



Death and invalidity benefits

Issued 22 March 2018



The information in this document forms part of the Product Disclosure Statement for the Public Sector Superannuation Scheme (PSS), ninth edition, issued on 27 September 2017.

Death, invalidity retirement and partial invalidity benefits are available through PSS to help protect your current lifestyle and provide for you or your family in the event of sickness, injury or death.

Invalidity benefits

Invalidity retirement benefits

Invalidity retirement benefits are available in the event that your invalidity retirement is approved by Commonwealth Superannuation Corporation (CSC) and you are retired on invalidity grounds by your employer.

As a general rule, to be approved for invalidity retirement you must be totally and permanently incapacitated which means that, because of a physical or mental condition, you are unlikely to work again in any occupation for which you are reasonably qualified by education, training or experience (or could become so after retraining). An invalidity benefit is not payable if the condition which leads to your invalidity retirement has been caused by wilful action on your part with a view to gaining an invalidity benefit.

Invalidity benefits payable to contributing members before reaching age 60

The invalidity pension benefit, provided you are not a limited benefits member, is based on the value of the benefit accrual you would have received if you had worked to age 60.

This final benefit accrual is based on your final average salary (FAS) multiplied by the sum of your accrued benefit multiple (ABM) at retirement plus the multiple you would have accrued had you continued contributing until age 60 at the greater of:

- > 5%
- > the average percentage rate you contributed over the 78 paydays (total paydays, if less) before you commenced long-term sick leave or retired.

It is also subject to the maximum benefit limit (MBL) and the '10-Year Rule', including prospective service to age 60. For more information on these topics refer to our website at pss.gov.au

Generally, 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 average 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. Note, if you had been contributing at more than 5% for less than three years before you claim your benefit, or commence sick leave for the final time, you may not be eligible for benefits calculated at the higher average rate.

The final benefit accrual obtained from this calculation is 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 final benefit accrual is divided by 11.00 to obtain the amount of your indexed pension.

Your Government Super at Work

Any financial product advice in this document is general advice only and has been prepared without taking account of your personal objectives, financial situation or needs. Before acting on any such general advice, you should consider the appropriateness of the advice, having regard to your own objectives, financial situation and needs. You may wish to consult a licensed financial advisor. You should obtain a copy of the PSS Product Disclosure Statement and consider its contents before making any decision regarding your super.

Commonwealth Superannuation Corporation (CSC) ABN: 48 882 817 243 AFSL: 238069 RSEL: L0001397
Trustee of the Public Sector Superannuation Scheme (PSS) ABN: 74 172 177 893 RSE: R1004595

Example 1: Calculation of average multiple for prospective service to age 60

For the first six years of his membership, Tony contributes at 2%. He increases his rate to 6% for the next two years and again to 9% for the last year before being retired on medical grounds at age 48. He did not take any long-term sick leave before his retirement and is a full benefits member. Tony's FAS is \$54 600.

Tony's invalidity benefit is calculated as follows:

Contributions	Growth of benefit multiple	Accrued benefit multiple
Actual		
2% for 6 years	0.15 x 6 years	0.9
6% for 2 years	0.23 x 2 years	0.46
9% for 1 year	0.29 x 1 year	0.29
Accrued benefit multiple		1.65
plus Prospective multiple		
Actual – greater of 5% and average paid over last 78 paydays		
Average paid	6% x 52	312
	9% x 26	234
		$546 \div 78 = 7\%$
Prospective contributions to age 60		
7% for 12 years (age 48 to 60)	0.25 x 12 years	3.0
Equals total benefit accrual		4.65
Tony's notional final benefit accrual is worked out as follows: $\$54\,600 \text{ (FAS)} \times 4.65 = \$235\,890$		

Contributing members, prior to age 60 and not subject to a limited benefits restriction, can also choose to receive an invalidity pension plus a lump sum component. If you choose this option you will receive a lump sum of your member component, with your productivity and the employer components paid as an indexed pension.

Invalidity pensions cannot be voluntarily reduced to provide for higher pensions payable to eligible dependants following death.

Contributing members over age 60

Contributing members over age 60 qualify for an age retirement benefit and can also retire on an invalidity benefit. Retiring on an invalidity benefit entitles a member to a different taxation calculation on any lump sum entitlement that includes a post-1994 invalidity component which age retirement does not attract.

Preserved and associate members

Invalidity benefits for preserved and associate members are based on the value of the preserved entitlement at the date of claim. Associate members should refer to the **Family law and splitting super** booklet for more information available on our website at pss.gov.au

Limited benefits members

You will be classified as a limited benefits member (LBM) if you do not complete your **Confidential Medical and Personal Statement (CMAPS)** within 14 days of joining PSS or it is determined that you have a medical condition that will prevent you from working for at least three years without taking excessive sick leave. If it is found that you provided false or incorrect information on the **CMAPS**, you may be reclassified as a LBM. This means that benefits payable on invalidity or death in the first three years of membership are reduced.

If you have been classified (or reclassified) as a LBM and you are medically retired for any reason within three years of becoming a member, your invalidity benefit will be limited to a lump sum of your accrued benefit as at your date of retirement (that is, no future service is taken into account).

Any illness or accident that causes invalidity, loss of income or death does not have to be related to the condition(s) that led to your being classified as a LBM for a benefit limitation to apply. Limited benefits status has no effect on your contribution rate, or on benefits other than invalidity and death benefits. A limited benefits classification ceases to have any effect on benefits after three years membership (this period excludes any periods of leave without pay not to count as service).

Immediate access to lump sum benefits for terminally ill members

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, you can choose to receive 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 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.

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

Faster processing for terminally ill members

We can take steps to ensure that applications for invalidity retirement are processed faster (usually within one week) if you are terminally ill. Please contact us to help us process your request faster.

Where the illness or condition appears likely to be terminal, arrangements should be made with your personnel section for you to be medically examined by an approved medical practitioner from one of our approved medico-legal service providers. You will need to follow the same procedures as outlined under the **Invalidity retirement application process** which is set out below.

When your personnel section sends the results of your medical examination to us, together with supporting reports from your treating specialists and general practitioner, they should request that your case be expedited.

Invalidity retirement application 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 from one of our approved medico-legal service providers. Your personnel section will make an appointment for you and they will also give you a completed **Medical examination report for invalidity retirement (SM2)** form to take to the approved medical practitioner.

Note: Your employer may also initiate this process.

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

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

Your personnel section will then need to send all the completed documents, including other supporting medical evidence to the address provided on the last page. Any other supporting evidence you have, such as a report from a specialist or a general practitioner, should also be forwarded.

The report of your medical examination, together with any other supporting medical evidence, is assessed by an independent invalidity assessment panel for consideration this panel has expertise in assessing invalidity claims.

After considering the assessment, the panel's recommendation and any other relevant matters including 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, CSC will then decide whether to agree to your invalidity retirement.

In some circumstances, including if your medical condition is such that CSC considers that there is no reasonable doubt that you are totally and permanently incapacitated, CSC can agree to invalidity retirement without the need for an assessment from the panel.

If you are, or are likely to become, totally and permanently incapacitated, you may be paid pre-assessment payments to help support you until a final decision is made.

Please note that formal retirement by your employer cannot occur until CSC issues a certificate to your employer stating that, if retired, you will be entitled to receive invalidity retirement benefits from PSS.

Pre-assessment payments

You may be entitled to receive pre-assessment payments to provide you with income, after your sick leave runs out, while you wait for a decision. To qualify for pre-assessment payments you cannot be a limited benefits member or be receiving workers compensation payments and you must have been off work for a continuous period of 28 days or more.

To be assessed for pre-assessment payments a medical report from an approved service provider or medical practitioner, which indicates that there is a likelihood that you are, or will become, totally and permanently incapacitated must be provided.

Pre-assessment payments can be paid where an invalidity benefit is not approved. If you are not retired on invalidity grounds, you are not required to repay any pre-assessment payments you may have received.

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, and any premiums required for additional death and invalidity cover are deducted from your pre-assessment payments.

Rate of pre-assessment payments

Pre-assessment payments can be payable **during** the first six months after sick leave credits are exhausted, at a rate of half your super salary that was applicable on your first day off work, less any:

- > partial invalidity pension payable;
- > compensation payments being made in respect of an unrelated condition.

Pre-assessment payments are payable **after** the first six months of commencing sick leave, at the greater of:

- > half your super salary, that was applicable on your first day off work less any partial invalidity pension payable and compensation payments being made in respect of an unrelated condition;
- > the maximum rate of invalidity pension that would have been payable, had you been retired 6 months after your first day off work, less any sick leave pay, partial invalidity pension payable and compensation payments being made in respect of an unrelated condition.

Rehabilitation

Where an appropriate program of rehabilitation may prevent you from becoming totally and permanently incapacitated, you may be required to attend that program. If you were receiving pre-assessment payments, those payments would continue during an approved rehabilitation program.

Consumer Price Index (CPI) adjustments

Invalidity benefits, excluding partial invalidity pensions and pre-assessment payments are subject to twice yearly cost-of-living adjustments based on upwards movements in the Consumer Price Index (CPI). You will receive a notice of the adjustment in January and July each year.

Reduced invalidity pension due to personal earnings

Invalidity pensions can be reduced when a retired member under age 60 is working and receives personal earnings above certain levels. You will be required to provide information about any personal earnings you receive and whenever the level of those earnings changes.

Personal earnings means salary, wages, fees or other amounts received for services rendered or work performed. Personal earnings include remuneration paid as the director of a company or commission received for canvassing or collecting or other similar activities. If you believe you may be affected, please call us on 1300 000 377 for further information. If you again become a scheme member, your invalidity pension is cancelled and your contributions to PSS recommence.

Review of invalidity benefit and returning to eligible employment

From time to time until your 60th birthday, we may undertake a review of your invalidity pension, based on your personal earnings or your fitness to return to work. It is important for you to know that if you fail to provide information, or if you do not submit yourself for an assessment, and you do not 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. If it is considered that your health has been sufficiently restored to allow you to return to work and you fail or refuse to accept an offer of re-employment within 14 days of the offer being made, your invalidity pension may be cancelled.

In addition, if you are receiving personal earnings, you must advise us of the details in writing. The invalidity benefit may be reduced or suspended, however will be restored to full rate once employment ceases or you turn age 60 (unless your pension is cancelled). You must also notify us if you are re-employed by an eligible employer as if this occurs your invalidity benefit will cease if you again become a member of the PSS. If you rejoin on a lower salary, you may be entitled to a PIP (see 'Re-appointed invalidity pensioner').

Partial invalidity

A partial invalidity benefit is a form of income maintenance. It is paid as a pension where it is decided that your salary is permanently decreased

because a medical condition causes you to be downgraded or to work reduced hours. It is also payable if you retired on medical grounds and then returned to work for a PSS participating employer on a lower salary than the one you held when you were first retired on medical grounds.

Amount of benefit payable

The rate of partial invalidity pension payable is a proportion of your salary decrease. The way your decrease is calculated, and the proportion of the decrease payable as a partial invalidity pension, depends on why your salary was decreased.

Re-appointed invalidity pensioner

If you were an invalidity pensioner and returned to work on a lower salary than your updated salary at the date you initially retired, the decrease is the difference between your old updated salary and your new salary. The proportion of the decrease payable as a partial invalidity pension is the rate calculated by dividing your invalidity pension at retirement by your average salary at retirement.

Example 2: Invalidity pensioner returning to lower paid employment

Peta returns to employment on a lower salary after being in receipt of an invalidity pension. Her average salary at retirement was \$50,000 and her invalidity pension was \$32 500. Therefore, the proportion of the decrease is 0.65 ($\$32\,500 / \$50\,000$).

If her decrease in salary is \$1 500, she would be eligible for a Partial Invalidity Pension of \$975 per annum.

Reduction due to medical condition

If you suffered a permanent salary decrease due to a medical condition, either because you were downgraded or work reduced hours, the decrease is the difference between your salary before the decrease and your lower salary. The proportion of the decrease payable as a partial invalidity pension is the rate calculated by dividing the invalidity pension you would have received had you been entitled to a full invalidity pension at the date of the reduction by your average salary at the date of the decrease.

Example 3: Partial Invalidity Pension for reduction in salary due to redeployment on medical grounds

Wendy receives a salary of \$42 000 before a permanent medical condition forces her to take up a new position with a salary of \$27 000. If Wendy had become entitled to invalidity retirement benefits, she would have received a full invalidity pension of \$26 900 based on her average salary of \$40 000.

The proportion of her salary decrease is:
 $\$26\,900 \div \$40\,000 = 0.6725$

Her salary decrease is:
 $\$42\,000 - \$27\,000 = \$15\,000$

Her partial invalidity pension is therefore:
 $\$15\,000 \times 0.6725 = \$10\,088$

Adjustments

Partial invalidity pension rates are adjusted with any increases to your salary, usually on each birthday, or if you suffer a further permanent decrease because of a medical condition, CSC must be satisfied the reduction is attributable to a physical or mental incapacity before the pension can be adjusted.

Payment of partial invalidity pensions

A partial invalidity pension is payable on your normal payday with effect from either the first day following your decrease in salary or the first day of your re-employment at the decreased salary, if you were a former invalidity pensioner.

Circumstances where a partial invalidity benefit is not payable

You will not be paid a partial invalidity pension if:

- > you have reached your maximum retiring age
- > you are a limited benefits member
- > you are a casual employee
- > your decrease in salary is not permanent
- > your decrease in salary is caused by a condition for which worker's compensation payments are or will be made
- > your decrease in salary happens during the first three years of membership and, when joining PSS, you failed to disclose a condition that would have resulted in your being declared as a limited benefits member.

Superannuation contributions and benefits

If you are receiving a partial invalidity pension, your superannuation contributions are based on your decreased fortnightly salary. However, members who work reduced hours but do not convert to permanent part-time employment will still be required to contribute according to their full-time salary.

The amount of your partial invalidity pension is not treated as salary for superannuation contribution purposes. However, your future age retirement or invalidity retirement benefits will be based on the updated salary you would have been receiving had the salary decrease not happened.

Cessation of partial invalidity pensions

Leave without pay

If you are receiving a partial invalidity pension and go on leave without pay (other than sick leave without pay), your pension may be suspended until you return to work.

Non-compliance

If you do not comply with requirements that you attend a program of rehabilitation, or provide medical or other evidence as to your health and/or ability to resume your former duties, payment of your partial invalidity pension will stop. Payments may resume if CSC is satisfied you have met or will meet all requirements.

Cease contributory membership

Your partial invalidity pension is cancelled when you cease to be a contributing member.

Salary decrease negated

The pension will be cancelled if your salary equals or exceeds the updated salary of the position that you held before you became a partial invalidity pensioner or before your salary was decreased because of a permanent medical condition.

Compensation

If you become entitled to compensation for the same condition, partial invalidity pension ceases from the date you become entitled to compensation.

Death benefits

Benefits are payable to your eligible spouse and/or children should you die while you are a contributing member, a preserved member or after retirement provided you were receiving a PSS pension.

Spouse benefits

On your death, your spouse will receive a PSS benefit provided that it is decided that they had a marital or couple relationship with you at the time of your death.

A marital or couple relationship exists where two people:

- > have ordinarily lived together as husband and wife or partners
- > are in a permanent and bona fide domestic relationship for a continuous period of at least three years at the date of death.

If the relationship had existed for less than three continuous years at the member or pensioner's death, eligibility can still be determined where CSC is satisfied that the person ordinarily lived with the member or pensioner as husband and wife or partners.

In making an assessment of eligibility, the following factors may be considered:

- > financial dependence
- > whether you were legally married
- > whether you were in a registered relationship
- > whether you and your partner in the relationship had a child who was:
 - > born of your relationship
 - > adopted by you during the relationship or
 - > where the child is a child of both of you within the meaning of the *Family Law Act 1975*
- > joint ownership of property
- > any other relevant evidence.

Where a person previously had a marital or couple relationship but the relationship finished before the date of death, a spouse benefit may still be payable if:

- > at the time of the deceased person's death, the spouse was legally married to the deceased person
- > they were wholly or substantially dependent upon the deceased person at the time of the deceased person's death.

A person can still be considered to be living with another person on a permanent and bona fide domestic basis where it is determined that the person would have been living with the other person except for a temporary absence or an absence resulting from illness or infirmity.

Spouse or children of a contributing member

If you die while you are a contributing member and were not a limited benefits member, your dependant spouse may choose to take their benefit as a pension, a lump sum or a combination of both (provided that at least 50% of the final benefit accrual is converted to a pension). The pension payable to your dependants will be a percentage of the invalidity pension that would have been payable had you retired on invalidity grounds. Table 1 shows the various percentages.

If you are a limited benefits member at the time of your death, no pension benefit is payable. The benefit payable is a lump sum of the benefit accrued as at the date of your death.

Example 4: Calculation of spouse benefit following death in service

Marianne's husband Ian died whilst a contributing member at age 45. Ian and Marianne did not have any eligible children. Ian's Final Average Salary (FAS) was \$58 000 and his accrued benefit multiple to the date of death was 3.5. Ian was not a limited benefits member.

Marianne's full pension entitlement is \$23 493, calculated as follows:

Ian's Final benefit accrual

FAS x (accrued benefit multiple plus prospective multiple to age 60)

$$\$58\,000 \times (3.5 + 3.15)$$

$$\$58\,000 \times 6.65 = \$385\,700$$

Ian's pension rate

Final benefit accrual ÷ pension conversion factor

$$\$385\,700 \div 11 = \$35\,064 \text{ pa}$$

Marianne's pension

Ian's rate x pension factor

$$\$35\,064 \times 67\% = \$23\,493 \text{ pa}$$

Spouse of a preserved member

The benefit payable in respect of a deceased preserved member is a lump sum of the former member's preserved benefit as accrued to the date of death.

A spouse may convert some or all of the lump sum to pension. There are limits on the amount of benefit that can be taken as a lump sum if this option is taken. Pensions are calculated by dividing the amount to be converted by the pension conversion factor of 11, and then allocating a percentage of that entitlement in line with Table 1. If the former member dies after age 60, the factor decreases in accordance with the pension conversion factors.

Spouse of a pensioner

If you die while receiving a PSS pension, your eligible spouse will be entitled to receive a percentage of the pension being paid to you at the time of your death.

Table 1 shows the various pension percentages. The percentage payable will depend on whether you chose the higher dependant pension option at the time of your retirement (see Table 3).

Table 1: Calculation of dependant's pension

Number of dependants	Amount as percentage of former member's pension entitlement
One (spouse only)	67%
Two (spouse and one child)	78%
Three (spouse and two children)	89%
Four or more (spouse and three or more children)	100%

If your marital or couple relationship started after you began receiving your pension and after you reached age 60, and the relationship existed for less than three continuous years at the date of death, your spouse will receive a proportion of the spouse's pension that would normally have been payable. For example, if the relationship existed for one year, then your spouse would receive one-third of the full spouse's pension.

Pensioner receiving invalidity pension

Invalidity pensioners do not have the option of electing a lower pension rate in exchange for higher dependant pension benefits. If the deceased pensioner was receiving an invalidity pension, the spouse's rate is automatically based on the standard rates.

Apportionment of spouse's benefit

Where you are survived by more than one spouse, the benefit payable to each spouse may be apportioned having regard to their respective needs. The total benefit payable to any spouse would not be greater than the amount payable had that person been the only eligible spouse.

Continuation of spouse's entitlement

Where a spouse who is receiving a pension remarries or starts a new relationship, the pension continues to be paid. However, they need to tell us as soon as possible so that our records remain correct.

Associate pensioner

An associate pension, that is, a pension that is payable to the associate of a member or pensioner as the result of a family law split, does not pass to the associate's spouse or children on the associate's death.

Children's benefits

Under scheme rules, PSS death benefits are payable to an eligible child. An eligible child is a child of the deceased member or pensioner, including a natural child, an adopted child, an ex-nuptial child, a step-child, a child within the meaning of the *Family Law Act 1975*, or any other person whom CSC determines is to be treated as a child of the member who:

- > has not reached age 16
- > is age 16 or more but less than age 25 and is receiving full-time education at a school, college or university
- > is not ordinarily employed or self-employed
 - > immediately before the death of the member:
 - > ordinarily lived with the member (except where the child is a child of a spouse of the deceased person but not of the deceased person)
 - > was, in the opinion of CSC, wholly or substantially dependent upon the member
 - > where the child is born, after the death of the member, and would have, in the opinion of CSC, ordinarily lived with, or been wholly or substantially dependent on, the member if the child had been born before the death of the member.

The meaning of child in the *Family Law Act 1975* includes children:

- > born to a woman as the result of an artificial conception procedure while that woman was married to, or was a de facto partner of, another person (whether of the same sex or opposite sex)
- > who are children of a person because of an order of a state or territory court made under a state or territory law prescribed for the purposes of section 60HB of the *Family Law Act 1975*, giving effect to a surrogacy agreement.

Children's pensions are payable on the death of a contributing member in accordance with Table 1, until the child reaches 16 years of age or until the age of 25 if the child is a full-time student and not ordinarily employed. If there is a spouse and eligible children, the amount of spouse's pension payable is increased in respect of the eligible children. If there are eligible children, but no eligible spouse, then orphans' benefits are payable.

A child under the age of 16 or 25 while a full-time student and not ordinarily employed, who was not living with or was not wholly or substantially dependent on, the deceased (called a partially-dependent child) may be entitled to benefits if the deceased:

- > was voluntarily making, or required by a court to make, regular maintenance payments in respect of the child
- > in the opinion of CSC, would have been voluntarily making, or required by a court to make, such payments in respect of the child if the child had been born before the deceased's death.

The rate of pension payable to a partially-dependent child is usually the lesser of:

- > the pension calculated in accordance with Table 1
- > the amount of maintenance payments that were being made, or would have been made, in respect of the child.

The benefit payable to or on behalf of eligible children following the death of a preserved benefits member is a lump sum of the former member's preserved benefit as accrued to the date of death. This benefit may be apportioned where two or more eligible children are not living together.

Lump sum payable to orphans

Orphans' benefits are payable to eligible children if you die without an eligible spouse. Where a contributing member, who was not a limited benefits member, dies and an orphans' pension is payable, the pension is paid up to the age of 16 or up to age 25 while the orphan is a full-time student. This means that the pension may only be paid for a short period of time.

A lump sum benefit may also be payable if the total amount of pension expected to be paid is less than the lump sum value of the benefit that would have been paid to the deceased had he or she become entitled to invalidity benefits.

A lump sum benefit is also payable to or on behalf of the orphan(s) following the death of a limited benefits member.

Rates of orphans' pension

This benefit is based on the pension that would have been payable had the deceased contributor become entitled to invalidity benefits. The rate of pension payable depends on the number of eligible children, as shown below.

Table 2: Calculation of orphans' pension

Number of orphans	Amount as percentage of former member's pension entitlement
One	45%
Two	80%
Three	90%
Four or more	100%

Higher dependant pension option

If you retire on age or involuntary retirement grounds or claim your preserved benefit on age grounds you can elect to receive a lower pension in return for your spouse and/or children receiving a higher pension following your death.

By electing to reduce your pension to 93% of the normal pension rate, your spouse and/or children will receive a higher pension following your death. Table 3 shows the various percentages payable.

Table 3: Calculation of higher dependant pension

Number of dependants	Rate payable to an eligible spouse or child	Rate payable to an orphan
One	(spouse) 85%	51%
Two	(spouse plus one child) 97%	92%
Three	(spouse plus two children) 108%	108%
Four or more	(spouse plus three children) 108%	108%

Example 5: Calculation of higher dependant pension

At the time of retirement John elected to receive the higher dependant option. His initial retirement pension benefit was \$50 000. Following his election for a 93% benefit this is reduced to \$46 500. The pension rate payable to a surviving spouse and one child would be: \$46 500 x 97% = \$45 105

This option is elected at the date of retirement by the member. It is not made by a dependant after the member's death.

This option is not available if you retire on invalidity grounds or if you die while you are still a contributing or preserved member of PSS.

Minimum benefit payable – death of a pensioner

The minimum benefit that must be paid in respect of a PSS member varies depending on whether the member retired on age or involuntary grounds or on invalidity grounds.

If you retired on age or involuntary grounds, or were a preserved member before your pension became payable, the minimum benefit is the total of your member contributions and fund earnings and the minimum employer benefit payable under the super guarantee legislation.

If you retired on invalidity grounds, the minimum benefit is the benefit accrual up to the date of invalidity retirement (ie it does not include an amount in respect of the benefit that would have accrued had you continued working to age 60).

Where no further pension is payable (ie you die and no spouse and/or children's pensions are payable, or your spouse subsequently dies and no children's benefit is payable), the minimum benefit payable is compared to the total benefits paid out as pension and lump sum and any minimum benefit balance is paid to your estate.

Payment of benefit where there are no dependants

If you die without a spouse or eligible children, any benefits are paid as a lump sum only to:

- > any child(ren) who would otherwise not be eligible for benefits, eg children over 16 but not undertaking full-time study
- > your legal personal representative.

If you die while a contributing member, and no spouse and/or children's benefits are payable, the benefit payable is a lump sum of the final benefit accrual (ie including prospective service to age 60) you would have received had you become entitled to invalidity benefits (provided you were not a limited benefits member).

If you die while a preserved member and no spouse and/or children's benefits are payable, a benefit comprising of your total preserved benefit at the time of death is payable to the estate.

Surcharge debts

If you die as a contributing member or a preserved member any surcharge debt is deducted from outstanding benefits payable to your estate or spouse and/or children.

Bi-annual adjustment of pensions

Pensions paid in respect of spouses and/or children are subject to bi-annual adjustments based on upwards movements in the consumer price index (CPI).

How to apply for a death benefit

Where death occurs during contributory or preserved membership

The spouse can make an application using the form **Benefit application – spouse of a deceased member (contributing or preserved)** available at pss.gov.au or call 1300 000 377.

The benefit application form for orphans, **Benefit application – orphan of a deceased member**, is also available on our website.

Where death occurs following retirement

The spouse can make an application using the form **Benefit application – spouse of a deceased pensioner** available at pss.gov.au or call 1300 000 377.

The benefit application form for orphans, **Benefit application – child of a deceased pensioner**, is also available on our website at pss.gov.au or call 1300 000 377

Where death occurs with no dependants

The legal personal representative should contact CSC in writing or call 1300 000 377

Additional Death and Invalidity Cover (ADIC)

Additional death and invalidity cover provides additional cover on death or total and permanent disablement, where you cannot achieve the maximum coverage that would be available through PSS. An example of this is if you joined or rejoin PSS later in life and have a short prospective service career before turning 60.

Important information

This information describes the main features of additional death and invalidity cover offered through PSS and is intended as a general guide only. The information in this section is based on the terms and conditions of the insurance policy which Commonwealth Superannuation Corporation (CSC) (ABN 48 882 817 243, AFSL 238069 and RSE Licence No. L0001397) currently holds on behalf of members of the fund as at this **Product Disclosure Statement (PDS)** publication date.

The policy which CSC currently holds is provided by AIA Australia Limited ('AIA Australia' or 'the insurer') (ABN 79 004 837 861, AFSL 230043). It is possible that the terms and conditions of the insurance policy held by CSC (including the premiums charged to members) may change from time to time due to AIA Australia changing these terms and conditions or if AIA Australia ceases to be the insurer. If this happens, the information in this section may become outdated. We will let you know about any significant changes to the terms and conditions of the insurance cover. The full terms and conditions relating to insurance are set out in the insurance policy and in the event of any dispute about insurance, the policy will take priority over the information in this section.

If you are a contributing member of PSS, you can apply for additional death and invalidity cover, as long as any additional cover, together with your ongoing benefit accrual, does not exceed your potential maximum benefit limit (MBL) – a limit on the benefit you can receive. Depending on your average salary, contribution rate and length of service, it can either be a dollar limit or up to 10 times your FAS. This may be reduced overtime to ensure you do not exceed your MBL. For further information, refer to our website at pss.gov.au.

Limited benefits members

If you are classified as a limited benefits member, you can still apply for additional cover, but the insurer will decide whether or not they will accept your application. If they do accept your application, they may impose a loading which you are required to pay.

Amount of cover available to you

The amount of cover you can receive depends on a number of factors. Follow these steps to determine the amount of any additional cover for which you may be eligible:

1. Determine your average superannuation salary using your salary over your three most recent birthdays.
2. Determine the maximum amount of additional cover available to you using Table 4. Your present benefit accrual (available from your most recent annual statement or by calling us) plus your prospective multiple to age 60 (see the example under 'Invalidity benefits' section) determines the amount of additional cover you can take. At the time you apply for additional cover, your case will be tested to see if you could exceed your potential MBL.
3. Your cover may reduce due to the following:
 - > future salary increase
 - > percentage rate change in contributions.

Table 4: Maximum amount of additional cover available

Age of member when cover first taken	Maximum amount of additional cover
Less than age 40	2.20 x average salary
Age 40* to age 49	1.65 x average salary
Age 50 to age 59	1.10 x average salary
Age 60 or more	Not available

* When you turn 40, you can continue to have 2.2 times your average salary as cover provided your MBL is not exceeded.

Provided cover is accepted by the insurer, your cover will commence on the date nominated by us and the first premiums will be due on the following payday.

Note: that not all members qualify for maximum cover and no additional death and invalidity cover is payable on resignation.

Cost of cover

The cost of additional cover is inexpensive when compared to similar cover taken privately, as part of the cost is contributed by your employer and is provided at group rates.

Your employer will contribute half of the rate if you are a standard risk (that is, you are considered to be of good health and do not engage in hazardous pursuits). You pay the balance, deducted directly from your pay each fortnight. You will need to pay the entire premium during any period of unpaid leave. Any premium paid by your employer will count towards your concessional contributions cap, and any premium you pay will count towards your non-concessional cap.

If you are identified to be a non-standard risk, your employer will still pay half the cost of a standard risk premium. You will need to pay half the standard premium as well as the total of any additional premium determined by the insurer.

The premium for your additional cover will be adjusted each year on your birthday in line with the rates applicable for your age at that time, unless you choose to reduce the amount of your cover or you are required to do so due to the MBL restrictions.

The annual cost of additional cover is outlined below.

Table 5: Annual cost of additional benefit cover per \$1 000 cover

Age last birthday	Rate per year \$	Age last birthday	Rate per year \$
15	0.21	38	0.98
16	0.24	39	1.09
17	0.29	40	1.18
18	0.33	41	1.30
19	0.38	42	1.45
20	0.38	43	1.66
21	0.40	44	1.89
22	0.39	45	2.14
23	0.41	46	2.45
24	0.42	47	2.80
25	0.41	48	3.19
26	0.42	49	3.61
27	0.45	50	4.08
28	0.46	51	4.62
29	0.49	52	5.26
30	0.50	53	5.90
31	0.54	54	6.64
32	0.55	55	7.43
33	0.59	56	8.31
34	0.66	57	9.36
35	0.73	58	10.09
36	0.80	59	10.91
37	0.89		

Applying for cover

You can obtain a quote and apply for ADIC using the LIFEapp online application tool, available through your PSS Member Online account at pss.gov.au

Alternatively, you can complete the **Election to take out or vary additional death and invalidity cover** form available at pss.gov.au

Variations to the amount of cover

Example 6: Calculation of fortnightly ADIC Cost

Paul, aged 44, with an average salary of \$60 000 chooses to take out additional cover. The cost of his annual premium, assuming he is a standard risk and his actual plus prospective multiple is less than 8.35, would be calculated as follows:

Average salary	= \$60 000
Maximum multiple	= 1.65 x average salary
Amount of cover	= 1.65 x \$60 000 = \$99 000
Rate for age 44 (last birthday)	= \$1.89 per \$1 000 cover
Annual premium	Amount of cover ÷ \$1 000 (\$99 000 ÷ \$1 000) = 99 = \$1.89 x 99 = \$187.11
Fortnightly cost	Annual premium ÷ annual fortnights (\$187.11 ÷ 26) = \$7.20
Paul's share	= \$3.60 per fortnight
Employer's share	= \$3.60 per fortnight

The dollar amount of cover will be varied automatically each year on your birthday to take account of any change in your contribution percentage rate, average salary and/or your prospective multiple. You can also apply to vary your additional cover from time to time, provided it does not cause you to exceed your MBL. An increase in cover is subject to underwriting by the insurer.

Benefits payable

The additional cover contributes to your overall indexed pension if you retire due to invalidity. Except where your invalidity retirement is due to a terminal illness, in which case you can choose to receive a lump sum amount. If you die, your eligible spouse can take the benefit as either a lump sum or an indexed pension. If you die without dependants, the benefit is paid to your estate as a lump sum.

Example 7: ADIC benefit contribution comparison

Natalie joined PSS at age 32 and is retired on medical grounds at age 44 after twelve years membership. Natalie has been contributing at an average rate of 5% of salary over that period. Her FAS was \$72 000 and she took out the maximum additional cover of \$118 800 (1.65 x \$72 000) when she was 42.

Her total invalidity pension per year would be:

Average salary	= \$72 000
Accrued benefit multiple*	= 5.88
Maximum amount of additional cover	= \$118 800
Pension conversion factor at age 60	= 11
Pension benefit – maximum additional cover	
(accrued benefit multiple* x FAS + additional cover) ÷ pension conversion factor (5.88 x \$72 000 + 118 800) ÷ 11	= \$49 287.27 per year
Pension benefit – no additional cover	
(accrued benefit multiple* x FAS) ÷ pension conversion factor (5.88 x \$72 000) ÷ 11	= \$38 487.27 per year

*The accrued benefit multiple is the total of the ongoing multiple (what Natalie accrued up until she ceased employment) and the prospective multiple (what Natalie would have received had she continued contributing until age 60).

Example 8: Spouse benefit including ADIC:

Using the same example, if Natalie were to die at age 44, leaving an eligible spouse and two children, the following benefit could be paid to her spouse:

Full pension benefit – maximum additional cover	
Total invalidity pension per year x the rate of pension for eligible dependants	
\$49 287.27 x 89%	= \$43 865.67 per year

Full pension benefit – no additional cover	
Total invalidity pension per year x the rate of pension for eligible dependants	
\$38 487.27 x 89%	= \$34 253.67 per year

OR

Natalie's spouse and children's lump sum	
Lump sum benefit – maximum additional cover	
Accrued benefit multiple x FAS + additional cover	
(5.88 x \$72 000 + 118 800)	= \$542 160 gross

Lump sum benefit – no additional cover	
Accrued benefit multiple x FAS	
5.88 x \$72 000	= \$423 360 gross

Leave without pay

If you go on approved leave without pay, subject to the payment of premiums, your cover will continue until your return to work date for a period not exceeding 24 months. If you do not return to work within 24 months, your cover will cease 30 days after the end of the 24 month period. You can apply to extend the cover by contacting us (and subject to approval by the insurer). If you wish to continue with additional cover during any periods of leave without pay that do not count as service, you will be required to pay the whole premium.

Overseas cover

Additional death and invalidity cover continues where you have been posted overseas and remain gainfully employed. However, you are not permitted to increase your cover while overseas other than in respect of normal salary increases. If you travel overseas for reasons other than for eligible employment for a period greater than 12 months, you will need to contact us to apply to extend your cover.

Continuation option

If you are under the age of 60 years and have additional death and invalidity cover at the time you exit PSS, you may apply to continue the death cover within 60 days of ceasing membership. The insured amount cannot exceed the insured amount at the date you ceased being a member.

The continuation of cover is subject to premium changes and evidence of health submissions, and is provided directly to you by the insurer (AIA Australia) who will provide a new policy governed by new terms and conditions where continuation cover is granted. Neither CSC, or your employer (past or present) have any role in the continuation of cover and are not responsible for the premium. Contact AIA Australia on **1800 333 613** for more information about the options available and the conditions applying to this option.

Total and permanent disablement definition

If you were accepted for cover **before** 1 July 2014, total and permanent disablement is:

- (a) where the member as a result of injury, sickness or disease:
- > has not performed any work for an uninterrupted period of at least six consecutive months solely due to the same injury, sickness or disease; and
 - > is attending a registered medical practitioner and has undergone all reasonable and usual treatment including rehabilitation for the injury, sickness or disease; and
 - > after consideration of all medical and other evidence as AIA Australia may require, has become incapacitated to such an extent as to render him or her unlikely ever to be able to engage in his or her own occupation and any occupation for which he or she is reasonably suited by education, training or experience;
- or
- (b) the member has suffered the total and irrecoverable loss of use of:
- > sight of both eyes; or
 - > use of two limbs; or
 - > sight of one eye and use of one limb.

If you are accepted for cover **on** or **after** 1 July 2014, total and permanent disablement is:

- (a) where the member as a result of injury, sickness or disease:
- > has not performed any work for an uninterrupted period of at least six consecutive months solely due to the same injury, sickness or disease; and
 - > is attending a registered medical practitioner and has undergone all reasonable and usual treatment including rehabilitation for the injury, sickness or disease; and
 - > after consideration of all medical and other evidence as AIA Australia may require, has become incapacitated to such an extent as to render him or her unlikely ever to be able to engage in his or her own occupation and any occupation for which he or she is reasonably suited by education, training or experience;
- or
- (b) the member has suffered the total and irrecoverable loss of use of:
- > sight of both eyes; or
 - > use of two limbs; or
 - > sight of one eye and use of one limb;

and in all cases, after consideration of all medical and other evidence as AIA Australia may require, the insured member has become incapacitated to such an extent as to render him or her unlikely ever to be able to engage in his or her own occupation and any occupation for which he or she is reasonably suited by education, training or experience.

Exclusions to additional death and invalidity cover

Certain risks are excluded from cover and should a claim arise as a result of the following exclusions no benefit will be payable by AIA Australia:

- > death caused as a result of any intentional, self-inflicted act of the insured member, whether while sane or insane, within 13 calendar months from the date an insured member joins or increases their cover
- > total and permanent disablement due to an intentional, self-inflicted injury or sickness or any attempt at suicide
- > death or total and permanent disablement as a result of active service in the armed forces of any country or international organisation; or
- > total and permanent disablement due to a declared or undeclared war or any act of war.

Members who are deployed on peacekeeping operations should be aware that (subject to actual duties and the nature of the posting), the above exclusions may apply and there is a risk that you may not qualify for the additional cover component of your benefit in certain circumstances.

Cessation of cover

Additional cover ceases in the following circumstances:

- > when you cease to be employed by an eligible employer. Note that death cover ceases 60 days after you cease to be employed by an eligible employer.
- > when you reach age 60
- > when you notify us you no longer want to be covered
- > 30 days after you cease to pay premiums for additional cover. Note that your insurance cover will be reinstated where you or your employer pay all outstanding premiums within 60 days of cessation of the insurance cover. You will not be required to provide further medical information where this occurs.
- > on the date you die or are paid an invalidity benefit under this policy
- > on the date you retire from the workforce
- > on the date you effect a Continuation Option with AIA Australia
- > on the date you commence active duty in the armed forces.

Medical evidence

A personal medical statement is required with most applications for additional cover. You may also need to have a medical examination or produce medical reports from your doctor to establish your level of fitness to obtain the cover. If you need to have a medical examination, the insurer will advise you directly.

Acceptance of cover

The insurer has the discretion to accept or refuse your application and is entitled to charge an additional premium (also known as a premium loading) or apply exclusions in some situations if the insurer believes there is an increased risk to them in providing you cover, for example if you have a pre-existing medical condition.

If you receive cover with a premium loading or special acceptance terms attached, and later you believe you have fully recovered, you can apply to have the loading or special acceptance term removed from your cover.

Your duty of disclosure

Before you enter into a contract with or become insured by the insurer (AIA Australia) for additional death and invalidity cover (ADIC) you have a duty under the *Insurance Contracts Act 1984* to disclose to the insurer every matter that is known, or could reasonably be expected to be known, that is relevant to their decision whether to accept the risk of insurance, and if so, on what terms. This duty of disclosure applies until PSS has confirmed in writing that the insurer has accepted your application. The same duty of disclosure to disclose these matters to the insurer applies before you extend, vary or reinstate your life insurance contract.

Your duty does not, however, require you to disclose a matter:

- > that diminishes the risk to be undertaken for ADIC by the insurer; or
- > that is common knowledge; or
- > that the insurer knows or should know as an insurer; or
- > if your duty to disclose is waived by the insurer.

For contracts of insurance entered into, renewed, extended, varied or reinstated from 28 December 2015, if you do not tell the insurer something that you know, or could reasonably be expected to know, may affect the insurer's decision to provide ADIC and on what terms, this may be treated as a failure by you to tell the insurer something that you must tell them.

Consequences of non-disclosure

The insurer has a number of rights in the event of non-disclosure. In exercising these rights, the insurer may consider whether different types of cover can constitute separate contracts of life insurance. If they do, the insurer may apply the following rights separately to each type of cover. The rights are as follows:

- > If you do not tell the insurer anything you are required to, and the insurer would not have provided the ADIC if you had told them, the insurer may avoid the contract within three years of entering into it.
- > If the insurer chooses not to avoid the contract, the insurer may, at any time, reduce the amount of ADIC provided. This would be worked out using a formula that takes into account the premium that would have been payable if you had told the insurer everything you should have. However, if the contract provides cover on death, the insurer may only exercise this right within three years of entering into the contract.

- > If the insurer chooses not to avoid the contract or reduce the amount of ADIC provided, the insurer may, at any time vary the contract in a way that places the insurer in the same position they would have been in if you had told the insurer everything you should have. However, this right does not apply if the contract provides cover on death.
- > If the failure to tell the insurer is fraudulent, the insurer may refuse to pay a claim and treat the contract as if it never existed.

Privacy

We're committed to protecting your privacy. We collect your personal information for the purposes of providing superannuation services to you, improving our products and to keep you informed. We will only share your personal information where necessary for providing superannuation services to you. This may include disclosing your personal information to our scheme administrator, service providers or government or regulatory bodies. Your personal information may be accessed overseas by our service providers. Please see our privacy policy for full details. Your personal information will not be otherwise used or disclosed unless required or permitted under law. A full copy of our privacy policy as well as the privacy complaint process is available at csc.gov.au/privacy/

Your personal and sensitive information will be disclosed to the third parties referred to in our Privacy Policy, including our administrator and our insurer AIA Australia. The AIA Australia Privacy Policy also sets out how your personal and sensitive information is collected, used, handled and disclosed by AIA Australia, and the purposes that your personal and sensitive information is used for (including the administering, assessing or processing your insurance or any application or claim, to send communications that may be of interest to you, the provision of products and services and other purposes set out in AIA Australia's Privacy Policy).

By becoming a member, or otherwise interacting or continuing your relationship with us, you confirm that you agree and consent to the collection, use (including holding and storage), disclosure and handling of personal and sensitive information in the manner described in our privacy policies as updated from time to time, and to the disclosure of your personal and sensitive information to third parties who may be located in Australia, South Africa, the US, Europe, Asia and other countries. Please note that Australian Privacy Principle 8.1 will not apply to the disclosure and AIA Australia will not be accountable for those overseas parties and you may not be able to seek redress under the Privacy Act for breaches by overseas parties.

If you do not provide the required personal and sensitive information, AIA Australia may not be able to provide insurance or other services to you. For further information about how your personal and sensitive information is managed by AIA Australia,

the third parties that AIA Australia may exchange your personal and sensitive information with, and how to access or correct information held by AIA Australia, please refer to the AIA Australia Privacy Policy available at aia.com.au or by calling **1800 333 613**.

Making a claim

Do not wait to start the claims process. The sooner we know about your injury or illness, the sooner we can consider your claim. Even if you have an existing employment process underway or are on leave please let us know.

Claiming for additional death and invalidity cover is a separate process to claiming benefits from the PSS and when you apply for invalidity retirement, the insurer may require you to undergo a separate medical examination by an AIA Australia approved medical practitioner to determine your eligibility for payment of the additional cover under the group life insurance policy.

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