# Police Account Guide

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# Contents

## Who this guide is for

Read this guide if you have a Police account and want to understand how it works, the retirement benefits you get, your insurance entitlements, and what happens when you leave the account.

## This guide does not cover the Defined Benefit account for police officers

Information about the closed Defined Benefit account is available in the *Defined Benefit Account Guide*. You can download a copy from **qsuper.qld.gov.au/guides** or call us on **1300 360 750** to request a copy.

## Case studies and examples

The case studies and examples in this guide are provided for illustrative purposes only, and the members shown are not real. It is assumed for these hypothetical purposes that all terms and conditions are met. Figures may be rounded for ease of understanding.

## The Police account is closed

The Police account closed to new members on 1 January 1993. Your Police account remains open until you are no longer employed as a Police officer, or you decide to transfer to another type of QSuper account.

## Important information

You should consider the information contained in this guide and the *QSuper Product Disclosure Statement for Accumulation and Income Accounts* (PDS) before making any decisions about your Police account. If you need copies of any of the documents we refer to in this guide, you can download them from our website or call us to request a copy, free of charge.

When we talk about Queensland Government employers in this guide, we also mean related entity employers.

## Keeping you informed

The information contained in this guide may change from time to time. We'll keep you updated on changes and events, both directly and via our website. If you have any questions, please call us on **1300 360 750**.

# Benefits of the Police account

**With a Police account, your retirement benefit is based on a formula that uses a number of factors including your (fortnightly) final average salary, your years of service after age 20, your age, and the date you joined the Police account. This means your Police account final benefit isn't impacted by market movements – no matter what happens to investment markets, you still get a 'defined' amount. The account also comes with a number of other great benefits.**

## Choose between pension for life or lump sum benefit

If you retire on or after turning 55, you have the option to receive your benefit as a pension for life, lump sum, or combination of both. The pension is fully indexed in line with movements in the consumer price index (CPI).[1]

## Protection from volatile markets

Your retirement savings aren't subject to market fluctuations, so you get a defined pension or lump sum benefit when you retire. A global financial crisis will not affect your final benefit.

## Your retirement savings are safe

The Queensland Government is required to pay their share of your Police account benefit. You can relax knowing you will receive your super when you retire.

## A pension for your spouse and for your children should you die

If you die while holding a Police account, your surviving spouse has the option to receive a lifetime pension.[2] Your children (if eligible) will also receive a pension until they turn 18, or 25 if they're studying full-time, or for life if they have a permanent disability[3] at the time of your death.

## Income protection and total and permanent disability cover

This is automatically included as part of the account, with no additional charges.

## No fees

There are no fees with the Police account, as the amount you receive is determined by a formula. There are no fees on transactions, either.

## Personal, goal-focussed advice

Helping QSuper members with their Police account since 1994, QInvest's financial advisers understand how to make the most of this account, and help you plan your retirement.[4]
To book an appointment with QInvest, visit **qinvest.com.au** or call **1800 643 893** today.

**1** Indexed annually with the *Consumer Price Index – All Groups, Brisbane*. **2** Exclusions may apply for female members who joined the account before 27 February 1984, as explained in this guide. **3** Defined as suffering from a permanent (or likely to be permanent) physical, intellectual, or psychiatric disability that results in a substantially reduced capacity of the person for communication, learning, or mobility and the need for ongoing support. **4** QInvest Limited (ABN 35 063 511 580, AFSL 238274) (QInvest) is ultimately owned by the QSuper Board as trustee for QSuper, and is a separate legal entity responsible for the financial services it provides. Advice fees may apply.

# How the account works

**The Police account was designed to provide you with a respectable retirement amount that reflects your service to the Police.**

The scheme was designed around the idea that you would work for the police force until you retire at age 55 or older, with 55 being the earliest retirement age. This means that if you leave before turning 55, some different rules apply to determine what happens with your super.

Under current Queensland legislation, you are required to retire as a police officer when you turn age 60. Below is a snapshot of how your account works if you stay in the Police account until you retire.

**Your compulsory contributions**
**+**
**Employer Police account contributions**

**Your Police account**

Calculated using a formula

On retirement, you receive a pension for life (can also convert partially or wholly to a lump sum benefit)

**Your voluntary contributions**
**+**
**Additional 3% employer contribution**

**Your Accumulation account**

Balance changes with contributions, investment returns, and fees

On retirement, you can access a lump sum and/or open an award-winning[1] QSuper Income account. Benefits of a Retirement Income account include:

- Regular payments (you choose the frequency)
- Simple, transparent fees
- Tax-free earnings on returns
- Range of investment options
- Exclusive, uncapped transfer bonus (if eligible).

## Transition to retirement

You can transfer some or all of the money in an Accumulation account (e.g. voluntary contributions) to a Transition to Retirement (TTR) Income account if:

- You've reached your preservation age (55-60, depending on what year you were born)[2]
- You're still working, and
- You're younger than 65 years old.

**Please note that the additional 3% employer contribution cannot be used for this purpose.**

The TTR Income account allows you to start receiving regular payments from your super while you continue to work. It may also be used to boost your super as part of a smart tax strategy.

To apply for a TTR Income account or for more information, see the 'Transition to Retirement' section of our website, or the *Income Account Guide*.

**1** Based on recipients of Pension Fund awards from SuperRatings, Chant West, and Connexus between 2015 and 2020. The award is solely a statement of opinion and does not represent a recommendation to purchase, hold, or sell any securities, or make any other investment decisions. Ratings are subject to change. Ratings, awards, or investment returns are only one factor that you should consider when deciding how to invest your super. Past performance is not a reliable indicator of future performance. **2** Preservation age is explained later in this guide.

# Growing your super

You have two different ways to grow your super with us.

**Standard contributions**

You need to make these as part of your Police account.

**Voluntary contributions**

Contributing a little bit more now can make a big difference later.

## What you contribute

You are required to make contributions towards your Police account. This contribution amount is adjusted in the first full pay period in November each year based on a percentage of your superannuable salary at 1 October, which is your salary excluding any allowances or higher duty payments you may receive.

Your contribution percentage rate depends on various factors, including your age, when you joined the scheme, your gender, and whether you have death cover. If you joined after 26 February 1984, your current contribution rate is 7% of your salary. If you joined the Police account before 26 February 1984 and aren't sure what your contribution percentage rate is, contact your pay office or call us.

If you work part-time, your contributions are calculated on a pro rata basis (i.e. the above percentage of your part-time salary). This will affect the service time used when calculating your benefit.

## If you are on leave without pay or receiving an income protection benefit

If you are on leave without pay, you don't pay contributions, and when it comes to calculating your benefit, the time you were on leave without pay will be deducted from your total service time. If you are receiving WorkCover, you are required to pay contributions during this period and you should contact your employer to organise this.

If you are receiving an income protection benefit through the Sick Leave Bank, you don't need to pay contributions, but this period will still be counted as part of your total service time when your benefit is calculated.

## Employer contributions

Your employer makes a contribution to your Police account of 17% if you are making a 7% contribution. They also make a 3% contribution (an **award contribution**) to your Accumulation account.

## Voluntary contributions

It's never too late to give your retirement savings a boost. Anything extra you can add to your super can pay off in the long term. The power of compound interest means that even small amounts can add up over time – although investment returns can go up and down. Contribution limits apply, and these are explained later in this guide.

Any voluntary contributions you make go into an Accumulation account, and you can choose how you want your funds invested. For more information about your investment options, visit our website.

## How to make voluntary contributions

### Set up regular additional contributions into super

Ask your payroll office how you can set up regular additional contributions, including salary sacrificing. You may need to use **RemServ.com.au** or **SmartSalary.com.au** for salary sacrifice contributions.

You should check your contribution limits because, if you have a high salary, you may already be near or at the limit.

### Complete a Deposit form

Download the *Deposit* form at **qsuper.qld.gov.au/forms** or call us to request a copy. Include a cheque or money order for the amount you want to deposit.

### BPAY Via BPAY®

Use the individual BPAY details listed in Member Online or your annual statement. If you cannot find them, call us and we can provide these details.

### Visit a Member Centre

You can make contributions in person at one of our Member Centres. The maximum cash deposit amount is $1,000 and your bank sets your daily EFTPOS transaction limit.

## Salary sacrificing your standard contributions can be tax-effective

By default, your contributions are paid using after-tax money. Salary sacrificing is when you contribute a portion of your salary to your super before you pay any tax on it, which can lower the amount of salary you pay tax on. This is helpful for people who pay more than 15% personal income tax.

Speak to your payroll to find out how you can salary sacrifice your standard contributions to help lower your personal income tax. Please note, when you salary sacrifice standard contributions, they need to be increased to allow for contributions tax of 15%, e.g. before-tax contributions of 7% will actually be 8.24%.

# How your retirement benefit is calculated

**We calculate your benefit by using your fortnightly final average salary and your length of contributory membership in the Police account.**

The fortnightly final average salary used to calculate your benefits under the Police account is the average of your superannuable salary over the 12 months up to the date we calculate your benefit. It excludes any allowances you receive.

If your salary increases due to a promotion during the period two years before retirement, your final average salary is calculated using a formula that averages out the effect of the promotional salary increase over this period.

You will also be entitled to the amount held in your Accumulation account as a result of the 3% award contribution made by your employer. You can leave this money in your Accumulation account, withdraw it as a lump sum if you meet a **preservation cashing condition** (explained in this guide), and/or transfer it to a QSuper Retirement Income account. For more information, see our website.

Additionally, if you are a male police officer who joined the Police account before 27 February 1984 and take any of your benefit as a lump sum, you are entitled to an additional endowment in lieu of widow pension benefit. You can find more information about this benefit in your annual statement.

Your retirement benefit is also calculated a little differently depending on whether you retire before or on age 60. We outline the two scenarios below, but to see the latest estimate of how much you may get when you retire, please contact us in **1300 360 750**.

### Keeping up with inflation

A significant benefit of your Police account pension is that it is indexed in line with movements in CPI,[1] with the increase being applied every August. Where a pension starts partway through a financial year, we will apply a proportionate variation to your pension when it increases for the first time.

## Retirement at age 60

If you retire when you turn 60, your default benefit is a pension for life, paid fortnightly, and is calculated as follows:

$$\text{Fortnightly final average salary} \times \left[ \left( \frac{3 \text{ x service (years) before 1 July 1988}}{160} \right) + \left( \frac{\text{service (years) from 1 July 1988}}{62.5} \right) \right]$$

Your fortnightly pension amount cannot exceed 75% of your final average salary, and the total length of service used in your pension benefit calculation is capped at 40 years.

### How David's fortnightly pension is calculated

David retires on 1 July 2017 at age 60. His final average salary is $3,077 per fortnight and David had 4 years' service before 1 July 1988 and 29 years' service after 1 July 1988. David's pension is calculated as:

$$\$3{,}077 \times \left[ \left( \frac{3 \times 4}{160} \right) + \left( \frac{29}{62.5} \right) \right] = \mathbf{1{,}658.50} \text{ per fortnight}$$

You have the choice within one month of your retirement to convert all or part of your pension to a lump sum. This means your regular payments will be reduced or stop altogether.

We use gender and age-based factors in this calculation, which are prescribed under the QSuper Deed. As there are a large number of these factors for various calculations, we can't show them all here, but if you need to know what your lump sum value would be, please call us.

**1** Indexed annually in line with the *Consumer Price Index - All Groups, Brisbane*.

## How David's part pension part lump sum is calculated

As per the example above, David's pension entitlement is **$1,658.50** per fortnight.

If David chooses to receive his total entitlement as a lump sum, his benefit would equal:
**$1,658.50 x 313.1** (the factor that applies at age 60) = **$519,276.35**

Alternatively, if David chooses to receive half of his entitlement as a pension and half as a lump sum, his benefits would be calculated as follows:

Pension benefit = **$1,658.50 x 50% = $829.25 per fortnight**

Lump sum benefit **= $829.25 x 313.1= $259,638.18**

Your lump sum benefit is transferred to your Accumulation account. You can continue to invest it through that account, roll it over to another superannuation fund,or withdraw it.

## Retirement between ages 55-59

If you retire between age 55 and 59, your default benefit is also a pension for life, but it is calculated slightly differently:

$$\text{Fortnightly final average salary} \times \left[ \left( \frac{3 \text{ x service (years) before 1 July 1988}}{160} \right) + \left( \frac{\text{service (years) from 1 July 1988}}{62.5} \right) \right] \times \left( \frac{85 + (3 \text{ x (age at retirement - 55))}}{100} \right)$$

Your fortnightly pension amount cannot exceed 75% of your final average salary, and the total length of service used in your pension benefit calculation is capped at 40 years.

As with retirement at age 60, you also have the choice within one month of retirement to convert all or part of your pension to a lump sum. This is calculated in the same way as it is for retirement at age 60. The only difference in the calculation is the relevant age factor prescribed under the QSuper Deed.

You can immediately access the cash value of your benefit, which are your own contributions (plus interest) made before 1 July 1999 and the employer component of your benefit that accrued before 1 July 1999.

The remainder of your benefit (preserved component) can be accessed if you meet a preservation cashing condition, such as when you turn age 65, permanently leave the workforce after reaching preservation age, or leave an employment arrangement on or after age 60. Your benefit also becomes available to you or your estate if you become permanently disabled or die.

## How David's early retirement pension is calculated

In this scenario, David retired two years earlier at age 58 (i.e. on 1 July 2015), with 27 years service after 1 July 1988, and everything else stayed the same. David's fortnightly pension is calculated as:

$$\$3{,}077 \times \left[ \left( \frac{3 \text{ x } 4}{160} \right) + \left( \frac{27}{62.5} \right) \right] \times \left[ \frac{(85 + (3 \text{ x } (58 - 55))}{100} \right] = \$1{,}466.44$$

# Resignation

**If you resign from the Queensland Police Service, your Police account will be closed. When we hear from the Queensland Police Service that you've left your job, we will write to you to find out how you would like your money invested.**

Your options vary depending on your age.

### If you're aged 55 or over when you resign or voluntarily leave employment

You will be entitled to a retirement benefit in the form of a pension for life, lump sum, or a combination of both as explained in this guide.

### If you're under 55 years old when you resign or voluntarily leave

There are three options available to you, and you have to let us know within three months of leaving your job which option you choose by completing the form we send to you. If you don't return the form to us, option 1 will automatically apply.

Under any of these options, the 3% award contribution made by your employer to your Accumulation account can be accessed when you meet a preservation cashing condition such as turning 65, stopping work, or permanently retiring after age 60.

## Option 1

You can keep your benefit in the Police account where it will grow in line with the Police account earning rate until you turn age 55, become permanently incapacitated, or die. When any of these things happens, your benefit will be transferred to an Accumulation account – or if you die, your benefit will be paid to your legal personal representative.

This retained benefit is calculated as follows:

$$\left[\left(\frac{\textit{Lump sum benefit had you retired at age 55} \times \textit{service (years) at resignation}}{\textit{service (years) if you had retired at age 55}}\right)\right]$$

$$\times$$

$$[1 - (0.02 \times (55 - \textit{age at resignation}))]$$

The age at resignation is calculated using years and completed months.

### How John's preservation benefit is calculated

John is 50 years old and decides he wants a career change, so he leaves the Queensland Police Service. At the time of his resignation, John has 30 years of service and his benefit, if he had retired at age 55, would have been \$458,603.47. John's retained benefit is calculated as follows:

$$\left[\frac{\$458,603.47 \times 30}{35}\right] \times [1 - (0.02 \times (55 - 50))] = \$353,779.82$$

Your annual statement gives you the value of your retained benefit as at 30 June each year.

If you ever decide you want to withdraw your preservation benefit from your Accumulation account, you can close your Police account and withdraw this benefit as per option 3.

## Option 2

You can continue to invest and grow your super by transferring your preservation benefit (as calculated in option 1) to an Accumulation account. It is important to note that if you choose this option, the entire benefit will be preserved until you meet a preservation cashing condition, turn 65, stop work or permanently retire after age 60, become permanently disabled, or die.

## Option 3

You can withdraw your money as a withdrawal benefit. Your withdrawal benefit is displayed on your annual statement and is generally a smaller benefit than under option 1 or 2. It consists of:

1. Cash value of your own contributions (plus interest) made before 1 July 1999, plus
2. Preserved amount made up of your contributions (plus interest) made after 1 July 1999 and an amount that represents the minimum employer contribution required under Commonwealth legislation.

Your withdrawal benefit is transferred to your Accumulation account. You will be able to access the cash value of your benefit, which under Commonwealth legislation is called your unrestricted non-preserved component.

## Changing jobs? Take us with you

You can stay on as a QSuper member even if you're starting a new job outside the Queensland Government.[1] There are plenty of good reasons to stay with the super fund you know and trust. With QSuper's low fees,[2] industry-leading performance,[3] and more than 100 years of experience as Queensland's oldest and largest super fund, you can remain confident your super is in safe hands, regardless of where you work.

Your Accumulation account gives you access to a range of benefits:

- Default investment option – that will automatically change investment strategy based on your age and account balance, or take control of how your super is invested, with our range of investment options
- Manage your account when and where it suits you through Member Online or our mobile app
- Flexible insurance cover you can tailor to meet your needs
- Some of the lowest fees in Australia, including no switching or transaction fees.

To find out more about staying with QSuper, head to **qsuper.qld.gov.au/changingjobs** or call us on **1300 360 750**.

**1** In some circumstances, you may not be eligible to have your employer contribute to QSuper. Please check with your employer. **2** Chant West Super Fund Fee Survey, March 2019. The Chant West data is based on information provided by third parties that is believed to be accurate. Chant West does not issue, sell, guarantee, or underwrite this product. The findings are based on account balances of $25,000 and $50,000. Only administration and investment fees and costs are covered. Fees are gross of income tax. Go to chantwest.com.au for further information about the methodology used and Chant West's Financial Services Guide. For the QSuper Investment options: Lifetime option Focus 1, Aggressive, Growth and Moderate. Fees are only one factor that you should consider when deciding how to invest your super. **3** Past performance may not be a reliable indicator of future performance. QSuper's Accumulation account, Balanced Option only, ranked fourth. The Chant West data is based on information provided by third parties that is believed to be accurate at 30 June 2019. Returns reflected after investment fees and tax. *Chant West's Financial Services Guide* is available at chantwest.com.au

# Insurance

As a Police account member, you automatically receive insurance that you do not pay premiums for, and this cover cannot be cancelled.

## Types of insurance and benefits included with the account

### Permanent and partial disability

Access some of your super if you are permanently but not totally disabled.

### Total and permanent disability

Receive what your retirement benefit would have been if you had worked to age 55.

### Pension for life

Option to receive up to 75% of your salary for life if under age 55.

### Death

Your loved ones receive what your retirement benefit would have been if you had worked to age 55.

### Child's pension

Fortnightly payments to your young children if you die.

## Permanent disability

You may be entitled to a benefit if you suffer from a permanent mental or physical condition that prevents you from performing your work.

### How much benefit you'll receive

The benefit you receive is a **pension for life** that is calculated as follows:

$$\text{Fortnightly final average salary} \times \left[\frac{3 \times (\text{service if retired at age 60})}{160}\right]$$

### How Jim's pension benefit is calculated

Jim is 49 years old and retires due to incapacity. His final average salary is $3,100 per fortnight and he has 28 years' service, all after 1 July 1988. If Jim had retired at age 60, his service would have equalled 39 years. Jim's **pension benefit** is therefore calculated as follows:

$$\$3{,}100 \times \left[\frac{3 \times 39}{160}\right] = \$2{,}266.88 \text{ per fortnight}$$

Your pension will be indexed in line with movements in CPI in the first full pay period of August of each year.

You have the option to convert your pension entitlement to a **lump sum** payment. If you are under age 55 at the date you became permanently disabled, the lump sum benefit is calculated as follows:

$$\text{Fortnightly pension benefit} \times \text{age-based factor} \times \left[\frac{\text{length of service up to age 60} - 5}{\text{length of service up to age 60}}\right]$$

If you are age 55 or over at the date you became permanently disabled, the lump sum benefit is calculated as follows:

$$\text{Fortnightly pension benefit} \times \text{age-based factor} \times \left[\frac{\text{length of service up to age 60} - (60 - \text{age at disability})}{\text{length of service up to age 60}}\right]$$

You can choose the lump sum option at any time in the first six months after you become entitled to a permanent disability pension, and any pension payments made to you in the meantime will be deducted from the lump sum value payable to you. However, if we received medical evidence that someone making a claim was not medically competent to handle a lump sum payment, only the pension option would be available.

### How Jim's lump sum benefit is calculated

If Jim chooses to take his benefit as a lump sum payment, his benefit (using Jim's age-based factor of 224) is calculated as:

$$\$2{,}266.88 \times 230 \times \left[\frac{39 - 5}{39}\right] = \$454{,}538.50$$

Unlike a retirement benefit, there is no option to take a part pension and part lump sum payment. Your lump sum benefit will be transferred to an Accumulation account for you. Alternatively, you can choose to have the lump sum benefit paid directly to your bank, credit union, or building society account.

When you become entitled to the permanent disability benefit, the 3% award contribution made to your Accumulation account, including any investment earnings on these contributions (noting these can be positive or negative), is deemed to form part of the benefit. This means that the 3% award contribution plus interest will be deducted from your Accumulation account. Any other contributions you have made to your Accumulation account (plus any investment earnings) will remain in your account.

### Can I earn other income while receiving a permanent disability pension?

Yes, you can, but your pension may be reduced or suspended if your gross income exceeds your allowable additional earnings. If the combined income from your pension and any additional earnings you may have exceeds the salary you would otherwise have been earning in your previous position (less the applicable superannuation contribution), we will reduce your pension on a dollar for dollar basis. We will monitor your income levels until you turn age 60.

### How to apply for a permanent disability benefit

To apply for a permanent disability benefit, complete the form at the back of the *Permanent Disability Benefit Guide*. You can access the guide on our website or call us to request a copy.

You and your employer will need to complete the relevant sections in the form, and we'll also need at least one detailed report from your current doctor or specialist about your condition. In some cases, we may ask you to visit a specific doctor – but we'll pay for the appointment and medical report.

If your application is approved, we will send you a quote of your benefit and a claim form so you can tell us whether you want to receive your benefit as a pension or a lump sum.

# Death benefits

Your Police account provides a benefit to your spouse or your estate if you die while in service, or when (subject to conditions) you are receiving a retirement or disability pension.

It is important to note if you are a female member who joined the Police account before 27 February 1984, you may not have death cover. In this instance, your death benefit is the sum of your own contributions (plus interest) and an employer-funded amount. Please contact us to check if you have death cover.

In this section, when we talk about a **spouse**, it includes the person you are married to or your de facto spouse if you lived together as a couple on a genuine domestic basis[1] for a continuous period of at least two years before your death (or a shorter period if the circumstances of the relationship evidenced a clear intention for it to be a long-term, committed relationship). Your spouse may be of any gender.

Information on claiming a death benefit can be found in the *Death Benefit Claim Guide*. You can download the guide from our website at **qsuper.qld.gov.au/guides** or call us to request a copy.

## Death benefit while in service

### Spouse's benefit

If you are **under age 55** and have death cover, the lump sum benefit your surviving spouse will receive is calculated as follows:

$$\textit{Fortnightly disability pension benefit} \times \textit{age-based factor} \times \left[\frac{\textit{length of service up to age 60 - 5}}{\textit{length of service up to age 60}}\right]$$

We use age-based factors in this calculation, which are prescribed under the QSuper Deed. As there are a large number of these factors for various calculations, we can't show them all here, but if you need to know what your lump sum value would be, please call us.

If you are **age 55 or over** and have death cover, your spouse's lump sum benefit is calculated as follows:

$$\textit{Fortnightly disability pension benefit} \times \textit{age-based factor} \times \left[\frac{\textit{length of service up to age 60 - (60 - age at death)}}{\textit{length of service up to age 60}}\right]$$

### How Jane's death benefit is calculated

Jane dies at age 52 and has a surviving spouse, Phil. Jane's final average salary at her time of death was $3,400 per fortnight, and she had 30 years of service (all after 1 July 1988). Jane had 8 years to go before she would have turned age 60, so her service up to age 60 is 38 years (30 + 8).

Jane's **fortnightly pension benefit if she had retired on the grounds of disability immediately before her death** would be determined as follows:

$$\$3{,}400 \times \left[\frac{3 \times 38}{160}\right] = \$2{,}422.50 \text{ per fortnight}$$

The death benefit payable to Phil would then be calculated as follows:

$$\$2{,}422.50 \times 233 \times \left[\frac{38 - 5}{38}\right] = \$490{,}173.75$$

**1** Within the meaning of the *Acts Interpretation Act 1954* (Qld) section 32DA.

Your spouse has the option to receive the benefit as a lump sum, a pension for life, or a combination of both. This choice must be made within six months – otherwise, your benefit will be paid as a lump sum. Your spouse's pension is calculated as follows:

***Fortnightly disability pension benefit*** **x** ***% of lump sum converted to pension*** **x 0.667**

The pension will be indexed each year in line with movements in CPI.[1]

### Phil chooses to receive a pension

Instead of receiving a lump sum, Phil chooses to receive 50% of the benefit as a lump sum and 50% as a pension.

Phil's pension benefit is determined as **$2,422.50 x 50% x 0.667 = $807.90** per fortnight

His lump sum death benefit is 50% of $490,173.75 = **$245,086.88**

The 3% award contribution made to your Accumulation account, plus any investment earnings on these contributions, is deducted from your Accumulation account and it forms part of the lump sum or pension benefit.

If you received your whole benefit as a lump sum, no death benefit is payable. The only exception is for members who retired before 27 February 1984, whose spouse (must be the same spouse at retirement) may be eligible for a benefit payable as a lump sum, pension, or combination of both. If this applies to you, we will contact your spouse when we become aware of your death.

## Child's benefit

In addition to the spouse's benefit (if payable), any children you have under the age of 18, or 25 if they are full-time students, will be entitled to receive an indexed fortnightly pension. They will also continue to receive a child's pension past the age of 18 if, in the opinion of the QSuper Board, they have a disability as defined under Queensland's *Disability Services Act 2006* at the time of your death. Your child's pension is paid to your spouse or, if you have no spouse, to your child's guardian, unless the QSuper Board decides otherwise.

**If you are a female Police account holder without death cover, the child's pension will still be available to any children who are wholly dependent on you at the time of your death.**

### How much is the benefit?

Effective 6 August 2019, the child's pension is $137.41 per fortnight.

If you did not have a spouse at the time of your death, any children you have who meet the criteria above are entitled to what's known as an orphan's benefit.

- For one child – the benefit is 66.7% of the pension benefit that would have been paid to you if you had become permanently disabled immediately before your death.
- For more than one child – the benefit is 100% of the pension benefit that would have been paid to you if you had become permanently disabled immediately before your death, divided equally among the children.

### How David's child's pension is calculated

David dies and has no surviving spouse. The permanent disability benefit that would have become payable to David is $2,650 per fortnight.

If David had one child, the pension benefit payable would be 66.7% x $2,650 = $1,767.55 per fortnight.

If David had three children, the pension benefit payable to each child would be $2,650/3 = $883.33 per fortnight.

**1** Indexed annually with the *Consumer Price Index – All Groups, Brisbane*.

If the total amount of orphan benefit paid is less than what the estate benefit would have been, the difference will be paid to the children as a lump sum after the last child is no longer eligible to receive the orphan's benefit.

Child pensions (including orphan benefits) are indexed in August each year in line with movement of CPI.

If you received your whole benefit as a lump sum, no death benefit is payable. The only exception is for members who retired before 27 February 1984, whose spouse (must be the same spouse as at the time of retirement) may be eligible for a benefit payable as a lump sum, pension, or combination of both. If this applies to you, we will contact your spouse when we become aware of your death.

### Child pension if you die within one year of becoming permanently disabled

A child pension equal to $137.41 per fortnight will be paid to an eligible child if you received a permanent disability lump sum and the same or related condition causes your subsequent death within one year from the date of the payment.

### Estate benefit

If you had death cover and you don't have any dependants at the time of your death, an amount equal to the spouse's lump sum benefit will be paid to your estate. If you don't have death cover, the estate benefit will be equal to the contributions you made, plus interest, plus an amount that represents the minimum employer contribution required under Commonwealth superannuation legislation (the minimum requisite benefit).

## Death benefit while you are receiving a lifetime pension

This section outlines the benefits your dependants would be entitled to if you die while you are receiving a lifetime pension.

### Spouse's benefit

If you have death cover, and your spouse was also your spouse on the date you retired (including retiring due to disability), they will receive a benefit after your death.

The benefit is a lump sum payment, which is calculated by multiplying the pension that was payable immediately before your death times a factor related to the age of your spouse. This factor is prescribed under the QSuper Deed, and you can call us if you want to find out what factors would apply in your case.

Your spouse can also choose in the first six months after your death to convert all or part of the lump sum to a lifetime pension, which is calculated as follows:

***Pension payable immediately before death*** **x** ***% of lump sum converted to pension*** **x 0.667**

### How John's spouse's benefit is calculated

John dies and is survived by his spouse, Robin, who is aged 67. At his time of death, John was receiving a pension of $2,500 per fortnight.

If Robin chose to receive the total benefit as a lump sum benefit, it would be calculated as:

**$2,500 x 139** (age-based factor that applies at age 67) **= $347,500**

If Robin instead chose to receive the total benefit as a fortnightly lifetime pension, it would be calculated as:

**$2,500 x 100% x 0.667 = $1,667.50** per fortnight

### Child's benefit

If you have any dependent children at the time of your death, they will receive a child's pension as outlined above. However, please note that if they are entitled to an orphan's benefit, this benefit will be based on the pension you were receiving immediately before your death.

# Tax

## Tax when you make contributions

### Contributions tax

Concessional contributions are contributions made before income tax is taken out. They include the super from your employer, your salary sacrificed contributions, and any other contributions where you've claimed a tax deduction. These contributions are taxed at 15% when they enter your super fund.

### Tax on high income earners

Anyone with an adjusted taxable income of more than $250,000 pays an additional 15% tax on concessional contributions. Also, if your adjusted taxable income is less than $250,000 but by adding your concessional contributions you exceed $250,000, you pay the additional 15% on the amount that exceeds $250,000.

**Example**

Let's say your income is $230,000 and you make concessional contributions of $25,000.

This takes your total income to $255,000.

You'll pay 30% tax on $5,000 of the concessional contribution, and 15% on the remaining $20,000.

The additional tax is called Division 293 tax. The payment of Division 293 tax is deferred for Police account holders because tax payments cannot be made out of the Police account until the first benefit payment is made out of this account. The Division 293 tax liability will be held as a debt at the ATO, with interest charged at the long-term bond rate. This means if you are a high income earner, you may need to pay an additional 15% tax on concessional contributions when the first payment is made from your Police account. You can pay this tax from your own money, from any money held in your Accumulation account, or from your Police account pension.

### Concessional contributions cap

A cap applies to the level of concessional contributions. For the 2020-21 financial year, the cap is $25,000. You can view the latest concessional contributions cap information on our website at **qsuper.qld.gov.au/super/contributions**.

### Notional taxed (concessional) contributions formula

As the Police account doesn't allocate employer contributions to an individual but instead to a pool, we use a notional taxed contributions (NTC) formula to determine your total concessional contributions (money from your employer or salary sacrificed money).

The formula is:

**1.2 x [(*NECR* x *1 October salary*[1]) – *non-concessional standard contributions*]**

The NECR (notional employer contribution rate) is 11%.

If you have worked part-time or have taken leave without pay and no contributions were made over this period, you should adjust your full-time salary proportionally to the amount you've worked. For example, if you worked 3 days per week, then multiply your full-time 1 October salary by 60% or 0.60.

For concessional cap purposes, the NTC is capped at the cap, meaning that **Police account concessional contributions cannot exceed the cap**. Concessional contributions to your Accumulation account may also cause you to exceed your cap and incur additional tax.

For Division 293 tax purposes, the NTC is not capped, and the full amount is considered to calculate the tax.

**1** The 1 October salary of the financial year before the current financial year is used. For example, for the financial year ending 30 June 2020, the 1 October 2018 salary is used.

### How Roger's total concessional contributions are calculated

Roger's concessional contributions cap is $25,000. He works full-time and his 1 October salary is $301,000 per year. He contributes the standard 5%, which is $15,050. Roger's NTC amount at the end of the financial year is calculated as follows:

**1.2 x [(11% x $301,000) – $15,050] = $21,672**

Roger also receives the 3% award contribution (which is a concessional contribution) in his Accumulation account, which equals $9,030. As such, Roger's concessional contributions for the year are $30,702 ($21,672 + $9,030), which means that he exceeds the concessional contributions cap by $5,702.

As Roger earns more than $250,000, the Division 293 tax that applies to him is 15% of $25,000 (concessional contributions of $30,702 – excess contribution of $5,702), which is $3,750. Of this tax, $2,647.06 ($3,750 x ($21,672 / $30,702)) is attributable to his Police account and will be held as a debt at the ATO until a payment is made from his Police account. The amount of $1,102.94 ($3,750 - $2,647.06) is attributable to his Accumulation account and is payable as advised by the ATO.

## What happens if you exceed the concessional cap

Any concessional contributions over the cap will be taxed at your marginal tax rate, but you will be entitled to a 15% tax offset that reflects the contributions tax taken out by the fund. You may also incur other interest charges.

If you exceed the cap, you can withdraw up to 85% of your excess contributions (for a financial year) from your super, excluding award contributions (which are only accessible when you retire). Any excess contributions that you leave in your super will count towards your non-concessional contributions cap (see below).

## Non-concessional contributions cap

Non-concessional contributions are contributions you make after income tax is taken out. They include your standard contributions, spouse contributions, and any additional after-tax contributions you make to an Accumulation account. The non-concessional contributions cap is $100,000 for the 2020-21 financial year.

If you are under age 65, you may also be able to bring forward your contributions, depending on your total account balance over all your superannuation accounts, including the value of your Police account as at 30 June of the preceding financial year.

| Superannuation balance (30 June of preceding financial year) | Contribution and bring forward available |
|---|---|
| Less than $1.4 million | $300,000 over 3 years |
| Over $1.4 million but less than $1.5 million | $200,000 over 2 years |
| Over $1.5 million but less than $1.6 million | $100,000 over 1 year |
| Over $1.6 million | Nil |

The withdrawal value of your Police account as at 30 June is counted towards your total account balance. You can find more information on the value of this withdrawal benefit in this guide or in your annual statement.

## What happens if you exceed the non-concessional cap?

Any non-concessional contributions over this cap are taxed at the highest marginal tax rate (which is 47% in the 2020-21 financial year, including the 2% Medicare levy). Alternatively, you can choose to withdraw the excess contributions from your Accumulation account (excluding your 3% award contribution), in which case you also need to withdraw the associated earnings on the excess contributions. The earnings will be included in your assessable income and taxed at your marginal tax rate.

## Tax when you receive your super

The tax paid when you receive your superannuation benefit depends on a number of factors, including your age, the situation the benefit is paid for, and how your benefit is paid (i.e. as a pension or a lump sum).

Your benefit will consist of two components: tax-free and taxable. You pay no tax on your tax-free component, but tax may be payable on your taxable component, depending on your situation. The table below summarises the situation where you may have to pay tax on your taxable component:

| You receive a... | Your age is.... | Effective tax rate on taxable component (including Medicare levy) |
|---|---|---|
| **Pension** | Less than your preservation age | Your marginal tax rate |
| | Between your preservation age and 60 years old | Your marginal tax rate less 15% tax offset |
| | 60 years old or more | No tax on your annual pension payment up to $100,000<br>50% of the annual pension payment over $100,000 is taxed at your marginal tax rate |
| **Lump sum payment** | Less than your preservation age | Your marginal tax rate or 22%, whichever is lower |
| | Between your preservation age and 60 years old | No tax up to low rate cap[1] ($215,000 for 2020-2021) |
| | 60 years old or more | No tax |

Your **preservation age** is based on your date of birth as follows:

| Your date of birth | Your preservation age |
|---|---|
| Before 01/07/1960 | 55 |
| 01/07/1960 – 30/06/1961 | 56 |
| 01/07/1961 – 30/06/1962 | 57 |
| 01/07/1962 – 30/06/1963 | 58 |
| 01/07/1963 – 30/06/1964 | 59 |
| 01/07/1964 or after | 60 |

**1** The low rate cap is a lifetime cap, which is reduced by any taxable component you receive from any payer after you reach your preservation age.

## Permanent disability benefits

If you are entitled to a permanent disability **pension**, you pay tax as shown in the table above, except that if you receive a pension under your preservation age, you will also receive the 15% tax offset.

If you choose to receive a **lump sum** permanent disability payment, your tax-free component is increased by an amount calculated as follows:

$$\textit{amount of benefit} \times \left[ \frac{\textit{days to retirement}}{\textit{service days} + \textit{days to retirement}} \right]$$

### How tax is calculated on Anne's permanent disability lump sum

Anne, age 57, becomes entitled to a permanent disability benefit and chooses to take the whole of her benefit as a lump sum payment. The benefit she is entitled to is $450,000 and her tax-free component is $120,000. At the time of becoming permanently disabled, Anne has 9,861 days of service and 1,095 days to retirement (age 60 for the Queensland Police Service). Anne's marginal tax rate is 30% and she hasn't received any superannuation benefits before.

Anne's tax-free component is increased by the following amount:

$$\$450{,}000 \times \frac{1{,}095}{9{,}861 + 1{,}095} = \$44{,}975.36$$

As such, the components of Anne's benefit are as follows:

**Tax-free component:** $120,000 + $44,975.36 = $164,975.36

**Taxable component:** $450,000 – $164,975.36 = $285,024.64

No tax is payable on the tax-free component.

As Anne's age is between her preservation age (55) and age 60, the tax she'll pay on her taxable component, including the Medicare Levy, is calculated as follows:

($285,024.64 - $215,000 (low rate cap)) x 17% = **$11,904.19**

## Terminal medical condition

There is no provision to receive a terminal medical condition benefit with the Police account. However, if you are diagnosed with a terminal medical condition, any lump sum payments you receive within 24 months from the date you've been certified as having a terminal medical condition are tax-free.

If you're diagnosed with a terminal medical condition within 90 days of withdrawing a lump sum from your super, you can apply to the ATO to be reimbursed for any tax deducted.

## Surcharge

Some members may be liable for the surcharge tax, which is a tax payable for certain contributions before 30 June 2005. Please refer to your latest annual statement or call us to find out whether this applies to you. The *Superannuation Surcharge Guide* provides you with more information about this tax.

## Tax on death benefits

The tax on death benefits depends on several factors including:

- The age of the person receiving the benefit
- The age of the deceased member
- Whether the person receiving the benefit is a dependant for tax purposes.

Under taxation law, a death benefit dependant includes:

- The deceased's spouse
- A child of the deceased under 18 years old[2]
- A person financially dependent on the deceased
- A person in an interdependency relationship with the deceased[3]
- Any person who receives a death benefit lump sum if the deceased person was a police officer who died in the line of duty.

Please see the table below for further explanation on the tax on super death benefits.

| Type of benefit | Age of deceased | Age of beneficiary | Tax treatment - taxed element | Tax treatment - untaxed element |
|---|---|---|---|---|
| **Superannuation lump sum paid to dependant** | Any age | Any age | Tax-free | Tax-free |
| **Superannuation lump sum paid to non-dependant** | Any age | Any age | Taxed at a maximum rate of 15% (plus Medicare levy) | Taxed at a maximum rate of 30% (plus Medicare levy) |
| **Superannuation income stream paid to dependant** | 60 years or older | Any age | Tax-free | Taxed at marginal rates with a 10% tax offset |
| | Any age | 60 years or older | Tax-free | Taxed at marginal rates with a 10% tax offset |
| | Under 60 years | Under 60 years | Taxed at marginal rates with a 15% tax offset | Taxed at marginal rates with no tax offset |

**1** If the pension amount is over $100,000 p.a., 50% of the amount over $100,000 will be treated as assessable income and taxed at your marginal tax rate.
**2** A child is your biological or adopted child, stepchild, ex-nuptial child, your spouse's child, or your child within the meaning of the *Family Law Act 1975*.
**3** An 'interdependency relationship' exists if two people:

- Have a close personal relationship
- Live together, and
- Provide each other with financial support or domestic support and personal care.

For example, a child over 18 years old can still be a dependant if they were, at the time of death, financially dependent on the deceased.

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