



# Training notes

## Shift Allowance

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# Shift Allowance in the PSS

## Aims and Objectives

These training notes have been designed to give personnel staff an understanding of the importance of shift allowance in the calculation of superannuation salary for members of the Public Service Superannuation (PSS) scheme.

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

- > When shift allowances count for superannuation purposes;
- > The amount of shift allowance to be included in salary;
- > Calculation of shift allowance for part-time members;
- > Action to be taken on cessation or reduction of shift allowance.

**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.**

## Introduction

Shift penalties can be included in contribution salary if they are payable in respect of 75% of pay periods in any twelve months.

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 (generally the birthday), 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.

## "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 been paid or payable for work performed during 39 or more of the 52 pay periods in the preceding year;
- > **Fortnightly**, it 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**, it 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.***

## "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.

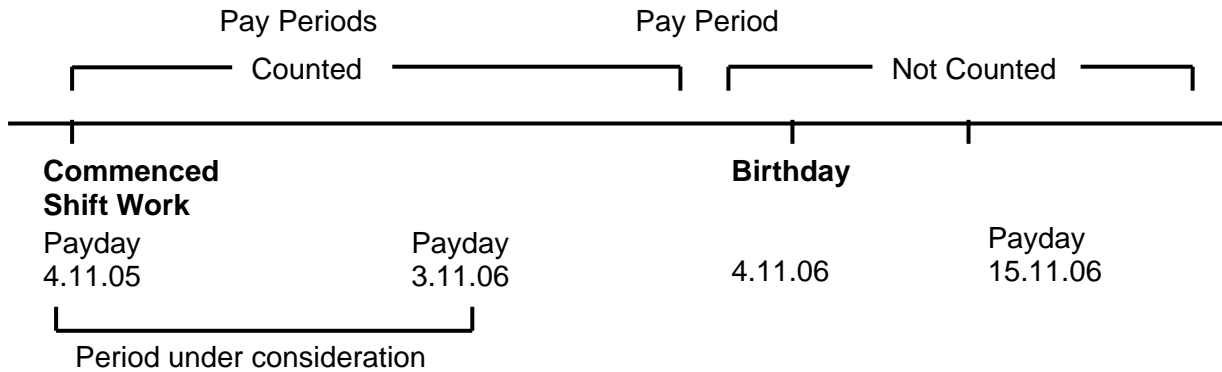
However, where the **first day of service for a member is not a payday**, that first pay period will commence on the first day of service and finish on the day before the next payday.

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.

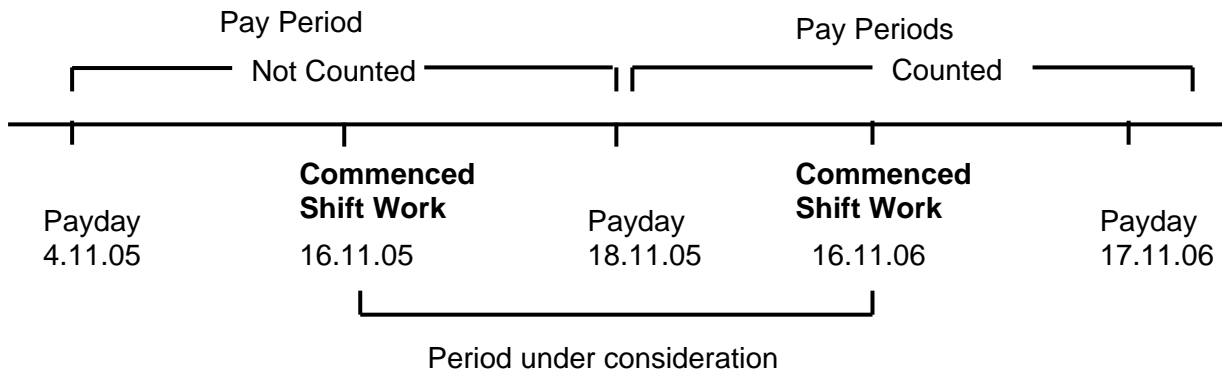
### Counting Pay Periods

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

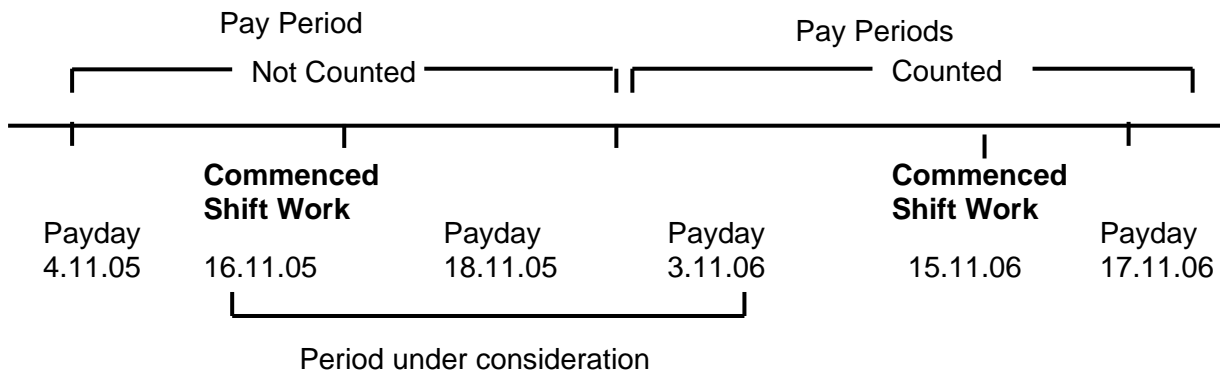
- > If the first day of the period under consideration (e.g. the 12 months) falls on the first day of a pay period (i.e. a payday), but the last day does not coincide with the last day of a pay period, then the pay period during which the period under consideration finishes will not count.



- > 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.



- > 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 2005 to 18 September 2005 and is paid the shift allowances which would have been received had the leave not been taken.

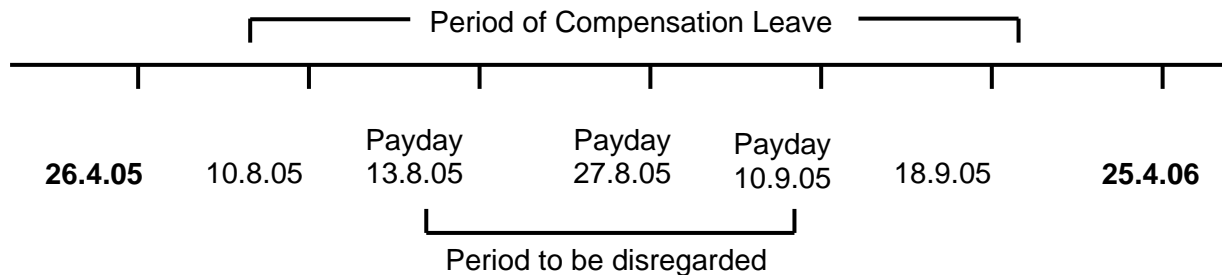
If the period being considered runs from 26 April 2005 to 25 April 2006, pay periods within this period will be counted in the normal manner.

### Example 2—On Compensation Leave

A member goes on compensation leave for six weeks from 10 August 2005 to 18 September 2005. 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. This would be a salary reduction for superannuation purposes.

The period under consideration is from 26 April 2005 to 25 April 2006.

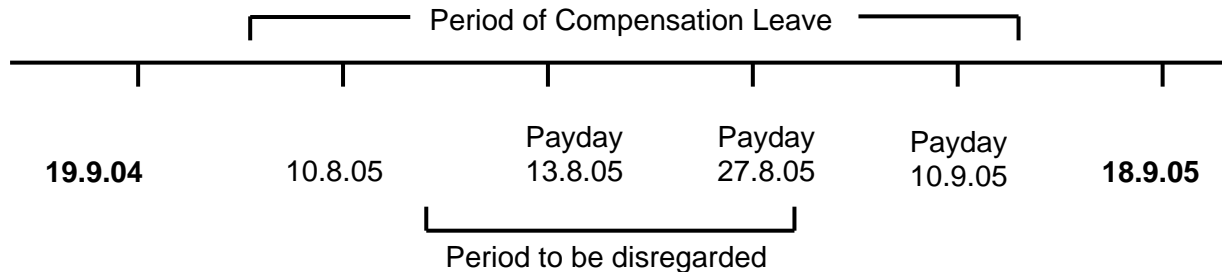
The member is paid fortnightly, and the paydays in the period of compensation leave are 13 & 27 August and 10 September. The complete pay periods ending on 26 August and 9 September are disregarded. (Days prior to and immediately following the disregarded period, 12 August and 10 September, are considered 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 2005. The period under consideration will still end on 25 April 2006.

### Example 3—On Compensation Leave

If the period under consideration in Example 2 was from 19 September 2004 to 18 September 2005, and the leave remained the same, 10 August 2005 to 18 September 2005, then the period from 10 to 18 September 2005 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 2004. The period under consideration will still end on 18 September 2005.

### 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 with the benefit application in cases in which shift allowance is still included in contribution 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. This would be a salary reduction and reduction rules would apply.

## 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 that 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.

The calculation in (ii) above 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 outlined in (i)**.

**For example**, the period under consideration is 1 July 2004 to 30 June 2005, and there are 26 pay periods during that time. The base salary for superannuation is \$20 000. During the period, the highest amount of shift allowance paid in any one pay period was \$300, and the total amount of shift allowance paid was \$6000.

$$\text{Case (i)} \quad A \times B \quad (\$769.23 + \$300) \quad \times \quad 26 \quad = \quad \$27\,800$$

(f'nt sal. + SA)

**Or**

$$\text{Case (ii)} \quad C + D \quad \$20\,000 + \$6000 \quad = \quad \$26\,000$$

Therefore, salary for superannuation purposes would be \$26 000.

***Once a member has satisfied the criteria to have shift allowance included in superannuation salary, it is necessary to check each pay period from that time until the birthday to determine when the superannuation salary is at its highest and also when a salary reduction occurs.***

### Calculation of Shift Allowance for Part-Time Members

Permanent part-time employees who have satisfied the criteria to have shift allowance recognised as salary for superannuation, would have the amount calculated as described previously, with the result multiplied by the ratio of part-time hours to full-time hours.

**For example:**

Full-time equivalent salary	\$30 000
Total shift payable in the preceding 12 months	\$ 3100
Hours worked during the period	1500
Full-time equivalent hours	1918.35

$$\$30\,000 + (\$3100 \times 1918.35 \div 1500) = \mathbf{\$33\,965}$$

**Note:**

**The amount of the allowance to be included cannot be correctly calculated by simply using the hours being worked on the birthday.**

### 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 \$38 706 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:

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

Or

- >  $\$38\,706 + (\$2765 \times 73.5 \div 30) = \$45\,569$

### 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 example detailed on page 10, 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 (refer pay 26).

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 \$50 shift allowance received on pay 1 of the previous year is no longer counted).

As the basic salary is still \$25 000, this means that there has been a salary reduction

The contributor does not have an option to elect to contribute at the new reduced salary, but may elect to reduce the percentage of contributions paid, for example, 5% to 2%.

#### **Note:**

***The rate of allowance recognised will not be adjusted, but will continue to be included at the highest annual rate received.***

An example of how salary for superannuation purposes is calculated following a reduction in shift allowance is detailed in an attachment to these notes.

## 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.***

## 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.

**If in doubt speak to ComSuper**