

## Redundancy and your super

If you're facing redundancy or considering taking a lower paid position, there are some things you need to be aware of.

### What payments could you receive?

You may receive the following types of payments depending on your circumstances:

- > your accrued leave (from your employer)
- > your redundancy benefit (from your employer)
- > your LGsuper benefit

### Payments from your employer

Amounts that you receive from your employer may be either paid directly to you and taxed as income or classed as an employment termination payment (ETP).

Depending on your arrangement with your employer, you may receive a lump sum ETP that includes amounts for:

- > unused rostered days off
- > amounts in lieu of notice
- > unused sick leave
- > a gratuity or 'golden handshake'
- > bona fide redundancy and approved early retirement scheme payments over the tax free amount

Since 1 July 2007 an ETP generally cannot be rolled over into super. The only exception is where you had an employment agreement in place before 10 May 2006 that allows payments of these amounts on termination of employment, and the payment is made before 1 July 2012. If this agreement is not in place, you could pay these amounts into your super as a voluntary (after-tax) contribution (subject to contribution limits if you are aged between 65 and 74, meeting work test requirements). If you are aged 75 you cannot contribute to your LGsuper account.

Other amounts you may receive but are not considered an ETP include:

- > unused long service leave, annual leave and/or leave loading
- > salary, wages and allowances owing to you for work done or leave already taken
- > bona fide redundancy payments below the tax free amount

A redundancy is genuine (or bona fide) when the job you were doing is no longer required and your employment is terminated for this reason. This means you will not be replaced by another person, and there is no agreement with your employer for you to be re-hired.

Bona fide redundancy payments are tax-free up to a limit based on the number of years you worked for your employer. For 2010/11, this is \$8126 plus \$4064 for each completed year of service with your employer.

### Example

Bill has been made redundant by his employer and receives a bona fide redundancy payment of \$100,000. He has completed 10 years of service with his employer and as a consequence Bill's tax free limit will be  $\$8126 + \$40,640 (\$4064 \times 10 \text{ years service}) = \$48,766$ .

Transitional rates apply if you had an employment agreement in place before 10 May 2006 that allows payments of these amounts on termination of employment, and the payment is made before July 2012. Amounts above the tax-free limit are taxed as follows:

Your age	Amount over tax free limit	Transitional rate	No transitional rate
Under preservation age (currently 55)	First \$160,000	31.5%	31.5%
	\$160,001 to \$1 million	31.5%	46.5%
	Amounts over \$1 million	46.5%	46.5%
Preservation age (currently 55) or older	First \$160,000	16.5%	16.5%
	\$160,001 to \$1 million	31.5%	46.5%
	Amounts over \$1 million	46.5%	46.5%

Age is at 30 June during the year the payment is received. Limit of \$160,000 is indexed by average weekly ordinary time earnings (AWOTE) in \$5000 increments. Limit of \$1 million is not indexed.

### Can I access my super?

Whether you can access your super or not depends on your age at redundancy, and in some cases, your employment status. See the table below for more details.

Keep in mind that if you accept another role with a local government employer within 60 days of leaving your previous employer your employment is considered continuous and you will not be able to access your LGsuper benefit in cash.

Your age	Accessible amounts from LGsuper
Under 55	After-tax contributions paid into your account before 30 June 1999 (and their investment earnings up to that date) may be accessed on leaving employment. Your benefit statement shows this amount. Other amounts are required to remain in super until you permanently retire after your preservation age.
55—59	Total benefit can be accessed if permanently retiring. Otherwise, the amounts that can be accessed are the same as for someone under age 55 (see above).
60 plus	Total benefit can be accessed, whether you are retiring permanently or not.

### What if I accept another job with local government for less pay?

If you accept a lower paying role within 60 days of leaving your previous position, you can choose to continue paying the 6% standard member contribution based on your previous salary (and continue to receive employer contributions at the higher rate). If you are a member of the Defined Benefits Fund, this means LGsuper will use the higher salary in your multiple of salary calculation.

You should contact LGsuper if you are taking a lower paid position and considering whether to contribute based on your previous salary. If you have a defined benefit, it may or may not increase your super benefit.

### Any questions?

LGsuper is here to help. Contact us on 1800 444 396 to talk through your options and have your questions answered.

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