

# Pension Fact Sheet

NTGPASS offers two account-based pensions: a standard pension and a pre-retirement pension. Both comply with Commonwealth Government superannuation legislation.

## 1. What is an account-based pension?

An account-based 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. Account-based pensions are also known as allocated pensions.

Provided you have satisfied certain conditions (see note 3) 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 account-based pension, your superannuation lump sum is transferred into a pension account in your name. Pension payments continue until your account has reduced to zero.

The general characteristics are as follows:

- an 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 directly to the pension account once it has been established. However, you can rollover and commence a new account if you wish to add additional money (minimum \$5000 required);
- 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, your pension can be paid to an eligible reversionary beneficiary or as a lump sum 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 or decrease in value.
- Your account balance, payments and estate planning may affect your social security entitlements and tax position.

## 3. Who is eligible?

The NTGPASS pension products are available to:

- retained members; and
- active members who have reached their preservation age and elect to opt out of the scheme, resign or retire.

Retained members are those who have left the NT public service and retained their benefit in NTGPASS. Active members are those employed by the NT public service and contribute between two and six percent of salary to NTGPASS.

### NTGPASS Standard Pension

A standard pension can be established if you have satisfied a condition of release such as reaching your preservation age and retiring from the workforce, or invalidity retirement at any age. Members aged 65 or over can commence a standard pension, regardless of employment status.

### NTGPASS Pre-Retirement Pension

A pre-retirement pension can be established if you have reached your preservation age (see note 4) but are still working. Active NTGPASS members must also opt out of the scheme or resign. A pre-retirement pension has the same characteristics as a standard 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 or turn 65, your pre-retirement pension will convert to a standard pension.

## 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. Starting your pension

When you transfer your benefit to a pension account, your account balance is valued at the time of processing using the year-to-date rate of return for the relevant investment option/s. The pension account is a separate investment and has returns applied monthly. Generally, pensions will be commenced in the first week of the month. If the funds to commence a pension are transferred part way during the month, the monthly return is pro-rated for the number of days in the pension account.

## 6. Minimum starting balance

You must have at least \$50 000 to commence an NTGPASS pension.

## 7. How much can I receive?

**Standard pension** - You can choose how much you receive each financial year, subject to the minimum annual pension amounts legislated by the Commonwealth. The minimum annual pension amount is determined by your age. It is specified as a percentage of your account balance on commencement of the pension and on 1 July each year (see table 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	% for 2011-12
Under 65	4%	3.00%
65-74	5%	3.75%
75-79	6%	4.50%
80-84	7%	5.25%
85-89	9%	6.75%
90-94	11%	8.25%
95 and over	14%	10.5%

*Note: The Commonwealth has determined that the minimum annual pension amounts outlined in the table above will be reduced by 25% for 2011-12.*

If you commence your pension on a day other than 1 July, your requested pension amount is proportionally allocated according to the number of days left in the financial year.

## 8. Payment frequency

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 a year. Pension payment dates are the 14<sup>th</sup> and/or 28<sup>th</sup> of each month.

## 9. 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. Withdrawals may take up to 30 days to process.

**Pre-retirement pension** - No. Governing legislation does not allow lump sum withdrawals from a pre-retirement pension, except in very limited circumstances.

## 10. Member Investment Choice

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

You can choose to invest your pension account balance in any or all of the following six 'pre-mixed' options.

<b>Managed Cash</b> - 0% growth 100% defensive
A very low risk option with funds invested in cash investments (such as cash deposits, bank bills and similar securities) with an expectation to achieve low long-term returns. Developed for members with a short-term investment horizon who require greater assurance on the security of their assets.
<b>Conservative</b> - 30% growth 70% defensive
A low risk option with funds invested primarily in cash and fixed interest with an expectation to achieve low to moderate returns. Developed for members whose primary focus is on the security of their assets.
<b>Cautious</b> - 50% growth 50% defensive
A low to moderate risk option with funds invested in a balanced mix of assets with the expectation to provide steady long-term returns. Developed for members with an expectation to achieve low to medium growth in their portfolio while having a strong focus on the security of their assets.
<b>Growth</b> - 75% growth 25% defensive
A moderate risk option with funds invested proportionately more in growth assets with an expectation to achieve medium to high long-term returns. Developed for members who seek a competitive level of growth in their assets.
<b>Assertive</b> - 85% growth 15% defensive
A moderate to high risk option with funds invested primarily in growth assets with an expectation to provide higher returns over the long term. Developed for members who are looking for higher growth in their assets over the long term.
<b>Aggressive</b> - 100% growth 0% defensive
A high risk option with funds invested wholly in growth assets. This means accepting high volatility with an expectation to achieve higher long term returns. Developed for members who desire high growth in their assets over the long term.

You can also specify the priority order of investment options from which to draw down pension payments and lump sum withdrawals. Payments are drawn from the priority one option until funds from that option are exhausted, then automatically drawn from the next priority option. Alternatively, payments can be withdrawn from all chosen options on a pro-rata basis. This is the default if no advice is given.

## 11. Are there any fees?

- There are no entry or exit fees.
- The current account keeping fee is \$52 per annum.
- 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 additional lump sum withdrawal made in a financial year.
- You will not be charged for the first investment choice switch made in a financial year. A transaction fee of \$25 is charged to your pension account for each additional investment choice switch made in a financial year.
- Investment management fees are deducted from investment returns before the rate of return is determined. This means investment returns applied to your account are net of investment management fees.

## 12. Taxation

### Rollovers and transfers to your pension account

There is no lump sum tax on rollovers or money transferred into a 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 in an account based pension.

### 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 sums paid to people aged between 55 and 59 are subject to tax on the taxable component. Pension payments also attract 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. She has no other source of income, and 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 and Medicare levy payable *	\$561
Net income	\$42 439

\*Julie's tax was calculated as follows:

Tax on \$37 410 at marginal tax rates = \$4 773

Less: Tax offset of 15% on \$37 410 = \$5 611

Income tax payable = \$0

Julie pays Medicare levy of \$561 (1.5% of taxable income) which cannot be reduced by tax offsets, but may be reduced by other factors.

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 if it is her only source of income.

### 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% (\$12 800) 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.

## 13. Estate planning and reversionary

NTGPASS does not provide for preferred or binding death nominations; however pension members may nominate a reversionary beneficiary who will continue to receive your pension after your death.

Eligible reversionary nominations generally include your spouse, defacto spouse, child under age 18, or any person who is financially dependent on you.

If you do not nominate a reversionary beneficiary, your account balance will be paid to your estate. Balances of less than \$20 000 may be paid directly to a dependant in certain circumstances. Refer to the *NTGPASS & NTGDIS Death Benefits* fact sheet for further information.

We recommend you seek qualified advice on estate planning issues because your decisions may have tax and social security ramifications.

## 14. Anti-detriment payment

An anti-detriment payment is a refund of the contributions tax paid within a taxed superannuation account, in the event of a member's death. It is paid as a top up to the members benefit.

An anti-detriment payment is only payable where eligible dependants exist. The payment is worked out in accordance with the Australian Taxation Office formula.

In cases where some, but not all, of the deceased's superannuation beneficiaries are eligible dependants, the anti-detriment payment will be apportioned accordingly.

Where a pension member has nominated a reversionary, the pension will revert to that person. Anti-detriment payments cannot be applied to a reversionary pension, but can be applied if the pension is commuted to a lump sum within six months.

## 15. Identification requirements

Under Commonwealth Government legislation, you are required to show proof of your identity by providing **original or certified copies** of identity documents that verify your full name, date of birth and current residential address, for example your driver's licence.

The Superannuation Office can only accept identity documents that are in accordance with the *Anti-Money Laundering and Counter-Terrorism Financing Rules*. For a list of acceptable identity documents, please refer to our fact sheet *Proving Your Identity*, available from our website.

If you provide certified copies of identity documents, you must also get the authorised certifier to complete the form *Identity Certification*, and return it to our office with your application.

## **16. More information**

We can not provide personal financial advice. If you require assistance you can seek the services of a qualified professional.

We have a range of information and fact sheets available to our members. For more information you can contact our office or visit our website.

## **17. Disclaimer**

The material in this fact sheet is provided for information purposes only and should not be relied upon for making financial commitments.

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