Pension Fact Sheet

NTGPASS offers two allocated pensions: a standard pension and a pre-retirement pension. Both pensions comply with Commonwealth 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 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 allocated pension, your superannuation lump sum is transferred into a pension 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 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 pension can be established if you have reached your preservation age (see note 4) 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 note 4) but are still working. 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, 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 Commonwealth. 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%

Note: The Commonwealth has determined that the minimum annual pension amounts outlined in the table above will be halved for 2008-09 and 2009-10.

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.

6. 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.

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

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 six ‘pre-mixed’ investment options as follows:

Managed Cash - 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.
Conservative - 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.
Cautious - 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.
Growth - 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.
Assertive - 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.
Aggressive - 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.

For more information, please refer to the *Member Investment Choice Fact Sheet*.

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).
- 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 you make 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. 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 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 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: 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 2, Tony is under 60 and the taxable component of his benefit will be taxed.

Example 2: 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 *	$23
Net income	$42 997

* Julie's tax was calculated as follows:
Tax calculated on $37 410 at marginal tax rate plus Medicare levy of 1.5% = $5 634

Less

Tax offset calculated at 15% of $37 410 = $5 611

Tax payable = $23

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.

12. 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 will 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.

13. 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.

14. Disclaimer

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

The Commissioner of Superannuation and the Northern Territory of Australia accepts no responsibility for any losses arising from any use or reliance upon the information or conclusions reached using the information.