

# Employer quickguide

## Salary reductions

An important process in determining salary for superannuation is to look back over the whole year for any point/day that a salary reduction has occurred.

An important rule for calculating salary for superannuation is that it must be equal to or greater than salary for superannuation on the previous day. What happens if the new salary for super is less than the salary for super on the previous day? The higher salary for superannuation will need to be imputed/maintained (i.e. updated) until the new salary is equal or greater than the previous updated salary.

### When does a salary reduction occur?

A salary reduction can occur if the member:

- > transfers to a lower position
- > loses a recognised allowance
- > is re-engaged at a lower level (temporary/non-ongoing employees only, provided continuous service occurs)
- > enters into a salary packaging arrangement where the taxable salary is reduced.

### AWOTE calculator

The AWOTE calculator, located under the Tools menu on the employer website, will help you update a former higher salary for superannuation by AWOTE. For a manual calculation please refer to the training notes under salary reductions.

**The rules for updating salary for superannuation changed with effect 1 July 1990 and again from 1 July 2003. For salary reduction rules prior to 1 July 2003 you should refer to the training notes under salary reductions.**

**The salary reduction rules with effect from 1 July 2003 have been built into the AWOTE calculator. You must read the questions on the calculator and answer each question correctly as your answer will influence the next question asked by the calculator and the final updated salary provided by the AWOTE calculation.**

**When the actual salary for superannuation is higher than the AWOTE updated salary, the actual salary is the new salary for super and the salary reduction rules cease to apply.**

## Updating for birthdays after 1 July 2003 for salary reductions that occur after 30 June 2003

Salary reductions that occur after 30 June 2003 are updated by AWOTE.

- > The substantive salary and higher duties allowance (if applicable), at the date prior to reduction, are divided by the last published AWOTE at the date of the reduction.
- > These two figures are multiplied by the last published AWOTE at the member's birthday or date of exit if applicable.
- > If the reduction is due to the loss of an allowance such as shift allowance, FAA or DLO allowance, the frozen allowance is added onto the updated base salary in accordance with the above dot points.
- > The new total of the updated salary, and frozen allowance if applicable, is then compared to the member's actual current salary for superannuation at the birthday. This includes any recognised allowances being received at the birthday.
- > The higher of the two figures is the member's new salary for super.
- > When the actual salary for superannuation is higher than the total of the updated salary and frozen allowance, the actual salary is the new salary for super and the salary reduction rules cease to apply.

## PSSap: Updating for salary reductions in the PSSap for agencies on FCS (Fortnightly Contribution Salary)

- > Salary reductions that occur are updated by AWOTE.
- > The same rules apply for the PSSap under FCS as the rules that apply to the PSS.
- > Refer to the above PSS rules.

## PSSap: Updating for salary reductions in the PSSap for agencies on OTE (Ordinary Time Earnings)

There are no salary reduction rules for agencies reporting on OTE. Salary will change each payday depending on the member's ordinary time earnings. A full list of what is included and excluded from OTE has been drawn from Superannuation Guarantee Ruling 94/4 and the addendum to that ruling issued by the Tax Commissioner. You should also check [www.ato.gov.au](http://www.ato.gov.au) for updates.

## PSS: Updating for the first birthday after 1 July 2003 for salary reductions occurring prior to 1 July 2003.

- > Base salaries must be updated to the current equivalent salary as at 30 June 2003 by using the previous salary reduction rules (i.e. the base salary is updated to the current equivalent as if the reduction had not occurred, allowances are frozen at the dollar amount received at the date of reduction).
- > HDA is also updated to the current equivalent as it is regarded as a classification salary not an allowance.
- > AWOTE is then applied to the updated salary and higher duties allowance (if applicable), from 1 July 2003 until the birthday or date of effect.
- > Frozen allowances at the time of the reduction are added onto the updated salary.
- > The total of the two is then compared to the member's actual superannuation salary at the birthday. The higher of the two is salary for super.

Detailed examples on PSS salary reductions are available at <http://employer.pss-css.gov.au/learningcentre/trainingnotes/index.shtml#pss>

## CSS: Updating for birthdays after 1 July 2003 for salary reductions that occur after 30 June 2003

Salary reductions that occur after 30 June 2003 are updated by AWOTE.

- > The base salary and higher duties allowance (if applicable), and any other recognised allowance(s) for superannuation purposes at the date prior to reduction, are divided by the last published AWOTE at the date of the reduction.
- > These figures are multiplied by the last published AWOTE at the member's birthday or date of exit if applicable.
- > The new total updated salary is then compared to the member's actual current salary for superannuation at the birthday.
- > The higher of the two is the member's new salary for super.

**When the actual salary for superannuation is higher than the updated salary, the actual salary is the new salary for super and the salary reduction rules cease to apply.**

## CSS: Updating for the first birthday after 1/7/2003 for salary reductions that occur prior to 1/7/2003.

- > **If the reduction has occurred after the last birthday, but before 1 July 2003**, you update the salary, higher duties allowance and any other recognised allowance(s) prior to the reduction, by AWOTE.
- > The same updating applies as for reductions that occur after 1 July 2003.
- > The salary, higher duties allowance and any other recognised allowance(s) prior to the reduction are divided by the last published AWOTE at the day of the reduction and multiplied by the AWOTE last published at the member's birthday or date of exit if applicable.
- > **If the reduction occurred prior to the last birthday before 1 July 2003**, you update the imputed salary (i.e. the current equivalent of the salary and recognised allowance) at that last birthday by AWOTE.
- > The imputed salary and imputed allowance at the last birthday is divided by the last published AWOTE at the day after the last birthday and multiplied by the AWOTE last published at the member's birthday or date of exit if applicable.
- > The new salary is then compared to the member's actual salary for superannuation at their birthday or date of exit if applicable.

**When the actual salary for superannuation is higher than the updated salary the salary reduction rules cease to apply.**

Detailed examples on PSS salary reductions are available at <http://employer.pss-css.gov.au/learningcentre/trainingnotes/index.shtml#pss>

## PSS & CSS: Members who have had their salaries already maintained by AWOTE

If the previous salary reduction has always been updated by AWOTE due to no current equivalent salary for superannuation being available, you continue to apply AWOTE for the full birthday year for the CSS and PSS (i.e. not from 01/07/2003).

## PSS & PSSap: Maintaining a casual member's notional salary for superannuation

When a casual member has a salary reduction, the notional salary is frozen and cannot be updated to the current equivalent. This can occur when:

- > a casual member's hourly rate of pay is less than the previous birthday; or
- > a casual member has become a regular member (i.e. full-time or part-time) and the new regular salary for superannuation is less than the notional salary for superannuation.

**This is the only time with the exception of the Pre 1990 rules that a member can have a frozen salary for superannuation.**

## CSS: members electing to use the lower salary

CSS members may elect to contribute on the lower salary following a reduction of their salary for superannuation. The member must make their election using the Elections - to vary superannuation contribution rate or decrease salary to apply as salary for superannuation form (S8-CSS). The salary for superannuation and contributions are adjusted depending on when the election to reduce the salary has been signed.

- > Election signed before the next birthday: The Salary for Superannuation and contributions are reduced from the date of election.
- > Election signed within three months after the next birthday: The salary for superannuation is adjusted from the previous birthday. Overpaid contributions can be recovered.

If the CSS member elects to reduce his or her salary for superannuation following a reduction, the reduced salary for superannuation will be used when calculating the member's benefit. It is very important that the member have full knowledge of how it will affect his or her benefit, and the member should contact a CSS Information Officer by phoning **1300 000 277** or via email **members@css.gov.au**.

## Salary reductions and partial invalidity pensions

For member and employer contributions payable for members in receipt of partial invalidity pension refer to the Contributions for partial invalidity pensioners Quick guide.

## Quick links

### Forms:

Elections – to Vary Superannuation Contribution Rate or Decrease Salary to Apply as Salary for Superannuation (S8-CSS)

<http://www.css.gov.au/documents/forms/S8V-CSS.pdf>

### Quick guides:

Salary for Superannuation (PSS and CSS)

Salary Reductions and Partial Invalidation Pensioners

<http://employer.pss-css.gov.au/learningcentre/quickguides/index.shtml>

### Training modules:

Reduction in Salary (PSS) PSSap Training Manual

Reduction in Salary (CSS)

<http://employer.pss-css.gov.au/learningcentre/trainingnotes/index.shtml>

### Calculators:

AWOTE Calculator

<http://employer.pss-css.gov.au/tools/toolkit/calculations.shtml>