

## Northern Territory Government and Public Authorities' Superannuation Scheme Allocated Pensions

NTGPASS offers two allocated pensions: a standard pension and a pre-retirement pension. Both pensions comply with Australian Government superannuation legislation.

### 1. What is an Allocated Pension?

An allocated pension is a flexible and tax effective retirement product that allows superannuation savings to be utilised to provide a regular income stream as well as lump sum withdrawals. Allocated pensions are also known as account-based pensions.

Provided you have satisfied certain conditions (see p.2) you can determine how much income you want each year, the amount of any lump sum withdrawals and the frequency of payments.

When you establish an allocated pension, your superannuation lump sum is transferred into an account in your name. Your account receives investment earnings and pension payments, lump sum withdrawals and fees are deducted. Investment earnings are exempt from tax and pension payments and lump sums attract tax concessions. Pension payments continue until your account has reduced to zero.

#### Characteristics

The general characteristics are as follows:

- an allocated pension account can only be established with superannuation money;
- investment earnings are exempt from tax;
- pension payments and lump sum withdrawals are tax-free if you are 60 or over;
- investment returns are added to the account (or deducted if the investment makes a loss);
- pension payments, fees and lump sum withdrawals are deducted from the account;
- additional contributions and rollovers cannot be added to the account once it has been established (however, you can rollover and commence a new account if you wish to add additional money);
- the capital value (account balance) cannot be used as security for borrowings;
- the account cannot be transferred to another person during your lifetime; and
- on death, any remaining account balance is paid to an eligible nominated beneficiary or to your estate.

### 2. Factors to be aware of

- The term of your pension is not guaranteed and you bear the investment and mortality (longevity) risks, which means your pension may not last your entire retirement.
- Investment returns fluctuate depending on economic conditions so your account balance can increase and decrease in value.
- Lump sum tax may be levied on any remaining account balance upon death if paid as a lump sum to a non-financially dependent beneficiary (e.g. an adult child).
- There is no assets-test exemption for social security.

### 3. Who is eligible?

The NTGPASS allocated pension products are only available to NTGPASS members who have a retained account in the fund (that is, members who have left the NT public service and retained their benefit in NTGPASS).

Currently, active contributing NTGPASS members (those still employed by the NT public service and contributing between 2 to 6% of salary) cannot access the products until they retire or resign from the NT public service.

#### NTGPASS Standard Pension

A standard allocated pension can be established if you have reached your preservation age (see p.2) and retired from the workforce.

The NTGPASS standard pension is only available to retired NTGPASS members.

#### NTGPASS Pre-Retirement Pension

A pre-retirement pension can be established if you have reached your preservation age (see p.2) but are still working. A pre-retirement pension has the same characteristics as a standard allocated pension with two important differences:

- there is a maximum annual pension limit of 10% of your account balance; and
- lump sums cannot be withdrawn.

When you retire, your pre-retirement pension can convert to a standard pension.

The pre-retirement pension is only available to NTGPASS members who have left the NT public service and retained their benefit in the fund.

## 4. What is my preservation age?

Date of Birth	Preservation Age
Before 1/7/60	55
Between 1/7/60 – 30/6/61	56
Between 1/7/61 – 30/6/62	57
Between 1/7/62 – 30/6/63	58
Between 1/7/63 – 30/6/64	59
After 30/6/64	60

## 5. How much can I receive?

### Standard pension

You can choose how much you will receive each financial year subject to the minimum annual pension amounts legislated by the Australian Government. The minimum annual pension amount is determined by your age and is specified as a percentage of your account balance on 1 July each year (see below).

The standard pension does not have a maximum annual pension amount. You can choose to receive any amount equal to or greater than the minimum annual pension amount.

### Pre-retirement pension

The pre-retirement pension is subject to the minimum annual pension amounts (see below) and a maximum annual pension amount of 10% of the account balance. You can choose any amount equal to or between these percentages.

### Minimum annual pension amounts

Age	% of Account Balance
Under 65	4%
65-74	5%
75-79	6%
80-84	7%
85-89	9%
90-94	11%
95 and over	14%

## 6. Can I choose my payment frequency?

Yes, you can choose to receive your pension payments on a semi-monthly, monthly, quarterly or annual basis. A pension payment must be paid from your account at least once annually.

## 7. Can I withdraw lump sums?

### Standard pension

Yes, you can make lump sum withdrawals if you are receiving a standard pension. The minimum lump sum withdrawal is \$5000 or the balance of the account if under \$5000.

### Pre-retirement pension

No. Governing legislation does not allow lump sum withdrawals from a pre-retirement pension.

## 8. How much do I need?

You must have at least \$50 000 in your retained account to commence an NTGPASS pension. Any amount less than this would be insufficient to provide an adequate income stream.

## 9. Member Investment Choice (MIC)

Your allocated pension account is invested with the same investment managers who manage all of the NTGPASS investments.

You will need to choose an investment option for your pension account from a range of five 'pre-mixed' investment options as follows:

<b>Conservative</b>	30% growth assets 70% defensive assets
A low risk option developed for members whose primary focus is on the security of their retirement savings.	
<b>Cautious</b>	50% growth assets 50% defensive assets
A low to moderate risk option developed for members seeking low to medium growth while maintaining a strong focus on the security of their retirement savings.	
<b>Growth</b>	75% growth assets 25% defensive assets
A moderate risk option developed for members seeking a competitive level of growth in their retirement savings.	
<b>Assertive</b>	85% growth assets 15% defensive assets
A moderate to high risk option developed for members who are looking for higher growth in their retirement savings over the long term.	
<b>Aggressive</b>	100% growth assets
A high risk option developed for members who desire high growth in their retirement savings over the long term.	

## 10. Are there any fees?

- There are no entry or exit fees.
- There is a pension administration fee of \$0.75 per week (\$39 per annum).
- A transaction fee of \$25 is charged to your pension account for each excessive lump sum withdrawal made in a financial year. You will not be charged for the first 3 lump sum withdrawals in a financial year.
- A transaction fee of \$25 is charged to your pension account for each excessive investment choice switch made in a financial year. You will not be charged for the first investment choice switch you make in a financial year.
- Investment management fees are deducted from investment earnings before the interest

rate is determined. This means investment returns credited to your account are net of investment management fees. Please refer to the Member Investment Choice booklet for further information on these fees.

## 11. Taxation

### Rollovers and transfers to your pension account

There is no lump sum tax on rollovers or money transferred into an allocated pension account, except where the amount includes an untaxed component, for example, the accrued employer component of your NTGPASS benefit.

### Investment earnings

There is no tax on the investment earnings on money invested in an allocated pension account.

### Pension payments and lump sum withdrawals

Depending on your age, some or all of your pension may be tax-free. The taxable amount of your pension will be assessed firstly on your age, then if need be, the components contained within your pension.

At commencement, your pension account is split into two tax components:

- a tax-free component - contributions made to superannuation from after-tax income plus any crystallised pre July 1983 segment; and
- a taxable component – all other contributions such as employer contributions, salary sacrifice and interest earnings.

Pension payments and lump sums paid to people aged 60 and above are completely tax-free.

Pension payments and lump sum withdrawals paid to people aged 55-59 will be subject to tax on the taxable component only and attracts a 15% tax offset.

### Example 1: Standard Pension

Julie has retired at age 56. She has rolled her superannuation lump sum of \$390 000 into a standard pension. Her tax free component is \$50 700 (13%) and her taxable component is \$339 300 (87%).

All Julie's pension payments and lump sums (for the life of her pension) will be taken in proportion to the tax components above.

In the first year, Julie must take at least \$15 600 (4% of her account balance) as a pension. As she has no other source of income, she elects to draw a pension of \$43 000, taxed as follows:

Gross pension	\$43 000
Less: tax free amount (13%)	\$5 590
Taxable income	\$37 410
Tax payable *	\$773
Net income	\$42 227

\* Julie's tax was calculated as follows:

Tax calculated on \$37 410 at marginal tax rate plus Medicare levy = \$6 384

Less tax offset calculated at 15% of \$37 410 = \$5611

Tax payable = \$773

Because Julie is under age 60, she is required to report her pension payments in her tax return. After Julie's 60th birthday, all her pension payments will be tax free and she will not be required to lodge a tax return.

### Example 2: Pre-Retirement Pension

Tony is an NTGPASS retained member who works full-time. Tony recently turned 55 (his preservation age) and has rolled over \$320 000 to a pre-retirement pension.

Tony must choose to take between 4% (\$10 000) and 10% (\$32 000) as a pension and cannot withdraw any lump sums. Like Julie in example 1, Tony is under 60 and the taxable component of his benefit will be taxed.

## 12. Identification Requirements

Before we can establish an allocated pension account, we will require a certified copy of your **driver's licence** or your **passport**. The certification must include the name, address, occupation, telephone number and registration number (if applicable) of the person making the certification. Persons authorised to certify documents include the following:

- Justice of the Peace (JP).
- Minister of religion.
- Registered medical practitioner or dentist.
- Branch manager of a bank.
- Teacher.
- Pharmacist.

## 13. Disclaimer

In preparing and compiling the information, no account has been taken of any particular member's investment objectives, financial situation or individual needs.

This information does not constitute financial advice and should not be taken as such. The decision as to how to invest your superannuation has taxation and social security implications. As each member is ultimately responsible for making his or her own decisions, the Commissioner of Superannuation urges you to obtain professional advice (whether legal, financial or otherwise) before proceeding.

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