



## **NSW Police Officers need a Permanent Long-Term solution to Compulsory Insurance Premiums being captured under the \$25,000 Concessional Cap**

### **Background**

- In December 2012 the NSW Government passed Police Amendment (Death and Disability) Bill 2011. The effects of this amended Bill rescinded the previous, more generous Scheme.
- As a result, the State government sources compulsory private insurance to cover the workers compensation scheme and income protection insurance.
- Both are paid through the Superannuation Account of the individual Officers, meaning that an extra 7.24% of salary is included in the \$25,000 superannuation concessional cap. The new compulsory insurance schemes are now effectively a compulsory insurance policy sourced through a Superannuation Scheme.
- **This is in effect, a reduction in an officer's concessional cap to the amount of 7.24% of their salary.**
- The money passes through the fund and is then paid to the insurance company, none of which contributes to an officer's superannuation or retirement fund.
- Their retirement savings are punished due to the administrative arrangements of the scheme.
- NSW Police are the only group of workers in Australia affected by this issue.
- **This severely limits the ability of NSW Police to save for their retirement.**

### **Interim Solution**

- Effective from 1 June 2016, the Department of Premier and Cabinet and Prime Minister Malcolm Turnbull approved a four-year transitional \$15.2 million concessional cap reimbursement commitment on behalf of the Federal and NSW State Government.
- The Federal commitment is \$7.5m. This agreement is due to expire on the 30 June 2020.
- The current transitional arrangement is basically a temporary administrative process and is not supported by any Legislation or Regulation.
- Eligible members who breach the \$25,000 cap solely due to compulsory insurance premiums and receive a tax bill, make a reimbursement claim through the NSW Police Force (NSWPF) who reimburse the officer via a grossed payment through payroll.
- This is a clunky system and is administratively time consuming for NSWPF.
- Many officers are unaware of this arrangement and have paid their own bills without knowing. This is unacceptable.
- The interim arrangement is a recognition that the system is failing NSW Police officers in their retirement savings and needs to be rectified.

## **Ramifications**

- The additional taxation and reimbursement are added to an officer's salary therefore inflating their salary which has a negative impact upon child support, child care rebates, health insurance, taxation rates, and provides inaccurate data for home lending etc.
- It is extremely unfair for officers to have these figures added to their salary figures when they are in fact not earning this money as income, it is purely administrative.
- The NSW and Federal Government pay the tax and the penalty on the amount over \$25, 000 to the ATO and this amount is then added to the officer's income the following year and taxed at a high marginal tax rate. It is essentially a tax on a tax that was originally paid by the Federal and State Government.

## **Proposed solutions**

- The Police Association of NSW (PANSW) seeks that the employer and compulsory employee contributions to the NSW Police Death and Death Disability Scheme be permanently excluded from being treated as concessional contributions under the Federal Government's \$25,000 concessional contributions cap.
- That this permanent arrangement be secured by necessary legislation or regulation and replace the existing temporary transition arrangement that is currently in place.
- It is believed the ATO has discretion to exempt the contributions which has not occurred to date.
- Precedent exists where Parliament has legislated for a particular class of employees that is not available to other groups. The Safety, Rehabilitation and Compensation Amendment (Fair Protection for Firefighters) Bill 2011. The Bill creates a legal presumption that, if a firefighter has been employed for a certain period before being diagnosed with one of seven primary site cancers, the employment is taken to have been the dominant cause of the contraction of the cancer.
- During previous negotiations in 2016, regarding our concessional cap issue, the then Assistant Treasurer Josh Frydenberg (now Treasurer) was involved. It was raised that Parliament received legal advice that it was unconstitutional to carve out the Victorian firefighters as stated above, but the Parliament did it anyway.

## **How you can help**

- M.P. Barnaby Joyce and Senator Barry O'Sullivan have raised this issue with Assistant Treasurer Stuart Robert, who is aware the issue needs to be resolved.
- It is anticipated that this issue will be raised by M.P. Barnaby Joyce at a joint party room meeting in April 2019.
- Please contact Barnaby Joyce and pledge your support for the issue.
- The Prime Minister, The Hon Scott Morrison is also aware of this issue, indicating verbally that he will resolve this issue.



**TONY KING**  
**President**