

## Untapped super opportunities for long serving public servants

“Many now retired former Federal Public Servants could be forgiven for being a little ‘smug.’ This is particularly the case if had they opted to resign just before turning 55 – instead of retiring on or after age 55.

This widely applied strategy of resigning from the Australian Public Service (APS) at 54 years and 11 months (effectively preserving the Commonwealth Superannuation Scheme defined benefit pension for one month) and then retiring one month later at 55, has come to be known as the ‘54/11’ strategy.

By applying this strategy, public servants were eligible to receive the often significantly more generous preserved CSS defined benefit pension formula (in some cases as much as 20 – 30% higher) than if they simply retired at age 55. The CSS was closed to new members in 1990, but there are still many CSS members approaching 55, who can apply the ‘54/11’ strategy.

But the so called ‘54/11’ strategy is a misnomer. Perhaps a more appropriate description would be ‘CSS Defined Benefit Preservation’ strategy.

As a Commonwealth Government employee until the age of 34, I was aware that a number of my colleagues were prepared to forgo the financial benefits of early retirement and the ‘54/11’ strategy in exchange for job satisfaction; they were often teased by departing work mates for having missed the golden opportunity.

There is a little-known secret, however – those CSS members who kept working post age 55 and were later made redundant, are also STILL eligible to access a ‘54/11’ retirement benefit,” says Adelaide based financial strategist Theo Marinis.

**“Close reading of the CSS scheme rules confirms that an APS employee of 55 years or older, whose employment is terminated on the basis of redundancy, potentially has the ‘54/11’ strategy option back on the table.** As previously mentioned, this can often result in a significantly higher CSS Defined Benefit pension (potentially as much as 20 – 30% higher) than if they simply retired after age 55.” Theo said.

“Note that the ‘54/11’ strategy option is generally only back on the table for those over age 55 whose employment is terminated on the grounds of redundancy, NOT retirement.

In the post COVID-19 world, when our collective belts are tightened by current or future government policies, there will inevitably be many older public servants who will find their roles either voluntarily, or compulsorily, made redundant. In their case, the news is much better than they or their already retired colleagues may have thought.

In my view, there will be a cohort of thousands of older federal public servants aged over 55 who may not realise that in certain situations, they may still be entitled to choose the ‘54/11’ strategy in the calculation of their retirement benefits.

A CSS member who has been made redundant simply needs to first, exercise the right to preserve their CSS benefit, then, shortly after (say one month) officially retire. This action will effectively require that their CSS benefit is calculated on the basis of the '54/11' formula.

Many older public servants who bought into the collective wisdom of the 'tea room' will simply think they have missed the boat on the '54/11' benefit – but tens of thousands of extra retirement dollars could be available, if they get the order right.

If unsure of how to go about doing this, my advice would be to speak with a competent financial adviser who is familiar with the scheme.

Bear in mind too, that the people administering the scheme are not permitted to provide advice to fund members, and unfortunately, as with most superannuation rules, there is no option to change your mind if you make a mistake.

There is a principle in retirement planning which many successful people recognise, and that is: 'we often don't know what we don't know'. It is why all people considering redundancy or retirement should get qualified advice before making these important decisions, including the order in which each of the steps in the process should be taken.

A 'work buddy' is unlikely to be fully aware of the options and little-known opportunities which may be available" Theo said.

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