



Training notes

Salary for Superannuation

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PSS Salary and Allowances

Aims and Objectives

This course is designed to give personnel staff an understanding of how the salary for superannuation purposes is calculated for members of the Public Sector Superannuation (PSS) scheme. Allowances included, and not included, in the calculation of salary are also discussed.

How to calculate salary for contribution purposes for:

- > Regular full-time members
- > Regular part-time members (briefly covered only)
- > Casual and temporary members (briefly covered only)
- > Members in receipt of a partial invalidity pension
- > Members on a flexible salary package
- > The allowances that can, and cannot, be regarded as part of salary for superannuation
- > When to calculate the salary and report any changes to ComSuper
- > The salary on which benefits are based

These notes are not a substitute for the *Superannuation Act 1990*, the Trust Deeds or the Rules for the administration of the scheme.

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.

Superannuation Salary

Superannuation salary is the total amount of a member's salary package recognised by the relevant legislation for superannuation purposes. With effect from 1 July 1997, changes to legislation allow employers and staff to agree on how salary for superannuation is to be calculated under the provisions of an agreement. An agreement means an AWA, a certified agreement or a relevant agreement.

The salary regulations allow the calculation of salary for superannuation under an agreement only if there is express provision that, the employee's annual salary is an amount mentioned in, or ascertained under, the agreement. If specific mention of any matter is not made in the agreement the rules and practices described in these notes will apply.

The superannuation salary is used to calculate benefits and to determine the level of contributions payable. It will need to be determined on certain dates throughout the membership history, generally on commencement and birthdays for contribution purposes and on the last day of service for benefit calculation.

Certain allowances may be included in superannuation salary once they have met prescribed criteria. This is discussed below.

Contribution Salary

Contribution salary is the greater of:

- > Basic salary and any recognised allowances being received on the birthday; and
- > The highest salary (including allowances treated as salary) received during the period from the previous birthday until the eve of the current birthday. (Salary reduction rules apply).

The salary on which contributions are based will only change on members' birthdays, unless they become casual members.

Final Average Salary

Superannuation salary for benefit purposes is the Final Average Salary (FAS), which is generally the average of the contribution salaries on the previous three anniversaries. The exceptions to this would be the FAS for those members receiving a partial invalidity pension and in cases of involuntary retirement.

Superannuation Allowances

Allowances **automatically** recognised for superannuation purposes are:

- > Income supplementation to certain Commonwealth employees transferred to State employment;
- > A salary make-up payable whilst undergoing a course of training at a lower salary for promotion to another position;
- > An allowance payable for the possession of a particular skill or the acquisition of a particular standard of proficiency in a work related skill (e.g. First Aid Allowance);
- > An allowance payable in recognition of length of service or standard of efficiency attained;
- > An allowance in respect of housing or quarters payable for holding a particular office or performing particular duties;
- > The value of rent-free quarters provided by reason of holding a particular office or performing particular duties;
- > An allowance payable to a member under 21 years for being married or performing duties normally performed by someone who has reached that age;
- > An allowance payable to a member performing the duties of Chairperson of a Promotions Appeal Committee;
- > Senior Officers' Allowance (providing member is **substantively** a Senior Officer, or has had the salary of a Senior Officer position recognised for superannuation purposes);

Other prescribed allowances are recognised for superannuation if they meet either of the following criteria:

Criterion 1 – the member has received the allowances for a continuous period of over 12 months;

Or

Criterion 2 – there is a likelihood (that is, there is a better than 50% chance) that the member will receive the allowance for a continuous period of not less than 12 months, and a certificate to this effect has been given.

Under Criterion 1, the allowance is automatically recognised as a "superannuation allowance" at the expiration of the period. For administration/ auditing purposes an S17A should be signed, but the allowance will be included whether this is done or not. Contributions will be adjusted, if necessary, from the next birthday.

In respect of Criterion 2, the following procedures should be followed to recognise an allowance:

- i) The appropriate Delegate within the agency must sign a Form S17A, "Certificate in Respect of an Allowance";
- ii) The signed Form S17A is to be retained on the member's personnel file, and a copy submitted with any application for benefits. This is only necessary if the allowance is still part of the superannuation salary at the time of exit.

The allowance is recognised from the date the S17A is signed with contributions adjusted from the next birthday.

Note:

Where a likelihood declaration is signed but a member does not in fact receive the allowance for twelve months, benefits will not be based on the higher salary if a member leaves voluntarily (i.e. other than by invalidity or death).

Allowances that must satisfy the criteria include:

- > Higher duties allowance;
- > Parliamentary employment allowance payable to departmental liaison officers and staff of Members of Parliament. Members may elect to have the allowance excluded if they apply for this exception within 3 months of it becoming payable;
- > An allowance payable to a member who is liable to be called upon to perform duty at any time (e.g. restriction allowance/on call allowance);
- > An allowance payable to a member for being in charge of staff, equipment or premises;
- > An allowance payable in lieu of overtime or extra duty;
- > An allowance payable as compensation for physical hardship or discomfort associated with the performance of particular duties or work;
- > Any other allowances payable to a member because of a requirement to perform special tasks as part of duties or work;

Where any of the above allowances are recognised for superannuation purposes but are payable at varying rates, the **lowest rate of that allowance** is the rate included in contribution salary.

Example 1

A member may act in an APS 3 position for six months and then in an APS 4 position for seven months prior to the birthday. Only the APS 3 salary will be recognised for superannuation purposes at that time.

Salary for Super when a member ceases higher duties then recommences higher duties

If a member qualifies to have HDA included in salary for super, salary for super at the following anniversary is at the increment level they have attained at the anniversary (i.e. providing they have not decreased in salary. If so the salary reduction rules apply)

If the member ceases higher duties but recommences higher duties at that level at a later date, any other progression or incremental advancement through that classification, will not be taken into account until the member has received the allowance again for a further continuous period of over 12 months. Therefore the salary at the increment level attained during the first period of HDA continues to be updated by the applicable salary reduction rules and applied as salary for super at following anniversaries until the criteria is satisfied again.

LWOP

Leave without pay does not break the continuity for the recognition of an allowance providing the allowance is paid immediately preceding the leave and immediately following the period of leave. The period of leave is disregarded and the period prior to the leave and after the leave is deemed as continuous periods. This continuous period must satisfy the criteria before the allowance is included in salary for super.

Shift Allowance

This may be recognised if it is received on a regular basis. The recognition of shift allowance is a complex matter and is covered in the PSS Shift Allowance training notes..

Allowances NOT Recognised

Allowances that cannot be recognised for superannuation purposes include:

- > Expense of office allowance;
- > District allowance;
- > Traveling allowance;
- > Clothing allowance;
- > Bonuses or performance pay.

Salary for Regular Part-Time Contributors

[Rule 3.1.2]

The full-time equivalent salary must be supplied for regular part-time members, as this provides the basis for the calculation of benefits. To determine the contributions payable, however, the full-time salary is first reduced by the ratio of part-time hours being worked on the birthday to full-time hours for the position.

Any hours for which compensation payments are being received must be included as hours worked.

Salary for Casual Contributors

[Rule 3.2.1 & 3.2.2]

Casual members pay contributions according to their **actual earnings** each fortnight:

Including shift penalties and any loadings for the non-availability of certain conditions of service, such as sick and recreation leave.

Excluding overtime, compensation payments and any amounts for reimbursement of expenses, such as meal or car allowances.

Any increments, pay rises, leave without pay or reduced pay, will therefore have an immediate effect on their salary and superannuation contributions for that fortnight.

Where casuals are on compensation leave, their contributions should be based on the salary that would have been payable had they been at work.

For benefit purposes, casuals have a notional salary.

The notional salary (for a casual) is the annual salary which would have been payable to them if they worked full-time and received an annual salary based on the hourly rate payable on commencement or their birthday. If the member does not work on their birthday it is the hourly rate payable when they next work.

The notional salary (for a per diem employee), is the amount earned in the previous twelve months. If a member has not completed twelve months employment by the birthday, it is the amount already earned plus an estimate of the likely payments from the birthday to the completion of twelve months.

"Per diem" refers to employees who are paid a fixed daily rate – usually members of Boards.

Salary for Temporary/Non-ongoing Contributors

The contribution salary for a temporary/non-ongoing member is calculated in the same manner as for a permanent/ongoing member. However, temporary/non-ongoing staff are not generally entitled to Higher Duties Allowance (HDA), but are re-engaged at a higher level.

Where the re-engagement occurs after membership commences, the re-engagement will be treated in the same way as HDA for a permanent/ongoing employee, that is, the member must work at the higher level for over 12 months, or the delegate must sign a Form S17T to certify that the member will be employed at the higher level for at least twelve months.

Example 1

A temporary member is engaged as an APS 1 on a salary of \$21 487. Prior to the member's birthday he/she is offered a new contract with the same employer as an APS 2 on \$24 318. Contributions will remain payable on \$21 487 until the member has been at the APS 2 level for more than 12 months, or an S17T is signed.

Salary for Members on a Flexible Salary Package

Some members, generally senior staff, have employment agreements that state a total remuneration package, but allow them to nominate the amount to be taken as cash. Prior to 1 July 1997 in such cases, the agency could request the Department of Finance and Administration to declare a fixed percentage, generally between 70% and 80% of the package to be superannuation salary. If such a declaration was not sought, the member's superannuation salary would be the amount nominated to be taken in cash.

A number of agencies chose not to have a rate set, and this did, on occasions result in members manipulating their superannuation salaries. Following amendment to the Salary Regulations, with effect from 1 July 1997, agencies are able, within their agreement, to specify the amount of the package to be included as salary for superannuation without having to approach the Department of Finance and Administration. E.g. A member has a salary for superannuation of \$40 000 on the day prior to the introduction of the agreement which grants a salary increase of 10%. The agreement, however, specifies that only 50% of any increase is to count as salary for superannuation. The salary for superannuation would become \$42 000.

If the agreement does not specifically refer to superannuation salary the rules relating to the calculation of salary will continue under previous arrangements.

Salary for Superannuation in Salary Sacrifice Situations

Following the introduction of Workplace Agreements and the like some members now have the option of electing to convert (sacrifice) some of their salary to non-cash benefits e.g. a car.

If a member has a basic salary established, and then elects to take non-cash benefits, the basic salary remains salary for super.

As there is no basic salary established in salary packages, there are situations where members could in fact find that their superannuation salary varies from what it would have been had the salary sacrifice arrangements not been entered into. Non-cash benefits do not count for superannuation salary when there is no basic salary established. The effect of

electing to forego cash salary for non-cash benefits is that there has been a salary reduction and the normal salary reduction rules will apply.

The issue of calculating salary for superannuation following a salary reduction will be explained later in this course.

Salary for Members on a Partial Invalidity Pension

[Rule 3.1.3]

A partial invalidity pension may be paid to a member who suffers a reduction in salary due to a medical condition.

The reduction may take the form of a loss of recognised allowances, redeployment to a lower level, a reduction in working hours or a combination of these.

No immediate change will be made to the member's contributions, however, from the following birthday, they will be payable on the new (lower) salary plus any allowances that have now been recognised.

If there has been a reduction in hours, the contributions are based on the full-time equivalent superannuation salary reduced by the ratio of part-time hours to full-time hours.

Note:

If the member whose hours reduce does not become a permanent part-time employee, contributions must continue to be based on the full-time hours.

A partial invalidity pension may also be payable to a re-appointed invalidity pensioner who recommences in a lower position. In such cases, the salary used for contributions will be the new lower salary.

All benefits for recipients of partial invalidity pensions will be based on the maintained salary applicable to the member.

The maintained salary (for a PIP) is the updated salary in accordance with the salary reduction rules. Refer to the salary reduction module for the applicable updating rules.

Personnel must advise the maintained salary to ComSuper each birthday, and check that the productivity benefit is paid on the higher salary.

Where members go part-time on an indefinite basis and receive a partial invalidity pension, they will continue to accrue benefits, including productivity, as if they were full-time.

Salary Increases

Any salary increase, which is payable on or prior to the birthday, is included in the contribution salary for that birthday even if the increase is approved after the birthday. If a salary increase, effective on or prior to the date of exit, is approved after the date of exit you must advise ComSuper so that any benefit adjustment may be calculated.

Determination of Salary for Superannuation Purposes

There are 3 occasions when a superannuation salary is determined for a regular member:

1. **On commencement in the scheme** where the contribution salary will be the substantive salary at the time of joining, plus any allowances being received which are automatically recognised.

If the person is already employed, the salary will be the salary being received at the time of joining, plus any recognised allowances.

Example 1

A member is appointed as an APS 1 on a salary of \$21 200. At the same time a HDA form as APS 2 with a salary of \$23 200 is submitted. The contribution salary will be \$21 200, as the HDA has not satisfied the criteria.

If the delegate signed the Form S17A on the day of appointment, the contribution salary would have been \$23 200.

Example 2

A member has been a temporary APS 3 on a salary of \$24 400 for 7 months, and has not elected to join the scheme. The member is appointed to an APS2 position with a salary of \$23 200, and therefore must join the scheme.

The salary for contribution purposes will be \$23 200. However, if the member had joined as a temporary, the contribution salary would have been \$24 400.

2. **On each birthday**, where the salary history for the previous year must be examined to determine the highest salary and recognised allowances received since the last birthday. **It is not enough to only examine the salary being paid on the member's actual birthday.**

Example 1

On the previous birthday the member's salary was \$43 700 (APS 5 top of the range). For a 3 week period immediately following the last birthday, First Aid Allowance was payable at a rate of \$450. As First Aid Allowance is automatically recognised, the contribution salary this birthday will be the top of the APS 5 plus \$450 FAA (\$44 150).

Example 2

On the previous birthday, an APS 4 member had been acting APS 6 for 10 months. This allowance was not recognised then, as a S17A had not been signed. The continuous HDA ceased 4 months after the last birthday and is no longer being paid. The salary for contributions on this birthday will be based on the APS 6, as that was the highest salary for superannuation received during the year between the birthdays.

3. **On converting from casual to regular employment (or vice versa)**, the employer is required to advise ComSuper of the member's new salary on the payday immediately following the change in status.

Example 1

A temporary APS 2 working part-time hours and receiving a loading was appointed on 1 April as an APS 3 with a salary of \$23 400. Contributions will need to vary from next payday. The contribution salary will be the rate applicable to an APS 3, i.e. \$23 400 *providing that this salary is higher than the previous APS 2 salary plus the loading.*

4. **On cessation, when the member has been retrenched**, as the final salary for superannuation purposes is taken into account in the calculation of final average salary. The last day of service should be looked at as if it was a birthday (refer 2 above).
5. **On cessation, when the benefit application requests salary for super as at 1 July 1999**. This is due to the amount of refund payable to a member being restricted to the SIS upper limit. Salary for superannuation purposes on 1 July 1999 is taken into account in the calculation of the members retrenchment benefit at that date. 1 July 1999 should be treated as if it was the member's birthday (refer 2 above). If you only give the contribution salary at that date you may be depriving the member of larger cash benefit.

Benefit Salary

The salary, or maintained salary, reported to ComSuper by personnel on the last three birthdays will determine the member's benefit entitlement.

These salaries should be carefully checked prior to the submission of a benefit application, and ComSuper advised of any necessary changes.

If a member leaves the day before a birthday, ComSuper must be advised of what the contribution salary, or maintained salary, would have been on that birthday, as it forms part of the calculation.

Important Points to Remember

- > When determining the superannuation salary remember to look over the entire period since the last anniversary.
- > Ensure that the salary for superannuation being reported on the birthday is not lower than that reported previously.
- > Similarly, where you are amending a previously incorrect commencement salary you must use Action Indicator 01 or the relevant corresponding code.
- > For regular part-time staff, you must report the full-time equivalent salary.
- > Most salary systems do not allow you to amend salaries for other than the most recent birthday. Where an earlier salary is incorrect, please send a fax to ComSuper advising the correct salary.
- > For **Casual** employees, the **notional salary** should always be reported on commencement and on the birthday.
- > For members in receipt of a **partial invalidity pension** in respect of a reduced salary, the **maintained salary** should always be reported on commencement and on the birthday adjustment.
- > Check last three anniversary salaries carefully before submitting Benefit Application Forms to ComSuper.
- > When actioning backdated salary increases, ensure superannuation contributions are adjusted for any members who have had a birthday since the date of effect.

If in doubt speak to ComSuper

Salary for Superannuation Comparisons & Similarities Between CSS & PSS		
Type of Variation	CSS	PSS/PSSap (FCS reporting)
<p>Back-dated salary variation</p> <p>Example:</p> <p>Birthday 1 May 2003 – \$25 000 General wage decision (10%) on 1 June 2003 effective 1 April 2003</p>	<p>For contributions:</p> <p>Date of approval and date of effect must be on or prior to the birthday.</p> <p>Contribution salary remains \$25 000.</p> <p>There is no need to adjust contribution salary as in any form of exit the benefit will be based on the Final Salary, which will be \$27 500.</p>	<p>For contributions:</p> <p>Date of effect must be on or prior to the birthday.</p> <p>Contribution salary must be adjusted to \$27 500 (\$25 000 + 10%).</p> <p>Contribution salary must be adjusted as exit benefits are based on the Final Average Salary (average of the salaries on which contributions have been paid on the previous 3 birthdays).</p>
<p>Example:</p> <p>Retirement 15 May 2003 – \$25 000 General wage decision (10%) on 1 June 2000 effective 1 May 2003</p> <p>Birthday 29 April 2003</p>	<p>For benefits:</p> <p>Date of effect must be on or prior to the date of exit.</p> <p>Benefit salary is adjusted to \$27 500.</p> <p>Benefit salary must be adjusted as benefits are based on the Final Salary including any recognised allowances.</p>	<p>For benefits:</p> <p>Date of effect must be on or prior to the last anniversary.</p> <p>Higher salary is not included in Final Average Salary, as the increase was effective after the anniversary.</p> <p>However the higher salary must be reported for retrenchment Final Average Salary calculation.</p>