



# Invalidity benefits

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## Who should read this?

This factsheet provides information about the benefits available to you if you are deemed unable to work due to invalidity. It explains the process of classifying you as an invalid, how benefits are calculated, benefit options available and how pensions are adjusted each year.

## What you should know upfront

It is important that you read the disclaimer at the end of this factsheet. Before making any decisions, please read the **PSS Product Disclosure Statement (PDS)** and consider seeking advice from a licensed professional such as a financial planner, accountant or solicitor.

## Introduction

Generally speaking, an invalidity retirement pension is payable to you if Commonwealth Superannuation Corporation (CSC) agrees to your retirement because of a permanent medical condition which is likely to stop you from working again.

However, an invalidity benefit is not payable if the condition which leads to your medical retirement has been caused by wilful action on your part with a view to you getting an invalidity benefit.

Also, invalidity retirement benefits are not payable if your retirement on medical grounds occurs after the age of 60.



Public Sector  
Superannuation  
Scheme

## Invalidity retirement process

If you believe that a medical condition shows that you should be retired on medical grounds, you should make arrangements with your personnel section to be examined by an Approved Medical Practitioner (AMP) from one of our approved medico–legal service providers. The contact details for our current service providers are available in the Invalidity section of the Employer Administration Centre website at [eac.csc.gov.au](http://eac.csc.gov.au). Your personnel section will make an appointment for you and they will also give you a completed **PSS Medical examination report for invalidity retirement (SM2)** form to take to the AMP.

The results of that examination will be sent directly to your personnel section.

If, as a result of the examination, the AMP thinks that you are, or may become, totally and permanently incapacitated, your personnel section will need to complete the **PSS Application for issue of invalidity retirement certificate (SPC)** form.

Your personnel section will send us all completed documents to help us decide whether you should be retired on medical grounds. Any other supporting evidence you have, such as a report from a specialist or a general practitioner must also be forwarded.

The report of your medical examination, together with any other supporting medical evidence, is then sent by us to an independent invalidity assessment panel for consideration (that is, a panel with expertise in assessing invalidity claims in or for the private sector).

After considering the assessment panel's recommendation, we will then decide whether to agree to your invalidity retirement. Also, at that time, we will consider whether it is practical for your employer to provide you with a suitable job or for you to obtain such a job with a different employer.

In some circumstances, we can agree to invalidity retirement without the need for the assessment panel's consideration. This generally occurs if your medical condition is such that we consider there is no reasonable doubt that you are totally and permanently incapacitated.

**Note:** It is important for you to know that formal retirement by your employer cannot occur until we issue a certificate to your employer stating that, if retired, you will be entitled to receive invalidity retirement benefits from PSS.

## Pre–assessment payments

You might also be entitled to receive pre–assessment payments while you wait for our decision. The reason for pre–assessment payments is to provide you with some form of income, after your sick leave runs out, while you wait for us to assess your application.

To qualify for pre–assessment payments you must not be a LBM or be receiving worker's compensation payments, and you must have been off work for 28 days or more.

However, before deciding whether to make pre–assessment payments, we need a medical report from one of our AMPs, which indicates that there is a likelihood that you are, or will become, totally and permanently incapacitated.

This is deliberately set as a lesser test than that required for invalidity retirement, to make sure that your income is reasonably protected until the invalidity retirement decision is taken. However, it does not automatically follow that your invalidity retirement will be approved even though we may approve pre–assessment payments for you.

Pre–assessment payments do not affect the calculation of your invalidity retirement benefit. However, if your invalidity retirement is approved and commences from a date before your pre–assessment payments cease, the invalidity benefits due will be offset by any pre–assessment payments made in the overlapping period.

Superannuation contributions to PSS, at the normal rate, must also be deducted from your pre–assessment payments.

## Rehabilitation

If we are advised that an appropriate program of rehabilitation may prevent you from becoming totally and permanently incapacitated, we may consult Comcare or another rehabilitation provider about such a program. Also, if it is considered that a rehabilitation program is likely to be cost–effective in reducing the likelihood of your invalidity retirement, we may require you to attend that program. The cost of the program is met by us.

Pre–assessment payments continue to be made to you during a rehabilitation program approved by us.

## How is an invalidity benefit calculated?

The invalidity pension benefit payable on total and permanent incapacity is based on the lump sum you would have received if you had worked to the age of 60. Generally, for this purpose, if you had been contributing at an average of more than 5% of your salary, it is assumed that you would have continued to contribute at that higher rate through to the age of 60.

However, if you had been contributing at less than 5%, your benefit is worked out on the basis that your contributions would have been immediately increased to 5%, and that you would have continued to contribute at that rate until the age of 60.

The lump sum obtained from this calculation is then converted to an indexed pension. The pension conversion factor used is 11.00, which is the one that would have applied to you if you retired at the age of 60. In other words, your lump sum is divided by 11.00 to obtain the amount of indexed pension.

**Note:** If you had been contributing at more than 5% for less than three years before you commence sick leave for the final time, you may not be eligible for benefits calculated at the higher average rate.

## Limited Benefits Member (LBM)

If you have been classified as a LBM your invalidity benefit is payable as a lump sum of your accrued benefit multiple if you are medically retired for any reason within three years of becoming a member. This applies irrespective of the condition which is causing your retirement.

## Benefit choices

The following invalidity benefit choices are available if you are retired on medical grounds before the age of 60.

## Members not subject to a limited benefits restriction

### Invalidity pension with no lump sum

If you choose this option you will receive an indexed pension which is made up of the three benefit components (that is, your contributions and those of your employer).

### Invalidity pension plus lump sum

If you choose this option you will receive a lump sum of your member component and the employer component as indexed pension.

## LBM's

### Lump sum

This choice is only available to LBM's. The only benefit payable is a lump sum, which is made up of both employer and member components accumulated to the date of invalidity retirement.

### Immediate access to lump sum benefits for terminally ill members

We can allow you to have an additional benefit choice if your invalidity retirement is due to a terminal illness, or if you suffer from a condition which is sufficiently severe that you will need personal or nursing care on a daily basis within two years. In these circumstances, you can choose to receive, instead of the normal invalidity benefits, an immediate lump sum based on your accrued Benefit Multiple. That is, the lump sum does not take account of your prospective benefit multiple to the age of 60.

To qualify for this option, you must send us a certificate from at least two medical practitioners (one of whom is not treating you), who have experience in the condition affecting you. The certificate must confirm that your condition is terminal, or that the severity of your illness is such that you will need personal or nursing care on a daily basis within two years. More details about this option are available from your personnel section or from the PSS website [csc.gov.au](http://csc.gov.au)

**Note:** If you choose this option, the entire benefit is paid as a lump sum. No additional benefit will be payable to a spouse or eligible beneficiary upon your death.

## Surcharge debt

Any accrued surcharge debt remaining at the time an invalidity benefit (other than a partial invalidity benefit) becomes payable is recovered by reducing the PSS benefit.

Normally your PSS invalidity pension is reduced to recover a surcharge debt, but you can request the debt to be recovered from your lump sum if you wish. The reduction to your pension is calculated using a special set of factors that vary according to your age at the time the benefit becomes payable.

Please refer to **The superannuation contributions surcharge** factsheet.

## Fast-tracking requests for terminally ill members

We can take steps to ensure that applications for invalidity retirement are processed with extra speed if you are terminally ill.

Where the illness or condition appears terminal, arrangements should be made with your personnel section to be medically examined by an AMP from one of our approved medico-legal service providers. (You will need to follow the same procedures as shown under the heading **Invalidity retirement process** on page 2.)

When your personnel section sends the results of that examination to us, together with any supporting reports from your treating specialist and general practitioner, they should request that your case be expedited. Under normal circumstances, we will finalise the case within three days.

## Australian Taxation Office (ATO) taxation arrangements for terminally ill members

Employees who are exiting their employment by any means because they are terminally ill may be eligible to receive any lump sum component of their benefit tax-free. In order to be considered for this tax concession, the case evidence should include medical opinions which shows they meet the ATO definition of terminally ill, which is explained below.

A terminal medical condition exists if:

- two registered medical practitioners have certified jointly or separately that the member suffers from an illness, or has incurred an injury, that is likely to result in the member's death within 24 months of the date of certification
- at least one of the registered medical practitioners is a specialist practicing in an area related to the illness or injury, and the certification period has not ended for each of the certificates.

## Adjustment of pensions

Invalidity retirement pensions are subject to annual cost-of-living adjustments based on movements in the Consumer Price Index (CPI). You will receive a notice of the adjustment, together with your Pay As You Go (PAYG) payment summary, from us in early July each year.

## Review of invalidity pensioners

Following your invalidity retirement, we may, from time to time until your 60<sup>th</sup> birthday, ask you for information about any employment you may be undertaking during your period of invalidity retirement. It is important for you to know that if you fail to provide information about employment and you don't have a reasonable explanation, your invalidity pension may be suspended until the requirement has been satisfied. It may then be cancelled after 12 months' suspension.

## Reduction of invalidity pensions on account of personal earnings

Invalidity pensions can be reduced where a retired member under the age of 60 works and receives income above certain fixed levels. You must provide us with information about any income you may be receiving as a result of working after your invalidity retirement.

If you rejoin PSS your invalidity pension will be cancelled. If you believe you may be affected, you should contact us for further information.

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## How can I get more information?



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**PHONE** 1300 000 377  
**FAX** (02) 6275 7010  
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GPO Box 2252  
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