



Police Federation
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Australia's Future Tax System Review Panel
AFTS Secretariat
The Treasury
Langton Crescent
PARKES ACT 2600

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Dear Review Panel members

POLICE FEDERATION OF AUSTRALIA: SUPPLEMENTARY SUBMISSION

The Police Federation of Australia (PFA) made a submission to your review in a letter dated 17 October 2008. In that submission we touched on priorities we see in terms of taxation reform and, of particular concern to Australia's 52,000 police officers, the superannuation preservation age. We proposed that police officers should be able to retire and draw on their superannuation benefits from age 55 due to the rigors, physical and psychological, of the policing profession.

In this brief supplementary submission the PFA wishes to propose further changes to the current superannuation regime.

The Superannuation Guarantee (SG) currently fixed at 9 per cent for the workforce generally is simply not adequate to provide a reasonable level of financial security for retirement. A number of recent research papers point to the need to raise the SG to 15 per cent to support a 'comfortable lifestyle'. In particular, research by the Association of Superannuation Funds of Australia and Westpac shows that a couple retiring today will need a minimum lump sum of \$600,000 or more, or an income stream of \$49,502 per annum to fund a comfortable lifestyle. A report by Access Economics, *The AMP Superannuation Adequacy Index Report*, 25 July 2007 concludes that 'current super savings are still falling short for 3.5 million Australian workers' a position which has undoubtedly worsened in 2008 due to the global financial crisis.

For police, it is estimated that the current 9 per cent contribution and 15 per cent tax on employer contributions over 30 years will provide only half of what will be required for a comfortable retirement. For some groups, such as women police officers, the situation is even more problematic as their often broken work patterns, periods of leave-without-pay and years of part-time work due to child rearing commitments results in even less adequate superannuation savings for retirement. By contrast, Commonwealth public servants and Federal politicians currently receive a superannuation employer contribution of 15.4 per cent.

The PFA's view is that it is unacceptable that police officers, and other workers who serve the community throughout their careers, should have to face retirement living without an adequate income stream. The alternative of continuing to work well into ages 60 and 70 is simply not feasible for police officers due to the physically and psychologically arduous nature of police work and the extensive shift work that is generally involved. Without steps addressing the current shortcomings in retirement income policy, Australia will have a generation of police officers who cannot afford a reasonable standard of living in retirement.

We propose three changes through your taxation and retirement income inquiries to rectify this situation and reduce reliance on the Government's social security system:

- An increase in the compulsory Superannuation Guarantee from 9 to 15 per cent, if necessary phased in over several years;
- Improved superannuation co-contribution arrangements by increasing the Government contribution above \$1,500 and increasing the income threshold for access to the co-contribution to enable those with inadequate superannuation to accelerate their superannuation savings; and
- Deletion of the 15 per cent tax on employer contributions and investment earnings to encourage more contributions and improve the adequacy of existing superannuation accounts.

We would be pleased to expand on our views if that would assist taxation Review Panel.

Yours sincerely



Vince Kelly
President