



# Training notes—CSS

## Salary for superannuation



**Commonwealth  
 Superannuation  
 Corporation**

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# CSS salary and allowances

## Aims and objectives

These training notes are designed to give personnel staff an understanding of how the salary for superannuation purposes is calculated for members of the Commonwealth Superannuation Scheme (CSS). Allowances included, and not included, in the calculation of salary for superannuation purposes are also discussed.

### **PLEASE REMEMBER**

**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.**

## 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.

The salary regulations allow the calculation of salary for superannuation under an agreement only if there is express provision that, the employees' 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.

## Superannuation allowances

### [Superannuation (salary) regulations]

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

- income supplementation to certain Commonwealth employees transferred to State employment
- 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 the rent free quarters provided by reason of holding a particular office or performing particular duties
- an allowance payable to a member under 21 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 Appeals 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 at the expiration of the period. For administration purposes, an S17A should be signed but the allowance will be included whether this is done or not. Contributions will be adjusted 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 retirement or death).**

Allowances, which must satisfy the criteria:

- 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 three 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)
- 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 allowance 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 superannuation salary.

## Example

A member may act in an APS3 position for six months and then in an APS4 position for seven months prior to the birthday. Only the APS3 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 increment level attained during the first period of HDA continues to be updated by general wage increases and applied 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 detail in the **Shift allowance** module.

## Allowances not recognised

Some allowances, which cannot be recognised for superannuation purposes, are:

- expense of office allowance
- district allowance
- travelling allowance
- clothing allowance
- bonuses or performance pay.

## Salary for partial contributors

[Superannuation Circular 1987/10]

The superannuation salary for approved part-time staff, who have become partial contributors, is the equivalent full-time salary for the position occupied. However, both the contributions and benefits are reduced on a pro-rata basis according to the actual part-time hours worked.

## 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 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 may have been a salary reduction and if so, the normal salary reduction rules will apply.

The issue of calculating salary for superannuation following a salary reduction is explained in the **Salary reduction** module.

## Salary for members on a Partial Invalidity Pension

A Partial Invalidity Pension may be paid to a member who suffers a reduction in salary due to a medical condition, or is re-appointed to a lower position following invalidity retirement.

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

**For staff that remain full-time, the cases are treated as follows:**

*Where the pension became payable before 1 July 1990 and the next birthday was before 1 July 1990, the member could either:*

- maintain the pre-pension salary until actual superannuation salary exceeded it
- or**
- elect to pay on the lower salary.

*Where the birthday immediately following the reduction was on or after 1 July 1990, the member could either:*

- maintain the contributions on the up-dated former salary
- or**
- elect to pay on the lower rate.

**Where a member is paid a Partial Invalidity Pension as a result of being a reappointed invalidity pensioner, contributions will be based on the reappointment salary.**

**Where a member goes part-time on an indefinite basis as a result of illness and receives a Partial Invalidity Pension, contributions and benefits will be calculated in the same way as for any other permanent part-time member.**

**NOTE: in all cases, future benefits will be based on the current equivalent of the former salary. However, where there has been a reduction in hours, future benefits will be reduced as a result of this.**

## Salary increases

Any salary increase must be approved and payable before it is included in members' superannuation salaries for contribution purposes. However, a salary is recognised for benefit purposes from the date it is payable.

## Example

A member is on a salary for superannuation of \$40,000 on their birthday (1 July). On 1 August a 10% wage increase is awarded, effective 1 June. The salary for contributions is not amended but if the member has ceased, you must advise CSC of the new salary for benefit purposes i.e. \$44,000.

## Determination of salary for superannuation purposes

There are four occasions when a superannuation salary is determined:

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

### Example

A person is appointed as an APS 1 and is also paid First Aid Allowance from commencement. Contributions will be paid on the APS 1 salary plus First Aid Allowance.

2. **On each birthday**, where the salary history for the previous year must be examined to determine the highest salary and recognised allowances received in that period. If the highest salary was not the one payable on the current birthday, then there has been a salary reduction.

### Example

A member performs higher duties as an APS 5 from 23 April 2009 to 20 May 2010 and then returns to the substantive APS 4 position. When determining the salary on the birthday, 15 June 2010, the salary high point will be 20 May 2010. Although the member is not on HDA on the birthday, HDA was received for over twelve months and is therefore a recognised allowance. Salary reduction rules will therefore apply and an AWOTE will need to be done on the birthday review. The higher of either the updated AWOTE or actual salary will be the salary for superannuation on the review.

3. **On exit from the scheme**. This salary is vital, particularly if the member is electing for a pension, as it is on this salary that benefits are paid. The salary that should be reported is the highest salary for superannuation received by the member since the last birthday.

Salary for benefit purposes only needs to be effective prior to retirement for a benefit to be based on it. The benefits are paid on the new salary even though contributions have not been paid at the higher level.

### Example

A member retires on 16 December 2010. On his last birthday, the superannuation salary was \$63,000 and this is what he is contributing on at exit. However, since the birthday, the member has received an increment and a wage increase, bringing his salary to \$70,000. This salary must be advised to CSC and will be used as the basis for calculating the pension benefit.

Salary for super at 1 July 1999

Since 1 July 2000 the amount of money that a member may take out of the Fund on cessation of membership is dependent on the member's cash component of their retrenchment benefit as at 1 July 1999. Therefore if a benefit application requests salary for super as at 1 July 1999 you must treat that date as if it had been a birthday and calculate their salary for super accordingly. If you only give the contribution salary at that date you may be depriving the member of larger cash refund.

4. **When a member elects to pay on a lower salary**. This is covered in detail in the **Salary reduction** module.

## 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, unless the member has elected to pay on a lower salary and is eligible to do so.
- Employees considering the terms of their collective agreement need to be careful not to sacrifice long-term security for short-term gains, particularly when approaching retirement.
- Employers need to be aware that the 1997 changes to the Salary Regulations give them limited control over the superannuation salaries for existing members due to the protection offered by the salary reduction rules.
- If superannuation salary is addressed within a collective agreement, the wording should be carefully checked to ensure that the meaning is clear.
- Similarly, where you are amending a previously incorrect commencement salary, you must notify CSC of this change as you may not be able to retrospectively report this salary.
- For staff working part-time on an indefinite basis you must report the full-time equivalent salary for superannuation purposes.
- 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 an email to CSC advising the correct salary.
- If a pay rise for a member is approved after retirement but payable prior to exit, send an email to CSC advising the correct salary so the pension can be adjusted.
- IF IN DOUBT SPEAK TO CSC

## For more information

Please refer to the Employer Administration Centre at [csc.gov.au/Employers/](https://csc.gov.au/Employers/)

## Salary for superannuation – comparisons & similarities between CSS & PSS

Type of variation	CSS	PSS
<p><b>Back-dated salary variation</b></p> <p><b>Example:</b></p> <p>Birthday 1 May 2011 – \$54,000</p> <p>General wage decision (10%) on 1 June 2011 effective 1 April 2011</p>	<p><b>For contributions:</b></p> <p>Date of <b>approval</b> and date of <b>effect</b> must be <b>on or prior</b> to the birthday.</p> <p>Contribution salary remains \$54,000.</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 \$59,400.</p>	<p><b>For contributions:</b></p> <p>Date of <b>effect</b> must be <b>on or prior</b> to the birthday.</p> <p>Contribution salary must be adjusted to \$59,400 (\$54,000 + 10%).</p> <p>Contribution salary must be adjusted as exit benefits are based on the <b>Final Average Salary</b> (average of the previous 3 birthday salaries).</p>
<p><b>Example:</b></p> <p>Retirement 15 May 2011 – \$54,000</p> <p>General wage decision (10%) on 1 June 2000 effective 1 May 2000</p> <p>Birthday 29 April 2000</p>	<p><b>For benefits:</b></p> <p>Date of effect must be on or prior to the date of exit.</p> <p>Benefit salary is adjusted to \$59,400.</p> <p>Benefit salary must be adjusted as benefits are based on the <b>Final Salary</b> including any recognised allowances.</p>	<p><b>For benefits:</b></p> <p>Date of <b>effect</b> must be <b>on or prior</b> to the last anniversary.</p> <p>Higher salary is not included in <b>Final Average Salary</b>, as the increase was effective after the anniversary.</p> <p>However the higher salary must be reported for retrenchment Final Average Salary calculation.</p>



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