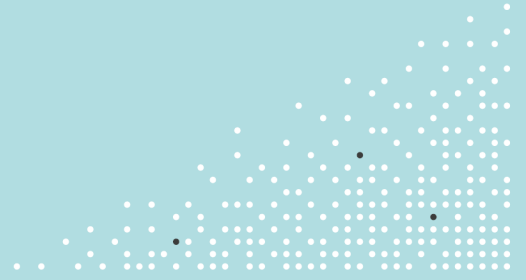




Australian Government  
Department of Finance



# Parliamentary Contributory Superannuation Scheme

PCSS Handbook | December 2024

## Preface

The Department of Finance (Finance) provides advice and assistance to the Parliamentary Retiring Allowances Trust (the Trust) and is responsible for the administration and management of the Parliamentary Contributory Superannuation Scheme (PCSS/the Scheme).

The PCSS is established under the *Parliamentary Contributory Superannuation Act 1948* (the Act). This Handbook is intended to provide guidance on the main provisions of the Act, applicable to members of Parliament who joined the scheme before 9 October 2004.

The Handbook is an illustrative guide only and does not cover all possible situations faced by members of the Scheme. Accordingly, before taking any action or making any elections in relation to the Scheme, members are strongly advised to seek specific information based on their own individual circumstances from Finance and their own financial advisor. Members are advised not to rely solely on the contents of this Handbook when considering such decisions.

Further information about the Scheme may be obtained from the Parliamentary Superannuation Team, via:

Mail: Parliamentary Superannuation Team  
Electoral and Superannuation Policy  
Department of Finance  
One Canberra Avenue  
FORREST ACT 2603

Telephone: 02 6215 3676

Email: [ParlSuper@finance.gov.au](mailto:ParlSuper@finance.gov.au)

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Department of Finance  
December 2024

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# Part I — About the PCSS

## The Scheme

1. The *Parliamentary Contributory Superannuation Act 1948* (the Act) established the Parliamentary Retiring Allowances Trust (the Trust) and Parliamentary Contributory Superannuation Scheme (PCSS/the Scheme). The PCSS is a contributory superannuation scheme under which benefits are paid to former members of Parliament, their spouses and orphan children.

## Membership

2. Membership of the PCSS was compulsory for all persons who entered Parliament prior to the closure of the Scheme to new members from 9 October 2004.
3. Persons who entered Parliament after the closure of the Scheme, including former parliamentarians who return to Parliament and former State parliamentarians who join the Commonwealth Parliament, are not eligible to join the PCSS. Similarly, sitting parliamentarians who leave Parliament and become entitled to a parliamentary pension and are re-elected to Parliament, will not be eligible to re-join the PCSS except where the circumstances that are described in paragraph 4 apply.
4. A serving parliamentarian who ceases to be a member of the House of Representatives on dissolution of the House to stand for the Senate or resigns from the Senate to stand for election to the House of Representatives and is elected to the other House within three months, will remain a member of the PCSS. The 3-month period is taken from the date of dissolution of the House of Representatives or resignation from the Senate, whichever is appropriate, to the date of the polling day, notwithstanding that the person may not take their place in Parliament until a later time.

## Administration

5. The Department of Finance (Finance) administers the PCSS on behalf of the Minister for Finance. The Trust is accountable for matters where discretion has been granted under the Act. It is comprised of 5 trustees, including the presiding Trustee, the Minister for Finance (or a Minister authorised by the Minister for Finance), alongside 2 Senators and 2 Members of the House of Representatives appointed by their respective Houses.

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Minister for Finance	Senator the Hon Katy Gallagher
The Senate	Senator the Hon Richard Colbeck Senator Glenn Sterle
The House of Representatives	The Hon Warren Entsch MP Ms Maria Vamvakinou MP

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6. The Trustees, with the exception of the Minister for Finance, are appointed, and may be removed, by the House of which they are members.

## Part II — Key components of the PCSS

### Determination of parliamentary salaries

7. The Remuneration Tribunal (the Tribunal) has the power to determine a range of allowances and entitlements for parliamentarians including certain components of parliamentary salaries.
8. The 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 unrelated.
9. References to the “parliamentary allowance”, “salary for Ministers of State” and “allowance by way of salary for office holders” (including references to “Ministerial” or “office holder salary” or “salary”) in this Handbook should be read as the superannuation salaries applicable to the PCSS where relevant.

### Contributions

10. Contributions constitute a fixed portion of:
  - (a) parliamentary allowance
  - (b) salary for Ministers of State
  - (c) allowance by way of salary for office holders.<sup>1</sup>
11. Respective of the contributions under paragraph 10(a), members whose period of parliamentary service is less than 18 years, the rate of contribution is 11.5% of the monthly amount of the parliamentary allowance. Once a member has completed 18 years of service, the contribution rate reduces to 5.75%.
12. Respective of contributions under paragraphs 10(b) and 10(c):
  - (a) members who have not attained their maximum additional pension entitlement (paragraph 31) are required to pay contributions, in addition to the contributions under paragraph 10(a), at the rate of 11.5% of the monthly amount of the ministerial or office holder salary
  - (b) members who have attained their maximum additional pension entitlement have a reduced contribution rate of 5.75% while that maximum applies. The contributions under paragraphs 10(b) and 10(c) cease to be payable if/when the ministerial or office holder salary ceases to be received.
13. Salary sacrifice arrangements are not allowed under the Scheme.

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<sup>1</sup> Contributions are paid to the Consolidated Revenue Fund (CRF).

## Taxation of contributions

14. Since 1 July 2017, the value of unfunded employer defined benefit contributions in relation to the PCSS is counted towards the concessional contributions cap, a limit on the amount of contributions that receive concessional tax treatment in a scheme.
15. As of 1 July 2024, the annual concessional contributions cap is \$30,000.<sup>2</sup> Where the value of these contributions exceeds the cap, they will not be treated as excess concessional contributions. This is because these employer contributions are unfunded and are subject to taxation when the member's benefit is paid.
16. Members with combined income and annual defined benefit employer contributions of more than \$250,000 in a financial year may have to pay an additional tax known as Division 293 tax.<sup>3</sup> The Division 293 tax is assessed by the Australian Taxation Office (ATO) and is charged at 15% of an individual's taxable contributions; for defined benefit schemes, the repayment of the debt can be deferred until the benefit is claimed.<sup>4</sup> More information about the Division 293 tax, including repayment options is covered in this Handbook (paragraph 47-58).
17. Non-concessional contributions are personal post-tax member contributions for which a tax deduction is not claimed. The non-concessional contributions cap is a limit on the amount of non-concessional contributions that can be made into a superannuation scheme or fund. The annual non-concessional contributions cap is 4 times the annual concessional contributions cap, which equates to \$120,000 (4 × \$30,000).
18. Where an individual has a total superannuation balance of \$1.9 million or more as at 30 June of the previous financial year (that is 30 June 2024, respective of the 2023-24 financial year), the non-concessional contributions cap is reduced to zero.
19. Member contributions are required to be made to the PCSS, even if the non-concessional contributions cap is zero.
20. The superannuation balance includes an accumulation phase value (APV) which is reported each year to the ATO by Finance as the Scheme administrator.<sup>5</sup> This benefit would become payable under the Act if a person retired voluntarily on 30 June of that financial year and is not currently in the retirement phase.

## Period of service

21. In determining entitlements under the PCSS, a member's period of service means the period during which they were entitled to receive a parliamentary allowance plus any other allowable service such as previous service or State service.

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<sup>2</sup> The concessional contributions cap is determined by the Australian Taxation Office (ATO).

<sup>3</sup> Division 293 tax may reduce the tax concession on super contributions for individuals.

<sup>4</sup> An individual's income is added to certain super contributions and compared to the Division 293 threshold. Division 293 tax is payable on the excess over the threshold, or on the super contributions, whichever is less. The rate of Division 293 tax is 15%.

<sup>5</sup> The accumulation phase value (APV) of your super interests is the total amount of super benefits that would be payable if you chose to cease all of your super interests by, for example, closing all of your super accounts.

## Benefit payable to members

22. On retirement from Parliament, a member is entitled to a pension if:
- (a) 12 or more years of service has been completed, or
  - (b) the member has on 4 occasions, ceased to be a member due to the dissolution or expiration of the House in which they were then a member or on the expiration of a term of office, or
  - (c) retirement is involuntary and the member has completed no less than 8 years of service or has on 3 occasions, ceased to be a member on the dissolution or expiration of the House of which they were a member or on the expiration of a term of office.

A member with less than 8 years of service, who qualifies for a pension as defined under above paragraphs 22(b) or 22(c), is deemed to have completed 8 years of service.

23. To determining the number of “occasions”, a Senator whose term of office was 6 years is regarded as having an “occasion” after completion of 3 years of a 6-year-term, in addition to an occasion on the expiration of that 6-year-term.<sup>6</sup>

## Benefit payable to members not entitled to a pension

24. A member who does not qualify for a pension, other than a member referred to in paragraph 27, is entitled to a lump sum payment (paragraph 59-69). The lump sum comprises a refund of contributions plus a supplement. The amount of the supplement is:
- (a) if the retirement is involuntary, two and one-third times the contributions paid by the person during their period of service, or if that period exceeds 8 years, the last 8 years of service; or
  - (b) if retirement is deemed to be voluntary, one and one-sixth times the contributions paid by the person during the last 8 years of service.
25. Lump sum benefits, however, will be increased where the minimum level of superannuation required under the *Superannuation Guarantee (Administration) Act 1992* (the SGAA Act) has not been provided by the payment of the lump sums described at the above paragraph 24(a) or 24(b). The superannuation guarantee (SG) minimum amount is calculated based on a/the:
- member’s voluntary retirement benefits as at 30 June 1992; plus
  - member’s own contributions from 30 June 1992; plus

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<sup>6</sup> A member is considered to have ceased to be a member on the dissolution of the House of which they were a member or on the expiration of a term of office on the day on which they cease to receive their parliamentary allowance in respect of that term.



- minimum SG employer contributions from 30 June 1992.
- All accumulated with PSS interest until retirement.<sup>7</sup>

26. The relevant SG amounts, expressed as a percentage of salary for superannuation purposes are specified in the SGAA Act.

**Table 1 – Superannuation guarantee percentage (from 1 July 2021 onwards)**

Financial Year	General super guarantee (%)	Super guarantee (%) for Norfolk Island (transitional rate)
1 July 2021 – 30 June 2022	10.00	6
1 July 2022 – 30 June 2023	10.50	7
1 July 2023 – 30 June 2024	11.00	8
1 July 2024 – 30 June 2025	11.50	9
1 July 2025 – 30 June 2026	12.00	10
1 July 2026 – 30 June 2027	12.00	11
1 July 2027 – 30 June 2028 and onwards	12.00	12

## Disqualification of benefit

27. Any member whose seat becomes vacant due to the provisions outlined within sections 44 and 45 of the *Commonwealth of Australia Constitution Act* (the Constitution) is entitled to a refund of contributions only.

## Rates of basic pension

28. The rates of basic pension payable are expressed as a percentage of the parliamentary allowance payable on occasions to members of Parliament. The rates are as follows:

**Table 2 – Rates of basic pension**

Completed years of service	Parliamentary allowances (%)	Completed years of service	Parliamentary allowances (%)
8	50.00	14	65.00
9	52.50	15	67.50
10	55.00	16	70.00
11	57.50	17	72.50
12	60.00	18 or more	75.00
13	62.50		

<sup>7</sup> Relevant interest rates are the same as those applied to member contributions in the Public Sector Superannuation (PSS) scheme. Interest rates are used to accumulate lump sum benefits with interest, as required by SGAA Act.

29. Where a member has served for more than 8 years but less than 18 years, and their period of service spans an incomplete year, the percentage shown in above table is increased by 0.00685 for each additional day of service. For example, the percentage applicable to a member who has completed 15 years and 50 days of service is:

$$67.50\% + 0.343\% = 67.843\% \text{ of the parliamentary allowance.}$$

## Additional pension for service as a minister or office holder

- 30. A member who is entitled to a pension, whose period of service included a period or periods as a Minister or office holder in the Commonwealth Parliament where a salary was payable is entitled to an additional pension in respect of their service in each such office (in addition to the basic pension described in paragraphs 28 and 29).
- 31. The additional pension for each office is expressed as a percentage of the Ministerial or office holder salary for that office. The appropriate percentage is obtained by multiplying 6.25 by the number of years the member served in the office. Where a member has served in more than one office, the additional pensions in respect of those offices are aggregated. A parliamentarian's additional pensions may not total more than 75% of the Ministerial or office holder salary for the highest paying office held.
- 32. The below example illustrates the hypothetical calculation of the additional pensions for a member who held the office of a Chairman of a Committee for 2 years, was a Minister in Cabinet for 4 years and 80 days and the Treasurer for 200 days. Respectively, the additional pensions in respect of the member's service would be as follows of the current salary:

- respective of service as a Chairman of a Committee:

$$6.25 \times 2 \text{ years} = 12.5\% \text{ of the current salary for a Chairman of a Committee}$$

- respective of service as a Minister in Cabinet:

$$6.25 \times (4 \text{ years} + (80 \text{ days} \div 365)) = 26.37\% \text{ of the current salary for a Minister in Cabinet}$$

- respective of service as the Treasurer:

$$6.25 \times (200 \text{ days} \div 365) = 3.425\% \text{ of the current salary for the Treasurer}$$

33. The member would be entitled to receive the aggregate of the additional pensions in respect of their service as a Minister in Cabinet and the Treasurer, provided this amount does not exceed 75% of the salary for the Treasurer (the position with the highest salary of the 3 positions).

## Taxation of benefits

34. Members who 60 years of age or older may qualify for a 10% tax offset relative to the portion of their annual pension that is below the defined benefit income cap of \$118,750 as at 1 July 2024. However, this tax offset is dependent on the tax-free and untaxed amounts. Any pension amount exceeding this threshold will not be eligible for the 10% tax offset.
35. The threshold reduces when a pension commences part way through a financial year.
36. For members who are under 60 years of age, the tax-free amount is not assessable income. The untaxed amount of the pension is included as assessable income and taxed at the marginal tax rates. No tax offset is payable.

## Transfer balance cap

37. The transfer balance cap was introduced on 1 July 2017. It is a lifetime limit on the total amount of superannuation that can be transferred into retirement phase income streams, including most pensions and annuities. PCSS pensions are counted towards the transfer balance cap (currently \$1.9 million).<sup>8</sup> Where the value of the pension exceeds the transfer balance cap, there may be tax implications for other superannuation interests a pensioner holds. The transfer balance cap applies to those receiving a pension from the PCSS, or when a pension commences to be paid from the PCSS.
38. Finance will calculate a value for a pension being paid from the PCSS and report this to the ATO. A pension will not have a new value calculated each time the pension increases. Generally, only the commencing value (or the value at 30 June 2017 for existing pensioners) will be reported against the transfer balance cap.

## Superannuation contributions surcharge

39. The superannuation surcharge legislation imposed a surcharge on a member's surchargeable contributions, where the member's adjusted taxable income, that is adjusted taxable income plus surchargeable contributions is greater than the surcharge threshold. In 1996-97 the minimum threshold was \$70,000 and had risen to \$99,710 for the year 2004-05. For 1996-97, the full 15% surcharge only applied where the member's adjusted taxable income was \$85,000 or more. The corresponding amount for 2004-05 is \$121,075.
40. The maximum surcharge rates are:<sup>9</sup>
  - 15% from 1996-97 to 2002-03
  - 14.5% in 2003-04
  - 12.5% in 2004-05.

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<sup>8</sup> The transfer balance cap applies from 1 July 2017. It is a limit on the total amount of superannuation that can be transferred into the retirement phase. All your super account balances (regardless of how many you have) will be included to calculate this amount.

<sup>9</sup> The surcharge was abolished for superannuation accruing after 1 July 2005.

41. Superannuation accrued during the superannuation surcharge period from 20 August 1996 to 30 June 2005 will have surchargeable contributions which may result in an assessment being issued by the ATO.
42. The PCSS, like other defined benefit schemes, applies a Notional Surchargeable Contributions Factor (NSCF) developed by the Scheme's actuary to derive the surchargeable "employer" contributions. The NSCF represents the cost of "employer financed" benefits accruing in respect of the member.
43. Members are identified for surcharge purposes by their Tax File Number. The ATO cross-matches the information supplied by Finance with tax returns lodged by taxpayers. The ATO then determines the member's adjusted taxable income, calculates a surcharge (if applicable), advises the member directly and forwards a report to Finance as the PCSS administrator.
44. Finance maintains a surcharge debt account for each member which accumulates all surcharge assessments during the member's period of membership. Interest at the 10-year Treasury bond rate is also applied to the balance of this account at the end of each financial year.
45. When a benefit becomes payable, the total amount accrued in the surcharge debt account is paid to the ATO and the member's benefit reduced, having regard to the accumulated surcharge debt. Alternatively, members may choose to pay any surcharge liability as it accrues, directly to Finance for on-forwarding to the ATO. In this case, the amount paid will be credited to the member's surcharge debt account and the member advised of the revised balance of that account.
46. A member's benefit must not be reduced by more than the maximum surcharge rate for each financial year, applied to the employer-financed component of the benefit accrued for that year by the member since 20 August 1996, respective of the date the superannuation surcharge was introduced. The reduction in benefit will be made in accordance with the methodology agreed by the Trust on the advice of an actuary.

## Division 293 tax

47. Division 293 tax is an additional tax on superannuation contributions, reducing the tax concession for individuals whose combined income and concessional contributions total more than \$250,000.
48. The concessional superannuation contributions for defined benefit schemes such as the PCSS for Division 293 tax purposes is the amount of 'defined benefit contributions' in the relevant financial year. The defined benefit contributions amount is calculated using a methodology set out in regulations and actuarial factors and is reported to the ATO at the end of each financial year.
49. Division 293 tax is charged at 15% for PCSS members whose income and defined benefit contributions total more than \$250,000 in a financial year. The amount of the Division 293 tax which applies to the defined benefit contributions above the \$250,000 threshold is determined by the Commissioner of Taxation following assessment of the individual's tax return.
50. The ATO establishes a debt account for tax assessed on the individual, where their income and defined benefit contributions total more than \$250,000 in a financial year.

51. Any outstanding amount in a debt account becomes liable for payment by the individual when a benefit becomes payable.
52. Where a Division 293 tax liability is assessed and determined prior to a member's retirement, the individual may elect to, either:
  - pay some or all the debt to the ATO before their PCSS benefit becomes payable; or
  - postpone payment until their PCSS benefit becomes payable to pay their deferred Division 293 tax debt account.
53. Where a PCSS contributor elects to wait until their pension benefit becomes payable to pay their Division 293 tax debt, the member has the option of providing to the PCSS, a Division 293 tax 'release authority' that they have received from the ATO. The member must complete the release authority and provide it to Finance as the PCSS administrator by the date specified in the release authority form. The release authority will not be processed by the Finance after the due date.
54. Under a release authority, a lump sum amount is paid to the Commissioner of Taxation in respect of the debt account and there is a corresponding reduction to the PCSS benefit.
55. The amount that is paid to the Commissioner of Taxation under a release authority will depend upon the amount of the debt account (as stated in the release authority), and the amount of PCSS benefit that is available after any other applicable deduction under the PCSS legislation such as, following a surcharge deduction or a family law split.
56. The reduction to a PCSS benefit in respect of a payment under a release authority is permanent and irreversible (including to any reversionary pension to a spouse or child that later becomes payable).
57. If a member elects to convert part of their benefit to a lump sum at the time of their retirement, this election must be made before, or at the same time as any release authority is received. Once money is paid under a release authority, the member will not be able to elect to commute part of their benefit to a lump sum at a late date.
58. Calculation of the reduction to the PCSS benefit is undertaken based on a formula set out in the PCSS legislation and depends upon the amount released and a factor based on the person's age and gender. If the PCSS pension has already commenced to be paid, the PCSS legislation requires any pension reduction due to Division 293 tax purposes to apply retrospectively from the time the member's PCSS pension commenced. Any resulting overpaid PCSS pension will be recovered from the member.

## Conversion to a lump sum

59. A member entitled to a pension may elect to convert up to 50% of their pension (including any additional pension) to a lump sum and may be made no earlier than 3 months before, and no later than 3 months after becoming entitled to a pension (paragraph 61-69).
60. The lump sum is calculated by multiplying the annual amount of the pension that the retired PCSS member elects to convert by a factor of 10 if the pensioner is the age of 66 or under but retires from Parliament at the expiration of the term of office when they are of age. In any other case, the factor of 10 is reduced by one-twenty-fourth for each whole month by which the parliamentarian's age at retirement exceeds 65. The following table illustrates the conversion factors for those who are exactly the ages specified at the time of becoming entitled to a pension.

**Table 3 – Ages and factors applicable to PCSS members**

Age	Factor	Age	Factor	Age	Factor
<65	10	72	6.5	79	3
66	9.5	73	6	80	2.5
67	9	74	5.5	81	2
68	8.5	75	5	82	1.5
69	8	76	4.5	83	1
70	7.5	77	4	84	0.5
71	7	78	3.5	85	0

## Preservation of lump sum benefits

61. The *Superannuation Industry (Supervision) Regulations 1994* (the SIS Regulations) requires that certain lump sum benefits be preserved in a superannuation fund or an approved deposit fund until beneficiaries reach their preservation age and retire from the workforce.
62. Superannuation contributions, including member contributions made from 1 July 1999 will be preserved until retirement from the workforce. Once a member reaches their preservation age (generally age 55)<sup>10</sup>, except where the benefit is a complying pension, or special circumstances apply.<sup>11</sup>

<sup>10</sup> A phased increase in the preservation age from 55 to 60 applies between the years 2015 and 2025. This will mean that, for someone born before 1 July 1960, the preservation age will remain at 55 years, while for someone born after 30 June 1964 the preservation age will rise to 60.

<sup>11</sup> The preservation rules do not apply to pension benefits payable from any superannuation scheme, provided the pension is a complying pension under the Superannuation Industry Supervision (SIS) regulations dealing with preservation. The pension paid by the PCSS is a complying pension for the purposes of the SIS preservation arrangements. However, for new members elected on or after the 2001 general election, see the section on 'deferral of pension to age 55 for certain members.'

## Members who retire with a lump sum benefit

63. The preservation arrangements mean that all lump sum benefits accrued on or after 1 July 1999, including member contributions, will be preserved until preservation age.
64. The amount of the lump sum benefit that exceeds the 30 June 1999 amount of benefit, that is the non-preserved amount, must be preserved until retirement from the workforce after reaching the preservation age. The non-preserved amount will not be indexed.
65. New members elected after 1 July 1999, and who do not qualify for a pension upon retirement, will be required to preserve all their contributions and the Government supplement until retirement from the workforce after reaching the preservation age.
66. These preserved amounts will be paid into a rollover fund of the member's choice.

## Members who retire with a pension benefit

67. The same rules apply after 30 June 1999, to lump sums received from the conversion of a portion of the pension benefit.
68. Members who retire with a pension entitlement, who wish to convert up to 50% of the pension to a lump sum will be required to preserve part of that lump sum until the preservation age is reached. The amount of the lump sum that would be available in cash, that is the non-preserved amount before the preservation age is reached is that part of the lump sum based on the level of pension converted to a lump sum that relates to the pension accrual as at 30 June 1999.
69. Members elected on or after 1 July 1999 will be required to preserve the whole of their lump sum benefit if they elect to convert part of their pension to a lump sum on retirement before their preservation age.

## Invalidity benefit

70. The Trust may determine that the retirement of a member is to be treated as an invalidity retirement, if satisfied that the person is unable to perform the duties of a member because of physical or mental impairment. Where such a determination is made, the retirement is deemed to be involuntary. If minimum of 8 years of service has been achieved, the member would qualify for the standard retirement benefits under the provisions outlined in paragraph 22.
71. If invalid pensioner dies without eligible dependents and the pension payments have not exceeded the greater of the lump sum of three and one-third times their own contributions over the last 8 years of service and the superannuation guarantee benefit, the balance is payable to the person's estate.
72. The PCSS does not allow for additional death and invalidity or total and permanent disability insurance cover.

## Deferral of pension to age 55 for certain members

73. Certain categories of PCSS members are not entitled to receive their parliamentary pension before the age of 55 (the age 55 restriction). These categories are as follows:
- PCSS members who joined the Parliament on or after 10 November 2001.
    - The age 55 restriction does not apply to PCSS members who joined the Scheme before 2001 and have continuously remained in the Parliament. If they qualify for a pension, they can receive this regardless of age from the time of their retirement.
  - PCSS members who were re-elected to Parliament after 2001 and were previously entitled to a pension under the PCSS before age 55.
74. When the age 55 restriction applies, the option to convert part of the pension to a lump sum benefit is also deferred until age 55. The rate of pension payable at age 55 will be based on the salaries payable at that time and occasionally thereafter.
75. The age 55 restriction does not apply if the member's retirement is on invalidity grounds, regardless of the age.
76. Deferred pension may be paid before age 55 if the Trust considers that, due of ill health, the member is incapable of performing the duties of a parliamentarian. Any decision to activate the pension would be subject to review on a regular basis by the Trust.
77. The Trust can decide to pay part of the deferred pension early in special circumstances where the former member is in severe financial hardship or on compassionate grounds in line with SIS Regulations. When the pension becomes payable at age 55, it will be reduced to take account of these payments. The reduction to the pension is permanent and irrevocable, including in relation to any future lump sum commutation and reversionary spouse benefit.
78. Reversionary benefits will continue to be available to the eligible spouse or eligible children of all members who die in service. Also, an eligible spouse or eligible children will receive a reversionary pension on the death of a former parliamentarian whose pension is deferred before age 55.



## Reversionary benefits

79. Eligible reversionary beneficiaries of the PCSS are set out in the Act and therefore there is no provision for making binding death benefit nominations.<sup>12</sup>
80. A pension is payable to:
- (a) the spouse of a member who dies while a parliamentarian, irrespective of the length of the deceased person's service in Parliament, or
  - (b) the spouse of a retired member in receipt of a PCSS pension, provided that:
    - (i) the marital or couple relationship commenced before the member's retirement from Parliament; or
    - (ii) the marital or couple relationship commenced after the member's retirement from Parliament before their 60th birthday, and the relationship commenced at least 3 years before the retired member's death; or
    - (iii) the marital or couple relationship commenced after the member's retirement from Parliament but after their 60th birthday, and the relationship commenced at least 5 years before the retired member's death.
81. A spouse is anyone you have lived with in a genuine domestic relationship at any point including de facto and same-sex couples. The primary criteria for the payment of a reversionary benefit will be that the couple lived together on a permanent and bona fide domestic basis at the time of the death of the member or pensioner.
82. If a couple are living apart leading up to, or at the time of death, the Act requires the Trust to be satisfied that the couple had been living together as a couple except for a period of temporary absence (for example, when the couple is separated by work commitments or absence due to illness or infirmity). Under this situation, additional information is required from the spouse or de facto partner for the Trust's consideration, prior to the spouse pension being payable.
83. A relationship will be considered to be permanent and bona fide where the relationship existed for the minimum period or there is other evidence that the relationship is permanent and bona fide, including (but not limited to):
- (a) the existence of a legal marriage, the relationship was registered under a law of a State
  - (b) Territory prescribed as a kind of relationship prescribed for the purposes of that section
  - (c) a child of the relationship
  - (d) a jointly owned home which is the usual residence of the couple
  - (e) or dependency.

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<sup>12</sup> When a person dies, in most cases their super fund pays their remaining super to their nominated beneficiary. Super paid after a person's death is called a 'super death benefit'.

84. A reversionary pension is five-sixths of the rate of the pension and additional pension to which the member would have been entitled. If the member died while a parliamentarian and had not completed 8 years of service, they are deemed to have completed 8 years of service for the purpose of calculating the amount of the pension.
85. Recognition of de facto spouses and relationships could mean that a person has both a legally married spouse and another couple or marital type relationship. The Trust will apportion the reversionary benefit, on a needs basis, amongst more than one eligible person. The Trust will also apportion the benefit amongst spouses and orphans where the member is survived by a spouse or spouses who are not natural or adoptive parents of any surviving eligible children.
86. A spouse in receipt of a pension will continue to receive that pension if they are elected to the Commonwealth Parliament. Similarly, a spouse's pension will continue to be paid to a person who is also in receipt of a pension resulting from their own service in the Commonwealth Parliament.
87. If a person who is in receipt of a spouse's pension is elected to a State or Territory Parliament, the pension will be reduced by the salary received by virtue of holding that position.
88. A person in receipt of a spouse's pension following the death of a person first elected after 1 July 1994, will not have that pension reduced in respect of any State or Territory spouse pension payable.
89. A pension continues to be payable regardless of whether the spouse commences a new relationship.

## Benefit payable to orphan children

90. Subject to the qualifications in paragraphs 85, 91 and 92, pensions are payable to any eligible children (including adopted and ex-nuptial children) of:
  - (a) a member who dies while a parliamentarian; or
  - (b) a member who dies while entitled to a pension.

Provided a member is not survived by a spouse who is the natural or adoptive parent of the child and who is entitled to a pension. A pension is also payable to any eligible children on the death of a spouse who was in receipt of a pension.

91. No benefit is payable in respect of a child who was born to or adopted by a member after retirement from Parliament and after the member reach 60 years of age, unless the child is a child of a marital relationship that lasted for five years. No benefit is payable in respect to a child of the spouse of a deceased member who is born or adopted after the date of death of the member, unless the Trust is of the opinion that the child would have been dependent on the member had they lived.
92. To be eligible for a pension, a child must be under 18, or under 25 if a full-time student and have been dependent on the member at the time of their death.

93. Subject to paragraph 86, the rate of pension payable respective of a child is an amount calculated by dividing the pension that was or would have been payable to the spouse by 4, or by the number of children in respect of which an annuity is payable if more than 4.
94. The pension payable in respect of a child is payable in such manner, to such persons and subject to the discretion as the Trust determines.

## Benefit payable to a personal representative

95. On the death of a member who is not survived by an eligible spouse or an orphan who is entitled to a pension, a lump sum is payable to the personal representative of the deceased person, to be dispersed in accordance with the terms of their will. The lump sum consists of:
  - (a) a refund of the former member's contributions plus a supplement equivalent to two and one-third times the contributions paid during the last 8 years of service; or the superannuation guarantee safety net amount (whichever is the higher) less the superannuation surcharge deduction amount; less
  - (b) the amount of any benefits paid to the member.
96. If a reversionary or orphan pension is payable on the death of a member but the total amount was paid to the member, the spouse or orphan would receive less than the amount specified in paragraph 97; the balance is payable to the personal representative of the member.

## Family law and superannuation

97. Superannuation is treated as property under the *Family Law Act 1975* (the Family Law Act), but it differs from other types of property because it is held in a trust. The superannuation law is treated superannuation as a different type of property and allows separating couples value their superannuation and superannuation payments to be divided due to a relationship breakdown.
98. Effective from 18May 2004, amendments to the PCSS established an approach to address the splitting of superannuation after a relationship breakdown under the Family Law Act. This enables the former spouse of a member to become entitled to their own superannuation benefit under the Family Law Act.
99. Exceptions to this include where the parliamentarian or former parliamentarian's benefit is not a splittable benefit under the Family Law Act (for example, an orphan's pension), where one or both of the parties dies after the agreement or court order is made, but before it takes effect, or where the value of the amount to be transferred to the former spouse's account is larger than the value of the amount calculated under the Family Law Act.
100. For a binding agreement or court order to be made regarding a superannuation interest, it is necessary to value that superannuation.

101. Couples can seek superannuation information from Finance as the administrator of the Scheme to help arrange binding agreements by completing the Form 6 Declaration, and the Superannuation Information Request form. This information can be used by the couple and the Court to recognise and value their superannuation as part of a property settlement. A valuation method specific to the PCSS applies to the valuation of benefits for family law purposes.
102. Upon receiving an agreement from separating parties including through a court order, Finance as the administrator of the Scheme will create a separate interest account for the former spouse. An amount will be transferred to the former spouse's account to confirm the agreement or court order, leading to a decrease in the pension benefit for the member receiving the pension.
103. Where the relationship breakdown occurs before the member becomes entitled to a benefit, an amount is transferred from the member's account to an account in the name of the former spouse and will be indexed until it becomes payable. The member's final benefit is reduced to take account of this transfer.
104. The former spouse's benefit may become payable from age 55 on request and subject to the general rules governing the preservation of superannuation benefits should the trustees decide that the non-member is permanently incapacitated at age 65, or to a personal legal representative on death.
105. Where the former spouse's account is created after the member has become entitled to a pension, the former spouse's benefit becomes payable immediately and the member's pension will be reduced. The former spouse's benefit is payable for life and is indexed in the same way and at the same time as the member's benefit. The former spouse's benefit is not able to be converted to a lump sum benefit.

## Increases in pensions

106. Because pensions and additional pension entitlements are expressed as a percentage of salaries as determined from time-to-time, the actual amount of the pension or additional pension will increase each time salaries are increased as to the salaries applicable to the PCSS (paragraph 7-9).
107. The pension being paid to a spouse will also be increased by five-sixths of the increase that would have applied to the deceased person's pension or additional pensions had they lived. A corresponding adjustment will also apply to orphans' pensions.

## Part III — Special provisions

### Beneficiaries who are re-elected to Parliament

108. Where a member who is entitled to a pension is re-elected, the pension is suspended while the person is a sitting parliamentarian. The person will not be entitled to further accrual of benefits under the Scheme.
109. The pension will once again recommence on retirement from the Parliament and on reaching age 55 at the same rate as when the pension was suspended but based on the salaries at time of payment.

### Beneficiaries who are elected to state parliaments

110. Where a beneficiary who is in receipt of a pension becomes a member of, or a Minister in, a State Parliament or the Northern Territory Legislative Assembly or the Australian Capital Territory Assembly, the pension is reduced by the rate of salary, or allowance in salary, received in respect of that State or Territory parliamentary service.

### Beneficiaries who take up offices of profit under the Crown

111. Where a beneficiary who is entitled to a pension holds an office of profit under the Crown, the pension may be reduced on a fortnightly basis depending on the amount of the remuneration received for the holding of such office(s). The Act specifies a range of State and Commonwealth Government positions that constitute an office of profit (see the definitions of “holder of an office of profit under a State” and “holder of an office of profit under the Commonwealth” in section 21B of the Act).
112. There is no reduction in the pension unless the remuneration from the office of profit exceeds 20% of the fortnightly rate of the parliamentary allowance (the current threshold is \$1,418.18 per fortnight). For every dollar the office of profit remuneration exceeds this threshold, the pension is reduced by 50 cents. The maximum amount by which the pension can be reduced is 50% of the pension entitlement before any decision to convert a portion to a lump sum.

113. The following example illustrates pension reductions that would occur based on the varying levels of salary from an office of profit. In this example, the varying pension reductions are shown for a PCSS pension entitlement of \$90,000 per annum (\$3,452.05 per fortnight). In this example, the maximum reduction that can be made to the PCSS pension is \$1,726.03 per fortnight (50% of the fortnightly payment of \$3,452.05).

**Table 4 – Pension reduction**

<b>Office of Profit Salary</b>	<b>Office of Profit Salary</b>	<b>Threshold</b>	<b>Pension Reduction</b>
<i>\$Per annum</i>	<i>\$Per fortnight</i>	<i>\$Per fortnight</i>	<i>\$Per fortnight</i>
60,000.00	2,300.32	1,418.18	441.00
70,000.00	2,683.71	1,418.18	632.50
80,000.00	3,067.09	1,418.18	824.00
90,000.00	3,450.48	1,418.18	1,016.00
100,000.00	3,833.87	1,418.18	1,207.50
110,000.00	4,217.25	1,418.18	1,399.50
120,000.00	4,600.64	1,418.18	1,591.00
130,000.00	4,984.03	1,418.18	1,726.03

114. The reduction to a PCSS pension due to an office of profit salary is calculated each fortnightly pay period and backdated to the commencement of the office of profit position (as applicable).

115. Any tax-free salaries will be grossed up to a pre-tax equivalent before application of the “Office of Profit” provisions. This provision would apply to a person holding the office of Governor-General or involved in the administration of Norfolk Island.

116. There will be no reduction to the pension for any pension payments derived from the holding of an office of profit.

In accordance with this provision, a beneficiary must notify Finance in writing of their appointment to an office for profit within 14 days, regardless of the salary level. Failure to do so may result in a penalty is prescribed in the Act.

## Part IV — General Provisions

### Payment of benefits

117. Benefits are paid from the Consolidated Revenue Fund and are administered by the Department of Finance.
118. Benefits are paid fortnightly and are subject to income tax. Should an overpayment occurs, it may be deducted from future payments. A Payment Summary is provided after the end of the financial year.
119. Benefit payments are credited to an Australian bank, building society or credit union account in the name of the recipient.
120. The Act stipulates that benefits are non-transferable to another party. However, in exceptional circumstances, such as when the entitled person is incapacitated, the Trust has the discretion and delegation to transfer the benefit to another person for the entitled person.

### Elections or options

121. Revocation of an election, or the exercise of an option is permissible before any payment is made in accordance with the election or option. However, once a benefit payment has been made, the election is irrevocable and therefore cannot be revoked.

### Review of decisions

122. If a member is affected by a decision made by the Trust and is dissatisfied with the outcome, they may request a reconsideration within 30 days of being notified of the decision, or within a longer period as permitted by the Trust. Once the request is received, the Trust will review its decision and may choose to uphold, vary or revoke the initial decision. If the member remains dissatisfied following this reassessment, they have the right to seek further review of the Trust's decision by applying to the Administrative Appeals Tribunal.