WHO CAN BE A MEMBER?

Membership of the Parliamentary Contributory Superannuation Scheme (PCSS) is compulsory for all parliamentarians who entered Parliament before 9 October 2004.

WHO DETERMINES PARLIAMENTARY SALARIES?

The Remuneration Tribunal has the power to determine a range of allowances and entitlements for parliamentarians including certain components of parliamentary salaries.

The Remuneration Tribunal also has the power to determine that portions of the parliamentary salaries paid to sitting parliamentarians do not count for contributions and benefits under the PCSS. The salaries paid to sitting parliamentarians and the salaries for superannuation under the PCSS are therefore no longer linked.

Note: *References to the parliamentary allowance, salary for Ministers of State and allowance by way of salary for office holders in this pamphlet are to the superannuation salaries applicable to the PCSS.*

More information about the Remuneration Tribunal and its determinations can be found on their website: http://www.remtribunal.gov.au.

WHAT IS THE RATE OF MEMBER CONTRIBUTIONS?

Contributions are a fixed percentage of:

(a) parliamentary allowance; and
(b) salary for Ministers of State; and
(c) allowance by way of salary for office holders.

The contribution rates are 11.5 % for the first 18 years service and 5.75 % thereafter.

Members of the PCSS are unable to make salary sacrifice superannuation contributions.

WHAT BENEFITS ARE PAYABLE TO MEMBERS?

Members are entitled to a lifetime pension or a lump sum depending on their length of service.

In the normal course of events (where retirement is voluntary), a retiring parliamentarian qualifies for a pension after completing 12 or more years service or after serving four terms. If a member's retirement is involuntary (e.g. due to the loss of pre-selection or loss at an election), a retiring parliamentarian qualifies for a pension after eight years of service, or after serving three terms.

The minimum pension rate is 50% of the parliamentary allowance (after eight years of service). Between the completion of eight and 18 years service, each additional year of service attracts an additional pension of 2.5% of the parliamentary allowance.

Additional pension in respect of service as a Minister or office holder accrues at the rate of 6.25% of the Ministerial or office holder salary for each year the office is held (pro-rated for the number of days if less than a full year), up to a maximum of 75% for the highest office held.

Pensions for parliamentarians who joined (or rejoined) the PCSS on or after 10 November 2001 are payable at age 55 or on invalidity. Pensions for parliamentarians elected before this date are payable from the date of retirement.

Where a scheme member is not entitled to a pension, they become entitled to a lump sum comprising the higher of a refund of contributions plus a supplement, or a lump sum representing the Superannuation Guarantee minimum.

Superannuation rules require lump sum benefits be preserved until at least age 55. This applies to all lump sum benefits payable under the scheme.

HOW IS A PENSION CONVERTED TO A LUMP SUM?

Parliamentarians who become entitled to a pension may convert up to 50% of their pension to a lump sum, except where they receive an invalidity benefit.

A parliamentarian who commences a new term after they turn 66 years of age will have their lump sum (but not pension) reduced by 5% for each year that they are over 65 years of age, noting that the lump sum reduces every month.

HOW ARE BENEFITS TAXED?

Pension benefits are taxed under the Pay As You Go withholding arrangements as determined by the Australian Taxation Office. When a pension beneficiary reaches 60 years of age they are entitled to a 10% tax offset. This means that the tax that would normally be deducted from the pension is reduced by 10%.

The tax rate on the taxable component of a lump sum benefit will depend upon the age of the beneficiary at the time of payment and the amount of the lump sum.

Further information on the taxation of superannuation benefits can be obtained from the Australian Taxation Office website www.ato.gov.au/super or by telephone on 131 020.

CAN A MEMBER RECEIVE AN INVALIDITY BENEFIT?

Scheme members are entitled to an invalidity benefit, which is only payable as a pension, if the Parliamentary Retiring Allowances Trust is satisfied that the retirement is due to physical or mental impairment.

There is no provision for additional Total and Permanent Disability cover under the scheme.

HOW CAN THE SURCHARGE BE PAID OFF?

Where a parliamentarian has a surcharge debt, they can repay the debt in one of three ways.

A parliamentarian can elect to make a full or part payment to the scheme to reduce or pay off the debt at any time up to when the benefit becomes payable. When the benefit becomes payable, a parliamentarian may choose to convert a portion of their pension to a lump sum to pay the surcharge debt, or have their pension permanently reduced.

RE-ELECTION TO FEDERAL PARLIAMENT

The pension of a former parliamentarian is suspended if they are re-elected to the Commonwealth Parliament. Their pension will be recommenced when they again retire from Parliament and are 55 years of age or over.

WHAT BENEFITS ARE PAYABLE TO SPOUSES AND CHILDREN?

Generally, where a member dies, a pension is payable to an eligible spouse (this includes a partner of the opposite or the same-sex as the scheme member who meets the eligibility criteria) or eligible child of that member.

Where there is no eligible spouse or eligible child a payment may be made to the person's estate.

Binding death nominations are not available under the scheme.

HOW DOES FAMILY LAW AFFECT A BENEFIT?

Family Law legislation allows for superannuation to be treated like property and to be divided on relationship breakdown. The scheme allows for the splitting of superannuation on relationship breakdown under the Family Law regime. This allows for the former spouse of a member to become entitled to their own superannuation benefit under the Act.

HOW DOES AN OFFICE OF PROFIT AFFECT A PENSION?

Where a former parliamentarian or a spouse beneficiary holds an office of profit, their pension may be reduced. The pension is reduced by 50 cents for every dollar of salary received from the office of profit that is above 20% of the parliamentary allowance. A maximum reduction of 50% of the full pension entitlement (i.e. before any conversion to a lump sum) applies.

The PCS Act requires that a beneficiary notify the Department of Finance of an appointment to an office of profit within 14 days.

WHERE CAN I GET MORE INFORMATION?

Further detailed information can be found in the ***Parliamentary Contributory Superannuation Scheme Handbook*** available on the Finance web site:
www.finance.gov.au/superannuation/parliamentary-superannuation/index.html

Department of Finance contacts:

Parliamentary Superannuation Team
Superannuation Branch
Department of Finance
John Gorton Building, King Edward Terrace
PARKES, ACT, 2600.

Phone: (02) 6215 3676 or (02) 6215 3789
email: parlsuper@finance.gov.au

Australian Government
Department of Finance

INFORMATION ON THE PARLIAMENTARY CONTRIBUTORY SUPERANNUATION SCHEME

The legislative basis for the Scheme is the *Parliamentary Contributory Superannuation Act 1948* (the PCS Act)*;* this pamphlet has no legal authority.

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