

## Retirement Scheme

# Retrenchment benefit and the Retirement Scheme

## What is retrenchment?

Retrenchment or redundancy happens when an employer becomes bankrupt or insolvent or no longer requires an employee's job to be completed by anyone. This may include where a business:

- introduces new technology (a role becomes redundant due to an automated system);
- experiences low sales or production;
- restructures due to a change in strategic direction, merger or takeover; or
- relocates to another location (interstate or overseas).

This fact sheet provides information on Retrenchment benefits from your Retirement Scheme. For more general information on redundancy payments and their tax treatment, please see our 'Redundancy: The Basics' fact sheet available at [eisuper.com.au/factsheets](https://eisuper.com.au/factsheets).

## What is included in my Retrenchment benefit from the Retirement Scheme?

In the Retirement Scheme, Retrenchment occurs where, a contributing member has not reached their Early Retirement Age (generally age 58) and the employer certifies to us that:

- the member has been retrenched, and
- there are no other benefits payable to the person as a member of the Retirement Scheme.

The Retirement Scheme benefit payable on Retrenchment includes the following:

1. **Contributor Financed Benefit** which is the balance in your account, being your contributions plus any net investment earnings, less the Administration Fee and, if appropriate, less any Additional Benefit Cover levies;
2. **Employer Financed Benefit** which is generally 2.5% of either your final average salary or final salary (depending on your age at exit) for each 1% of salary you have contributed during your membership, subject to the maximum accrued benefits;
3. **Basic Benefit** which is 3% of either your Final Average Salary or Final Salary (depending on your age at exit) for each year of service from 1 April 1988; and
4. **Other Contributions (OC) Account** which is made up of any additional contribution amounts and rollovers.

For further information on how benefits are calculated, please see the Retirement Scheme Product Disclosure Statement available at [eisuper.com.au/pds](https://eisuper.com.au/pds).

## Can I receive payment of my Retrenchment benefit?

The Federal Government generally requires that your superannuation benefit be preserved until you meet a specified condition of release:

- Attaining age 65;
- Ceasing an employment arrangement from age 60;
- Permanently retiring from the workforce after reaching your preservation age (between age 55 and 60 depending on your date of birth);

Your preserved component is also payable in the event of permanent incapacity, terminal illness or death.

To determine the preservation components in your Retirement Scheme, you can generate a benefit quote by logging into your online account at [eisuper.com.au/login](https://eisuper.com.au/login).

For further information on preservation rules please see the Retirement Scheme Product Disclosure Statement available on our website at [eisuper.com.au/pds](https://eisuper.com.au/pds).

## Can I defer my benefit?

You can leave your benefits in the Retirement Scheme as a deferred benefit, rather than receiving immediate payment of your benefit. In doing so, you retain the right to be paid the full amount of your benefit at any time, subject to preservation rules.

If you choose to defer your benefit the total amount deferred (that is, the balance in your Contributor Financed Benefit, Employer Financed Benefit, Basic Benefit and OC Account) will be invested according to your nominated strategy or, if no strategy is nominated, in the default Growth investment strategy.

Once your benefit is deferred you can no longer make contributions to your Contributor Financed Benefit. Your OC Account can continue to accept personal post-tax contributions, Government co-contributions, spouse contributions, and rollovers from other super funds.

## Tax on payment of benefits

The tax treatment of a benefit payment depends on your age and tax components and whether you receive a cash payment or commence an income stream such as an account based pension.

Pension payments are taxed on a Pay-As-You-Go (PAYG) basis. However, part or all of your pension payments may be tax-free depending on your age, eligibility for tax offsets and the income tax-free threshold.

If you are aged 60 or over, no tax is payable on your pension payments or lump sum withdrawals and these don't need to be declared when you lodge a tax return.

If you are under age 60, tax on the taxable component of your pension payments or lump sum payments may be payable.

For further information on the tax payable on your benefits, please see the Retirement Scheme Product Disclosure Statement available at [eisuper.com.au/pds](https://eisuper.com.au/pds).


## How can I get further information?

Redundancy is a complex issue and we recommend you seek expert financial advice. Our financial planners provide advice over the phone, at our offices or at a location near you.



To book an appointment, please call **1300 369 901** or visit [eisuper.com.au/appointment](https://eisuper.com.au/appointment).

## We're here to help

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