



# Training notes

## Shift Allowance

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<http://www.css.gov.au/>

Employer Help Desk (02) 6272 9993

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## Shift Allowance in the CSS

### Aims and Objectives

These training notes are designed to give personnel staff an understanding of the importance of shift allowance in the calculation of superannuation salary for members of the Commonwealth Superannuation Scheme (CSS). For rules prior to 1 July 2003 please link to the archived training notes.

On completion of the course, participants should have a detailed understanding of the following:

- > The criteria to be met before shift allowance can be included in the calculation of salary for superannuation
- > How to calculate the amount of shift allowance to be included as salary for superannuation
- > How periods of leave affect the calculation of shift allowance
- > Calculation of shift allowance for part-time members
- > The effect the reduction or cessation of shift allowance has on salary for superannuation
- > The calculation of shift allowance if the member retires invalidity or dies within 12 months of commencing shift work

**These notes are not a substitute for the Superannuation Act 1976 or associated Regulations.**

**As provisions change you will be advised by way of Employer News. If you wish to continue to use these notes please ensure that you update them for any change.**

## Introduction

Shift penalties can be included in contribution salary if they are payable in respect of 75% of pay periods in any twelve months. They have been included in the Salary Regulations for the CSS since 5 December 1985, following the Federal Court decision in the case of Arnold Carpenter. As a result of the decision, shift allowances could be recognised from 1 July 1976.

Shift allowance describes the penalties that are payable to a member for performing ordinary duty according to certain rosters, including any penalties payable for shifts that the member would have worked had leave not been taken.

## Criteria for the Recognition of Shift Allowance as Salary for Superannuation

For shift allowance to be recognised as salary for superannuation purposes on a particular day (for example, a birthday or last day of service), the person must have been a member of the scheme for at least twelve months and have received shift allowance on a "regular basis" during the previous twelve months.

Special provisions exist to recognise shift allowance as part of superannuation salary for some shift workers who die or are retired on invalidity grounds prior to satisfying the criteria, these are discussed later.

### "Regular Basis" Defined

Shift allowance is considered to have been payable on a regular basis if the member was entitled to be paid the allowance for work performed during at least 75% of pay periods in any twelve month period.

Therefore, if the member is paid:

- > **Weekly**, shift allowance would have had to have been paid or payable for work performed during 39 or more of the 52 pay periods in the preceding year;
- > **Fortnightly**, shift allowance would need to have been paid or payable for work performed during 20 or more of the 26 pay periods in the preceding year;
- > **Monthly**, shift allowance would need to have been paid or payable for work performed during 9 or more of the 12 pay periods in the preceding year.

**Note that it is the pay periods during which shift duty is performed, not the number of paydays on which shift penalties are actually paid, that should be counted.**

"Regular basis" has a different meaning for some members who are retired on invalidity grounds, or die before their shift penalties qualify under the normal rules for inclusion in superannuation salary, and this is discussed later in the course.

## "Pay Period" Defined

As the regular basis test applying to the recognition of shift allowance is based on the number of pay periods in respect of which the allowance was paid, or payable, it is important to understand the concept of a "pay period", as not all pay periods (e.g. incomplete pay periods) will count.

Generally, a pay period is the period beginning on a payday and finishing at the end of the day before the next payday. Therefore, if a member is paid every alternate Thursday, the pay period would commence on the Thursday, which is the payday, and finish on the Wednesday before the next payday.

However, where the **first day of service for a member is not a payday**, that first pay period will commence on the first day of service and finish on the day before the next payday.

When a member is ceasing duty, and **the last day of service is not a payday**, the last pay period will commence on the last payday on which the member is employed and cease on the last day of service.

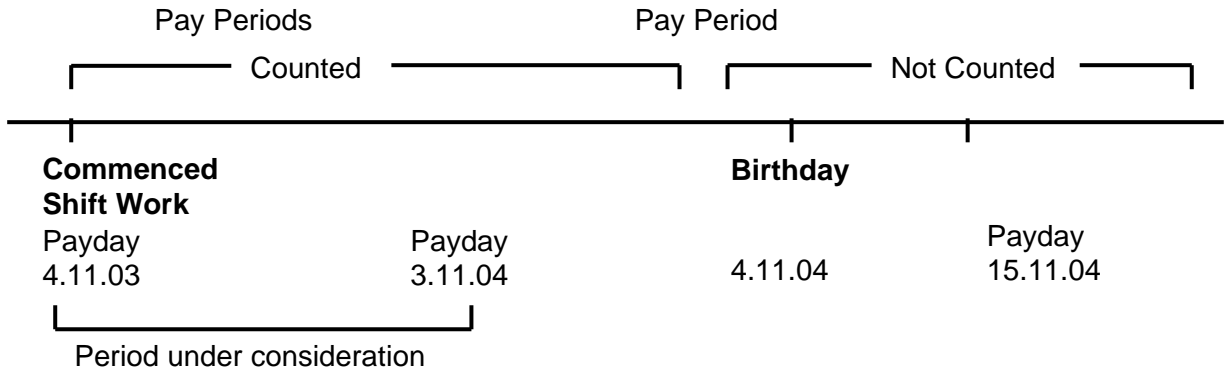
These pay periods could therefore cover as little as one day.

For death and invalidity cases where there is **no payday between the first day of service and the last day of service**, then the whole period counts as a pay period.

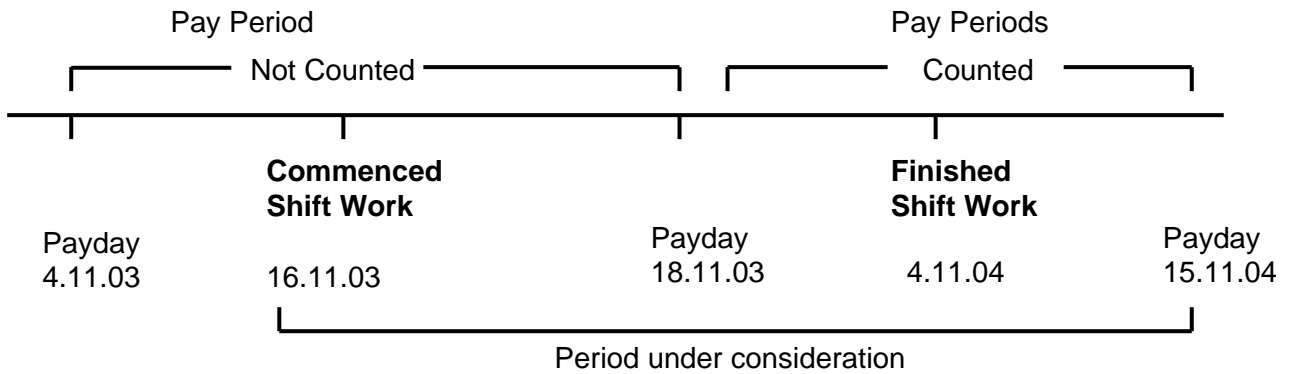
## Counting Pay Periods

In order to determine the number of pay periods (as defined above), certain part pay periods must be disregarded in the following manner:

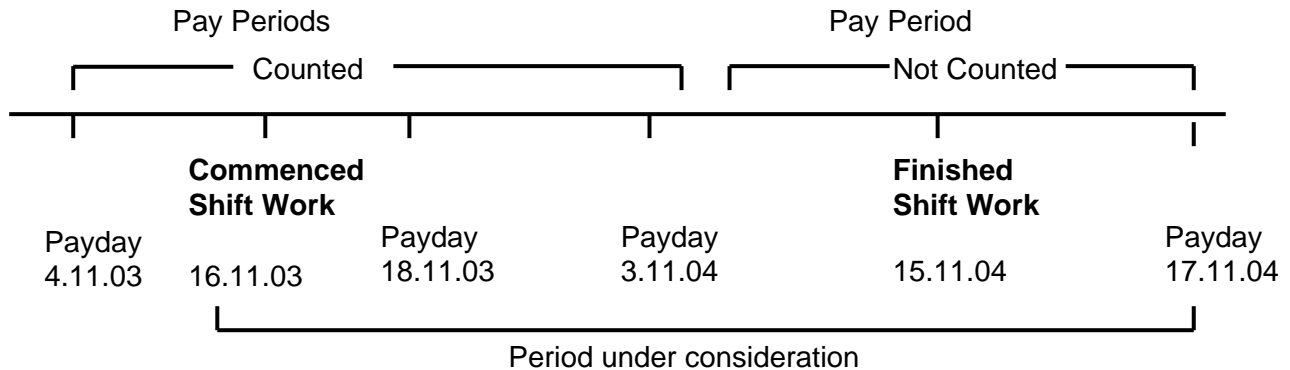
- i) If the first day of the period under consideration (e.g. the 12 months) falls on the first day of a pay period (i.e. a payday), but the last day does not coincide with the last day of a pay period, then the pay period during which the period under consideration finishes will not count.



- ii) If the first day of the period under consideration is not the first day of a pay period, but the last day of the period coincides with the last day of a pay period, then the pay period during which the period under consideration commenced is not counted.



- iii) If neither the first day nor the last day of the period under consideration fall on the first or last day of a pay period respectively, then the pay period during which the period commenced will count, but the pay period during which the period finished will not.



Each pay period to be included, as outlined above, will count as one pay period.

## Counting for Periods of Leave

If shift allowance **is payable** during a period of leave, the member will be treated as if they were on duty for all pay periods falling during that period of leave, and the period of leave will form part of the period under consideration, e.g. the 12 months, (see Example 1).

If shift allowance **is not payable** during a period of leave, **whole** pay periods falling within that period of leave will be disregarded, and will not form part of the period under consideration, e.g. the 12 months, (see Example 2).

Where the last day of leave coincides with the last day of the period under consideration, the last pay period of the leave will be disregarded if it is not a full pay period, and will not form part of the period being considered, (see Example 3.)

### Example 1 - On Recreation Leave

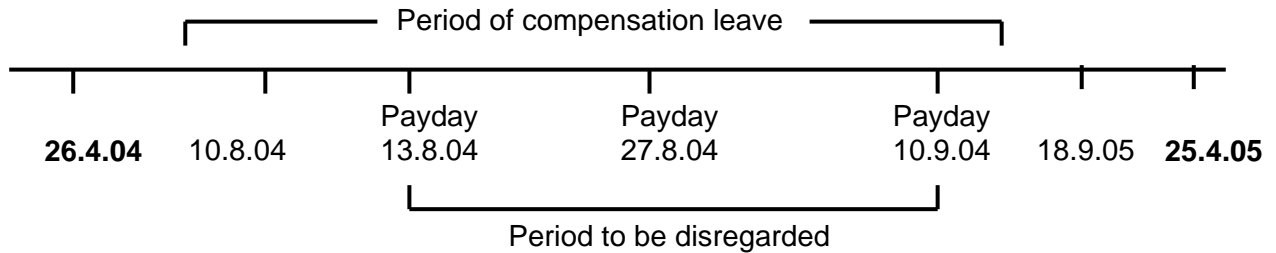
A member proceeds on recreation leave for six weeks from 10 August 2004 to 18 September 2004 and is paid the shift allowances which would have been received had the leave not been taken.

If the period being considered runs from 26 April 2004 to 25 April 2005, pay periods within this period will be counted in the normal manner.

### Example 2 - On Compensation Leave

A member goes on compensation leave for six weeks from 10 August 2004 to 18 September 2004. Shift penalties are not payable for this type of leave, and although compensation payments may include a component for shift penalties lost, compensation payments do not form part of salary for superannuation purposes. The period under consideration is from 26 April 2004 to 25 April 2005.

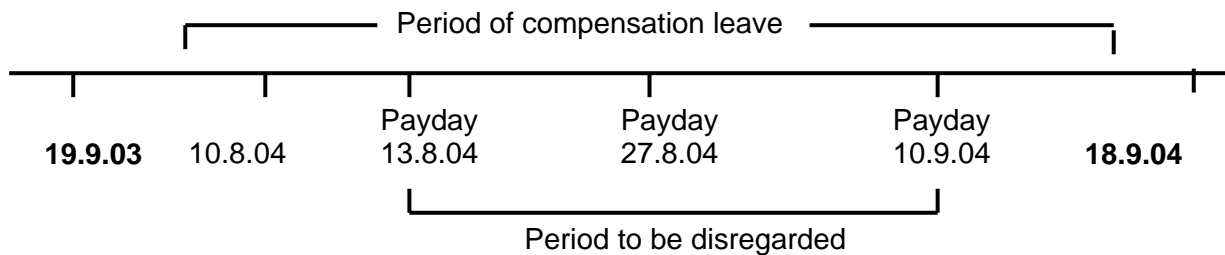
The member is paid fortnightly, and the payday's in the period of compensation leave are 13 & 27 August and 10 September. The complete pay periods ending on 26 August and 9 September are disregarded. (Days prior to and immediately following the disregarded period, 12 August and 10 September, are considered to be consecutive days).



Therefore, 28 days of the period of compensation leave have been disregarded, and the commencement date of the period under consideration must be moved back 28 days to 29 March 2004. The period under consideration will still end on 25 April 2005.

**Example 3 - On Compensation Leave**

If the period under consideration in Example 2 was from 19 September 2003 to 18 September 2004, and the leave remained the same, 10 August 2004 to 18 September 2004, then the period from 10 to 18 September 2004 would also be disregarded.



Therefore, 36 days of the period of compensation leave have been disregarded, and the commencement date of the period under consideration must be moved back 36 days to 14 August 2003. The period under consideration will still end on 18 September 2004.

## Shift Allowance Certificate

An S17S (Certificate in Respect of Shift Allowance) must be completed in respect of any member who satisfies the criteria to have shift allowance included in contribution salary.

This form is retained on the member's personal file and forwarded to ComSuper with the benefit application in cases in which shift allowance is still included in superannuation salary on cessation of membership.

## Contributions

Contributions must be paid on the shift penalties from the birthday following the member satisfying the "regular basis" test, even if penalties are no longer being received.

## Amount of Shift Allowance Recognised as Salary

Where a member has been a contributor for at least 12 months and receives, or has received, shift allowance, which satisfies the "regular basis" test, the shift allowance paid or payable to the member will be recognised as salary for superannuation purposes.

The actual amount of shift allowance and salary and wages that will be recognised, as salary on a particular day will be the **lesser** of:

### Either

i)  $A \times B$  where:

A = the highest amount of salary for superannuation purposes (**including shift allowance**) paid or payable to the person in respect of work performed in one pay period during the 12 month period; and

B = the number of pay periods in the twelve month period immediately preceding that particular day.

### Or

ii)  $C + D$  where:

C = annual salary for superannuation purposes payable on the particular day excluding any shift allowance payable; and

D = the total amount of shift allowance paid or payable to the person for the pay periods included in the 12 month period preceding the particular day.

If there has been a change in the rate of shift allowance payable for a particular shift during the 12 month period, refer below.



**Example**

A member is part-time on the birthday and has also qualified to have shift allowance included in contribution salary.

The full-time equivalent of the member's salary is \$38795 and the shift allowance actually received in the preceding twelve months totalled \$2765.

The member has worked 30 hours for each fortnight during the period and the standard full-time hours are 73.5.

The contribution salary will then be the lesser of the following:

- i) The highest contribution salary received on any payday in the twelve month period between birthdays, multiplied by the number of pay periods in that twelve months. The resulting figure is then multiplied by 73.5 and divided by 30 to arrive at the full-time equivalent salary.

Or

- ii)  $\$38795 + (\$2765 \times 73.5 \div 30) = \$45569$

**Reduction or Cessation of Shift Allowance**

As stated previously, once a contributor has satisfied the criteria to have shift allowance included in contribution salary, each pay period from that time until the birthday must be checked to determine when the contribution salary is at its highest, and also when a salary reduction occurs.

**Example**

In the following example, a member receives shift allowance on 22 out of 26 pay periods and qualifies to have those allowances included in contribution salary.

The member's basic salary is \$25000 and the shift allowance for the previous twelve months totalled \$1340.

In the next pay period, if no shift allowance was payable, the member would still qualify to have shift allowance included, however, when taking into account the pay periods in the previous twelve months, the shift allowance would only total \$1290, (the shift allowance received on pay 1 (the shift received was \$50.00) of the previous year is no longer counted).

As the basic salary is still \$25000, this means that there has been a salary reduction.

The contributor has the option to elect to contribute on the reduced rate of salary. The election to reduce may be made at any time from the reduction until 3 months after the next birthday.

**Note:**

***If an election is made to pay contributions based on the reduced salary, future benefits will be calculated on the lower salary.***

If the election is **not made**, the member will continue to contribute on the higher rate of salary including shift allowance updated by AWOTE at the day after the reduction occurred to the birthday. You will then compare this AWOTE calculation to any other identified salary reductions in the year to actual salary and use the highest salary for superannuation. Shift workers can have more than one reduction for superannuation purposes in one year. You need to identify the AWOTE quarters for the year in review (these are listed in the AWOTE Calculator on the Employer centre [www.aria.gov.au](http://www.aria.gov.au)) and then do a separate AWOTE for each quarter and then compare to actual salary and use the higher of them all.

When you are doing a birthday review you should factor in both salary for superannuation and shift on a fortnightly basis to assess if an actual reduction has occurred. Where a member has had a payrise but their shift has gone down this does not necessarily mean that a reduction has occurred for superannuation purposes on that particular payday.

## Change in Rate of Shift Allowance

If the rate of shift allowance changes, for example, the rate for evening shift increased from 15% to 30% mid-way through the period under consideration, the current rate of 30% would be considered to have been payable for all evening shifts performed for the whole of the period.

Therefore, for superannuation purposes, the amount of shift allowance received prior to the change of rates must be recalculated.

***This applies only in respect of a change in the rate payable, not to changes in the amount received by the member because of variations in the basic salary payable, or the different shifts worked.***

## Invalidity Retirement or Death Within Twelve Months of Commencing Shift Work

Special arrangements exist to determine whether shift allowance can be included in superannuation salary for those members who are receiving shift allowance, and die or retire on invalidity grounds before the allowance can meet the standard regularity test, that is, has been payable for 75% of the pay periods in the preceding 12 months.

In such circumstances, the member is only required to have received the shift allowance on a regular basis since it became payable and not for twelve months.

**For example**, if there were only five pay periods between the date the allowance first became payable and date of death or invalidity retirement, the member would need to have been entitled to receive shift allowance on at least four of the five pay periods for it to count as **salary for superannuation**.

Also, as indicated previously, if there is no payday between the date of commencement of membership and the date of death or invalidity retirement, this period would still count as a pay period, and if shift allowance was received, it too would count for superannuation salary.

In such instances, the delegate must certify on Part B of the S17S (Certificate in Respect of Shift Allowance), that the member would have received shift allowance on a regular basis for a twelve-month period but for death or invalidity. ***Clearly, such a certification cannot be given in respect of a member who would have reached maximum retiring age prior to having completed the twelve-month period.***

The method of calculating shift allowance is the same, with the shift allowance calculated as if the member had been working for the twelve months.

**Example**

Prior to his death, a member worked for 42 days (3 pay periods) and did shift work in each period, receiving \$175 in shift allowances.

Had the member worked for twelve months, there would have been 364 days in the pay periods.

The annual shift allowance payable would therefore have been

$$\$175 \div 42 \times 364 = \$1517$$

This amount is then added to the basic salary plus other recognised allowances to arrive at the superannuation salary.

## Important Points to Remember

- > A person must be a member for at least 12 months before shift allowance can be included.
- > In determining 'regular basis', remember to count the pay periods in which a member worked shifts - not the paydays on which penalties were received.
- > Periods of leave on which penalties are not paid do not form part of the period being considered.
- > Remember to calculate the full-time equivalent of penalties payable to part-time staff.
- > Shift workers who die or retire before qualifying to have shift allowance included in superannuation salary have special conditions applicable to them.
- > That salary reduction rules apply to shift workers and AWOTE calculations should be used in such cases.

**If in doubt speak to ComSuper**

## Legislation

### Superannuation Circular 1986/2

Please note that this circular is not current. However its information is correct with the exception of the salary reductions. When a reduction has occurred you must refer to the salary reduction rules from 1.7.2003

## Superannuation (salary) regulations (amendment) - shift allowance (penalty) payments

### Introduction

The Superannuation (Salary) Regulations (Statutory Rules 1978 No. 282) which were notified in the Commonwealth of Australia Gazette on 29 Dec 1978 had effect from 1 Jul 1976. These Regulations have now been amended in respect of shift allowance payments by the Superannuation (Salary) Regulations (Amendment) (Statutory Rules 1985 No. 326) which were notified in the Commonwealth of Australia Gazette on 5 Dec 1985. The new Regulations relating to shift allowance payments apply to all those who retire or die on or after 5 Dec 1985. However adjustments to benefits in respect of persons who retired or died on or after 1 Jul 1976 and before 5 Dec 1985 and in respect of whom applications for redetermination of benefits have been received will be made on an administrative basis in accordance with the principles embodied in the new Regulations. A SEPARATE ADVICE TO THOSE EMPLOYERS WHO ARE INVOLVED IN THIS RESPECT WILL FOLLOW SHORTLY.

2. The warning at the head of Part 8 of the Instructions in the Superannuation Manual (Issue No 5) refers to the Federal Court decision in the case of Commissioner for Superannuation v. Arnold Carpenter 48 ALR 230. The latest amendment to the Superannuation (Salary) Regulations (the Regulations) was made necessary as a result of that decision. The information contained in this Circular replaces all references in Part 8 of the Instructions to shift allowance and outlines changes in the method by which salary for superannuation purposes is to be calculated (for both permanent and temporary employees). Revised procedures for the recognition of shift allowance as salary for the purposes of the Superannuation Act 1976 (the Act) are outlined below. PROCEDURES OUTLINED IN THE INSTRUCTIONS IN THE SUPERANNUATION MANUAL FOR THE RECOGNITION OF SHIFT ALLOWANCE AS SALARY NO LONGER APPLY.

## Recognition and calculation of shift allowance as salary

### General

3. As a general rule a contributor to the Commonwealth Superannuation Scheme is now entitled to have any shift allowance received recognised as salary under the Act if the shift allowance has been payable for work performed during 75% of the pay periods over a twelve month period. The amount of shift allowance recognised as salary will in most cases be the amount of shift allowance actually paid over the twelve month period.

### What is Shift Allowance?

4. Shift allowance is that part of salary and wages payable to a person solely for the reason that the person has performed work during specified hours that are under the terms and conditions of the person's employment normal hours of duty for that person.

### To Whom Do These New Procedures Apply?

5. The amended procedures for recognition of shift allowance apply to those contributors in the scheme who come within the definition of a "prescribed eligible employee" in the new Regulations. Persons receiving shift allowance (penalty payments) meet the definition of a "prescribed eligible employee".

### Criteria for the Recognition of Shift Allowance as Salary

6. Subject to paragraph 7 the shift allowance payable will only be recognised as salary for superannuation purposes if the following are satisfied:

- (i) on a particular day (for example the anniversary day or last day of service) the person must have been a contributor for the immediately preceding twelve months (that is the twelve months ending on the day before the particular day);
- (ii) the person has been a "prescribed eligible employee" at any time during the twelve months immediately preceding the particular day; and
- (iii) shift allowance has been payable to the person on a "regular basis" (see paragraph 8) during the twelve months immediately preceding the particular day.

Note that for the purposes of establishing the period referred to in (ii) or (iii) above regard should be had to paragraphs 16-19.

7. Different criteria can apply for the recognition of shift allowance as salary in the case of persons who retire on invalidity grounds or die before having the opportunity to meet the tests in paragraph 6 (see paragraph 23(b)).

## "Regular Basis"

8. As stated above shift allowance must have been payable on a "regular basis" before it will be recognised as salary for superannuation purposes. The test to determine whether the shift (allowance has been paid on a "regular basis" is that shift allowance must have been paid or payable for work performed during at least 75% of the pay periods (see paragraphs 10 and 11) during the twelve month period in question.

For example:

- > If there are 26 pay periods in the twelve month period shift allowance must have been paid or payable for work performed during 20 or more of those pay periods.
- > If there are 52 pay periods in the twelve month period shift allowance must have been paid or payable for work performed during 39 or more of those pay periods.
- > If there are 12 pay periods in the twelve month period shift allowance must have been paid or payable for work performed during 9 or more of those pay periods.

9. In certain cases of invalidity retirement or death the "regular basis" requirement will have to be determined for a "particular period" of less than twelve months. Whatever the length of the "particular period" under consideration the requirement that shift allowance has been paid or payable for work performed during at least 75% of the pay periods in that "particular period" remains.

For example:

- > If there are 9 pay periods in the "particular period" under consideration shift allowance must have been paid or payable for work performed during 7 or more of those pay periods.
- > If there are 14 pay periods in the "particular period" under consideration shift allowance must have been paid or payable for work performed during 11 or more of those pay periods.

## "Pay Period"

10. For the purposes of the new procedures a pay period can be any of the following:

- (i) the period between the beginning of a payday (other than the payday immediately preceding the person's last day of service) and the end of the day before the next payday;
- (ii) if the first day of service is not a payday then the period between the beginning of the first day of service and the end of the day before the first payday;
- (iii) the period between the beginning of the payday immediately preceding the person's last day of service and the end of the last day of service; or
- (iv) for death and invalidity cases where there is no payday between the beginning of the first day of service and the end of the last day of service then that whole period.

## Counting Pay Periods

11. In order to determine the number of "pay periods" (as defined in paragraph 10) in a "particular period" certain part pay periods must be disregarded in the following manner:

- (i) if the first day of the "particular period" falls on the first day of a pay period but the last day of the "particular period" falls on any day other than the last day of a pay period then the pay period during which the "particular period" finished will not count;
- (ii) if the first day of the "particular period" falls on any day other than the first day of a pay period but the last day of the "particular period" falls on the last day of a pay period then the pay period during which the "particular period" commenced does not count;
- (iii) if neither the first day nor the last day of the "particular period" fall on the first or last day of a pay period respectively then the pay period during which the "particular period" commenced will count but the pay period during which the "particular period" finished will not count.

Where the particular period during which shift allowance is payable to a person comprises only part of a pay period that part pay period will be counted as one pay period.

## Amount of Shift Allowance Recognised as Salary

12. Where a person has been a contributor for not less than twelve months and receives or has received shift allowance which satisfies the "regular basis" test (paragraph 8) and meets the criteria set out in paragraph 6 the shift allowance paid or payable to such a person will be recognised as salary for superannuation purposes. The actual amount of shift allowance and salary and wages which will be recognised as salary on a particular day will be the lesser of:

### EITHER

- (i)  $A \times B$  where:

A = the highest amount of salary for superannuation purposes (including shift allowance) paid or payable to the person in respect of work performed in one pay period during the twelve month period; and

B = the number of pay periods in the twelve month period immediately preceding that particular day.

### Or

- (ii)  $C + D$  where:

C = per annum salary for superannuation purposes payable on the particular day excluding any shift allowance payable; and

D = the total amount of shift allowance paid or payable to the person for the pay periods included in the twelve month period. If there has been a change in the rate of shift allowance payable for a particular shift during the twelve month period refer to paragraph 15. For this calculation regard should be had to paragraphs 16-19.

13. The calculation in paragraph 12(ii) will be the relevant one in the majority of cases. However it must be remembered that it is only the appropriate calculation if it produces a lesser amount than the paragraph 12(i) calculation.

14. In the case of retirement on invalidity grounds or death if the person satisfied the criteria in paragraph 6 above the calculation of the amount of shift allowance to be recognised as salary is as above. However to determine the quantum of shift allowance to be recognised in other cases of invalidity or death see paragraph 28.

### **Amount of Shift Allowance Recognised when Rate Changes**

15. If the rate of shift allowance payable to a "prescribed eligible employee" for any particular shift (for example night shift) varies during the course of the twelve month period then the later (or current) rate is to be regarded as being payable for that particular shift for the **whole** period for the purposes of the calculation in paragraph 12(ii) above.

For example if the rate of 15% payable for a shift between 6.00pm and 12.00 midnight is increased during the twelve month period to 20% then the 20% shift penalty is to be regarded as having been payable for the whole period in respect of all such shifts worked between those particular hours.

**Note:**

The above alteration to the calculation of salary for superannuation purposes applies only when the fixed amount or percentage rate or rates of shift allowance change. THIS PROCEDURE DOES NOT APPLY WHERE THERE ARE CHANGES IN THE AMOUNT OF SHIFT ALLOWANCE PAYABLE DUE SOLELY TO A CHANGE IN BASIC SALARY AND THE APPLICATION OF A PERCENTAGE RATE TO THAT SALARY.

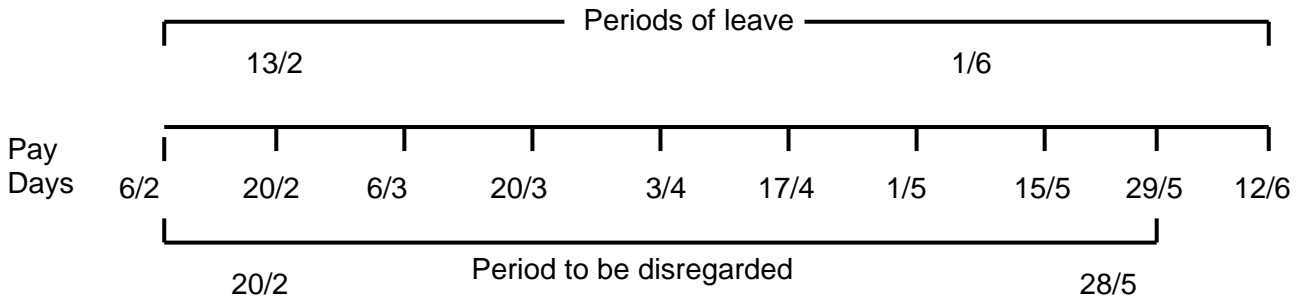
### **Periods of Leave**

16. For the purposes of both recognition and calculation of the quantum of shift allowance as salary for superannuation purposes a period of leave in respect of which shift allowance is payable is to be treated as if it were a period during which the person performed work for which shift allowance is payable.

17. When an amount in respect of shift allowance is not payable to a "prescribed eligible employee" during a period of leave the following parts of the period of leave are to be disregarded for the purposes of determining a particular period for the "regular basis" test and the calculation of the annual rate of salary:

- (i) all pay periods which commence and end within the period of leave; and
- (ii) where the end of the leave coincides with the last day of a "particular period" that is relevant for the purposes of the new procedures (for example the day immediately preceding the person's anniversary of birth) any part pay period which commences on the last payday during the leave.

18. Where parts of a period of leave are disregarded the day before the first payday in that period of leave and the day following the end of the last complete pay period within that period of leave or the last day of the period of leave as appropriate will be regarded as consecutive days.

**For example:****Note:**

1. 9/2 (day before the first payday in the period of leave) and 29/5 (day following the end of the last complete pay period within the period of leave) would be regarded as consecutive days.
2. If 1/6 were the last day of a particular period (eg. if 2/6 was the person's anniversary day) then the part pay period 29/5 to 1/6 would also be disregarded. In this case the recognition and calculation of shift allowance as salary would be made by reference to the twelve month period ending on 19/2.
3. If 1/6 is not the last day of a particular period the number of days in the disregarded period (98) must be added to the beginning of the actual twelve month period immediately preceding the particular day in order to establish the commencement of the twelve month period for the "regular basis" test and the calculation of the annual rate of salary.

19. Where a "prescribed eligible employee" proceeds on leave for a period prior to retirement during which period an amount in respect of shift allowance is not payable and does not return to work then the new procedures are to be applied by reference to the period immediately preceding the first payday in the period of leave.

**Cessation of Shift Allowance**

20. Where a person whose salary for superannuation purposes includes shift allowance ceases to qualify to have that allowance treated as salary for superannuation purposes the employee is regarded as having a salary decrease. In these circumstances the employee may elect under section 47 of the Superannuation Act 1976 (the Act) that the decreased salary shall apply for superannuation purposes. Such an election may be made at any time up to three months after the anniversary day following the date of the decrease. If an election is not made the amount of salary fixed at the day before the person ceased to qualify continues as salary for the purposes of the Act until overtaken by the lower salary as varied from time to time. The "frozen" salary is not adjusted by salary increases such as Arbitration Determinations. This procedure is the same as applies to any other decrease in salary for superannuation purposes as set out in paragraph 8.43 of the Instructions in the Superannuation Manual.

## **Administrative Procedures - Form S17S**

21. When a "prescribed eligible employee" satisfies the criteria for recognition of shift allowance as salary the certificate shown on Part A of the Form S17S (see sample attached) should be completed signed by the "authorised person" (see paragraph 26) and attached to the employee's personnel file. The certificate is to be completed in accordance with the formulae set out in paragraph 12. From that point onwards the situation recorded on the certificate should be reviewed on each anniversary date and a revised salary for superannuation purposes calculated and recorded (a formal certification on the Form S17S is not required for this purpose). Until the requisite number of Forms S17S can be printed and circulated Departments and Approved Authorities are requested to make copies of the attached sample as required

## **Final Annual Salary for Superannuation Purposes on Exit**

22. When a person exits from the superannuation scheme the calculation of shift allowance to be recognised as salary for superannuation purposes must be updated as at the date of exit. Part A of the Form S17S must be completed attached to the application for benefit and forwarded to the Commissioner for Superannuation.

## Invalidity retirement or death

### Shift Allowance Payable on "Regular Basis"

23. Where a person is retired on invalidity grounds or dies and has been a "prescribed eligible employee" (refer to paragraph 5 of this circular) shift allowance will be recognised as salary for superannuation purposes in the following circumstances:

- (a) where the person has met the criteria set out in paragraph 6; or
- (b) where the criteria set out in paragraph 6 have not been met and
  - (i) the person became a "prescribed eligible employee" within the period of twelve months preceding the date of invalidity retirement or death and shift allowance was payable on a "regular basis" (see paragraph 9) during the period commencing on the day the eligible employee last became a "prescribed eligible employee" and ending on the day of invalidity retirement or death;

AND

- (ii) a certificate is given stating that a person authorised by the Commissioner for Superannuation is of the opinion that there is a likelihood that shift allowance would have been payable to the person on a "regular basis" (see paragraph 8) during the twelve month period commencing on the day the person last became a "prescribed eligible employee" if the person had not retired or died.

Note that for the purposes of establishing the period referred to in (i) or (ii) above regard should be had to paragraphs 16-19.

### Conditions under which a Certificate should be issued

24. It is intended that an authorised person should issue a certificate in respect of persons to whom paragraph 23(b) applies if in the opinion of that person but for the intervention of the invalidity retirement or death the person would in the normal course of events have received shift allowance on a "regular basis" during the period of twelve months that commenced at the beginning of the period when shift allowance last commenced. The appropriate certificate in these circumstances is that on Part B of the Form S17S (see sample attached). The certificate is to be completed in accordance with the formula set out in paragraph 28 attached to the application for benefit and forwarded to the Commissioner for Superannuation.

25. Note: A certificate should not be issued in respect of a contributor who would have attained the maximum retiring age before completing the requisite twelve months.

### Persons Authorised to Give Certificates

26. Persons authorised to give certificates in relation to eligible employees to whom paragraphs 21 or 23(b) apply are the occupants of those positions within Departments and Authorities who are delegates of the Commissioner for Superannuation for the purpose of section 11 of the Act (referred to in this circular as "authorised persons").

## Amount of Shift Allowance Recognised as Salary

27. Where a person is retired on invalidity grounds or dies and the criteria for recognition of shift allowance as set out in paragraph 23 (a) are met the amount of shift allowance to be recognised as salary will be the amount assessed in accordance with the procedure set out in paragraph 12.

28. Where the criteria for recognition of shift allowance as set out in paragraph 23(b) are met the amount which will be recognised as salary for superannuation purposes on the last day of service will be the lesser of:

### Either

(i)  $A \times B$  where:

A = the highest amount of salary for superannuation purposes (including shift allowance) paid or payable to the person in respect of work performed in one pay period in the period since the person last became a "prescribed eligible employee".

B = the number of pay periods in the twelve months period ending on the last day of service or if the person was a contributor for less than twelve months prior to the last day of service the number of pay periods that would have been included in the period of twelve months ending on the last day of service if the person had been an eligible employee for the whole of that twelve months.

### Or

(ii)  $C + \frac{EF}{G}$  where:

C = per annum salary for superannuation purposes on the last day of service excluding shift allowance;

E = total amount of shift allowance paid or payable for the pay periods included in the period referred to in paragraph 23(b)(i). If the rate of shift allowance payable to a "prescribed eligible employee" varied after the person last became a "prescribed eligible employee" then the later (or current) rate is to be regarded as being payable for the whole of that period (see paragraph 15).

F = the number of days in the pay periods included in the twelve months ending on the last day of service or if the person was a contributor for less than twelve months prior to the last day of service the number of days in the pay period that would have been included in the period of twelve months ending on the expiration of the last day of service if the person had been an eligible employee for the whole of that twelve months.

G = the number of days in the pay periods commencing on the day the eligible employee last became a "prescribed eligible employee" and ending on the last day of service.

## Contributions

### Persons who commenced to Receive Shift Allowance On or After 5 December 1985

29. For those contributors who commenced to receive shift allowance on or after 5 Dec 1985 and later satisfy the criteria in paragraph 6 contributions will be adjusted (without retrospectivity) at the next anniversary adjustment occurring after the criteria have been satisfied.

30. For each contributor whose contributions will be required to be adjusted a Form S5 (Superannuation Variation Advice) should be prepared on the next applicable anniversary day.

31. Once the criteria for shift allowance to be recognised as salary for superannuation purposes are satisfied Part A of the Form S17S should be completed.

### Persons Who Commenced to Receive Shift Allowance Prior to 5 December 1985

32. Similarly for those contributors who were in receipt of shift allowance before 5 Dec 1985 and who are found to satisfy the criteria in paragraph 6 at that date contributions are to be adjusted (without retrospectivity) on the next anniversary adjustment occurring after 5 Dec 1985. Contributors who did not satisfy the criteria on 5 Dec 1985 will have their contributions adjusted (without retrospectivity) on the first anniversary adjustment after the criteria have been satisfied.

33. However special arrangements apply regarding arrears of contributions in respect of shift allowance that may have arisen on or after 1 Jul 1976 and before adjustment to contributions in recognition of shift allowance was first made for persons mentioned in paragraph 32. A recalculation of contributions that would have been payable from 1 Jul 1976 will be required in respect of the following benefits:

- > Full Age Pension (i.e. standard pension plus additional pension purchased with contributions)
- > Maximum Invalidity Pension
- > Maximum Spouse's Pension
- > Maximum Orphan's Pension
- > Provident Account Lump Sum Payment (3 times)
- > Invalidity 32 times Lump Sum Payment
- > Spouse's Benefit (3 ½ times Lump Sum)
- > Orphan's Benefit (3 ½ times Lump Sum)

Note however that arrears of contributions will only be recovered (at point of retirement) in respect of the following benefits:

- > Full Age Pension
- > Maximum Invalidity Pension
- > Maximum Spouse's Pension
- > Maximum Orphan's Pension

Departments and Approved Authorities must therefore preserve indefinitely records of shift allowance paid on or after 1 Jul 1976 for all current contributors who were receiving shift allowance prior to 5 Dec 1985.

34. In relation to "prescribed eligible employees" who died or retired on or after 1 Jul 1976 and before 5 Dec 1985 and in respect of whom applications for redetermination of benefits have been made a separate circular/memorandum will be issued shortly to those employers who have such cases on hand.

### **Commissioner for Superannuation**