



# **NSWPF Police Blue Ribbon Insurance (PBRI)** *and its impact on the* **Superannuation Concessional Contributions Cap**

## **Karen Webb, NSW Commissioner of Police**

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Since becoming Commissioner, I have sought to direct energy into meaningful and genuine strategies to deliver improved outcomes for the wellbeing, culture, and overall benefit of all officers and the NSW Police Force. Our Corporate Plan 'Our Focus Our Future' aims to build the resilience and capability of all officers. The Pulse Program represents significant investment by the NSW Police Force together with the NSW Government in the health, safety, and wellbeing across the workforce.

The impact of PBRI and the superannuation concessional contributions cap cuts across all ranks and I want to convey my genuine regard for the impact that this has on each officer and their families. The issue is complex, and while there has been a will for change and interim solutions have been in place, the need for a solution is clear. As Commissioner, I commit to you that the NSW Police Force will continue to partner with Government and the PANSW to work towards an outcome.

## **Kevin Morton, PANSW President**

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Police Officers in NSW do a unique job that continues to evolve at a staggering rate. No longer are they confined to law enforcement. Recent fires, floods, the pandemic, focus on family and domestic violence and personal violence have seen them become the true guardians of community safety. The demands have never been greater and the physical and emotional impact on officers has never been so pronounced. Police deserve the security of knowing that should they be killed or injured delivering this community safety, they and their loved ones will be at least financially protected.

The cost of this security is borne out in ever-increasing insurance premiums. With these premiums washing through their superannuation account, it cripples the ability for NSW Police Officers to provide for their families today and to save for tomorrow. All they want is to contribute to their retirement under the same rules all Australian workers currently enjoy.

After 10 years of bipartisan support from Federal Parliamentarians, we look forward to you informing yourself of this important issue and helping finally to resolve it.

# NSWPF Police Blue Ribbon Insurance (PBRI) and its impact on the Superannuation Concessional Contributions Cap

*'these (PBRI) premiums washing through officers' superannuation accounts cripples their ability to provide for families today and to save for tomorrow'*

KEVIN MORTON, PANSW PRESIDENT

## The Problem

In 2011 the Police Act (NSW) was amended to require the NSW Police Minister, with the concurrence of the NSW Treasurer, to obtain a Death and Disability Insurance Product for NSW Police Officers. This compulsory insurance product provides for death and disability insurance for police officers who are killed or injured. The Government would meet the cost of the Policy with Police Officers required to contribute 1.8% of their salary to the cost of the Policy. Both Employer and Police Officer contributions are placed into the superannuation account of the officer and are then each month immediately withdrawn from the account by the Trustee and forwarded to the insurer. The money essentially 'washes through' their account for their insurances but never accumulates.

Both the Government and Officer contributions for the insurance that wash through the police officers account count as part of the Superannuation Concessional Contributions (capped at \$27,500).

As the cost of the Insurance Policy has exponentially grown, so has the impact on our members. The Commonwealth and State Governments have for the last 6 years agreed to pay (on an equal basis each) to reimburse the Police Officers for taxation penalties incurred as a result of Insurance Premiums exceeding the concessional cap. In essence the Commonwealth and State Government are paying penalty tax to the Commonwealth.

The manner of reimbursement is to pay to the Police Officer the taxation penalty amount as salary, with an additional amount equivalent to the marginal tax rate added which the officer then uses to pay the ATO tax bill. This means when the Officer's income is assessed for that year it includes the concessional cap breaches and for the following year the penalty and the tax is added to their assessable income, along with a further breach of the concessional cap for that year. Real working examples are attached.

Whilst this may have seemed satisfactory in the short term, there has been dire consequences emerging and compounding;

- Police officers have lost the benefit of salary sacrifice to super and are not contributing to their retirement due to the full \$27,500 and more being consumed by the insurance premiums. They will be reliant on the aged pension.
- Medicare levies due to the increased assessed income have increased and private health rebates reduced
- Parents who have low super balances due to part time work are unable to repair the damage when hours are increased due to the cap already being breached,
- The money washing through the account and the reimbursement of the cap bills are being treated as income for Centrelink purposes and other means-tested benefits, seeing our members being issued debt notices for childcare rebates etc and having existing benefits removed. Single parents are receiving less support and child support payers are paying more.

## The Solution

The only way of avoiding the unintended consequences of the inflated assessable incomes of police officers is by Regulation, by excluding NSW Police Force Death and Disability Insurance Premiums (PBRI) from counting towards the Superannuation Concessional Contributions Cap. No other worker in Australia faces this same issue where they cannot contribute to their own superannuation, where the concessional cap includes premiums for an insurance product and where all of their Centrelink benefits are directly impacted by an artificial inflated salary which includes money that police officers have never actually earned.

**IMPORTANT UPDATE:** We now have a member whose reassessed income (having been reimbursed for breaching the concessional contributions cap), is no longer eligible for the Commonwealth Government Paid Parental Leave Scheme - see examples

**Sergeant Level 8** **21/22**

|                             |                |
|-----------------------------|----------------|
| Assessed Income             | <b>135,426</b> |
| SG                          | 14,219         |
| PBRI                        | 30,985         |
| Total Concessional          | 45,204         |
| Excess                      | 13,415*        |
| Reassessed Income           | <b>148,841</b> |
| Breach                      | <b>13,415</b>  |
| Tax bill reimbursed by Govt | <b>2,932</b>   |

**Impact**

This Sergeant has 100% care of her children. As a result of the PBRI premiums being added to her reassessed income she has;

- had her Child Support payments assessed down
- her Medicare Levy has been increased

The Sergeant has a low super balance having taken maternity leave and worked part time for a number of years. But for the effect of these Insurance Premiums, she would contribute to her Super.

*The concessional cap breach is added to the current year's income assessment. The grossed-up tax bill reimbursement is then added to next year's income assessment. The problem worsens, compounding with each subsequent year.*

*\*this was based on including some roll over of previous year's cap*

**Senior Constable** **21/22**

|                             |               |
|-----------------------------|---------------|
| Assessed Income             | 85,564        |
| SG                          | 9,614         |
| PBRI                        | 21,303        |
| Salary to sacrifice / Super | 8,000         |
| Total Concessional          | 38,917        |
| Excess                      | 11,417        |
| Reassessed Income           | <b>94,963</b> |
| Breach                      | <b>11,417</b> |
| Tax bill reimbursed by Govt | <b>2,968</b>  |

**Impact**

This Senior Constable is the single mother of a 10 year old child. She has raised the child since year one on her own, only just receiving Child Support. She recently recommenced full-time hours and has a very low super balance, so salary sacrificed \$8,000 to superannuation. As a result of the insurance premium the Senior Constable;

- has ceased salary sacrifice to Super
- has an inflated Medicare Levy
- has been reassessed and receives less Child Support
- has lower level of Child Care Rebate available

*The concessional cap breach is added to the current year's income assessment. The grossed-up tax bill reimbursement is then added to next year's income assessment. The problem worsens, compounding with each subsequent year.*

**Inspector** **21/22**

|                             |                |
|-----------------------------|----------------|
| Assessed Income             | <b>156,022</b> |
| SG                          | 16,382         |
| PBRI                        | 31,329         |
| Total Concessional          | 47,711         |
| Excess                      | 20,211         |
| Reassessed Income           | <b>176,233</b> |
| Breach                      | <b>20,211</b>  |
| Tax bill reimbursed by Govt | <b>5,254</b>   |

**Impact**

The Inspector is divorced and pays child support to assist in raising his children. He has re-partnered, is considered a defacto and has care of another child. As a result of the insurance premiums and reassessment of his income, the Inspector;

- had his Child Support reassessed and increased
- the Childcare Rebate for his new spouse and dependant has been reduced
- he pays a higher Medicare Levy
- the household's Private Health Insurance Rebate has been cut
- the Inspector does not contribute to his Super or retirement savings.

*The concessional cap breach is added to the current year's income assessment. The grossed-up tax bill reimbursement is then added to next year's income assessment. The problem worsens, compounding with each subsequent year.*

| <b>Det. Chief Inspector</b> | <b>21/22</b>   | <b>Impact</b>   |
|-----------------------------|----------------|---|
| Assessed Income             | <b>187,220</b> | <p>The Detective Chief Inspector is the nation's leading expert in his sphere of forensic science and has studied &amp; applied his skills for over 20 years. He's married to a police officer &amp; has 4 children, one with Autism. His wife works limited hours to provide care to the family and is subject to the same insurance system. As a result of this year's reassessment the family;</p> <ul style="list-style-type: none"> <li>• owes a debt for an overpaid childcare rebate, and a reduced rebate going forward</li> <li>• has an increased Medicare Levy</li> <li>• has lost part of their private health insurance rebate</li> <li>• has a reduced carers allowance for wife/mother</li> <li>• lost health care card used for reduced prescription costs.</li> <li>• neither parent is contributing to their super/retirement.</li> </ul> <p><i>The concessional cap breach is added to the current year's income assessment. The grossed-up tax bill reimbursement is then added to next year's income assessment. The problem worsens, compounding with each subsequent year.</i></p> |
| SG                          | 19,658         |   |
| PBRI                        | 32,732         |   |
| Total Concessional          | 52,390         |   |
| Excess                      | 24,890         |   |
| Reassessed Income           | <b>212,110</b> |   |
| Breach                      | <b>24,890</b>  |   |
| Tax bill reimbursed by Govt | <b>7,400</b>   |   |

| <b>Det. Senior Constable</b> | <b>21/22</b>   | <b>Impact</b>   |
|------------------------------|----------------|---|
| Assessed Income              | <b>144,834</b> | <p>Detective Senior Constable who is 44 years of age with her first child due in June 2023. She was intending on taking maternity leave when having the baby. As a result of this year's reassessment this officer has been impacted in the following way;</p> <ul style="list-style-type: none"> <li>• has increased Medicare Levy,</li> <li>• Child Care subsidy if accessing it will be reduced</li> <li>• has lost part of private health insurance rebate,</li> <li>• <b>has become ineligible for the Federal Government Paid Parental Leave scheme (PPL) which has a maximum income cap of \$156, 647. Due to the inflated income from the concessional cap of \$156,875 this woman has now been denied 18 weeks of PPL</b></li> </ul> <p><i>The concessional cap breach is added to the current year's income assessment. The grossed-up tax bill reimbursement is then added to next year's income assessment. The problem worsens, compounding with each subsequent year.</i></p> |
| SG                           | 15,208         |   |
| PBRI                         | 25,036         |   |
| Total Concessional           | 40,244         |   |
| Excess                       | 12,042         |   |
| Reassessed Income            | <b>156,875</b> |   |
| Breach                       | <b>12,042</b>  |   |
| Tax bill reimbursed by Govt  | <b>5,201</b>   |   |

| <b>Det. Senior Constable</b> | <b>21/22</b>   | <b>Impact</b>   |
|------------------------------|----------------|---|
| Assessed Income              | <b>126,745</b> | <p>The top Level Detective Senior Constable is 40 years of age, married with no children. He was looking to increase his low superannuation balance and contributed \$3900. As a result of the complicated process of exceeding the concessional cap due to PBRI, this officer is no longer going to contribute to his superannuation. As a result of the insurance premiums and the reassessment of his income, the Detective:</p> <ul style="list-style-type: none"> <li>• has paid a higher Medicare Levy</li> <li>• has lost part of his private health insurance rebate,</li> <li>• will no longer contribute to his superannuation</li> </ul> <p><i>The concessional cap breach is added to the current year's income assessment. The grossed-up tax bill reimbursement is then added to next year's income assessment. The problem worsens, compounding with each subsequent year.</i></p> |
| SG                           | 12,483         |   |
| PBRI                         | 23,291         |   |
| Super Contribution           | 3,900          |   |
| Total Concessional           | 39,674         |   |
| Excess                       | 1,959*         |   |
| Reassessed Income            | <b>133,768</b> |   |
| Breach                       | <b>1,959</b>   |   |
| Tax bill reimbursed by Govt  | <b>768</b>     |   |

\*this was based on including some roll over of previous year's cap