State Account Guide

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qsuper.qld.gov.au

QSuper
Part of Australian Retirement Trust

Contents

Who this guide is for

Read this guide if you have a State account and want to understand how it works, the retirement benefits you get, your insurance entitlements, and what happens when you leave the account.

This guide does not cover the Police account

Information about the closed Police account is available in the *Police Account Guide*. You can download a copy from **qsuper.qld.gov.au/guides** or call us on **1300 360 750** to request a copy.

Case studies and examples

The case studies and examples in this guide are provided for illustrative purposes only, and the members shown are not real. It is assumed for these hypothetical purposes that all terms and conditions are met. Figures may be rounded for ease of understanding.

The State account is closed

The State account closed to new members on 1 January 1991. Your State account remains open until you leave your job with an employer that allows you to have this account, or you decide to transfer to another type of QSuper account.

State account members who were employed before 1 January 1973

If you joined the State account before **1 January 1973**, your benefit may be calculated slightly differently to the way we have outlined in this guide. Please contact us if you want to know how your benefit is calculated.

Important information

You should consider the information contained in this guide, the *QSuper Product Disclosure Statement for Accumulation Account* (PDS) and *QSuper Product Disclosure Statement for Income Account and Lifetime Pension* before making any decisions about your State account. If you need copies of any of the documents we refer to in this guide, you can download them from **qsuper.qld.gov.au/pds** or call us to request a copy.

When we talk about Queensland Government employers in this guide, we also mean related entity employers.

Keeping you informed

The information in this guide may change from time to time. We'll keep you updated on changes and events, both directly and via our website. You can also call us on **1300 360 750** if you have any questions.

Benefits of the State account

With a State account, your retirement benefit is based on a formula that uses a number of factors including your fortnightly final average salary, your years of service after age 20, your age, and the date you joined the State account. This means your State account final benefit is not impacted by market movements – no matter what happens to investment markets, you still get a 'defined' amount. The account also comes with a number of other great benefits.

Choose between defined pension and lump sum benefit

If you retire on or after turning 55, you have the option to receive your benefit as a defined pension (pension for life), lump sum, or combination of both. The pension is fully indexed in line with movements in the consumer price index (CPI).[1]

Protection from volatile markets

Your retirement savings are not subject to market fluctuations, and you'll get a defined pension or lump sum benefit when you retire. A global financial crisis will not affect your final benefit.

Your retirement savings are safe

The Queensland Government is required to pay their share of your State account benefit. You can relax knowing you will receive your super when you retire.

A pension for your spouse and for your children should you die

If you die while holding a State account, your surviving spouse has the option to receive a defined pension.[2] Your children (if eligible) will also receive a pension until they turn 18, or 25 if they're studying full-time, or for life if they have a permanent disability[3] at the time of your death.

Income protection and total and permanent disability cover

This is automatically included as part of the account, with no additional charges.

No fees

There are no fees with the State account, as the amount you pay is determined by a formula. There are also no fees on transactions.

Personal financial advice

Deciding what is best for you will depend on your personal circumstances and you may want to seek personal financial advice to get the most from your superannuation.

You can find out more about financial advice options at **qsuper.qld.gov.au/advice**

1 All references to CPI in this guide means indexed annually in line with inflation (Consumer Price Index: All groups, Brisbane). **2** Exclusions may apply for female members who joined the account before 27 February 1984, as explained in this guide. **3** Defined as suffering from a permanent (or likely to be permanent) physical, intellectual, or psychiatric disability that results in a substantially reduced capacity of the person for communication, learning, or mobility and the need for ongoing support.

How the account works

The State account was designed to provide you with a respectable retirement amount that reflects your service to the State.

The scheme was designed around the idea that you would work for the government until you retire at age 55 or older, with 55 being the earliest retirement age. This means that if you leave before turning 55, some different rules apply to determine what happens with your super.

Below is a snapshot of how your account works if you stay in the State account until you retire.

Your compulsory contributions

+

Employer State account contributions

Your State account

Benefit calculated using a formula

On retirement, you receive a defined pension (can also convert partially or wholly to a lump sum benefit)

Your voluntary contributions

+

Additional 3% employer contribution

Your Accumulation account

Balance changes with contributions, investment returns, and fees

On retirement, you can access a lump sum or open a QSuper Income account and/or Lifetime Pension. The award-winning[1] Retirement Income account lets you pay yourself a regular income from your super, withdraw extra money at any time, and benefit from tax-free investment returns.

With a Lifetime Pension you can receive an income for the rest of your life, and the life of your spouse (if applicable) - even after you've received payments totalling your original purchase price.

Note: The Lifetime Pension is a different product to the pension payable for life (defined pension) under the State Account rules. You may want to seek financial advice to discuss what is the best option for you.

Transition to retirement

If you have money in an Accumulation account (e.g. voluntary contributions) and you've reached your preservation age[2] (55-60, depending on what year you were born), you can transfer some or all of this money to a Transition to Retirement (TTR) Income account. **Please note that the additional 3% employer contribution cannot be used for this purpose.**

The TTR Income account allows you to start receiving regular payments from your super while you continue to work. It can also be used to boost your super as part of a smart tax strategy.

To apply for an Income account or for more information, see the 'Transition to Retirement' section of our website, or the *QSuper Product Disclosure Statement for Income Account and Lifetime Pension*.

1 Based on recipients of Pension of the Year awards from SuperRatings and Chant West. For more information, refer to qsuper.qld.gov.au/awards. The award is solely a statement of opinion and does not represent a recommendation to purchase, hold, or sell any securities, or make any other investment decisions. Ratings are subject to change. Ratings, awards, or investment returns are only one factor that you should consider when deciding how to invest your super. Past performance is not a reliable indicator of future performance. These awards were received before QSuper became part of Australian Retirement Trust on 28 February 2022. The QSuper products that received these awards have kept the same key features post-merger.

Growing your super

You have two different ways to grow your super with us.

Standard contributions

You need to make these as part of your State account.

What you contribute

Unless you are aged 65 and over, or have reached 42.5 years of service, you are required to make contributions towards your State account. This contribution amount is adjusted in the first full pay period in November each year based on a percentage of your superannuable salary at 1 October, which is your salary excluding any allowances or higher duty payments you may receive.

Your contribution percentage rate depends on various factors, including your age, when you joined the scheme, your gender, and whether you have death cover. If you joined after 26 February 1984, your current contribution rate is 5% of your salary. If you joined the State account before 26 February 1984 and aren't sure what your contribution percentage rate is, contact your pay office or call us.

You may be paying a higher contribution percentage rate if you chose to 'buy back' additional years of service within two months of joining the State account. This means you are paying a higher rate to purchase years of service that you were not a member of the State account for.

Whatever your contribution rate, if you work part-time, your contributions are calculated on a pro rata basis (i.e. the above percentage of your part-time salary). This will affect the service time used when calculating your benefit.

Employer contributions

Your employer makes a contribution of 9.75% [1] to your State account if you are making a 5% contribution. They also make a 3% contribution (an **award contribution**) to your Accumulation account.

If you are on leave without pay or receiving an income protection benefit

If you are on leave without pay, you don't pay contributions, and when it comes to calculating your benefit, the time you were on leave without pay will be deducted from your total service time. If you are receiving WorkCover, you are required to pay contributions during this period and you should contact your employer to organise this.

If you are receiving a QSuper income protection benefit, you don't need to pay contributions, but this period will still be counted as part of your total service time when your benefit is calculated.

When contributions to the State account stop

When you turn age 65 or reach 42.5 years of service and are still working, you are no longer required to contribute to the State account. Instead, your 5% member contribution will be made to your Accumulation account and your employer will also make a contribution of 12.75% of salary to this account. You can choose to pay less than the default 5% contribution, down to a minimum of 2%, although the employer contribution will reduce correspondingly.[1] For more information about the Accumulation account, download the *Accumulation Account Guide* from **qsuper.qld.gov.au/pds** or call us to request a copy.

1 Your employer pays employer contributions of up to 12.75% of your gross salary subject to at least the Superannuation Guarantee rate (10.50% for 2022-2023) of ordinary time earnings (OTE). Your OTE salary is generally what you earn for your ordinary hours of work, including commissions, shift loadings and allowances, but not overtime payments. For more information, see ato.gov.au/super

Voluntary contributions

Contributing a little bit more now can make a big difference later.

It's never too late to give your retirement savings a boost. Anything extra you can add to your super can pay off in the long term. The power of compound interest means that even small amounts can add up over time. Contribution caps apply, and these are explained later in this guide.

Any voluntary contributions you make go into an Accumulation account, and you can choose how you want your funds invested. For more information about your investment options, visit our website.

How to make voluntary contributions

Set up regular additional contributions into super

Ask your payroll office how you can set up regular additional contributions, including salary sacrificing. You may need to use **RemServ.com.au** or **SmartSalary.com.au** for salary sacrifice contributions.

You should check your contribution limits because, if you have a high salary, you may already be near or at the limit.

Complete a Deposit form

Download the *Deposit* form at **qsuper.qld.gov.au/forms** or call us to request a copy. Include a cheque or money order for the amount you want to deposit.

BPAY Via BPAY®

Use the individual BPAY details listed in Member Online or your annual statement. If you cannot find them, call us and we can provide these details.

Salary sacrificing your standard contributions can be tax-effective

By default, your contributions are paid using after-tax money. Salary sacrificing is when you contribute a portion of your salary to your super before you pay any tax on it, which can lower the amount of salary you pay tax on. This is helpful for people who pay more than 15% personal income tax.

Speak to your payroll to find out how you can salary sacrifice your standard contributions. Please note, when you salary sacrifice standard contributions, they need to be increased to allow for contributions tax of 15%, e.g. before-tax contributions of 5% will actually be 5.88%.

How your retirement benefit is calculated

We calculate your benefit by using your fortnightly final average salary and your length of contributory membership in the State account, up to a total length of service of 42.5 years.

The fortnightly final average salary used to calculate your benefits under the State account is the average of your superannuable salary over the 12 months up to the date we calculate your benefit. It excludes any allowances you receive and any additional salary you may be paid when you're on higher duties (except for teachers' allowance based on the number of pupils attending the school).

If your salary increases due to a promotion during the period two years before retirement, your final average salary is calculated using a formula that averages out the effect of the promotional salary increase over this period.

You will also be entitled to the amount held in your Accumulation account as a result of the 3% award contribution made by your employer. You can leave this money in your Accumulation account, withdraw it as a lump sum if you meet a preservation cashing condition (explained in this guide), or transfer it to a QSuper Income account and/or use it to start a Lifetime Pension if you're at least 60 years old. For more information, see our website.

Your retirement benefit is also calculated a little differently depending on whether you retire before or after age 60. We outline the two scenarios on the next page, but to see the latest estimate of how much you may get when you retire, please contact us on **1300 360 750**.

Keeping up with inflation

A significant benefit of your State account pension is that it is indexed in line with movements in CPI, with the increase being applied every August. Where a pension starts partway through a financial year, we will apply a proportionate variation to your pension when it increases for the first time.

Retirement between ages 55 and 60

If you retire between ages 55 and 60, your default benefit is a lump sum amount, which is calculated using the following formula:

$$\textit{Fortnightly final average salary} \times \left[\left(\frac{3 \times \text{service (years) before 1 July 1988}}{170}\right) + \left(\frac{3 \times \text{service (years) from 1 July 1988}}{200}\right)\right] \times \text{gender factor} \times \text{age-based factor}$$

The gender and age-based factors we use are prescribed under the Trust Deed for Australian Retirement Trust ("Trust Deed"). As there are a large number of these factors for various calculations, we can't show them all here, but you can contact us to discuss what the factors would be in your case.

How Stan's lump sum is calculated

Stan retired on 1 July 2020, aged 57. He had one year of service before 1 July 1988, and 32 years of service after 1 July 1988. His lump sum is calculated as:

$$\$3{,}077 \times \left[\left(\frac{3 \times 1}{170}\right) + \left(\frac{3 \times 32}{200}\right)\right] \times 313 \times 0.94$$

$$= \$450{,}527.32$$

You can immediately access the cash value of your benefit, which are your own contributions (plus interest) made before 1 July 1999 and the employer component of your benefit that accrued before 1 July 1999.

The remainder of your benefit (preserved component) can be accessed if you meet a preservation cashing condition. You meet a preservation cashing condition if you turn age 65, permanently leave the workforce after reaching preservation age, cease an employment arrangement on or after age 60, become permanently disabled, or die.

If you are male and joined the State account before 27 February 1984 and take any of your benefit as a lump sum, you are also entitled to an additional amount in lieu of widow pension benefit. You can find more information about this benefit on your annual statement.

Converting to a defined pension

You have the option to convert all or part of your benefit to a defined pension, but you must make this decision within one month following your date of retirement. Your pension is calculated by dividing your lump sum entitlement by a factor prescribed in the Trust Deed. The factor is based on your age at the date you retire.

How Stan's defined pension is calculated

If Stan chooses to receive his total entitlement as a defined pension, his fortnightly pension will equal:

$$\frac{\$450{,}527.32}{344} = \$1{,}309.67$$

Alternatively, if Stan decides to receive half of his entitlement as a pension and half as a lump sum, his benefits would be calculated as follows:

Lump sum benefit = $450,527.32 x 50% = $225,263.66

$$\text{Pension benefit} = \frac{\$225{,}263.66}{344} = \$654.84 \text{ per fortnight}$$

Retirement on or after age 60

If you retire on or after age 60, your default benefit is a defined indexed pension, paid fortnightly, and is calculated as follows:

$$\text{Fortnightly final average salary} \left[\left(\frac{3 \times \text{service (years) before 1 July 1988}}{170} \right) + \left(\frac{3 \times \text{service (years) from 1 July 1988}}{200} \right) \right]$$

Your fortnightly pension amount cannot exceed 75% of your fortnightly final average salary.

How Frank's fortnightly pension is calculated

Frank retired on 1 July 2020, aged 64. His final average salary was $3,077 per fortnight and Frank had four years' service before 1 July 1988 and 32 years' service after 1 July 1988. Frank's fortnightly pension is calculated as:

$$\$3{,}077 \times \left[\left(\frac{3 \times 4}{170} \right) + \left(\frac{3 \times 32}{200} \right) \right] = \$1{,}694.16$$

per fortnight

Converting to a lump sum benefit

You have the option to either wholly or partially convert your pension to a lump sum benefit, with a corresponding reduction in your pension benefit. However, you can only choose to do this within one month of your date of retirement.

We calculate the lump sum benefit you are entitled to using factors that relate to your age and gender, and these are prescribed under the Trust Deed. As there are a large number of these factors for various calculations, we can't show them all here, but you can contact us to discuss what the factors would be in your case.

How Frank's lump sum benefit is calculated

Frank's fortnightly pension entitlement
= $1,694.16

If Frank instead decides he wants to receive his total entitlement as a lump sum, his lump sum would be calculated as follows:

Lump sum benefit = $1,694.16 x 271
(the factor that applies at age 64)
= $459,117.40

Alternatively, if Frank decides he wants to receive half of his entitlement as a pension and half as a lump sum, his benefit would be calculated as follows:

Pension benefit = $1,694.16 x 50%
= $847.08
per fortnight
Lump sum benefit = $847.08 x 271
= $229,558.68

Your lump sum benefit is transferred to your Accumulation account. You can leave it there, roll it over to another superannuation fund, withdraw it, or use the money to open a QSuper retirement product.

If you keep working after turning age 65

When you turn age 65, your pension benefit is calculated as explained in the 'Retirement on or after turning age 60' section on page 10 and two-sevenths of the pension becomes payable to you. You will have the option to convert this entitlement wholly or partially to a lump sum payment within one month of the pension becoming payable.

When you permanently retire, your pension is increased to the full value and you will again have the option to convert the amount of the additional pension wholly or partially to a lump sum benefit. Because you stop making contributions to your State account when you turn 65, the value of your benefit will be the same as it was when it was calculated at age 65, although it will be indexed in line with movement in CPI from age 65.

How Sarah's fortnightly pension is calculated

Sarah turned 65 on 1 July 2015 but decided to keep working. Her average salary at age 65 is $3,200 per fortnight and she had 1 year of service before 1 July 1988 and 27 years of service after 1 July 1988. Her fortnightly pension as at age 65 was calculated as:

$$\$3{,}200 \times \left[\left(\frac{3 \times 1}{170}\right) + \left(\frac{3 \times 27}{200}\right)\right] = \$1{,}352.47 \text{ per fortnight}$$

The defined pension that became payable to her at age 65 equals $1,352.47 × 2/7 = $386.42 per fortnight.

Sarah stopped working three years later, aged 68. The fortnightly pension payable to her increases then to $1,435.25, which is the value of the full pension when she turned 65 ($1,352.47) indexed with increases in CPI.[1]

If you do continue working after age 65, your super contributions will be paid to your Accumulation account (see page 6).

1 In this example, CPI is assumed to be 2%.

Resignation or retrenchment

If you leave your Queensland Government employer, you generally cannot keep your State account unless you start working for another Queensland Government employer who is able to pay into a State account within three months.

Your options vary depending on your age, and whether you resign or are retrenched.

Resigning and changing jobs

When we hear from your employer that you've resigned, we'll send you a form so you can let us know what you want to do with your funds.

If you're aged 55 or over when you resign or voluntarily leave employment

You will be entitled to a retirement benefit in the form of a defined pension, lump sum, or a combination of both as explained in this guide.

If you're under 55 years old when you resign or voluntarily leave employment

There are three options available to you, and you have to let us know within three months of leaving your employment which option you choose by completing the form we send to you. If you don't return the form to us, option 1 will automatically apply.

Under any of these options, the 3% award contribution made by your employer to your Accumulation account can be accessed when you meet a preservation cashing condition. These conditions include turning 65, ceasing work after age 60, permanently retiring once you have met the age you can access your super, becoming permanently disabled, or in the event of your death.

Option 1

You can keep investing your benefit in the State account, where it will grow in line with the fund's earning rate until you turn age 55, become permanently incapacitated, or die. If any of these things happen, your benefit will be transferred to an Accumulation account – or if you die, your benefit will be paid to your legal personal representative.

The retained benefit is equal to your retrenchment benefit and is calculated as:

$$\textit{Benefit if you had retired at age 55} \times \frac{\textit{service when leaving employment}}{\textit{service up to age 55}} \times [1 - 0.02 \times (55 - \text{age at stopping work})]$$

Your annual statement will tell you the value of your retained benefit (known as your 'preservation option following resignation') as at the last 30 June.

You can continue to access your cash value under this option. If you ever decide you want to withdraw your cash value, your State account will close and you can withdraw this benefit as per option 3.

Option 2

You can continue to invest and grow your super by transferring your retained benefit (as calculated in option 1) to an Accumulation account. It is important to note that if you choose this option, the entire benefit will be preserved until you meet a preservation cashing condition, such as turning 65, permanently retiring after age 60, becoming permanently disabled, or die.

Option 3

You can withdraw your money as a withdrawal benefit. Your withdrawal benefit is displayed on your annual statement and is generally a smaller benefit than under option 1 or 2. It consists of:

1. Cash value of your own contributions (plus interest) made before 1 July 1999, plus
2. Preserved amount made up of your contributions (plus interest) made after 1 July 1999 and an amount that represents the minimum employer contribution required under Commonwealth legislation.

Your withdrawal benefit is transferred to your Accumulation account, but unlike with option 2, you can access the cash value of your benefit, which under Commonwealth legislation is called your unrestricted non-preserved component.

Retrenchment

We know that retrenchment can be a stressful time in your life, and it is important for you to know what happens to your State account in this event, as it will impact the financial decisions you may make.

If you are aged 55 or over when you are retrenched, your benefit is calculated in exactly the same way as a retirement benefit, which is explained on page 9.

If you are under 55 when you are retrenched, the benefit from your State account will be calculated as follows:

$$\textit{Benefit if you had retired at age 55} \times \frac{\textit{service at retrenchment}}{\textit{service up to age 55}} \times [1 - 0.02 \times (55 - \textit{age at retrenchment})]$$

How Tanya's retrenchment benefit is calculated

Unfortunately, Tanya was retrenched from her position on 1 March 2020. Tanya was aged 50 at the time of her retrenchment and has been a member of the State account since 1 March 1989. Tanya's length of service at retrenchment is 30 years and her length of service if she continued up to age 55 would have been 35 years. Her salary is $3,200 per fortnight.

The benefit available to Tanya if she retired at age 55 is calculated as follows:

$$\$3,200 \times \left[\left(\frac{3 \times 0}{170}\right) + \left(\frac{3 \times 35}{200}\right)\right] \times 313 \times 0.9$$

= $473,256.00

The retrenchment benefit that becomes available to Tanya is then calculated as follows:

$$\$473,256.00 \times \frac{30}{35} \times [1 - 0.05 \times (55 - 50)]$$

= $365,083.20

Your retrenchment benefit will be transferred to an Accumulation account and this money (along with the 3% award contribution your employer was making to your Accumulation account) will be available to you when you meet a preservation cashing condition. These conditions include if you turn 65, stop work or permanently retire after age 60, become permanently disabled, or die.

Changing jobs? Take us with you

If you're an existing QSuper member, you can keep your account even if you're starting a new job outside the Queensland Government.[1] There are plenty of good reasons to stay with us. A fund that works for you, not shareholders. We're committed to returning profits to members as better services and lower fees.

Your Accumulation account gives you access to a range of benefits:

- Default investment option that will automatically change investment strategy based on your age and account balance, or take control over how your super is invested, with our range of investment options
- Manage your account when and where it suits you through Member Online
- Flexible insurance cover you can personalise to meet your needs (subject to eligibility).

To find out more head to **qsuper.qld.gov.au/changingjobs** or call us on **1300 360 750**.

1 In some circumstances, you may not be eligible to have your employer contribute to your QSuper account. Please check with your employer.

Insurance

As a State account member, you automatically have insurance that you do not pay premiums for (because the cost is covered by the Queensland Government), and this cover cannot be cancelled.

Your options vary depending on your age, and whether you resign or are retrenched.

Income protection

You may be entitled to an income protection benefit if you're temporarily unable to work in your current job due to illness or injury.

Before your income protection payments can start, you first need to use all your paid sick leave and then take 14 consecutive days of unpaid sick leave. You can't take any paid leave (annual or long service leave) during this period, but you may be able to apply to Centrelink for income support benefits.

To receive income protection, we need to be satisfied you're unable to return to work and you need to continue to meet our ongoing requirements, which are explained in detail below. If your employment ends, you'll no longer be able to claim an income protection benefit; however, you may be entitled to a permanent incapacity benefit if you had to leave employment due to permanent incapacity.

You can claim income protection while you're waiting for a WorkCover claim to be processed. However, if your WorkCover claim is successful, you'll need to pay back the benefit you were paid during the time you were covered by WorkCover.

$$\textit{Fortnightly final average salary} \times \left[\left(\frac{3 \times (\text{length of service} + \text{future service up to age 65})}{170}\right)\right]$$

As with the defined pension you receive on retirement, your total service period is limited to 42.5 years and the income protection amount is capped at 75% of your final average salary.

How Joanne's income protection benefit is calculated

Joanne is age 53 and due to an injury, she is eligible to claim an income protection benefit. Her final average salary is $3,832 per fortnight, and Joanne has 31 years' service. Joanne has 12 years to go before she turns age 65 (prospective service).

As the sum of Joanne's service and prospective service is greater than 42.5 years (i.e. 43), her service period is capped at 42.5 years. As such, Joanne's fortnightly pension amount is calculated as:

$$\$3,832 \times \left[\frac{3 \times 42.5}{170}\right] = \$2,874 \text{ per fortnight}$$

Income protection is paid on a weekly basis, so Joanne will receive $1,437 (before tax) per week.

Ongoing requirements when you are on income protection

While you're receiving an income protection benefit from us, you may need to provide the following:

- Medical report forms (completed on a regular basis by your GP or medical specialist)
- Detailed medical reports (from your GP or medical specialist)
- Independent medical assessments by specialists we choose (your employer may also request this)
- An interview (over the phone, or in person with our staff or an agent).

This information helps us to assess whether you're still eligible to receive income protection.

When you would stop receiving income protection payments

There are a number of reasons we may stop paying you income protection. Payments could stop if you:

- Start working normal hours again
- Don't arrange for your employer to let us know your sick leave without pay approval date has been extended (refer to Part B of the claim form in the *Income Protection Benefit Guide* – you'll need to provide your employer with a medical certificate)
- Don't provide us with medical information we request
- Don't attend a medical assessment that we arrange
- Receive WorkCover benefits
- Stop working for an eligible Queensland Government employer
- No longer meet the Trust Deed definition of temporary disability
- Become permanently disabled (as you will become entitled to a permanent disability benefit)
- Die.

You also need to tell us if you:

- Return to work
- Start a graduated return to work program
- Earn other income
- Make a claim for WorkCover benefits
- Start a business or a new job.

In these situations, we may stop paying your income protection or reduce the amount we pay you. It is important to let us know as soon as possible if your situation changes, because if your income protection benefit is overpaid you'll need to pay it back.

Graduated return to work

If you're in a graduated return to work program your pension may be reduced if the income you earn exceeds your allowable additional earnings. If the combined income from your income protection payments and the income you receive from your employer exceeds the salary you would earn if you weren't on income protection (less the applicable superannuation contribution), we will reduce your pension on a dollar for dollar basis.

How to apply for income protection

The QSuper *Income Protection Benefit Guide* provides all the information and forms you need to apply for income protection. The guide can be downloaded from our website at **qsuper.qld.gov.au/guides**, or you can call us to request a copy.

Permanent disability

You may be entitled to a benefit if you suffer from a permanent mental or physical condition that prevents you from performing your work.

How much benefit will I receive?

The benefit you receive is a **pension benefit** calculated in the same way as your income protection benefit:

$$\textit{Fortnightly final average salary} \times \left[\left(\frac{3 \times (\text{length of service + future service up to age 65})}{170}\right)\right]$$

Your pension benefit remains payable for your lifetime. Your pension will be indexed in line with movements in CPI in the first full pay period of August of each year.

You have the option to convert your pension entitlement to a **lump sum** payment. If you were under age 60 at the date you became permanently disabled, the lump sum benefit is calculated as follows:

$$\textit{Final average salary} \times \textit{age-based factor} \times \left[\left(\frac{3 \times \text{length of service up to age 60}}{170}\right)\right]$$

If you are age 60 or over at the date you became permanently disabled, the lump sum benefit is calculated as follows:

$$\textit{Final average salary} \times \textit{age-based factor} \times \left[\left(\frac{3 \times \text{length of service, not exceeding 42.5 years}}{170}\right)\right]$$

You can choose the lump sum option at any time in the first six months after you become entitled to a permanent disability pension, and any pension payments made to you in the meantime will be deducted from the lump sum value payable to you. However, if we received medical evidence someone making a claim was not medically competent to handle a lump sum payment, only the pension would be available.

Unlike a retirement benefit, there is no option to take a part pension and part lump sum payment. Your lump sum benefit will be transferred to an Accumulation account.

You can also open a Retirement Income account, which lets you choose your pension payment amount and frequency, withdraw lump sums as needed, and continue to invest your account balance.

If you're over age 60, you can open a Lifetime Pension, which provides you with payments for life. However, you cannot withdraw lump sums from a Lifetime Pension.

Alternatively, you can choose to have the whole or part of your lump sum paid directly to your bank, credit union, or building society account.

When you become entitled to the permanent disability benefit, the 3% award contribution made to your Accumulation account, plus any investment earnings on these contributions, is deemed to form part of the benefit. This means that the 3% award contribution plus interest will be deducted from your Accumulation account. Any other contributions you have made to your Accumulation account (plus any interest) will of course remain in your account.

How Michael's permanent disability benefit is calculated

Michael is age 52 and becomes entitled to a permanent disability benefit. His final average salary is \$3,700 per fortnight and he has 32 years' service. Michael has 13 years to go before he turns age 65 (prospective service). As the sum of Michael's service and prospective service is greater than 42.5 years (i.e. 45), his service period is capped at 42.5 years. As such, Michael's pension benefit is calculated as:

$$\$3{,}700 \times \left[\frac{3 \times 42.5}{170}\right] = \$2{,}775$$

per fortnight

After receiving this pension for three months (12 weeks), Michael decides he wants to receive his benefit as a lump sum payment. His age-based factor, as prescribed under the Trust Deed, is 235 and he would have 40 years of service if he kept working to age 60. Michael's lump sum benefit is calculated as:

$$\$3{,}700 \times 235 \times \left[\frac{3 \times 40}{170}\right] = \$613{,}764.71$$

As Michael has already received pension payments equal to \$16,650, the lump sum benefit that will be paid to him is \$597,114.71 (which is \$613,764.71 – \$16,650).

Earning other income while receiving a permanent disability pension

Yes, you can, but your pension may be reduced or suspended if your gross income exceeds your allowable additional earnings. If the combined income from your pension and any additional earnings you may have exceeds the salary you would otherwise have been earning in your previous position (less the applicable superannuation contribution), we will reduce your pension on a dollar for dollar basis. We will monitor your income levels until you turn age 65.

How to apply for a permanent disability benefit

To apply for a permanent disability benefit, complete the form at the back of the *Permanent Disability Benefit Guide*. You can access the guide on our website or call us to request a copy.

You and your employer will need to complete the relevant sections in the form, and we'll also need at least one detailed report from your current doctor or specialist about your condition. In some cases, we may ask you to visit a specific doctor – but we'll pay for the appointment and medical report.

If your application is approved, we will send you a quote of your benefit and a claim form so you can tell us whether you want to receive your benefit as a pension or a lump sum.

Death benefits

Your State account provides a benefit to your spouse or your estate if you die while a member of the State account, or when you are receiving a retirement or disability pension (subject to conditions).

It is important to note if you are a female member who joined the State account before 27 February 1984, you may not have death cover. In this instance, your death benefit is the sum of your own contributions (plus interest) and an employer-funded amount. Please contact us to check if you have death cover.

In this section, when we talk about a **spouse**, it includes the person you are married to or your de facto spouse if you lived together as a couple for at least two years before your death.[1] Your spouse may be of any gender.

Information on claiming a death benefit can be found in the *Death Benefit Claim Guide*. You can download the guide from our website at **qsuper.qld.gov.au/guides** or call us to request a copy.

Death benefit while still working

Spouse's benefit

If you are **under age 60** and have death cover, the benefit your surviving spouse will receive is calculated as follows:

$$\textit{Fortnightly final average salary} \times \textit{age-based factor} \times \left[\left(\frac{\textit{3 x service up to age 60}}{170}\right)\right]$$

If you are **between age 60 and 65** and have death cover, your spouse's benefit is calculated as follows:

$$\textit{Fortnightly final average salary} \times \textit{age-based factor} \times \left[\left(\frac{\textit{3 x service at time of death, not exceeding 42.5 years}}{170}\right)\right]$$

How John's death benefit is calculated

John dies at age 56 and has a surviving spouse, Pam. John's final average salary at his time of death is $3,500 per fortnight and he has 30 years' service. John had four years to go before he would have turned age 60, so his service up to age 60 is 34 years (30 + 4). The relevant age-based factor, as prescribed under the Trust Deed, is 235. The benefit that becomes payable to Pam is:

$$\$3{,}500 \times 235 \times \left[\frac{3 \times 34}{170}\right] = \$493{,}500$$

Your spouse has the option to receive the benefit as a lump sum, a defined indexed pension, or a combination of both. They must make this choice within six months. If your spouse chooses to receive the benefit as a pension, the calculation is based on the permanent disability pension you would have received if you had been deemed to be permanently disabled just before your death (see 'Permanent disability'). Your spouse's pension is calculated as follows:

$$\textit{Permanent disability pension} \times \textit{\% of lump sum converted to pension} \times 0.667$$

The pension will be indexed each year in line with movements in the CPI.

1 Your de facto spouse means you lived together as a couple on a genuine domestic basis (within the meaning of the *Acts Interpretation Act 1954* (Qld) section 32DA) for a continuous period of at least two years before your death (or a shorter period if the circumstances of the relationship evidenced a clear intention for it to be a long-term, committed relationship).

Pam chooses to receive a pension

Instead of receiving a lump sum, Pam decides she wants to receive 50% of the benefit as a lump sum and 50% as a pension. First, we have to calculate the permanent disability pension that would have applied to John. For this calculation, John's service up to age 65 is used, which is 39 years. This means the permanent disability pension would have been:

$$\$3{,}500 \times \left[\frac{3 \times 39}{170}\right] = \$2{,}408.82 \text{ per fortnight}$$

Pam's pension benefit is then determined as:

$2,408.82 x 50% x 0.667 = $803.34 per fortnight

Her lump sum benefit is:

50% of $493,500 = $246,750

The 3% award contribution made to your Accumulation account, plus any investment earnings on these contributions, is deducted from your Accumulation account and it forms part of the lump sum or pension benefit. However, any money you have contributed to an Accumulation account, and the associated earnings, are paid as a separate death benefit in addition to your State account death benefit.

Child's benefit

In addition to the spouse's benefit (if payable), any children you have under the age of 18, or 25 if they are full-time students, will be entitled to receive an indexed fortnightly pension. They will also continue to receive a child's pension past the age of 18, if, in the opinion of the Trustee, they have a disability as defined under Queensland's *Disability Services Act 2006* at the time of your death. Your child's pension is paid to your spouse or, if you have no spouse, to your child's guardian, unless the Trustee decides otherwise.

If you are a female State account holder without death cover, the child's pension will still be available to any children who are wholly dependent on you at the time of your death.

Effective 1 August 2021, the child's pension is $142.64 per fortnight. Child pensions (including orphan benefits) are indexed in August each year in line with movement of CPI.

If you did not have a spouse at the time of your death, any children you have who meet the criteria above are entitled to what's known as an orphan's benefit.

- For one child – the benefit is 66.7% of the pension benefit that would have been paid to you if you had become permanently disabled immediately before your death.
- For more than one child – the benefit is 100% of the pension benefit that would have been paid to you if you had become permanently disabled immediately before your death, divided equally among the children.

How Kathy's child's pension is calculated

Kathy dies and has no surviving spouse. The permanent disability benefit that would have become payable to Kathy would be $2,650 per fortnight.

If Kathy had one child, the pension benefit payable would be

66.7% x $2,650 = $1,767.55 per fortnight

If Kathy had three children, the pension benefit payable to each child would be

$2,650 / 3 = $883.33 per fortnight

If the total amount of orphan benefit paid is less than what the estate benefit would have been, the difference will be paid to the children as a lump sum after the youngest child is no longer eligible to receive the orphan's benefit.

If you received your whole benefit as a lump sum, no death benefit is payable. The only exception is for members who retired before 27 February 1984, whose spouse (must be the same spouse as at the time of retirement) may be eligible for a benefit payable as a lump sum, pension, or combination of both. If this applies to you, we will contact your spouse when we become aware of your death.

Child pension if you die within one year of becoming permanently disabled

A child pension equal to $142.64 per fortnight will be paid to an eligible child if you received a permanent disability lump sum and the same or related condition causes your subsequent death within one year from the date of the payment.

Estate benefit

If you had death cover and you don't have any dependants at the time of your death, an amount equal to the spouse's lump sum benefit will be paid to your estate. If you don't have death cover, the estate benefit will be equal to the contributions you made, plus interest, plus an amount that represents the minimum employer contribution required under Commonwealth superannuation legislation (the minimum requisite benefit).

Death benefit while you are receiving a pension

This section outlines the benefits your dependants would be entitled to if you die while you are receiving a defined pension.

Spouse's benefit

If you have death cover, and your spouse was also your spouse on the date you retired (including retiring due to disability), they will receive a benefit after your death.

The benefit is a lump sum payment, which is calculated by multiplying the **pension that was payable immediately before your death** times a **factor related to the age of your spouse**. This factor is prescribed under the Trust Deed, and you can call us if you want to find out what factors would apply in your case.

Your spouse can also choose in the first six months after your death to convert all or part of the lump sum to a defined pension, which is calculated as follows:

Pension payable immediately before death **x** ***% of lump sum converted to pension*** **x 0.667**

How Mark's spouse's benefit is calculated

Mark dies and is survived by his spouse, Robin, who is aged 67. At his time of death, Mark was receiving a defined pension of $2,500 per fortnight.

If Robin chose to receive the total benefit as a lump sum benefit, it would be calculated as:

$2,500 x 139 *(factor that applies at age 67)*
= $347,500

If Robin instead chose to receive the total benefit as a fortnightly defined pension, it would be calculated as:

$2,500 x 100% x 0.67 = $1,667.50 per fortnight

Child's benefit

If you have any dependent children at the time of your death, they will receive a child's pension as outlined in this guide (see 'Child's benefit'). However, please note that if they are entitled to an orphan's benefit, this benefit will be based on the pension you were receiving immediately before your death.

Tax

Tax when you make contributions

Contributions tax

Concessional contributions are contributions made before income tax is taken out. They include the super from your employer, your salary sacrificed contributions, and any other contributions where you've claimed a tax deduction. These contributions are taxed at 15% when they enter your super fund.

Tax on high income earners

If your income[1] plus concessional contributions is more than $250,000 per year, different tax rules apply. You will pay tax of 30%, instead of 15% on your concessional contributions once the threshold is exceeded.[2]

Example

Let's say your income is $230,000 and you make concessional contributions of $25,000.

This takes your total income plus concessional contributions to $255,000.

You'll pay 30% tax on $5,000 of the concessional contribution, and 15% on the remaining $20,000.

The additional tax is called Division 293 tax. The payment of Division 293 tax is deferred for State account holders because tax payments cannot be made out of the State account until the first benefit payment is made out of this account. The Division 293 tax liability will be held as a debt at the ATO. This means if you are a high income earner, you may need to pay an additional 15% tax on concessional contributions when the first payment is made from your State account. You can pay this tax from your own money, from any monies held in your Accumulation account, or from your State account pension.

Concessional contributions cap

A cap applies to the level of concessional contributions. For the 2022-23 financial year, the general cap is $27,500. You can view the latest concessional contributions cap information on our website at
qsuper.qld.gov.au/super/contributions

Notional taxed (concessional) contributions formula

As the State account doesn't allocate employer contributions to an individual but instead to a pool, we use a notional taxed contributions (NTC) formula to determine your total concessional contributions (money from your employer or salary sacrificed money). The formula is:

$$1.2 \times \left[\left(\text{NECR} \times \text{1 October salary[3]} \right) - \text{non-concessional standard contributions} \right]$$

The NECR (notional employer contribution rate) is 9%, or 10% if you are a female and you joined the State account before 27 February 1984.

If you have worked part-time or have taken leave without pay and no contributions were made over this period, you should adjust your full-time salary proportionally to the amount you've worked. For example, if you worked 3 days per week, then multiply your full-time 1 October salary by 60% or 0.60.

For concessional cap purposes, the NTC is capped and State account concessional contributions cannot exceed the cap. Concessional contributions to your Accumulation account may also cause you to exceed your cap and incur additional tax.

For Division 293 tax purposes, the NTC is not capped, and the full amount is considered to calculate the tax.

1 Income for surcharge purposes (less any reportable superannuation contributions) which equals your taxable income less any assessable first home super saver amount, plus your reportable fringe benefits and any net investment loss for the income year. **2** Division 293 tax liabilities are assessed and processed by the Australian Taxation Office (ATO). **3** The 1 October salary of the financial year before the current financial year is used. For example, for the financial year ending 30 June 2021, the 1 October 2019 salary is used.

How Roger's total concessional contributions are calculated

Roger's concessional contributions cap is $27,500. He works full-time and his 1 October salary is $301,000 per year. He contributes the standard 5%, which is $15,050. Roger's NTC amount at the end of the financial year is calculated as follows:

$$1.2 \times \left[\left(9\% \times \$301{,}000\right) - \$15{,}050\right]$$

$$= \$14{,}448$$

Roger also receives the 3% award contribution (which is a concessional contribution) in his Accumulation account, which equals $9,030. As such, Roger's concessional contributions for the year are $23,478 ($14,448 + $9,030).

What happens if you exceed the concessional cap

Any concessional contributions over the cap will be taxed at your marginal tax rate, but you will be entitled to a 15% tax offset that reflects the contributions tax taken out by the fund. You may also incur other interest charges.

If you exceed the cap, you can withdraw up to 85% of your excess contributions (for a financial year) from your super, excluding award contributions (which are only accessible when you retire). Any excess contributions that you leave in your super will count towards your non-concessional contributions cap.

Non-concessional contributions cap

Non-concessional contributions are contributions you make after income tax is taken out. They include your standard contributions, spouse contributions, and any additional after-tax contributions you make to an Accumulation account. The non-concessional contributions cap is $110,000 for the 2022-23 financial year.

From the 2022-23 financial year, if you are under age 75 at any time in a financial year, you may also be able to bring forward your contributions, depending on your total account balance over all your superannuation accounts, including the value of your State account as at 30 June of the preceding financial year.

Superannuation balance (30 June of preceding financial year)	Contribution and bring forward available
Less than $1.48 million	$330,000 over 3 years
$1.48 million to less than $1.59 million	$220,000 over 2 years
$1.59 million to less than $1.7 million	$110,000 over 1 year
$1.7 million or more	Nil

The withdrawal value of your State account as at 30 June is counted towards your total account balance. You can find more information on the withdrawal benefit in this guide or in your annual statement.

What happens if you exceed the non-concessional cap

Any non-concessional contributions over this cap are taxed at the highest marginal tax rate (which is 47% in the 2022-23 financial year, including the 2% Medicare levy). Alternatively, you can choose to withdraw the excess contributions from your Accumulation account (excluding your 3% award contribution), in which case you also need to withdraw the associated earnings on the excess contributions. The earnings will be included in your assessable income and taxed at your marginal tax rate and the ATO will apply a 15% tax offset to the earnings.

Tax when you receive your super

The tax paid when you receive your superannuation benefit depends on a number of factors, including your age, the situation the benefit is paid for, and how your benefit is paid (i.e. as a pension or a lump sum).

Your benefit will consist of two components: tax-free and taxable. You pay no tax on your tax-free component,[1] but tax may be payable on your taxable component, depending on your situation. The table below summarises the situation where you may have to pay tax on your taxable component:

You receive a...	Your age is...	Effective tax rate on taxable component (including Medicare levy)
Pension	Less than your preservation age	Your marginal tax rate with a 15% tax offset for disability superannuation benefits
	Between your preservation age and 60 years old	Your marginal tax rate less 15% tax offset
	60 years old or more	No tax on your annual pension payment up to $106,250 for the 2022-23 financial year 50% of the annual pension payment over $106,250 is taxed at your marginal tax rate
Lump sum payment	Less than your preservation age	Your marginal tax rate or 22%, whichever is lower
	Between your preservation age and 60 years old	No tax up to low rate cap[2] ($230,000 for the 2022-23 financial year) For benefits over the low rate cap, your marginal tax rate or 17%, whichever is lower
	60 years old or more	No tax

Your **preservation age** is based on your date of birth as follows:

Your date of birth	Your preservation age
Before 01/07/1960	55
01/07/1960 – 30/06/1961	56
01/07/1961 – 30/06/1962	57
01/07/1962 – 30/06/1963	58
01/07/1963 – 30/06/1964	59
01/07/1964 or after	60

Permanent disability benefits

If you are entitled to a permanent disability **pension**, you pay tax as shown in the table above, except that if you receive a pension under your preservation age, you will also receive the 15% tax offset.

If you choose to receive a **lump sum** permanent disability payment, your tax-free component is increased by an amount calculated as follows:

$$\text{Amount of benefit} \times \frac{\text{days to retirement}}{\text{service days} + \text{days to retirement}}$$

1 If a defined pension amount is over $106,250 p.a., half the amount over $106,250 will be treated as assessable income and taxed at your marginal tax rate. **2** The low rate cap is a lifetime cap, which is reduced by any taxable component you receive from any payer after you reach your preservation age.

Terminal medical condition

There is no provision to receive a terminal medical condition benefit with the State account. However, if you are diagnosed with a terminal medical condition, any lump sum payments you receive within 24 months from the date you've been certified as having a terminal medical condition (such as a permanent disability benefit) are tax-free.

If you're diagnosed with a terminal medical condition within 90 days of withdrawing a lump sum from your super, you can apply to the ATO to be reimbursed for any tax deducted.

Surcharge

Some members may be liable for the surcharge, which is a levy payable for certain contributions made before 30 June 2005. Please refer to your latest annual statement or call us to find out whether this applies to you. The *Superannuation Surcharge Guide* provides you with more information.

Tax on death benefits

Pension payments

If a pension is payable to your spouse or children after your death, the taxable component of the pension is taxed as per the table below. Of course, no tax is payable on the tax-free component of the benefit.[1]

Age of beneficiary and deceased (at the time of death)	Effective tax rate on taxable component (including Medicare levy)
Beneficiary or the deceased was more than 60 years old	Tax-free[2]
Both the beneficiary and the deceased are under 60 years old	Your marginal tax rate less 15% tax offset

Lump sum payments

If your death benefit is paid to a dependant, no tax is payable on the taxable component. In other words, the whole benefit payment is tax-free.

If your death benefit is paid to a person who is not your dependant, the taxable component is taxed at the recipient's marginal tax rate or 17%, whichever is lower.

Under taxation law, a dependant includes:

- The deceased person's:
  - Spouse or de facto spouse, including different or same sex
  - Former spouse or de facto spouse, including different or same sex
  - Child[3] under 18 years old
- Any person who was in an interdependency relationship with the deceased[4]
- Any other person dependent on the deceased.

For example, a child[3] over age 18 can still be a dependant if they were, at the time of death, financially dependent on the deceased.

1 For dependants receiving a death benefit as a defined pension income stream, 50% of amounts received over $106,250 p.a. for the 2022-23 financial year will be taxed at marginal tax rates.

2 If a defined pension amount is over $106,250 p.a., half the amount over $106,250 for the 2022-23 financial year will be treated as assessable income and taxed at your marginal tax rate.

3 A child is your biological or adopted child, stepchild, ex-nuptial child, your spouse's child, or your child within the meaning of the *Family Law Act 1975*.

4 An 'interdependency relationship' exists if two people:

- Have a close personal relationship
- Live together, and
- Provide each other with financial support or domestic support and personal care.

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