



Information

GOVERNMENT SUPERANNUATION FUND

POLICE

Sub-Scheme

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Important information

The Government Superannuation Fund (GSF) schemes are managed and administered by the GSF Authority (the Authority) in terms of the GSF Act 1956 (the GSF Act). The Authority has appointed Datacom Employer Services Limited (Datacom), a subsidiary of Datacom Group Limited, as the Schemes Administrator.

The Schemes Administrator does not have the authority to interpret the GSF Act or to make any determination on questions arising under the GSF Act. All interpretative issues and determinations are referred to the Authority for a decision.

If there is any doubt about a matter, eg. how an allowance is calculated, the Schemes Administrator will approach the Authority for a determination and then advise the contributor of the Authority's decision. If the contributor disagrees with, or is dissatisfied with, the Authority's decision he/she has the right to appeal to the GSF Appeals Board (the Appeals Board) against that decision.

The GSF Act requires the Authority to exercise its discretion consistently with the published statement of policies unless it considers it inappropriate to do so in the particular circumstances. The statement of policies may be amended by the Authority from time to time, subject to compliance with the procedural requirements set out in the Act.

Appeals must be made in writing within 28 days of the Authority's decision being advised to the contributor. The appeal will then be presented to the Appeals Board at its next meeting. The Appeals Board considers all written and oral evidence submitted by the contributor or his/her representative, as well as the Authority's report, and takes into account the interests of the Crown and any other interested party before making its decision. The Appeals Board's decision is final and the contributor is advised of the outcome.

Disclaimer

This booklet is a summary of key provisions of the GSF Act, regulations made pursuant to the GSF Act, and policy decisions including those set out in the statement of policies. While every effort has been made to ensure that the information contained in this booklet is accurate, it is intended as a guide only. In particular, please note that:

- This booklet does not take into account any individual's particular circumstances, financial or otherwise.
- The policies and conditions described in this booklet can change over time so before taking any action you should check whether the information contained in this booklet is still up to date.

This booklet is in no way binding on any person, and does not prevail over any applicable law or policy decision.

To the fullest extent permitted by law, neither the Authority nor any other person accepts any liability for any loss, damage, cost or expense that may arise from any reliance on any information contained in this booklet.

This booklet is not intended to, and does not create, any legal or equitable rights exercisable by any person. If you have any queries in relation to the schemes, or require any further information in relation to the schemes, please contact:

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Government Superannuation Fund
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In this booklet we refer to the Government Superannuation Fund Police Sub-Scheme as 'the Scheme'.

1. Introduction

This booklet provides general information for contributors to Part 6A of the Government Superannuation Fund (GSF) (the Police Sub-Scheme) according to the GSF Act and the various associated policies. In this booklet we refer to the GSF Police Sub-Scheme as 'the Scheme'.

Membership of *either* the Scheme or Police Superannuation Scheme (PSS) is compulsory for all sworn Police. The Scheme was closed to new members on 30 June 1992 and all sworn Police recruited after that date are compulsory members of the PSS.

In this booklet 'contributor' refers both to those who are current contributors to GSF and, in some contexts, those who have contributed to GSF in the past and are entitled to a benefit.

The term 'partner' is used to refer to a civil union partner or de facto partner (as defined in the Property (Relationships) Act 1976) and includes any person whom the Authority regards as being the civil union or de facto partner of a deceased person immediately before that person's death.

The term 'spouse' is used to refer to any man or woman whom the Authority regards as being the wife or husband of the person immediately before the person's death.

If you have any questions about the Scheme or would like more information on the options available to you from the Scheme, please call the Schemes Administrator toll free on 0800 654 731.

2. Features and Benefits

The Scheme is a **defined benefit** scheme. This means the calculation of your **retirement pension** is based on:

- your age at retirement,
- your length of contributory service, and
- your average salary over the five years prior to retirement.

The Key Benefits of the Scheme are:

- on retirement, members receive an **inflation adjusted, free of tax pension** from the Scheme. This means the pension you receive will be increased each year by the movement, if any, in the Consumer Price Index (CPI). Members may exchange part of that pension entitlement (up to 25%) for a lump sum.
- pensions are paid four weekly, in advance, until death.
- after your death, your spouse or partner will, in most cases, be eligible to receive half your pension (inflation adjusted) until his or her death.
- funding of the entitlements payable by the Scheme is **underwritten** by the Government.
- all expenses, incurred in administering the Scheme, are **paid by the Government** and/or the employer contributors.

3. Contributions to the Scheme

As a contributor to the Scheme you are required to make fortnightly contributions to the Scheme. The Commissioner of Police (the Commissioner) is also required to make fortnightly contributions to the Scheme. Both your contribution rate and the Commissioner's contribution rate are based upon a percentage of your salary.

The contribution rate for members of the Scheme is 7.5% of gross superable salary.

The Commissioner's contribution rate is currently 16.1%. This rate is reviewed annually by the Government Actuary and adjusted when necessary to ensure that all future entitlements are met. These adjustments do not have any effect on your entitlement.

4. Standard Options Available to Contributors under the Scheme

In this section we explain the standard options. Depending on how you leave the Scheme, you may be entitled to one of the following entitlements:

4.1 Retirement Entitlement – only payable on retirement

Once you reach 50 years of age, you may elect to receive a retirement entitlement, paid as a four weekly pension, provided you have completed a minimum of 10 years' membership in the Scheme. This is calculated using a formula that is explained below.

Calculation of a Retiring Allowance

The retiring allowance is calculated using the *Final Average Earnings* multiplied by a *Pension Percentage*.

Final Average Earnings

The 5 years' salary before the date you ceased service is used to assess the *Final Average Earnings*. The salary for each of the first four years is adjusted to a value in the final year.

This adjustment is achieved by:

- multiplying each salary by the appropriate CPI of the final year, and
- dividing each amount by the appropriate CPI of the year the salary was received.

The appropriate CPI for the final year is the figure two quarters prior to the date you ceased service. The appropriate CPI for the year the salary was received is the corresponding quarter in that year. Once adjusted, the salaries for the five years are averaged. The average figure is compared to the earnings in the final year. The lesser amount is used as the *Final Average Earnings*.

If you receive a retrospective salary adjustment after retirement, the Schemes Administrator must be notified in order to recalculate the entitlements available at retirement.

Exceptions

If you have been contributing on a part time salary at any time during the last five years of service, the salary is converted to what it would have been if you had been employed on a full time basis, but the length of contributory service will be reduced to reflect this adjustment. If you have suspended or reactivated contributory service during any of the final five years, the salary for the period immediately prior to the final five years, equal to length of the break, is included as part of the calculation.

Pension Percentage

The *Pension Percentage* is determined by your age and length of contributory service.

It is calculated using the formula:

- $P \times 0.7$, where P is the *Pension Factor* multiplied by the length of contributory service.

Pension Factor

The *Pension Factor* is determined by your age:

- on the day you cease employment if eligible to receive an immediate retiring allowance, or
- on the day the retiring allowance starts, if you are to receive a deferred retiring allowance.

The factor for the Scheme is 1.5% where the retiring allowance commences at age 55 or over. If under 55 years, and between 50 and 55 years of age, the 1.5% is decreased by 0.004% per month. The factor at age 50 is 1.26%.

A complete set of factors is contained in the Booklet **GS6 – General Scheme Information**. You can request a copy of this booklet from the Schemes Administrator.

Exceptions

Where the Authority has approved payment of a medically unfit retiring allowance the *Pension Factor* is usually 1.5%.

Capitalising a Portion of Your Pension

When you retire you have one opportunity to capitalise a portion of your pension. This means that you can take a portion of your pension entitlement as a lump sum at the time you retire.

You may capitalise **up to 25%** of your pension. The value of the lump sum is calculated by taking the percentage you specify from your annual pension (expressed in dollars) and multiplying it by twelve. Your annual pension will be reduced by the specified percentage.

For example, if you are entitled to a pension of \$25,000 you may elect to capitalise say 25%, or \$6,250. That \$6,250 is multiplied by 12, which equals a capitalised tax free lump sum of \$75,000. You would receive your lump sum of \$75,000 and a reduced annual pension of \$18,750.

Although a lump sum can be useful, for example, for paying off a mortgage, it is a fixed amount. By contrast, the pension is adjusted for inflation annually and paid to you for as long as you live.

4.2 Disengagement Entitlement

If you leave service of the Police before retirement age on medical, physical or psychological grounds, in terms of sections 28C or 28D of the Police Act 1958, and you are under 50 years of age, you are entitled to receive a lump sum payment. This is commonly referred to as PERFing. The payment is calculated using the formula shown in the chart below.

A	= Total contributions to GSF x 3	\$10,000 x 3	= \$30,000
B	= A x 0.03	\$30,000 x 0.03	= \$900
C	= B x years of Scheme contributory service	\$900 x 20 (years service)	= \$18,000
Approximate Disengagement Entitlement = A + C		\$30,000 + \$18,000	= \$48,000

Please note - the above calculation assumes normal and uninterrupted membership history. It will provide you with an estimate of your PERF entitlement only and will not be accurate, for example, if you had previously defaulted on a charge over your contributions, had GSF service other than in the Scheme, or had taken periods of leave without pay.

Use the box below to calculate your own approximate disengagement entitlement.

A	= Total contributions to GSF x 3	\$	x 3	= \$
B	= A x 0.03	\$	x 0.03	= \$
C	= B x years of Scheme contributory service	\$	x (years service)	= \$
Approximate Disengagement Entitlement		\$	+ \$	= \$
= A + C				

4.3 Medical Retirement Pension

If you leave the service of the Police by way of a medical retirement you may receive a pension based on the retirement entitlement calculation using the maximum pension factor (1.5%), regardless of age.

The medical retirement pension is payable immediately on leaving the service of the Police regardless of your age at the time. The entitlement may, however, be reduced or cancelled depending on your medical condition and whether you resume employment, up until age 55. After age 55 the pension is payable without review. Eligibility for a medical retirement entitlement is governed by section 28 of the Police Act 1958 and the conditions contained in section 88F of the GSF Act.

4.4 Increased Annuity for Spouse or Partner or Provision of an Annuity for an Approved Dependant

The GSF Act allows the option of surrendering a portion of the retiring allowance to provide a spouse or partner with an increased allowance, or a dependant with an annuity, if the contributor should die first. This is based on an actuarial formula. Both the amount surrendered and the amount of the allowance must be approved by the Authority. There are three options available:

Option A

An absolute election where the contributor accepts an immediate reduction to the retiring allowance. The amount surrendered purchases an annuity determined by the relative ages of the contributor and the spouse/partner/approved dependant. On the contributor's death the purchased annuity is payable to the surviving spouse/partner/dependant. If the spouse/partner/dependant predeceases the contributor, the contributor's retiring allowance continues at the reduced rate.

Option B

A contingent election, where although an election to surrender part of the retiring allowance to provide an enhanced annuity to the spouse/partner/dependant is accepted by GSF, no immediate reduction is made to the retiring allowance. Instead the full amount is paid until the death of either the contributor or the spouse/partner/dependant. If the contributor predeceases the spouse/partner/dependant, payment of the enhanced annuity will be made to the spouse/partner/dependant. If the spouse/partner/dependant predeceases the contributor, the contributor's allowance is reduced to reflect the amount surrendered.

Option C

This allows an absolute election, as in Option A, combined with a contingent election to surrender a further portion of the retiring allowance, as in Option B.

The above options are not available if a contributor retires as medically unfit.

A medical certificate indicating the contributor has a normal life expectancy must be provided. Birth certificates for the spouse/partner/dependant must be provided and, if relevant, the marriage certificate. The election can be made three months prior to retiring and must be made before receiving the first instalment of the retiring allowance. Where the contributor marries or enters into a civil union or de facto relationship whilst in receipt of a retiring allowance, the election must be made within three months of getting married or entering into the civil union or de facto relationship.

The reduced allowance retained by the contributor must be at least equal to the annuity available to the spouse/partner/dependant.

Cost of living adjustments are made to retiring allowances annually, in line with the movement in the CPI.

4.5 Options on Ceasing Service

If you leave the Police prior to retirement age you may choose one of the following options:

- receive a lump sum refund of your contributions, plus interest at the rate of 0.25% for each complete month of membership since 1 May 1985.
- put your Scheme membership on hold until you reach retirement age (50 onwards), and then receive a pension, if you have more than 10 years' Scheme membership.
- transfer funds to another registered superannuation scheme, if you have more than 10 years Scheme membership. The transfer value is calculated as your contributions to the Scheme less any amounts you owe to the Scheme. Interest is added at the rate of 0.25% for each complete month of membership since 1 May 1985. This sum is increased by 10% for each year of membership in excess of 10 years, up to a maximum for 20 years.
- stop contributing and suspend your membership until such time as you are ready to choose between the previous 3 options. If you subsequently rejoin the Police as a sworn member you can recommence your Scheme membership, however, you must elect to do this before reaching 50 years of age. On rejoining, your period of leave without pay will not be counted as contributory service and your previous contributory service will be discounted as per section 88J of the GSF Act.

4.6 Death Entitlement – while a contributing member

Spouse or Partner's Pension

If you die while still employed by the Police, your spouse or partner may choose an entitlement made up of:

EITHER

- a lump sum entitlement of whichever is the greater of:
 - your annual salary, or
 - a total refund of your contributions, plus interest.

OR

- an inflation adjusted four weekly pension, payable immediately, equal to 50% of the medical retirement entitlement, had you taken medical retirement on that date. Your spouse or partner may choose to take part of the pension as a lump sum.

Child Allowance

If you die while still employed by the Police, your dependants may be entitled to receive an inflation adjusted allowance each year (currently \$2,825 per annum). To qualify a dependant must be under the age of 16 years or, subject to the discretion of the Authority:

- beyond 16 years of age and under 18 years of age.
- be unable to support themselves due to a physical or mental disability.

Each case is considered on its merits by the Authority with regard being had to the individual concerned, other GSF members and the GSF itself.

4.7 Death Entitlement – while receiving a pension

Spouse or Partner's Pension

If you die while receiving a pension, your spouse or partner will be entitled to receive an inflation adjusted four weekly pension of up to half the pension you were receiving at the time of your death, providing the marriage or civil union or de facto relationship took place prior to retirement. If a person becomes your spouse or partner after retirement, the amount payable to your spouse or partner depends on the length of the marriage or civil union or de facto relationship. A full spouse or partner's allowance is paid if the marriage or or civil union or de facto relationship has been of 5 or more years' duration.

A spouse or partner may elect to receive a refund of your contributions plus interest as an alternative to receipt of a pension as described above, less any entitlement already paid.

Child Allowance

If you die while receiving a pension, your dependants may be entitled to receive an inflation adjusted allowance each year (currently \$2,825 per annum). To qualify a dependant must be under the age of 16 years or, subject to the discretion of the Authority:

- beyond 16 years of age and under 18 years of age.
- be unable to support themselves due to a physical or mental disability.

Each case is considered on its merits by the Authority with regard being had to the individual concerned, other GSF members and the GSF itself.

4.8 Cessation of Contributions to the Scheme (1 October 1995 amendment)

Cessation of Contributions to the Scheme

Since 1995 you have had the opportunity to cease contributing to the Scheme and join the PSS.

This means you may choose to defer your Scheme entitlement (place it 'on hold') until you reach retiring age and commence contributions to the PSS. If you cease contributing to the Scheme and join the PSS, the Commissioner will stop paying a subsidy to the Scheme and will commence contributions to the PSS at the relevant rate.

Your Scheme Entitlement

If you were to stay with the Scheme until retirement, you would likely receive a pension paid in four weekly instalments, adjusted annually in line with the rate of inflation.

If you choose to cease contributing to the Scheme and join the PSS, you will still receive a four weekly pension from the Scheme when you retire. Any **estimate** of the pension payable will be calculated based

on your final average salary, length of service at the time you transfer to the PSS, and your likely age at retirement. Although the starting pension is calculated at the time you left the Scheme, it is adjusted by the CPI up until the time you retire.

You do not have to decide about capitalising your deferred pension (up to the maximum of 25%) until you retire.

Eligibility for a Deferred Pension

Usually the deferred pension option is only available to members of the Scheme who have 10 or more years of scheme membership. GSF has varied this requirement for those Police who wish to cease contributing to the Scheme and join the PSS. Therefore if, at the date you retire, your **combined** Scheme and PSS membership is more than 10 years, you will receive a deferred pension as requested.

If when you retire your combined Scheme and PSS membership is less than 10 years, your entitlement will automatically revert to a refund of contributions plus interest at 3% per annum. PSS membership is not included in the Scheme pension calculation.

An election to receive payment of a deferred pension must be made at least 3 months before the date payment of the deferred pension is to commence.

Disengagement (PERFing) Before Retirement

If you leave the service of the Police through disengagement (PERFing), your deferred entitlement may be revoked and you may elect to receive the disengagement entitlement. Your disengagement entitlement from the Scheme will be based on your entitlement at the time your Scheme membership ceased. The entitlement paid to you will be calculated at the date you leave the service of the Police and will be adjusted for inflation from the time you ceased contributing to the Scheme to the date you left the service of the Police.

The criteria for disengagement are governed by sections 28C and 28D of the Police Act 1958.

Medical Retirement Before Normal Retirement Age

If you elect to retire from the Police for medical reasons your deferred entitlement may be revoked and you may elect to receive a medical retirement pension payable immediately. Your medical retirement pension would be calculated at the time you left, or ceased contributing to, the Scheme. If you have ceased contributing to the Scheme, it would be adjusted for inflation from that time until the date you left the Police.

Death Before Retirement – with the deferred pension option

If you choose a deferred pension and then die before you retire, your spouse or partner will be entitled to receive an allowance (*payable immediately*) equal to half the rate of a medical retirement pension calculated at the time of your death or may choose instead to receive a refund of your contributions plus interest.

5. Other Information

5.1 Relationship Property

Under the Property Relationships Act 1976, funds held in a superannuation scheme form part of the assets to be divided when a marriage, civil union or de facto partnership is dissolved.

5.2 Granting a Charge Over Contributions

Contributors to the Scheme may use contributions as security to obtain a loan from another person or organisation. This is known as granting a charge over the contributions. The person or organisation granting the loan is known as the chargeholder.

No entitlement may be paid from the Scheme until any chargeholder has been given the opportunity to claim the amount secured by the charge from the Scheme. Any payments made to a chargeholder under such a claim will be offset against the entitlement payable. This provision means that granting a charge could have a serious effect on the entitlements of a spouse or partner or children should the contributor die.

5.3 Leave Without Pay

A contributor, who has been granted leave without pay by their employer, may continue contributing to the scheme. It is important the Schemes Administrator is notified of the period of leave as soon as approval for the leave without pay has been received from the employer and prior to the leave being taken. If the contributor chooses to continue contributing during the period of leave then the period of leave counts as contributory service for the purpose of calculating any entitlements payable by the Scheme as long as contributions continue to be paid. In this case the contributor is required to pay both the employee contributions and additional contributions representing the employee subsidy.

Alternatively, a contributor under age 50 may elect to cease contributions during the period of leave by giving notice in writing to the Schemes Administrator. The election to cease contributions must be made **prior to the leave being taken**. The person's contributions remain in the Scheme, but contributory service ceases to accrue. Past contributory service will be discounted on resumption of contributions. If contributions have not been resumed by the age of 50 the right to resume contributions to the Scheme is subject to the approval of the Authority. If approval is not granted contributions will be refunded. Further information regarding the impact of ceasing contributions is set out in the Booklet **GS19 – Options Available while Remaining in Government Service**.

Note - suspension of contributions is not an option for contributors over age 50 who must pay contributions for the period of leave.

5.4 Recommencing Service

If you rejoin the Police as a sworn member and have not yet drawn any entitlement from the Scheme, you should contact the Schemes Administrator to discuss the options available to you.