Australian Government
Commonwealth Superannuation Corporation

PIPPSS03
05/20

Employer quick guide

Paying PSS partial invalidity pensions

About this guide

Under the Public Sector Superannuation Scheme (PSS) Trust Deed, Commonwealth Superannuation Corporation (CSC) may approve payment of a partial invalidity pension (PIP) to eligible PSS members who have incurred a permanent decrease in salary due to sickness or injury. The PSS Trust Deed from Rules 10.5.1 to 10.5.18 Part 10, Division 5, outlines the rules applicable to the payment of PIPs.

This guide aims to provide you with general information about PIPs, as well as guidance on how to calculate, pay and seek reimbursement of PIPs paid.

What is a PIP?

A PIP is a pension paid to a PSS member who has incurred a permanent decrease in salary due to sickness or injury. A loss of recognised allowances for medical reasons may also attract a PIP. A PIP may also apply in circumstances where an invalidity pensioner returns to work in a position where their annual salary is less than the equivalent of the annual salary they received when they retired on invalidity grounds.

A PIP is a separate and additional benefit designed to assist sick or injured PSS members to remain at work in modified situations for as long as possible. Payments for a PIP are not deducted from any future superannuation entitlements.

Employment status - formal and informal

We determine your employee's employment status before we approve their initial PIP entitlement. However, the employment status can be changed at any time as negotiated between you and your employee. The different employment statuses are:

- **Formal redeployment** - your employee's substantive level has been permanently changed to a lower position
- **Informal redeployment** - your employee is permanently but not officially redeployed to a lower position
- **Formal reduction in hours** - your employee signs a part-time agreement or similar to permanently reduce their working hours and become a permanent part-time employee (PPTE)
- **Informal reduction in hours** - your employee remains a full-time employee, but informal arrangements are made to work reduced hours on a permanent basis.

CSC Commonwealth Superannuation Corporation

Any advice provided in this guide is general advice only and has been prepared without taking account of your personal objectives, financial situation or needs. Before acting on any such general advice, you should consider the appropriateness of the advice, having regard to your own objectives, financial situation and needs. You may wish to consult a licensed financial advisor. Before making any decision in relation to a scheme referred to in this guide, you should obtain a copy of the Product Disclosure Statement (PDS) for that scheme.

Commonwealth Superannuation Corporation (CSC) ABN: 48 882 817 243, AFSL: 238069, RSEL: L0001397

Defence Force Retirement and Death Benefits Scheme ABN: 39 798 362 763
Australian Defence Force Superannuation ABN: 90 302 247 344 RSE: R1077063
Commonwealth Superannuation Scheme ABN: 19 415 776 361 RSE: R1004649
Public Sector Superannuation accumulation plan ABN: 65 127 917 725 RSE: R1004601
Military Superannuation and Benefits Scheme ABN: 50 925 523 120 RSE: R1000306
Australian Defence Force Cover ABN: 64 250 674 722
Public Sector Superannuation Scheme ABN: 74 172 177 893 RSE: R1004595
1922 Scheme DFRB Scheme PNG Scheme DFSPB
CSC retirement income

Effect on employment status

Your employee's employment status will impact their contributions, future benefits and leave, as explained below.

Formal redeployment

• Contributions - your employee pays contributions based on the decreased salary from the next birthday after their PIP is approved. Employer and productivity contributions continue to be paid based on the updated higher salary.

• Future benefits - there is no change to your employee's future benefit accrual - future benefits will be calculated using the updated higher salary and pre-reduction multiple.

• Leave - there is no change to your employee's leave accrual. If they take leave paid at the lower level, the PIP is payable.

Informal redeployment

• Contributions - employer, productivity and member contributions are paid based on your employee's updated higher salary.

• Future benefits - there is no change to your employee's future benefit accrual. Their benefit will be calculated using the updated higher salary and pre-reduction multiple.

• Leave - there is no change to your employee's leave accrual. PIP cannot be paid while using leave paid at their previous higher level as there's no loss in salary.

Formal reduction in hours

• Contributions - your employee pays contributions based on their decreased hours from the next birthday after PIP is approved. Employer and productivity contributions continue to be paid based on the updated higher salary.

• Future benefits - there is no change to your employee's future benefit accrual - future benefits will be calculated using the updated pre-reduction salary and pre-reduction multiple. This is a special circumstance for individuals receiving a PIP and does not apply to reductions in hours for reasons other than medical reasons.

• Leave - your employee will begin to accrue leave at the part-time rate from the date of effect of their part-time agreement. PIP is payable when taking leave paid at the part-time rate as there's a loss in salary. Sick leave accrued previously at the full-time rate must be disbursed at the part-time rate and PIP continues to be paid during that leave. Other leave accrued at the full-time rate can be disbursed according to your direction. If it is taken at the full-time rate, the PIP must cease for the duration of that leave. If disbursed at the part-time rate, your employee is still suffering a decrease in salary so the PIP is payable.

Informal reduction in hours

• Contributions - your employee pays the rate of contributions applicable to the updated pre-reduction salary, even though they are not in receipt of that salary. Employer and productivity contributions continue to be paid based on the updated higher salary.

• Future benefits - there is no change to your employee's future benefit accrual. Benefits will be calculated using the updated pre-reduction salary and pre-reduction multiple.

• Leave - there is no change to your employee's leave accrual. PIP cannot be paid while taking leave at the pre-reduction rate as there's no loss in salary, nor is the PIP paid on public holidays.

Reduction from part-time to part-time

Employees who are permanent part-time employees and then reduce their hours for health reasons can sign a new part-time agreement or informally reduce their hours to be eligible for a PIP. The PIP will be based on the loss between their previous part-time hours and the new reduced hours. The effects on the contributions, future benefits and leave accrual and disbursement are determined by your employee's employment status applicable to the reduction for health reasons.

Effect on contributions, future benefits and leave

The table below provides a summary of the effect a PIP has on member, productivity (EPSC) and employer liability contributions and the way your employee's future superannuation benefit is calculated.

	Formal redeployment	Informal redeployment	Formal reduction in hours	Informal reduction in hours
Member contributions	Reduced to lower salary on next birthday	No change	Part-time contributions paid from next birthday	No change
EPSC and employer contributions	Paid at pre-reduction salary	Paid at pre-reduction salary	Paid at pre-reduction salary	Paid at pre-reduction salary
Future benefits	Not affected - benefits are calculated using pre-reduction salary	No change	Not affected - benefits are calculated using pre-reduction salary	No change

The payment of a PIP does not affect your employee's leave accrual, but any formal employment arrangement will.

A PIP is payable for paid leave taken by your employee under formal arrangements (e.g. formal redeployment or formal reduction in hours), except where the leave is taken at their pre-reduction rate.

A PIP is not payable for paid leave taken by employees under informal arrangements.

The PIP amount

The PIP amount varies for each PSS member. Specific formulas are contained in the PSS Trust Deed at Part 10, Division 5.

A simplified version of the formula for a PIP granted under Rule 10.5.7 of the PSS Trust Deed, the elements of which are explained in Rule 10.5.8, is loss in salary x proportion.

We will provide you with the proportion when your employee's PIP is approved. We calculate the proportion by dividing their invalidity pension rate when the loss in salary occurred by their average salary at that time.

This figure won't change unless we advise you otherwise, so make sure you keep it on file.

The loss in salary is the difference between your employee's previous salary and their reduced salary. This decrease should reflect your employee's real salaries, and not their super salary. You are responsible for adjusting the loss in salary.

We will calculate the initial PIP amount depending on your employee's specific circumstances as advised to us by you, and provide this information to you in writing.

Payment responsibility

You are responsible for paying your employee's PIP through your payroll system. We will reimburse you the amount you have paid in PIP after you lodge a reimbursement claim (see the process on page 5 of this guide).

Start date for PIPs

A PIP will be granted from the date we are satisfied that your employee began to incur a permanent loss of salary because of health reasons. For example, this may be the date of effect of a part-time agreement which establishes a permanent pattern of hours. For those who do not sign part-time agreements, the start date for PIP may be the day of the reduction - there's no need for all sick leave credits to have been exhausted before the PIP can be approved. It's then up to you to decide when the PIP becomes payable, and you may wish to consider your enterprise agreements, policies or similar for guidance. For employees who are redeployed, the start date for the PIP is most often the date of redeployment at a reduced level.

Compensation

PSS members aren't eligible for a PIP if they have received, are receiving or have applied for any type of compensation for the condition/s relating to the reduction in hours and/or level. It is important to advise us as soon as possible if an employee receiving a PIP is retrospectively paid compensation for periods that overlap with their PIP entitlement. We will recover any overpayments.

What can impact the PIP amount?

There are some circumstances where you may be able to adjust the amount of PIP without our prior approval, such as when a pay rise occurs or your employee begins receiving a recognised allowance. You do not need to advise us of these adjustments when they occur - we will review your PIP reimbursements to ensure you are correctly applying these changes.

Increasing the PIP amount

If there is a change to your employee's hours and/or level, and this change relates to their health, you will need to apply to us for a PIP review. You cannot increase the amount of PIP payable in these circumstances without our approval first. For information on PIP reviews, refer to our quick guide for Reviewing a PSS partial invalidity pension.

PIP and leave at half pay

Your employee's employment status will determine if a PIP is payable when they take paid leave at half pay. Generally, if your employee is formally redeployed or has a formal reduction in hours the PIP amount is halved for any periods of paid leave at half pay. However, the PIP will cease if they take any leave accrued prior to their PIP commencing at their previous rate (e.g. the full-time rate).

If your employee is informally redeployed or has an informal reduction in hours, the PIP will cease for any period of paid leave whether at half or full pay.

Higher duties

If your employee is working higher duties at the time their PIP was approved, we may determine that the higher duties allowance is to be included in the former higher salary when calculating the initial rate of PIP. We will advise you of this in our approval letter at the time.

Alternatively, if your employee is already receiving a PIP and later begins working higher duties, the higher duties allowance is applied to the decreased salary only. This will result in a lower rate of PIP payable as there is less of a loss in salary.

Increments

Increments impact a PIP differently depending on whether your employee reduced their hours or their level. If your employee is receiving a PIP because of a reduction in hours, whether formally or informally, increments are applied to both the before and after reduction salaries. An employee who has been redeployed to a lower level, whether formally or informally, will have the increment applied according to your agency's enterprise agreement or similar.

Submitting a PIP reimbursement

We will reimburse you for the amount of PIP paid when you submit a reimbursement claim to us. Your claim must include a completed PIP calculator and an invoice.

You should seek reimbursement at six monthly intervals. This allows us to ensure your employee is receiving the correct amount of PIP and also to review their working pattern in case a PIP review should be initiated.

When you have completed the PIP calculator and produced an invoice, send the documents to **employer.service@csc.gov.au** for processing.

The PIP calculator

The **PIP calculator** can be found on our website. The calculator requires you to input the salaries before and after the reduction, as well as the dates you have paid the PIP for. You also need to let us know why any changes to the PIP amount have occurred.

The invoice

After you have calculated the amount of PIP paid to your employee, produce an invoice matching the amount. Ensure that your invoice includes your employee's details and is on your department's letterhead. If you are a shared service payroll provider, the invoice must be on the letterhead of the agency employing the individual. The invoice must be addressed to CSC.

We cannot reimburse for ACT Government employees

The ACT Government has a cost–sharing arrangement with the Commonwealth Government regarding PSS benefits, including the payment of PIPs. Under this arrangement, the ACT Government is required to meet the costs arising from PSS memberships from 1 July 1989. This means we don't reimburse PIPs to the ACT Government.

Ceasing a PIP

A PIP must cease when:

- the member's base salary and recognised allowances equal or exceed the base salary and recognised allowances applicable prior to the member qualifying for the PIP
- the medical condition/s no longer impact the member's work capacity
- the member ceases their contributory PSS membership
- the member subsequently becomes entitled to compensation payments for the same condition that has caused the decrease in salary.

PIPs may be suspended when your employee takes leave without pay-that is not sick leave without pay-and for any periods of fully paid leave. We may need to stop a PIP if your employee fails to complete a step in the PIP review process, for example if they cannot provide medical evidence as requested, or if they fail to attend or continue a program of rehabilitation. We will let you know that you need to stop the PIP if this happens.