Overview of the Police Superannuation Scheme (PSS)

The Police Superannuation Scheme (PSS) closed to new members on 1 April 1988. The scheme was established for members of the New South Wales Police Service.

Contributions

All members contribute 6% of their annual salary of office. In addition, a large part of the benefits payable from PSS are financed by the employer.

Periods of time where contributions are not payable, such as ordinary leave without pay that exceeds three months, do not count as service for benefit accrual purposes.

Benefits

PSS provides a range of benefits payable on:

- **Normal Retirement** (age 60 or over) – you can take either an indexed fortnightly pension or a lump sum, or a combination of both. You may elect to commute all or part of your pension to a lump sum.

  The amount of the benefit depends on your length of service, with the maximum benefit payable after 30 years service.

  The maximum pension entitlement is 72.75% of your salary of office at retirement. The maximum lump sum is 7.95 times your salary of office.

Example: Normal Retirement

If you retired at age 60 after 30 years service, on an annual salary of office of $100,000, you would be entitled to a pension of $72,750 (72.75% of $100,000), indexed annually.

If you elected to take all of the retirement benefit as a lump sum instead of a pension, the lump sum would be $795,000 (7.95 x $100,000).

- **Early Voluntary Retirement** (age 55-59) – as with normal retirement, you can take either an indexed fortnightly pension or a lump sum, or a combination of both. These benefits are less than those payable at age 60.

  The amount of your benefit depends on your length of service and age at retirement. The closer you are to age 60, the higher the benefit for each year of service. The maximum early retirement benefit is payable after 30 years service.

  The maximum pension payable at age 55 (exactly) is 58.20% of your salary of office at retirement. The maximum lump sum is 7.58 times your salary of office.

Example: Early Voluntary Retirement

If you retired on your 55th birthday after 30 years service, on an annual salary of office of $100,000, you would be entitled to a pension of $58,200 (58.20% of $100,000), indexed annually.

If you elected to take all of the retirement benefit as a lump sum instead of a pension, the lump sum would be $758,000 (7.58 x $100,000).

- **Invalidity Retirement (medical discharge or death) –** there are two types of invalidity benefits payable: General Benefit (not Hurt on Duty) or Hurt on Duty Benefit.

The General Benefit is based on the member's length of service at retirement and is:

- a lump sum amount where service is less than 20 years, and
- a pension for service of 20 years or more (maximum of 72.75% of salary of office after 30 years service).

The Hurt on Duty retirement benefit is a pension of 72.75% of salary, irrespective of length of service. This pension may be increased depending on the member's capacity to undertake alternative employment and, if incapacity is total, the degree of risk they were exposed to in the Police Force when hurt on duty.

- **Death –** the amount of benefit paid will depend on whether death is determined by the Commissioner of Police to have been caused by the scheme member having been 'hurt on duty'.
- A spouse or de facto partner benefit is also payable on the death of a scheme member who elected to receive a pension benefit or who died in service as a result of being Hurt on Duty (a same sex partner may qualify for this benefit). A spouse or de facto partner's benefit is reduced proportionately where the member's pension was partially commuted. A pension may also be payable for a child.
- **Resignation or dismissal –** you can choose between receiving a cash benefit, or (if under age 55) electing instead to defer a (higher) benefit entitlement in the scheme, to be payable at a later date (for example at age 55).
- **Pensions –** are adjusted each year in line with the movement in the Consumer Price (All Groups Sydney) Index. A phasing-in formula applies in the first year after pension payments begin.

Benefit reduction for contribution tax

PSS is required to pay Commonwealth tax on your employer's contributions for your benefits that have accrued since 1 July 1988. Your benefits will be reduced to offset this tax (except on death). However, reduced income tax payable by you when you receive your benefits compensates for the reduction. The amounts shown in the Annual Statement we send you each year are calculated after the benefit reduction has been applied.

Please see STC Fact Sheet 3: *Taxation* for details of the Commonwealth tax rules affecting superannuation, including:

- the amount of tax payable on superannuation benefit payments at certain ages, and
- the importance of providing your TFN.

STC Fact Sheet 3: *Taxation* also describes a tax rule that allows certain lump sum payments that would otherwise be subject to benefits tax to be received tax free by a person who is suffering from a terminal illness that is likely to result in their death within 24 months.

Basic Benefit and Additional Employer Contribution (AEC) account

In addition to the above benefits provided by PSS, members are entitled to a benefit called the basic benefit. Certain members are also entitled to the additional employer contribution (AEC) benefit.

The basic benefit is fully paid for by your employer and accrues at the rate of up to 3% of either final average salary or final salary for each year of service from 1 April 1988.

Not all PSS members will have an AEC account, as it only applies to members whose employment after 30 June 2013 was subject to NSW Public Sector Wages Policy. Eligible members receive an additional employer contribution at the rate of 0.25% of their salary for the 2013–14 financial year, 0.5% for the 2014-15 to 2020-21 financial years and 1.0% from 1 July 2021. The AEC rate will increase in line with future increases in the SG rate and will be calculated as the SG rate less 9%. Interest is paid on the contributions that accumulate in an AEC account.

Your Basic Benefit and any AEC benefit are generally subject to compulsory preservation until you have reached the Commonwealth 'preservation age' (between 55-60). Earlier payment is available in certain circumstances. For further information see STC Fact Sheet 10: *Basic Benefit* and STC Fact Sheet 20: *SANCS Additional Employer Contributions (AEC) Account*.

Superannuation guarantee shortfall

Since 1 July 1992, employer-financed benefits have been adjusted where necessary to meet Commonwealth Superannuation Guarantee requirements. If applicable, your benefit amount has been increased to satisfy those requirements. An increase in an employer financed benefit is referred to as a *superannuation guarantee shortfall* amount.

Annual statements for members

Every year, PSS members are provided with an Annual Statement. This statement contains details about your contributions made for the year and your scheme benefits.

Tax Surcharge

If you have a contribution surcharge tax debt, the balance of your debt account and changes to it during the year to 30 June will be shown on your annual statement. Surcharge tax has been abolished with effect from 1 July 2005. This means that surcharge tax is not payable on notional employer contributions made on or after this date. However, any surcharge debt that you have in respect of contributions prior to 1 July 2005 is still required to be paid.

Commonwealth Government contribution accounts

Co-contributions are made by the Commonwealth Government to match personal contributions made into superannuation funds by eligible persons. The Low Income Superannuation tax offset (LISTO) is a contributions tax rebate for low income earners. If a co-contribution or LISTO has been received in respect of you, the amount is credited to your Commonwealth Government contribution account. The balance of this account is also payable on exit. For more information, see STC Fact Sheet 13: *Information about the Commonwealth Government's superannuation co-contribution and the low income superannuation tax offset.*

Salary Sacrifice

Salary sacrifice allows you to make before tax contributions to a superannuation fund. This means you sacrifice part of your salary by not having it paid to you in cash. The sacrificed amount is paid as an employer contribution to a superannuation fund and, as such, it does not attract income tax. It is subject to the superannuation contributions tax when it is received by the Fund and benefit tax at the time of payment.

Reportable employer superannuation contributions

Since 1 July 2009, salary sacrifice contributions are reportable employer superannuation contributions. Reportable employer superannuation contributions are not subject to income tax, but are taken into account by the Australian Taxation Office when determining certain benefits, such as Commonwealth Government co-contributions.

Can I salary sacrifice my compulsory personal contributions to PSS?

Yes – members of PSS have the option to pay their compulsory personal contributions to PSS as salary sacrifice contributions.

Provided your employer agrees, you can choose to pay all or part of your 6% compulsory personal contributions to PSS:

- entirely from your before-tax salary (salary sacrifice), or
- entirely from your after-tax salary (no change to standard contributions payment), or
- from a combination of before-tax and after-tax salary.

Salary sacrifice is not compulsory. If you wish, you can continue to pay your 6% compulsory personal contributions from your after-tax salary.

What about additional salary sacrifice contributions?

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 additional contributions.*

More information can be found in PSS Fact Sheet 18: *Salary sacrifice your compulsory personal contributions to PSS*.

Contribution Caps

There are limits on the amount of contributions that can be paid into superannuation funds in a financial year that will be concessionally taxed. Amounts in excess of these caps will result in the contributions being taxed at the top marginal rate rather than concessional rates of tax. It is important that you understand the rules around these caps prior to making additional contributions into super. For further details please refer to PSS Fact Sheet 16: *Contribution caps and your total superannuation balance.*

Fact Sheets about related topics:

PSS 3: *Benefits on Normal Retirement*

PSS 4: *Benefits on Early Voluntary Retirement*

PSS 5: *Invalidity retirement (medical discharge)*

PSS 6: *Death benefits*

PSS 7: *Resignations/Dismissal benefit and voluntary benefit deferral*

PSS 16: *Contribution caps and your total superannuation balance*

PSS 18: *Salary sacrifice your compulsory personal contributions to PSS*

STC 3: *Taxation*

STC 4: *When can I be paid my superannuation benefits?*

STC 7: *Complaints, Disputes and Appeals*

STC 9: *Government Information (Public Access) Act & Privacy*

STC 10: *Basic Benefit*

STC Fact Sheet 11: *CPI Adjustment of your pension*

STC 13: *Information about the Commonwealth Government's Superannuation Co-contribution and the low income superannuation tax offset*

STC 16: *Retirement planning*

STC 20: *SANCS Additional Employer Contributions (AEC) Account*

11/05/2022

More information

If you need more information, please contact us:

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