Retiring Allowance Options

GOVERNMENT SUPERANNUATION FUND

NEW **GENERAL** Scheme

Contents

BOOKLET **GS2**

February 2024

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 Connect 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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Retiring Allowance Options

1. Introduction

This booklet provides information on retiring allowance options for contributors to Part 2A of Government Superannuation Fund (GSF) (the New General Scheme) under the GSF Act and the various associated policies. The position may be different under other schemes within the GSF (eg. the Armed Forces, Police or Prison Schemes).

This booklet does not comment on alternatives to receiving a retiring allowance such as electing to take a refund of contributions or transfer to another scheme.

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 "annuitant" is used to refer exclusively to those contributors who are currently in receipt of a retiring allowance.

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.

2. When does a contributor qualify for a retiring allowance?

Contributors who have ceased Government service and meet the following conditions have a right to receive a retiring allowance:

New General Scheme

- Are 60 years of age, or
- Are 50 years of age with at least 10 years contributory service and have their employer's agreement.
- Have previously ceased Government service after at least 10 years contributory service, have already made an initial election to opt for a deferred retiring allowance and (having now reached 50 years of age) wish to make an election to receive that deferred retiring allowance.
- Have the Authority's approval and the consent of their employer to retire as medically unfit.

3. When can a retiring allowance commence?

If a contributor elects to receive their retiring allowance immediately, the retiring allowance is normally payable as soon as practical from the day following cessation of service. The day that service ceases is the day when the employment relationship ceases, ie. the day the contributor and the employer agree is the last day of employment. This may include a period of paid leave, annual leave, retirement leave or any other leave that is paid out prior to the contributor ceasing employment provided that leave is not paid out as a lump sum. Both employee contributions and employer subsidy must be paid up to this date.

If an election to retire immediately is not made at the time the contributor is first eligible to do so no backdating the receipt of the retiring allowance is permitted when an election is subsequently made.

4. What if a charge is held over the contributions?

If, at the time of ceasing service, a charge is held over a contributor's contributions, the charge must be released before payment of a retiring allowance can commence. Further information regarding charges is available in **Booklet GS5 – Granting a Charge over your Contributions to GSF**.

5. Residence overseas

If a contributor intends to reside overseas permanently the retiring allowance can be paid to an overseas bank account. The Schemes Administrator must be notified of any change of address as a certificate requiring confirmation of the contributor's whereabouts is sent annually. Failure to return the certificate may result in suspension of the retiring allowance.

Note – a fee of $2.00 each four weekly payment is charged where the annuity is paid to an Australian bank account and $9.00 each four weekly payment where the annuity is paid to another country.

6. Calculation of a retiring allowance

The retiring allowance is calculated using the Final Average Earnings times a Pension Percentage.

6.1 Final Average Earnings

The 5 years' superable salary before the date the contributor ceased service is used to assess Final Average Earnings. The earnings (salary) for each year are assessed. The earnings for each of the first 4 years are adjusted to a value in the final year. This adjustment is achieved by:

- multiplying each amount by the appropriate Consumer Price Index figure of the final year, and
- dividing each amount by the appropriate Consumer Price Index figure of the year the earnings were received.

The appropriate Consumer Price Index figure for the final year is the figure two quarters prior to the date the contributor ceased service. The appropriate Consumer Price Index for the year the earnings were received is the corresponding quarter in that year. Once adjusted, the earnings for the 5 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.

There are special provisions if a contributor has less than 5 years' contributory service. Please ask the Schemes Administrator for details on this.

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

If a contributor does not elect an immediate retiring allowance, Final Average Earnings are calculated as in 6.1 above, with the adjustment in the Consumer Price Index applying to the date the contributor's retiring allowance starts rather that the date the contributor ceased service.

Exceptions

If a contributor has been contributing on a part-time basis at any time during the last 5 years of service, the earnings are converted to what they would have been if the contributor had been employed on a full-time basis. If a contributor has suspended or reactivated contributory service during any of the final 5 years, the earnings for the period immediately prior to the final 5 years, equal to length of the break, is included as part of the calculation.

6.2 Pension Percentage

The Pension Percentage is determined by the contributor's age and the length of the contributory service.

It is calculated using the formula:

- P x 0.7

  where P is the Pension Factor times the length of contributory service.

6.3 Pension Factors

The Pension Factor is determined by the contributor's age at the date the contributor's retiring allowance starts.

For the New General Scheme, the Pension Factor is 1.5% where the retiring allowance commences at age 60. The Pension Factor increases by 0.002% per month for every month or part month the contributor is over age 60 but under age 65, and decreases by 0.004% per month for every month under age 60, down to age 55. The Pension Factor decreases by a further 0.002% for every month or part month the contributor is under age 55.

A complete set of Pension Factors is contained in **Booklet GS6 – Information.**

Exceptions

Where a contributor to the New General Scheme retires on the grounds of being medically unfit, then the Authority may, in certain circumstances, increase the retiring allowance to such amount as the Authority considers fair and equitable.

6.4 Contributory service

The length of contributory service is measured in years and days from the date contributory service commenced to the last day of paid service. The date contributory service commenced may be affected by:

- contributing in respect of prior/interrupted service,
- suspending contributions at any time, or
- previously ceasing under the reactivation option, and later recommencing contributions.

The length of service may be affected by:

- contributing at a flat rate of 6% prior to 1 May 1985, rather than at the correct rate for age,
- contributing at 60% of the correct rate for age, prior to 1 May 1985, or
- periods of part-time service, where a contributor contributed on a part-time salary rate.

In all of these situations the length of service is recalculated and reduced.

7. Options in relation to retiring allowances

7.1 Capitalisation

(a) Capitalisation allows a contributor to convert part of the retiring allowance into a lump sum. Contributors may capitalise up to one quarter of the retiring allowance.

For contributors of the New General Scheme the portion capitalised is multiplied by twelve to calculate the lump sum.

For contributors of the Niue, Cook Islands and Tokelau Islands Schemes the lump sum is 10 times the amount capitalised.

Once made, the election to capitalise is **irrevocable**.

(b) Contributors of any scheme may, within three months of the last day of duty, elect to receive up to half of the maximum capitalisation sum in advance. Interest will be charged on this advance payment from the date payment is made until the date the retiring allowance is due for payment (or the date of the contributor's death if earlier). To receive advance payment of the lump sum please contact the Schemes Administrator.

There are limited circumstances in which this option is not available.

7.2 Variable allowance

A contributor has the option of surrendering a portion of his/her retiring allowance from a specific date. The effect of this is to increase the allowance for the period prior to the date specified, but at the expense of an actuarially calculated decrease at the end of the period. For example, a contributor may elect to surrender $2,000 at the age at which he/she becomes eligible for New Zealand Superannuation in return for an increased allowance for the period from retirement until that date.

This option is not available to contributors who qualify for a medically unfit retiring allowance. Any other contributors electing this option are required to provide a certificate from a doctor confirming their current state of health.

Cost of living adjustments are not applied to the variable portion of the retiring allowance attributable to the surrender and the portion of the retiring allowance attributable to the surrender is not included when assessing a spouse's or partner's annuity.

For further information on this option please contact the Schemes Administrator.

7.3 Election to increase annuity to contributor's spouse or partner or to provide 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 an approved 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. Each dollar 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 annuity is accepted by GSF, no immediate reduction is made to the retiring allowance. If the contributor predeceases the spouse//partner/dependant, payment of the purchased annuity will be made. If the spouse/partner/dependant predeceases the contributor, the contributor's allowance is reduced by 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 which indicates 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 or civil union 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 a spouse or partner relationship commences after retirement, the election must be made within 3 months of the marriage or on entering into a 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 Consumer Price Index. The cost of living adjustment is applied to the April pay date (see section 9.4).

7.4 Assignment of allowance

Contributors may surrender, from any specified date, up to 50% of a retiring allowance in exchange for a lifetime annuity to be assigned to a designated person.

To determine the assignee's annuity, the amount surrendered is actuarially assessed depending on the age and sex of both the contributor and the assignee.

Multiple assignments may be made as long as the total proportion assigned is not more than 50% of the contributor's retiring allowance. Assignments cannot be made to a Trust. An assignment election can be made within three months of the date the retiring allowance is due to start, or at any later date up to the date of the contributor's death. The election cannot be revoked or amended once payment of the assigned annuity has commenced. Both the contributor's reduced retiring allowance and the assignee's annuity receive cost of living adjustments.

The assigned annuity is payable to the assignee for life.

For more information, including estimates of assigned annuities, please contact the Schemes Administrator.

7.5 Payment of a lump sum to increase the retiring allowance

New General Scheme contributors who:

- are at least 50 years of age and are under age 60,
- have at least 10 years contributory service, and
- have their employer's agreement to their retirement,

may, subject to certain terms and conditions, make payments into GSF to increase their retiring allowance.

The maximum amount the retiring allowance may be increased to is that which the contributor would have been entitled to if he/she had continued to be employed and contributed to GSF until age 65. This option is not available to a contributor who has elected to receive a deferred retiring allowance or to someone who has qualified for a medical retiring allowance.

The cost of purchasing the increased retiring allowance is assessed actuarially.

Note that you will be required to provide verification of your name, date of birth and home address and confirm the source of funds being used to pay for the lump sum to increase. In some cases you may need to provide verification of the source of funds. This is a requirement under the Anti-Money Laundering and Countering Financing of Terrorism Act 2009.

For further information and estimates of the payment required please contact the Schemes Administrator.

8. Deferred retiring allowance

This option enables contributors who cease Government service to elect to leave their contributions in GSF and make a further election to receive a retiring allowance from any date after their 50th birthday. This option is only available to contributors with at least 10 years contributory service who make their election within 6 months of ceasing Government service or at some later stage if approved by the Authority. The earliest a contributor may make their further election is within three months of his/her 50th birthday.

Note - the Final Average Earnings for a deferred retiring allowance is adjusted in line with inflation between the date the contributor ceases service and the date the allowance is to commence.

9. Payment details

9.1 Payment dates

Allowances are paid every four weeks, in advance. Payment must be made to a personal bank account. The payment dates up until 2027 are:

2024	2025	2026	2027
18-Jan	16-Jan	15-Jan	14-Jan
15-Feb	13-Feb	12-Feb	11-Feb
14-Mar	13-Mar	12-Mar	11-Mar
11-Apr	10-Apr	9-Apr	8-Apr
9-May	8-May	7-May	6-May
6-Jun	5-Jun	4-Jun	3-Jun
4-Jul	3-Jul	2-Jul	1-Jul
1-Aug	31-Jul	30-Jul	29-Jul
29-Aug	28-Aug	27-Aug	26-Aug
26-Sept	25-Sept	24-Sep	23-Sep
24-Oct	23-Oct	22-Oct	21-Oct
21-Nov	20-Nov	19-Nov	18-Nov
19-Dec	18-Dec	17-Dec	16-Dec

9.2 Initial annuity payments and capitalisation lump sum

Any capitalised lump sum must be paid to the same bank account as the initial annuity payment.

9.3 Bank account changes

The Schemes Administrator should be advised in writing of any bank account changes.

9.4 Cost of living adjustments

Retiring allowances are adjusted annually in line with the movement in the Consumer Price Index. All adjustments fully reflect the inflation rate as measured by this index. The adjustments are made on the first pay date in April each year. Depending on the contributor's date of retirement, the first adjustment will be between 6 to 18 months from the date of retirement. However if the movement is less than 0.5% in any one year no adjustment will be made.

10. Property relationships agreements/orders

Agreements entered into, or Court Orders made, under the Property (Relationships) Act 1976 may divide an entitlement under the GSF between the spouses or partners.

The division may be effected in a number of ways including by means of a surrender and assignment as detailed in section 7.4.

GSF is bound to give effect to such agreements and orders to the extent that they affect the payment of a benefit payable by GSF, provided the implementation of the agreement does not increase the liabilities of GSF.

It is recommended that a copy of the agreement or order in draft form be forwarded to the Schemes Administrator to ascertain if it is capable of being implemented in terms of the GSF Act.

Under section 21 of the Property (Relationships) Act 1976, both parties to the agreement must receive independent legal advice before signing any agreement under that section.

11. Death of an annuitant

11.1 Notification to Schemes Administrator

The Schemes Administrator should be advised of the death of an annuitant as soon as possible to avoid overpayment of any allowance. No part of the four weekly payment of the retiring allowance or annuity which is paid before the death, but covers a period after death, is to be returned, however payments made after the death are not an entitlement of the annuitant and must be repaid to GSF.

11.2 Spouse or partner's allowance

If an annuitant leaves a spouse or partner, the spouse or partner has the option of taking either:

- an annuity equal to half the retiring allowance being paid to the contributor at the date of death, or
- a refund of contributions made during the contributor's lifetime plus interest at 0.25 percent for every month of contributory service after 1 May 1985 on contribution paid after that date, less any payments made by GSF.

Note - a refund of contributions is not available to the spouse or partner if the annuitant had made election for payment of an increased spouse/partner annuity or annuity for dependant (see section 7.3).

Before payment of the spouse or partner's allowance can commence, the Schemes Administrator requires copies of:

- the contributor's death certificate
- marriage certificate, civil union certificate or, as regards de facto relationships, a statutory declaration plus further supporting evidence to verify the nature of the relationship
- spouse or partner's birth certificate
- spouse or partner's full bank account number
- spouse or partner's address.

A spouse or partner's annuity is payable for life. If the annuitant marries or enters into a civil union or de facto relationship after retirement, the amount payable to the spouse or partner depends on the length of the relationship. A full spouse or partner's allowance is paid if the marriage, civil union or de facto relationship has been of 5 or more years' duration.

A spouse or partner who is under 61 at the time of the annuitant's death may convert part of the annuity into a lump sum.

11.3 Refund to estate

If an annuitant does not leave a spouse or partner, GSF will refund to the estate the contributions paid, plus interest at 0.25 percent for each month of contributory service after 1 May 1985 on contributions paid after that date, less any payments made since retirement.

Note: The refund process will apply differently if the annuitant had made an election for payment of an increased spouse/partner pension or annuity for dependant (see section 7.3). In this case, a refund will not be payable until both the annuitant and the spouse/partner or dependant have died, and the value of payments already made to the annuitant and spouse/partner or dependant, plus any children's allowance paid or payable, will be subtracted from the contributions in determining whether any refund is payable.

11.4 Child allowance

The GSF Act provides for payment of an annual allowance to a contributor's children on his/her death. This allowance is payable irrespective of whether the contributor dies before or after becoming entitled to a retiring allowance, and regardless of whether the contributor is survived by a spouse or partner.

The allowance is paid to the child until that child becomes 16 years old. The Authority may extend payment of the allowance to assist with the child's education until the end of the calendar year in which the child turns 18.

In addition, the Authority may extend payment of the child allowance for whatever period the Authority thinks appropriate in cases where the child has a physical or mental disability that prevents him/her from earning a living.

A birth certificate is required to establish a claim for a child allowance. A child may receive only one allowance from GSF.

GSF booklets for the New General Scheme include

GS 2	Retiring Allowance Options
GS 5	Granting a Charge over your Contributions to GSF
GS 6	Information
GS 7	Information on Leave Without Pay
GS 19	Options Available While Remaining in Government Service
GS 20	Options Available on Cessation of Government Service
GS 21	Election to Contribute at Previous Salary Rate Following Reduction in Superable Salary
GS 22	Contributing in Respect of Prior or Interrupted Government Service
GS 96	Option to Cease Contributing to GSF and Elect a Deferred Pension

If you would like copies of booklets relevant to your membership, please contact the Schemes Administrator at the address noted at the front of this brochure. Copies of the booklets are also available on the Authority's website – *www.gsfa.govt.nz*