made, it is final, as the amount of pension payable depends on this nomination.

A surviving spouse would be entitled to approximately five-eighths (or 62.5%) of the pension entitlement previously received by the member Please note that the pension is only payable to a spouse if they were your spouse at the time you elected to receive a pension and at the date of your death.

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What are some of the issues a member should consider when deciding to take the EFB pension?

- The EFB pension is not affected by investment market performance (positive or negative).
- Selecting the pension option may provide a higher benefit when compared to the lump-sum option, should a member live past their statistical life expectancy, and vice versa.
- The financial position of a member may influence their decision.
- A member should consider how much they would receive from the EFB pension versus the income they may receive from another pension provider.
- For social security purposes, the capital amount used to commence the pension is exempt from the assets test. However, the income you receive is assessable but may be reduced by a social security 'exempt' portion.
- The EFB Pension cannot be converted once the election to commence an EFB Pension has been made.

Before deciding whether an EFB Pension is the right choice for you, we strongly recommend that you discuss it with your financial planner.

How does a member find out what their pension entitlement may be?

Member Services can answer all your superannuation questions and provide you with a quote of your expected pension and lump sum entitlements. You can contact them by calling **1300 300 820** between 8.30am and 5.00pm, Monday to Friday.

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