



# Salary Sacrifice your compulsory personal contributions to PSS

Amendments to the Police Superannuation Scheme (PSS) legislation enable you from 1 January 2008 to pay your compulsory personal contributions to PSS as Salary Sacrifice contributions. Before making this decision, it is recommended you seek professional financial advice.

## WHAT ARE THE CURRENT CONTRIBUTION ARRANGEMENTS?

- Currently, your compulsory personal contributions to PSS of 6% of superable salary are made on an after-tax basis (non-concessional contributions which were previously known as undeducted contributions). This means income tax is deducted from your salary before your contributions are paid.
- PSS can only accept compulsory personal contributions equal to 6% of your superable salary.

## WHAT WILL CHANGE?

- Provided your employer agrees, from 1 January 2008 you can choose to pay your 6% compulsory personal contributions to PSS:
  - entirely from your before-tax salary (Salary Sacrifice) or;
  - entirely from your after-tax salary; or
  - from a combination of before-tax and after-tax salary.

## WHAT WON'T CHANGE?

- Salary Sacrifice is not compulsory. If you wish, you can continue to pay your 6% compulsory personal contributions from your after-tax salary.
- Any additional Salary Sacrifice or non-concessional contributions you make must continue to be paid into another superannuation scheme of your choice. **PSS is not able to accept these contributions.**

## WHAT DO I NEED TO CONSIDER?

- Salary Sacrifice contributions are treated as employer contributions and attract the Commonwealth Government's 15% contributions tax on entry to the Scheme. This means the amount you contribute needs to be increased (or grossed up) by an amount representing the contributions tax, so that you make the same net contribution to PSS that you would have made via after-tax contributions.
- Accompanying this Flyer is a letter showing your current amount of after-tax contributions and your current superable salary. To calculate how much extra you would need to contribute if you salary sacrificed your 6% compulsory personal contributions to PSS, simply divide your current after-tax contribution amount by 0.85. For example, if you currently contribute \$4,200 to PSS in after-tax contributions, you would need to increase this amount to \$4,941 via Salary Sacrifice contributions (ie  $\$4,200 \div 0.85 = \$4,941$ ). The grossing-up of contributions is arranged with your employer as part of overall Salary Packaging arrangements.

The grossed-up Salary Sacrifice contribution amounts for various superable salary levels are:

Superable salary	Current annual after-tax contribution amount	Annual Salary Sacrifice contribution amount
\$52,000	\$3,120	\$3,671
\$70,000	\$4,200	\$4,941
\$100,000	\$6,000	\$7,059

We recommend you seek professional financial advice about making Salary Sacrifice contributions.

## IS SALARY SACRIFICE RIGHT FOR ME?

- It depends on your individual circumstances. You may receive more take-home pay if you make your contributions via Salary Sacrifice. However this depends on your level of income so you should seek professional financial advice to help you decide whether to make Salary Sacrifice contributions.
- There is a handy calculator on our website that shows you the effect of making contributions via Salary Sacrifice, after-tax and a combination of both.

The following example compares the effect on net salary of Salary Sacrifice contributions for a member earning \$70,000 per annum. The example assumes the member is contributing 6% of superable salary and is not eligible for the Commonwealth Government Co-contribution.

After-tax Contributions	
Gross Salary	\$70,000
Less Income Tax (excluding Medicare)	\$15,600
Net Salary	\$54,400
Less Superannuation Contributions	\$4,200
<b>Net Salary (after tax and super deductions)</b>	<b>\$50,200</b>

Salary Sacrifice Contributions	
Gross Salary	\$70,000
Less Salary Sacrifice Contributions (\$4,200 ÷ 0.85)	\$4,941
Adjusted Gross Salary	\$65,059
Less Income Tax (excluding Medicare)	\$14,118
<b>Net Salary (after super and tax deductions)</b>	<b>\$50,941</b>

*In this example, making Salary Sacrifice contributions resulted in a \$741 increase in annual after-tax salary. In both scenarios, the amount of net contributions credited to PSS is the same.*

The PAYG tax scale used in the example above is for the financial year ended 30 June 2008. Future changes to PAYG tax scales will result in different income tax and net salary outcomes.

*continued overleaf*

## OTHER MATTERS TO CONSIDER

**Do Salary Sacrifice contributions affect the superable salary used to calculate my PSS benefits?** No. Your superable salary and your PSS benefit entitlements are not affected by whether you make salary sacrifice contributions.

### Can I pay additional Salary Sacrifice contributions into PSS?

No. PSS can only accept your compulsory personal contributions equal to 6% of your superable salary. You can make additional contributions to another superannuation scheme of your choice.

### Do Salary Sacrifice contributions count for the Commonwealth Government Co-contribution?

No. Only non-concessional (after-tax contributions) qualify for the Commonwealth Government Co-contribution.

### Am I eligible for the Commonwealth Government Co-contribution?

Generally, the Commonwealth Government's Co-contribution will be payable for a financial year if you meet all of the following conditions:

- you make personal superannuation contributions from your after-tax income during a financial year, and
- your total income\* for the financial year was less than \$58,980\*\*, and
- at least 10% of your total income\* is attributable to employment, and
- you lodge an income tax return for the financial year, and
- you are less than 71 years of age at the end of the financial year, and
- you did not hold a temporary resident visa at any time during the year.

\*Total income means assessable income plus reportable fringe benefits.

\*\*For the financial year ended 30 June 2008. Subject to future annual indexation.

### How is the Co-contribution calculated?

For the year ended 30 June 2008:

- The Co-contribution is \$1.50 for every \$1 of non-concessional contributions made in a financial year (subject to the maximum Co-contribution available).
- For annual incomes up to \$28,980\*\*, the maximum Co-contribution is \$1,500.
- For incomes above \$28,980\*\*, the maximum of \$1,500 reduces by 5 cents for each dollar of income above \$28,980, so that it phases out completely at \$58,980\*\*.

\*\*For the financial year ended 30 June 2008. Subject to future annual indexation.

### I RECEIVED A CO-CONTRIBUTION LAST YEAR – SHOULD I MAKE SALARY SACRIFICE CONTRIBUTIONS?

We can't help you make that decision. You should seek professional financial advice before deciding whether to make Salary Sacrifice contributions.

### APART FROM THE 15% CONTRIBUTIONS TAX, ARE THERE OTHER TAX IMPLICATIONS?

Yes. The Australian Taxation Office requires any Salary Sacrifice arrangement with your employer to be made in advance. You will need to advise your employer in advance so that appropriate deductions can be made from your salary. Salary Sacrifice contributions:

- are subject to tax on benefit payment unless taken after age 60
- are counted in full towards the Concessional Contributions Cap. Generally, contributions above the cap will be taxed at a total of 46.5% (further details are provided in PSS Fact Sheet 16: *PSS Concessional Contributions Cap*).

### I'M INTERESTED IN SALARY SACRIFICE ... WHAT SHOULD I DO NOW?

- Check whether your employer will allow you to make Salary Sacrifice contributions and when you can advise changes to your salary packaging arrangements to include any Salary Sacrifice contributions of your 6% compulsory personal contributions.
- With your employer's approval, you can arrange to salary sacrifice at any time after 1 January 2008.
- Seek professional financial advice.
- Advise your employer of the portion (if any) of your PSS contributions you want to make via Salary Sacrifice.

### How do I obtain more information?



Customer Service is available to help you with general information and can be contacted on 1300 130 097 between 8.30am and 5.30pm Monday to Friday. You should visit the State Super website and use the calculator there to see the effect Salary Sacrifice has on your personal circumstances. For help deciding whether to make Salary Sacrifice contributions, we recommend you seek professional financial advice.



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[www.statesuper.nsw.gov.au](http://www.statesuper.nsw.gov.au)

The Police Superannuation Scheme (PSS) is administered by Pillar Administration on behalf of the Trustee, SAS Trustee Corporation (STC). PSS is governed by the Police Regulation (Superannuation) Act 1906, the State Authorities Non-contributory Superannuation Act 1987 and the Superannuation Administration Act 1996. The Scheme is also subject to Commonwealth Government superannuation and tax legislation. Reasonable care has been taken in producing this information but nothing in it is to be regarded as personal advice. If there is any inconsistency between the information herein and the relevant Scheme legislation, the Scheme legislation will prevail. In preparing this information, STC has not taken into account your objectives, financial situation or needs and, because of this, you should consider your personal circumstances and possibly seek professional advice before making any decision that affects your future. To the extent permitted by law, STC, its directors and employees do not warrant the accuracy, reliability or completeness of the information contained in or omitted above.