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**This fact sheet provides an overview of the key features and benefits of a transition to retirement strategy.**

**Case study examples have been included to help you understand how transition to retirement could work for you.**

## What is a transition to retirement strategy?

Transition to retirement is a strategy that allows you to access your super as an income stream while still working.

You might choose to reduce your work hours because the income you receive from your super benefits could help to make up for any loss of salary.

To be eligible to access your Gold State Super benefit for transition to retirement, you must have reached age 55 and still be working for the WA public sector. If you are no longer working for the WA public sector, you may be able to commence an RI Allocated Pension.

Your super benefit must be used to start a regular pension which does not allow lump-sum cash withdrawals. This is known as a non-commutable income stream.

Our Retirement Income Pension can be set up as a non-commutable income stream for commencing a transition to retirement.

## Features of a transition to retirement strategy

With transition to retirement you can:

- Access your super once you reach age 55
- Start transition to retirement with part or all of your Gold State Super benefit and start a non-commutable income stream with our Retirement Income Pension
- Choose to receive between the minimum of 4% and a maximum of 10% of your pension account balance each financial year, as at the start of the financial year
- Change the amount of pension you receive each year, subject to minimum and maximum limits set by the Commonwealth Government
- Continue to work and have your contributions paid into your Gold State Super account if you are a contributing member
- Change your super account structures if your personal circumstances change

## The benefits of transition to retirement

There are a number of ways you can use transition to retirement to benefit you:

- **Increase your super** – you'll continue to work and can sacrifice some of your salary to super

- **Reduce your hours** – you can work less without reducing your overall income, as your pension can make up for your lower salary
- **Increase your income** – you'll be receiving an income stream from a pension as well as your normal salary

You can use a combination of these options to suit your needs and you have the flexibility to change your strategy as your circumstances change.

Please note: if you are transferring a benefit from Gold State Super and you are under Commonwealth preservation age<sup>1</sup>, the income stream payments you receive while you are under preservation age will be taxed at marginal tax rates, with no tax offset.

If you are aged between preservation age and 59, your income stream payments will be taxed at marginal tax rates, with a 15% tax offset.

Refer to the '**Retirement Income Pension Product Information Booklet**' available at [gesb.wa.gov.au/brochures](https://gesb.wa.gov.au/brochures) for more information.

This is a complex area and we recommend that you see a financial adviser, accountant or tax adviser to help you decide if transition to retirement is right for you.

## Meet John

John is 60. He has an annual salary of \$100,000, and has a Gold State Super benefit of \$480,000.

John decides to transfer 100% of his benefit to our Retirement Income Pension and open a Transition to Retirement Pension – a non-commutable income stream.

**See the case studies overpage to see the different ways John can implement a transition to retirement strategy.**

Please note: All examples and scenarios used in this document are for illustrative purposes only. The figures in the calculations are for the 2023/24 financial year.

<sup>1</sup> Your Commonwealth preservation age is dependent on your date of birth. For more information on your preservation age, read our 'Accessing your super' brochure available at [gesb.wa.gov.au/brochures](https://gesb.wa.gov.au/brochures).

## Scenario 1 John could increase his income

In this scenario, John doesn't change his employment arrangements and continues to work full-time. He decides to transfer all of his Gold State Super benefit into a Transition to Retirement Pension (\$480,000) and receive the maximum annual income. John keeps his Gold State Super account open.

	Full-time without Transition to Retirement Pension income	Full-time with Transition to Retirement Pension income
Employer salary	\$100,000	\$100,000
Salary sacrifice	-	-
Employer salary after salary sacrifice	\$100,000	\$100,000
Transition to Retirement Pension income	-	\$40,800 <sup>2</sup>
Taxable income	\$100,000	\$100,000
Tax <sup>3</sup>	\$24,967	\$24,967
Net income	\$75,033	\$115,833 <sup>4</sup>

As Gold State Super is an untaxed scheme, tax of 15%<sup>5</sup> is payable on the untaxed benefit transferred to his Transition to Retirement Pension. The tax applied is the same as it would be if John transferred to any other super income stream or taxed fund.

Assuming John's super benefit of \$480,000 is 100% untaxed, then 15% tax is deducted from the transfer leaving an account balance of \$408,000. The maximum Transition to Retirement Pension annual income payment is 10% and in the first year John will receive \$40,800. As John is aged 60, the income stream he receives from his Transition to Retirement Pension is tax free.

By not changing his employment arrangements, John has increased his net annual income by \$40,800 in the first year. Although his super balance is reduced by 10%, contributions can continue to be paid into his Gold State Super account which will start building his super again.

For more information on how your Gold State Super defined benefit is calculated, read the 'How will a transition to retirement strategy affect my existing Gold State Super benefit?' section on page 4, and the '**Gold State Super essentials**' brochure available at [gesb.wa.gov.au/brochures](https://gesb.wa.gov.au/brochures).

## Scenario 2 John could increase his super

**This strategy assumes John has, or is eligible to open, a West State Super account.**

If John doesn't need the additional income, then he could take advantage of tax benefits to increase his super in preparation for retirement. He can continue to work full-time and decide to salary sacrifice \$60,000 into a West State Super account, reducing his taxable income to \$40,000.

Concessional contributions to constitutionally-protected funds like Gold State Super and West State Super count towards your concessional contributions cap, but are not capped within those schemes. Instead there is an untaxed plan cap of \$1.705 million per super fund for the 2023/24 financial year (indexed annually), which limits the untaxed benefit that can be paid to you or rolled over, and still be subject to concessional tax treatment. If you contribute into GESB Super this strategy may be less effective. This is because the concessional contributions cap (of \$27,500 for the 2023/24 financial year) applies to taxed super funds, including GESB Super, and any concessional contributions made to an untaxed scheme like Gold State Super or West State Super will count towards your concessional contributions cap for the taxed schemes. For example, if you made \$27,500 in concessional contributions to West State Super you will not be able to make any further concessional contributions to a taxed scheme like GESB Super in that financial year (assuming you had no unused concessional contributions cap carry forward amounts available). The cap therefore limits the amount that can be salary sacrificed each year without paying additional tax on the excess over the cap. For more information, see the '**Tax and super**' brochure available at [gesb.wa.gov.au/brochures](https://gesb.wa.gov.au/brochures).

As a member of Gold State Super, any additional salary sacrifice super contributions (i.e. over and above the prescribed Gold State Super contributions) that John makes must be made to West State Super or GESB Super.

<sup>2</sup> As John is aged 60, his income from an allocated pension is tax free.

<sup>3</sup> The figures are for the 2023/24 financial year (including the 2% Medicare Levy).

<sup>4</sup> Calculated as taxable income less tax (i.e. \$100,000 - \$24,967 = \$75,033), plus Transition to retirement Pension income (\$40,800).

<sup>5</sup> Amounts up to the untaxed plan cap of \$1.705 million per super fund (for the 2023/24 financial year, indexed annually) are taxed at 15% on entry to a taxed fund. Any amount exceeding the untaxed plan cap will be taxed at 47% before rolling over.

	Full-time without Transition to Retirement Pension income	Full-time with Transition to Retirement Pension income
Employer salary	\$100,000	\$100,000
Salary sacrifice	–	\$60,000 <sup>6</sup>
Employer salary after salary sacrifice	\$100,000	\$40,000
Transition to Retirement Pension income	–	\$40,800 <sup>7</sup>
Taxable income	\$100,000	\$40,000
Tax <sup>8</sup>	\$24,967	\$4,367 <sup>9</sup>
Net income	\$75,033	\$76,433 <sup>10</sup>

As Gold State Super is an untaxed scheme, tax of 15%<sup>11</sup> is payable on the untaxed benefit transferred to his Transition to Retirement Pension. The tax applied is the same as would be applied if John transferred to any other super income stream or taxed fund. Assuming his super benefit of \$480,000 is 100% untaxed, then 15% tax is deducted from the transfer leaving an account balance of \$408,000.

The maximum annual Transition to Retirement Pension income payment is 10% and in the first year John will receive \$40,800 as transition to retirement income. As he is aged 60, the income stream he receives from his Transition to Retirement Pension is tax free.

By not changing his employment arrangements and salary sacrificing to his West State Super account, John has increased his net annual income by \$1,400 in the first year. He also contributes an additional \$60,000 into his West State Super account, while reducing his pension account by \$40,800.

John has increased his net contribution into super by \$19,200 in the first year without changing his work hours or reducing his net annual income after tax. This net contribution does not take into account that tax is payable on the salary sacrifice amount when the benefit is accessed. Please note there is a contributions tax for very high income earners (see 'Important considerations' section on page 5 for more information).

For more information on salary sacrifice, read the '**Salary sacrifice, Gold State Super**' fact sheet available at [gesb.wa.gov.au/factsheets](https://gesb.wa.gov.au/factsheets).

### Scenario 3 John could reduce his working hours

John decides to work part-time and transfer 100% of his Gold State Super benefit and receive the maximum amount from his pension. This option allows John to reduce his working hours by half but still increase his net annual income.

	Full-time without Transition to Retirement Pension income	Part-time with Transition to Retirement Pension income
Employer salary	\$100,000	\$50,000
Salary sacrifice	–	–
Employer salary after salary sacrifice	\$100,000	\$50,000
Transition to Retirement Pension income	–	\$40,800 <sup>12</sup>
Taxable income	\$100,000	\$50,000
Tax <sup>13</sup>	\$24,967	\$7,467 <sup>14</sup>
Net income	\$75,033	\$83,333 <sup>15</sup>

<sup>6</sup> Salary packaged into West State Super. West State Super is an untaxed scheme which means the salary sacrifice amount is not taxed until the benefit is accessed.

<sup>7</sup> As John is aged 60, his income from an allocated pension is tax free.

<sup>8</sup> The figures are for the 2023/24 financial year (including the 2% Medicare Levy).

<sup>9</sup> Includes the low income tax offset of \$575.

<sup>10</sup> Calculated as taxable income less tax (i.e. \$40,000 – \$4,367 = \$35,633), plus Transition to Retirement Pension income (\$40,800).

<sup>11</sup> Amounts up to the untaxed plan cap of \$1.705 million per super fund (for the 2023/24 financial year, indexed annually) are taxed at 15% on entry to a taxed fund. Any amount exceeding the untaxed plan cap will be taxed at 47% (including the 2% Medicare Levy) before rolling over.

<sup>12</sup> As John is aged 60, his income from an allocated pension is tax free.

<sup>13</sup> The figures are for the 2023/24 financial year (including the 2% Medicare Levy).

<sup>14</sup> Includes the low income tax offset of \$250.

<sup>15</sup> Calculated as taxable income less tax (i.e. \$50,000 – \$7,467 = \$42,533), plus Transition to Retirement Pension income (\$40,800).

As Gold State Super is an untaxed scheme, tax of 15%<sup>16</sup> is payable on the untaxed benefit transferred to his Transition to Retirement Pension. The tax applied is the same as it would be if John transferred to any other super income stream or taxed fund.

Assuming John's super benefit of \$480,000 is 100% untaxed, then 15% tax is deducted from the transfer leaving an account balance of \$408,000. The maximum annual income payment allowed is 10%. Therefore for the first year John will receive \$40,800. As he is 60 years old, the income stream he receives from his Transition to Retirement Pension is tax free.

By reducing his working hours by half and receiving \$40,800 from his Transition to Retirement Pension (which is not assessable income for tax purposes as he is aged 60), John has increased his net income by \$8,300 for the first year.

However, his pension account balance will be decreasing by 10% due to the income payments. In this scenario he has not increased his contribution levels to his West State Super or GESB Super account by salary sacrificing. However, as a contributing member, he can still continue to accrue benefits in his Gold State Super account (including by continuing to contribute his usual member contributions), which will start building his super again. The contribution will be less due to the reduced salary.

For more information on how your Gold State Super defined benefit is calculated, read the 'How will a transition to retirement strategy affect my existing Gold State Super benefit?' section below, and the '**Gold State Super essentials**' brochure available at [gesb.wa.gov.au/brochures](http://gesb.wa.gov.au/brochures).

## How will a transition to retirement strategy affect my existing Gold State Super benefit?

Both contributing and deferred members of Gold State Super can access 100% of their benefit from age 55 to start a non-commutable income stream, such as our Transition to Retirement Pension.

If you are transferring a benefit from Gold State Super and you are under Commonwealth preservation age<sup>17</sup>, the income stream payments you receive while you are under preservation age will be taxed at marginal tax rates, with no tax offset. If you're aged between Commonwealth Preservation Age and 59, your income stream payments will be taxed at marginal tax rates, with a 15% tax offset. Refer to the '**Retirement Income Pension Product Information Booklet**' available at [gesb.wa.gov.au/brochures](http://gesb.wa.gov.au/brochures) for more information.

### For contributing members

Accessing part or all of your benefit will reduce the Benefit Multiple used to establish the value of your Final Benefit.

This reduction is called the Offset Multiple. Unless you choose to withdraw from Gold State Super, your account will remain open and your Defined Benefit and Benefit Multiple will grow as you continue working.

If you have deferred components, your benefit components will be accessed in the following sequence – deferred benefits, transferred contributions, transferred service, contributory service. We will provide you with a benefit transfer estimate outlining the calculation of your components before proceeding with your application.

### For deferred members

If you are no longer a contributing member of Gold State Super and have reached age 55, your benefit will be calculated and deferred accruing CPI<sup>18</sup>+2%. If you choose to transfer your full Gold State Super to a Transition to Retirement Pension, you will need to close your account. Please contact your Member Services Centre on 13 43 72 to discuss your options before seeking to transfer to a Transition to Retirement Pension.

## Understanding how the Benefit Multiple calculation works

George has a Final Remuneration of \$110,000 and a Benefit Multiple of 5 (see the calculation below). He wants to commence a Transition to Retirement Pension and continue working full-time. He chooses to access 60% of his gross benefit and purchase a non-commutable income stream, such as our Transition to Retirement Pension.

By doing so, he has reduced his Benefit Multiple to 2. As George is continuing to work full-time, his Benefit Multiple will gradually increase again as he accumulates further service periods.

Gross Gold State Super benefit	\$550,000 (= \$110,000 x 5)
Nominated transfer percentage	60%
Gross amount of transfer	\$330,000 (= \$550,000 x 60%)
Benefit Multiple	5
Offset Multiple	3 (= 5 x 60%)
Net Benefit Multiple	2

<sup>16</sup> Amounts up to the untaxed plan cap of \$1.705 million per super fund (for the 2023/24 financial year, indexed annually) are taxed at 15% on entry to a taxed fund. Any amount exceeding the untaxed plan cap will be taxed at 47% before rolling over.

<sup>17</sup> Your Commonwealth preservation age is dependent on your date of birth. For more information on your preservation age, read our 'Accessing your super' brochure available at [gesb.wa.gov.au/brochures](http://gesb.wa.gov.au/brochures).

<sup>18</sup> Perth CPI calculated in accordance with the State Superannuation Regulations.

The Benefit Multiple is also called the Service Multiple and is calculated as follows:

$$\frac{\text{Completed Months of Service}}{12} \times 20\% \times \frac{\text{Average Contribution Rate}}{5}$$

Note: this example relates to Gold State Super members with contributory service only.

## Important considerations

**Members of Gold State Super must contact us before applying for transition to retirement.** In accordance with the *State Superannuation Regulations 2001*, you must be provided with details of the maximum transfer amount and how the transfer may affect your Benefit Multiple or remaining benefit in Gold State Super before you can apply for transition to retirement. Your application can only be accepted after we have provided you with this information and received your signed acknowledgement.

If you are transferring a benefit from Gold State Super and you are under the Commonwealth preservation age<sup>19</sup> the income stream payments you receive while you are under preservation age will be taxed at marginal tax rates, with no tax offset. If you are aged between the preservation age and 59, your income stream payments will be taxed at marginal tax rates, with a 15% tax offset. Please refer to the **'Retirement Income Pension Product Information Booklet'** available at [gesb.wa.gov.au/brochures](http://gesb.wa.gov.au/brochures) for more information.

Some parts of transition to retirement are complex to understand, so we recommend that you see a financial adviser, accountant or tax adviser to help you decide if transition to retirement – including any of the scenarios in this fact sheet – is right for you.

To assist you, we have provided some considerations below:

- Gold State Super is an untaxed scheme and concessional contributions are not taxed until your benefit is accessed. Tax will be payable on the untaxed benefit transferred to your Transition to Retirement Pension. For more information, read the **'Retirement Income Pension Product Information Booklet'** available at [gesb.wa.gov.au/brochures](http://gesb.wa.gov.au/brochures) or call your Member Services Centre on 13 43 72
- The concessional tax treatment of certain super contributions has been reduced for very high income earners, under Division 293 of the tax legislation. An individual's income is added to certain super contributions (referred to as low-tax contributions) and compared to the high income threshold of \$250,000. Tax is payable on any excess low-tax contributions if the combined income and low-tax contributions exceed the \$250,000 threshold
- The Division 293 tax applies to defined benefit interests such as Gold State Super as low-tax contributions include concessional contributions made to tax-exempt constitutionally protected funds. However, there are special rules for defined benefit interests, and the amount of your low-tax contributions will be calculated under these special rules. For more information, read the **'Tax and Super'** brochure available at [gesb.wa.gov.au/brochures](http://gesb.wa.gov.au/brochures), or visit the Australian Taxation Office's website at [ato.gov.au](http://ato.gov.au)
- There are also special rules for constitutionally-protected State higher level office holders, certain Commonwealth justices and temporary residents who depart Australia. For more information, read the **'Tax and super'** brochure available at [gesb.wa.gov.au/brochures](http://gesb.wa.gov.au/brochures)
- There is no annual limit on salary sacrifice contributions to a West State Super account. West State Super and Gold State Super are constitutionally-protected funds – employer contributions made to either of these super funds, including salary sacrifice, are counted towards your concessional contributions cap, but are not capped within those schemes. That is, the annual cap does not limit the amount of concessional contributions that you can make to a constitutionally-protected fund, however, as such contributions to a constitutionally-protected fund count towards your annual cap, they do limit your ability to make further concessional contributions to other non-constitutionally protected super funds.

The concessional contributions cap for the 2023/24 financial year is \$27,500. If, for example, you make \$27,500 in concessional contributions to West State Super, you will not be able to make further concessional contributions to a taxed scheme in that financial year (assuming you had no unused concessional contributions cap carry forward amounts available).

There is an **untaxed plan cap** of \$1.705 million per untaxed super fund for the 2023/24 financial year (indexed annually). This limits the amount of untaxed benefit that will be taxed at the concessional rate upon the cash payment of your super or before rolling over to a taxed fund. Any amount exceeding the untaxed plan cap will be taxed at 47%. This is a unique feature of West State Super and Gold State Super, and is not available to most other funds.

To commence a Transition to Retirement Pension, please contact your Member Services Centre on 13 43 72 for the appropriate forms. You can start transition to retirement with part or all of your Gold State Super benefit. If you have more than one super account, please check with us what your options are.

<sup>19</sup> Your Commonwealth preservation age is dependent on your date of birth. For more information on your preservation age, read our 'Accessing your super' brochure available at [gesb.wa.gov.au/brochures](http://gesb.wa.gov.au/brochures).

Transferring your Gold State Super benefit to transition to retirement may not be the best option for your long-term financial situation. You should consider:

- Tax of up to 15% applies to investment earnings in a Transition to Retirement Pension
- The transfer balance cap doesn't apply to transition to retirement income streams
- The implications of moving from a fully-guaranteed environment to a market-linked environment. As a Gold State Super member, your scheme is not market linked, so you can be certain of how much you will have when you retire
- If you transfer your Gold State Super benefit to a Transition to Retirement Pension, you may lose this certainty as your benefit may be impacted by the performance of investment markets
- Fees apply for our Transition to Retirement Pension. For more information, read the '**Retirement Income Pension Product Information Booklet**' available at [gesb.wa.gov.au/brochures](https://gesb.wa.gov.au/brochures)
- When you transfer to a taxed fund, such as our Retirement Income Pension, you will have to pay 15%<sup>20</sup> tax on the untaxed element of the transfer value
- The tax treatment on your transition to retirement income depends on your age. If you are aged between Commonwealth preservation age<sup>21</sup> and 59, the taxable component of your transition to retirement income will be included in your assessable income. It will be taxed at your marginal tax rate and you will receive a non-refundable tax offset of 15% on the taxable component
- From age 55 until your preservation age, the taxable component of your transition to retirement income will be included in your assessable income. It will be taxed at your marginal rate and you will not receive an offset on the taxable component
- When comparing options, you need to consider the impact on your retirement benefit. Using your benefit to pay a regular income stream may reduce the amount you have when you retire
- It's important to understand that for a contributing member, transferring your full benefit to a Transition to Retirement Pension is not the same as 'withdrawing' from the scheme. Transferring your total benefit to another complying super fund to obtain a transition to retirement benefit will not by itself constitute a withdrawal from the scheme – you can still continue to accrue benefits and may be required to continue to make member contributions
- If you do decide to withdraw from Gold State Super, it must be completed in writing and you will not be able to re-open your account to continue to accrue benefits. You will become a deferred member, and your remaining benefit will be preserved until the benefit is payable under the State Superannuation Regulations. Gold State Super provides insurance benefits at no cost to members and careful consideration should be given to the loss of this benefit if you withdraw from the scheme
- You may want to give consideration to any super surcharge liability you may have. For more information, read the '**Superannuation Contributions Surcharge**' fact sheet available at [gesb.wa.gov.au/factsheets](https://gesb.wa.gov.au/factsheets)
- If you have a service period that commenced before 1 July 1983, then any transfer from an untaxed scheme like Gold State Super to begin transition to retirement in a taxed fund will trigger the crystallisation of your pre-1 July 1983 service. For Gold State Super members with pre-1 July 1983 service, there may be advantages to transferring your benefit into a West State Super account before withdrawal. Moving from Gold State Super to West State Super will not trigger crystallisation. If you're interested in this option, you should contact us before accessing your benefits. For more information, read the '**Pre-1 July 1983 service for untaxed super funds**' fact sheet available at [gesb.wa.gov.au/factsheets](https://gesb.wa.gov.au/factsheets)

<sup>20</sup> Amounts up to the untaxed plan cap of \$1.705 million per super fund (for the 2023/24 financial year, indexed annually) are taxed at 15% on entry to a taxed fund. Any amount exceeding the untaxed plan cap will be taxed at 47% before rolling over.

<sup>21</sup> Your Commonwealth preservation age is dependent on your date of birth. For more information on your preservation age, read the 'Accessing your super' brochure available at [gesb.wa.gov.au/brochures](https://gesb.wa.gov.au/brochures).



## Next steps

Here are some steps to get you started.

- Step 1** Attend a transition to retirement seminar to learn more about how to use and set up a transition to retirement strategy. Visit [gesb.wa.gov.au/seminars](https://gesb.wa.gov.au/seminars) to register.
- Step 2** Consider a Retirement Options Services (ROS) appointment. ROS is a 60-minute, one-on-one meeting with one of our experienced consultants, who knows and understands our unique schemes. You can choose to have your meeting in-person or virtually. They will provide you with factual information on GESB products, and explain the options you have for your retirement. The 60 minutes will include time to document a summary of your appointment which we'll provide to you after your meeting. However, ROS is not a holistic financial planning advice service, in that it is limited to information on GESB products. A fee applies for this service. For more information, please visit [gesb.wa.gov.au/ros](https://gesb.wa.gov.au/ros) or call your Member Services Centre on 13 43 72. Please note, ROS doesn't provide you with personal financial advice.
- Step 3** Discuss your transition to retirement options with your employer, especially if you are considering changing your working arrangements.
- Step 4** If you're a member of Gold State Super, you should contact your Member Services Centre on 13 43 72 before applying for transition to retirement.
- Step 5** Read the '**Retirement Income Pension Product Information Booklet**' available at [gesb.wa.gov.au/brochures](https://gesb.wa.gov.au/brochures) and complete the application form. Return the form to us along with all other required information.

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## How to contact us

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**F** 1800 300 067

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