

Transition to Retirement

What is it?

Transition to Retirement (TTR) is a Commonwealth Government initiative that allows workers who have reached their preservation age (currently age 55) to access their superannuation as a TTR pension while they continue to work.

The policy objective is to encourage mature aged workers to remain in the workforce and to help them prolong the life of their superannuation savings.

What are the benefits?

If you have reached preservation age, you can take a TTR pension to supplement your salary while you continue to work. Some of the benefits include being able to:

- reduce your hours of work and transition gradually to retirement;
- take on a lower paid job with less responsibility; or
- continue working full time and utilise a TTR pension strategy.

What is a TTR pension strategy?

A TTR pension strategy may provide you with taxation and/or cash flow advantages. A common TTR pension strategy is to maintain your current employment status and draw a TTR pension from your superannuation fund while salary sacrificing a portion of your salary back to superannuation. This will:

- allow you to continue to contribute to and build up your superannuation savings;
- move your accumulated superannuation from a taxed environment, where investment earnings are taxed at 15%, to the pension environment where investment earnings are tax free;
- give you access to a 15% pension tax offset on the taxable portion of your pension income if you are aged between 55 and 59; and
- give you access to a tax free pension if you are aged 60 or over.

While a TTR pension strategy can be tax effective, there are taxation and cash flow issues you will need to consider. Consequently, it is recommended that you seek professional advice as to whether a TTR pension strategy suits your circumstances.

How much can you salary sacrifice?

Salary sacrifice contributions are subject to the Commonwealth Government concessional contributions cap.

Concessional contributions are made from before-tax income, such as salary sacrifice and employer contributions, and are concessionally taxed at 15%. Any contributions that exceed the caps are subject to additional tax.

Until 30 June 2012, the maximum annual salary sacrifice contribution for persons aged 50 years and over is \$50 000 per year, inclusive of any employer superannuation guarantee (SG) payments.

The Commonwealth 2010 Budget announced changes to the concessional cap. It is proposed that from 1 July 2012, only those individuals with account balances of less than \$500,000 will be able to salary sacrifice up to \$50,000 per annum. As at January 2011 the legislation has not been enacted.

The changes are summarised in the table below.

Age	Total superannuation account balances	Cap until 30/6/2012	Proposed Cap from 1/7/2012
< 50	N/A	\$25 000	\$25 000
≥ 50	\$500 000 or more	\$50 000	\$25 000
≥ 50	Less than \$500 000	\$50 000	\$50 000

What does TTR mean for you?

This depends on which scheme or arrangement you belong to.

Choice of Fund

These employees have 9% SG paid to their nominated superannuation fund each payday and are currently able to access a TTR pension through their superannuation fund without resigning from the NTPS. Nothing will change for this group.

NTGPASS and NTSSS

From January 2011, active members who have reached preservation age are able to opt out of these schemes without having to resign from the NTPS. This will allow members to access a TTR pension either through NTGPASS or another superannuation fund.

If you opt out you will no longer be an active member of either scheme and you will move from an employer-funded defined benefit to Choice of Fund arrangements.

This means that the Northern Territory Government will pay 9% SG to your nominated superannuation fund. This rate may be less than the notional amount you currently receive as an active NTGPASS member.

Commonwealth Superannuation Scheme (CSS)

Except in very limited circumstances, CSS members must resign from the NTPS to access their superannuation and take a TTR pension. Nothing will change for this group.

If you are an active CSS member and you opt out of the CSS, you must also opt out of NTSSS. For more information refer to the TTR fact sheet on the ARIA website. You will not be able to opt out of NTSSS while you remain an active CSS member.

NTGPASS/NTSSS rules for opting out

- You must have reached your preservation age.

Date of Birth	Preservation Age
Before 1 July 1960	55
1/7/1960 – 30/6/1961	56
1/7/1961 – 30/6/1962	57
1/7/1962 – 30/6/1963	58
1/7/1963 – 30/6/1964	59
1/7/1964 onward	60

- Opting out is an irreversible decision and you should seek financial advice before doing so.
- You cannot choose to opt out of only one scheme. If you are a member of both NTGPASS and NTSSS, you must opt out of both schemes.
- You will be treated as if you were an exiting member. This means you can choose to:
 - take a TTR pension through NTGPASS or another superannuation fund;
 - preserve all or part of your benefit in NTGPASS, i.e. become a retained member; or
 - roll over all or part of your benefit to another superannuation fund.
- You will need to nominate another superannuation fund to receive your 9% SG contributions and any salary sacrifice payments.
- If you choose to become a retained member you can continue to make personal (post tax) contributions to your retained account.
- Except in limited circumstances, you cannot cash any part of your superannuation benefit as a lump sum payment.
- You will not be eligible for the NTGPASS annuity bonus.

TTR pension rules

- You must have a minimum starting balance of \$50,000.
- You must take a minimum pension amount each year based on your age and account balance.
- You cannot take more than the annual maximum pension limit of 10% of your account balance.
- Generally you cannot withdraw any lump sums.
- You cannot make contributions directly to your pension account.

Minimum Pension Amount

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 halved the minimum annual pension amounts outlined in the table above for 2008-09, 2009-10 and 2010-11.

Different rules for over 65's

Commonwealth legislation provides that, regardless of your employment status, once you have reached age 65 you can access your superannuation.

This means that if you are aged 65 or over **and** you opt out of NTGPASS/NTSSS, you can cash all or part of your superannuation benefit.

If you choose to commence a pension with any part of your superannuation balance, it will be a standard pension and not restricted by the TTR rules regarding maximum annual pension limit or lump sum withdrawals.

Death and invalidity

Active NTGPASS members are entitled to death and invalidity benefits as part of their membership. If you elect to opt out of NTGPASS you will no longer be entitled to these benefits. However, you will become a member of the Northern Territory Government Death and Invalidity Scheme (NTGDIS). For more information refer to the NTGDIS fact sheet.

More information

The Superannuation Office can provide information about your benefit but cannot provide personal financial advice. If you require assistance in deciding whether to opt out of NTGPASS, you should seek the services of a qualified professional.

Information on NTGPASS pensions, including the *Pension Fact Sheet* and *Pension Information Booklet*, can be obtained from our website or our office.

Disclaimer

This information is provided as a guide only and has been prepared without taking into account your personal objectives and financial needs. You should consider any information provided in light of your personal circumstances. You may wish to consult a licensed financial planner to do this.

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