



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 Panel Review members

### **POLICE FEDERATION OF AUSTRALIA: SUBMISSION ON RETIREMENT INCOME**

This submission by the Police Federation of Australia (PFA) is made on behalf of Australia's 52,000 police officers from each State and Territory and the Commonwealth. The submission is not confidential.

In your *Retirement income consultation paper*, December 2008 the Panel raises a series of questions about an adequate retirement income system, the level of the superannuation guarantee, relevant tax concessions, and age of access to superannuation. We address a number of these issues.

To date we have made two submissions to your Review, namely a submission dated 17 October 2008 and a further submission of 12 December 2008 dealing with a range of matters relating to Australia's future tax system. In this submission we focus specifically on retirement income issues as they affect Australia's police officers.

#### **Superannuation Preservation Age**

The highest priority for Australia's 52,000 police officers, and each Branch of the PFA, as far as retirement income policy is concerned is to lower the

superannuation preservation age so that officers can choose to retire from age 55 years. The reason for our focus on the preservation age is that policing is not a profession or occupation for an older person.

Furthermore, the PFA is alarmed at the suggestion being put in some quarters that the pension age, (and quite possibly the superannuation preservation age) should be increased to age 67 to encourage older Australians to remain in the workforce for longer.

The PFA understands that the superannuation laws apply a community-wide standard preservation age which was increased in 1993. However, the *Superannuation Industry (Supervision) Act 1993* includes a power to exempt specified categories of people so that a more flexible retirement regime can be provided. It was acknowledged at the time that a 'one-size-fits-all' approach was not necessarily suitable for the entire workforce.

The modern workplace provides flexibility for employees to retire at a later age and to exit and re-enter the workforce according to an individual's circumstances. There are situations where flexibility to retire earlier should also be facilitated without a tax penalty.

The PFA has been campaigning for several years for police to be able to retire with dignity from age 55. The reason for seeking greater flexibility for police is that policing is particularly physically and psychologically demanding and dangerous work and generally involves extensive years of shift-work, all of which take a severe toll on officers.

Over 97 years ago on 1 November 1906, Mr Joseph Carruthers the Member for St George & the Colonial Treasurer said in the NSW Parliament in the Second Reading Speech on the Police Regulation (Superannuation) Bill –

*"This bill proposes to carry out a promise which has, for a considerable time been made by, I think, all sides in politics towards the police of this country....I think it will be admitted that if there be a class of public officer who deserve the best treatment in regard to their old age, or their period of incapacity, it is the police force who have to protect the lives and property of the people of the country"*

This view is still relevant today for 52,000 men and women of Australia's police forces who, if current preservation age rules continue to be applied, will be expected to continue to *"protect the lives and property of the people of the country"* until they are 60.

In May 2000, the then NSW Police Commissioner called for a reduction in the retiring age for police. He proposed that police be able to exit policing with dignity after 20, 25 and 30 years of service. At the Police Commissioner's

Conference in March 2003 the Police Commissioner's of Australia unanimously supported police officers being granted an exemption from the current preservation age rules. They agreed with the PFA that it was not sensible or feasible to expect front-line police officers to continue working operationally after age 55.

In the United Kingdom and New Zealand police are able to retire at age 55. More favourable treatment of police compared with the general community is recognition of the physical and psychological demands of their work and that age-induced impairment of these capacities make it appropriate for their own safety – and that of the public they serve – to retire from age 55.

In response to the PFA's pre-election policy on this matter, the Australian Labor Party said 'Labor recognizes there are some special cases where access should have been permitted between fifty-five and sixty years for those born after 30 June 1960'. We estimate there are some 40,000 police officers born after July 1964 who would potentially benefit from greater flexibility in retirement age and for whom this is the highest priority reform.

**We propose that police be exempt from the standard superannuation preservation age to enable police to retire from age 55.**

### **Superannuation Guarantee**

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.

**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:**

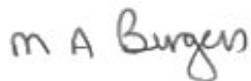
- **An increase in the compulsory Superannuation Guarantee from 9 to 15 per cent, if necessary phased in over several years;**
- **Improved superannuation co-contribution arrangements by increasing the Government contribution above \$1,500 and**

**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 discuss our proposals with the Review Panel.

Yours sincerely

A handwritten signature in black ink that reads "m A Burgess". The signature is written in a cursive, lowercase style.

Mark Burgess  
Chief Executive Officer