Australian Government
Commonwealth Superannuation Corporation

ETN CSS02
04/20

Training notes – CSS

Employer productivity superannuation contributions

Commonwealth
Superannuation
Corporation

Contents

Employer productivity superannuation contributions (EPSC) – CSS ... 3
Aims and objectives ... 3
Introduction ... 4
Interim productivity ... 4
Employer productivity superannuation contributions (EPSC) ... 5
Superannuation Guarantee Charge (SGC) ... 5
Calculation of EPSC ... 6
Full–time member ... 6
Partial contributor ... 6
Salary changes ... 7
Partial Invalidity Pensioner ... 7
Salary reduction ... 7
Administrative arrangements ... 7
Transfer of productivity/SGC into the scheme ... 8
EPSC benefits ... 8
Preservation age ... 8
Important points to remember ... 9
For more information ... 9
Productivity contribution rates applicable to full– time superannuation salaries. ... 9
Superannuation Guarantee Charge ... 9

Employer productivity superannuation contributions (EPSC) – CSS

Aims and objectives

This Training note is designed to give personnel staff an understanding of the basis of payment of the employer productivity superannuation contributions for members of the Commonwealth Superannuation Scheme (CSS).

This Training note will provide a detailed understanding of the following:

- how employer productivity superannuation contributions evolved
- how the contributions are calculated for full and part–time members
- how the contributions are calculated for members in receipt of a partial invalidity pension
- when and where contributions are to be paid
- the Superannuation Guarantee Charge and its effect on members of CSS.

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

Introduction

Employer Productivity Superannuation Contributions form an important part of members' superannuation benefits. Employers are obliged to pay the contributions on behalf of their employees, in addition to any other employer contribution they are obliged to pay as participating employers in CSS.

For members of CSS, there is a very important difference between employer productivity contributions and other employer contributions. Employer contributions go towards the cost of future, as yet unrealised or unknown retirement benefits, whereas the productivity contributions are credited to members each payday and are clearly identifiable as being "owned" by the member.

Interim productivity

Interim productivity refers to contributions under arrangements put in place for the majority of Commonwealth Public Servants from January 1988. It had its basis in a 1986 National Wage Case decision. The parties to the decision agreed that in lieu of a pay rise, the employer would set aside superannuation contributions for each employee.

The relevant legislation was the *Superannuation Benefits (Interim Arrangements) Act 1988* which ceased to apply after 30 June 1990.

Up until 30 June 1990, productivity payments were not actually paid each payday. The amount owing was calculated when a person left an agency, and a prescribed notional interest was applied. The benefit was then dealt with in one of the following ways.

Resignation

The member could take the money in cash if it was less than $500. If the amount was $500 or more, it had to be rolled over.

Transfer

If the member was transferring to another agency, advice of the amount, and in some cases the actual money, was provided to the new employer.

Retirement

If the member was retiring, the money could be taken in cash or rolled over. The rollover option was usually only available to age 65.

Agencies had a notional accrual of Interim Productivity to 30 June 1990 for each employee in CSS. For those who continued to be members of the scheme post 30 June 1990, an amount of Interim Productivity had to be calculated and reported to us. For off–budget agencies, the money also had to be provided.

Government Business Enterprises (GBE) and some other employers, have separate arrangements for the administration of the Interim Productivity. In these cases, the amount was not reported to us.

Employer productivity superannuation contributions (EPSC)

In July 1990, the legislation covering public sector productivity was renamed the *Superannuation (Productivity Benefit) Act 1988.*
CSS members were excluded from coverage under this Act as their EPSC was provided for in the CSS Act.
Agencies that do not administer their employees' productivity contributions, are now obliged to forward the contributions to us each payday for all members of CSS.
The Productivity Contribution Rates table is available on the EAC website at **eac.csc.gov.au/your–toolkit/data–reporting/epsc–rates/**. The rate is adjusted annually with effect from 1 July each year to reflect changes in the Average Weekly Ordinary Time Earnings (AWOTE).

Superannuation Guarantee Charge (SGC)

The *Superannuation Guarantee (Administration) Act 1992* was introduced with the aim of providing superannuation cover, and therefore retirement benefits, to all Australian workers not adequately covered by their employer–sponsored superannuation scheme. The legislation ensured minimum compulsory employer–sponsored superannuation for all employees.

Employers are required to pay the minimum amount of contributions as set out in the SGC Table attached to this document. The amount is increased each financial year depending on the size of the payroll. As of 1 July 2013 SG increased to 9.25%. It increased again to 9.5% on 1 July 2014.
The SGC specifies a minimum amount of support that employers must provide, and these rates are shown in the attachment.

Where an employer–sponsored scheme provides at least this level of support to an employee, no additional payments are required.

From 1 July 1992, when the SGC amount increased to 4%, CSS ceased to provide the guaranteed benefit on certain forms of exit, and also, in some cases provided immediate access to benefits in contravention of the SGC legislation.

The level of employer support in CSS is estimated to be worth 20.1% plus the productivity payment; therefore, members are generally not entitled to additional payments as a result of the SGC legislation.

However, where members resign and elect to take an immediate refund of their contributions, or die leaving no spouse or eligible children, the only employer benefit payable is the EPSC.

Since 1 July 1992, this has been less than the guaranteed amount under SGC legislation, and an additional payment has therefore been necessary to ensure that the requirements of the legislation are met.

The *Superannuation Industry (Supervision) Act 1993* requires that the SGC amount together with other compulsorily preserved benefit amounts be preserved in the superannuation environment until the member retires from the workforce after reaching preservation age or ceases employment after reaching the age of 60. On some forms of exit, most notably retrenchment, members were able to take their employer component immediately in cash with only the EPSC component having to be preserved until retirement.

From 1 July 1992 until 30 June 1999, it was necessary for members to preserve the equivalent of the SGC, and therefore, part of the employer component (i.e. an amount that is the difference between the SGC and the EPSC) also had to be preserved unless the member was 55 and retired from the work force. Similar arrangements applied to members who were retiring prior to age 65 but intended to continue in the workforce.

With effect from 1/7/99 limitations applied on the amount of cash available for exits prior to preservation age. Generally, members were entitled to take their benefit up to the SIS regulations upper limit. This is the value of the members retrenchment benefit as at 30 June 1999. The balance had to be compulsory preserved.

From 1 July 2000 members who have not reached their preservation age and have not retired from the workforce are only entitled to take a refund of their contributions and interest up to the SIS regulations upper limit. This means that since 1 July 1999 any members who commenced membership on or after that date must compulsory preserve their entire benefit.

Example

On retrenchment, a 40 year old member was entitled to $75,000, made up of member contributions of $20,000, employer component of $50,000 and productivity component of $5,000.

If the SGC the person would have been entitled to is $7,000, the member may only take his/her contributions and $48,000 of the employer contributions in cash. Therefore the member would be entitled to $73,000.

Calculation of EPSC

Full–time member

Generally, the salary used to determine EPSC contributions is the salary that was used to determine superannuation contributions on the last birthday.

The amount determined will be payable each public service payday until either the superannuation salary changes on the next birthday, or the rates payable change on 1 July.

Note that the fortnightly salary is calculated by multiplying the annual salary by 12 and dividing by 313.

Example

A member has a superannuation salary of $56,340. The fortnightly salary is therefore $2,160. The fortnightly rate of contribution is **$64.80** (3%) each fortnight until the next birthday, or the rates in the Productivity Table change.

Partial contributor

The full–time superannuation salary is still used to calculate the productivity contribution for partial contributors, however, the EPSC contribution is reduced in the ratio of part–time hours to full–time hours for superannuation purposes as advised on the last birthday.

Note: if the member has become a partial contributor during the anniversary year or has changed hours during the year, the ratio of part–time to full–time hours for EPSC is the same ratio that is used for contribution purposes.

Example

Using the above example, if the member was working 50 hours per fortnight and the full time hours were 76, then the amount payable until the next birthday would be **$42.63** per fortnight ($64.80 x 50 / 70), regardless of any subsequent salary movements or changes in hours worked. The contribution will vary if the rates in the Productivity Table change.

Salary changes

Where a member's superannuation salary changes retrospectively, e.g. for a backdated salary rise, it is necessary to check if the EPSC should also be adjusted, or if a current adjustment is required for the backdated increase to EPSC.

Partial Invalidity Pensioner

For a member in receipt of a Partial Invalidity Pension (PIP), the calculation of the productivity contribution will depend on the reason for granting of the pension:

- If the PIP is payable as a result of the member going permanent part–time at the same level, the normal calculation for partial contributors (as explained earlier) will apply.

- If the PIP is payable as a result of the member going to a lower classification, the contribution is based on the former updated ("imputed") salary. This applies even if the member elects to pay contributions on the lower salary.

- If the PIP is payable as a result of both a permanent reduction in hours and a reclassification, the contribution is based on the former updated salary, but is reduced as explained earlier when the member becomes a partial contributor.

Salary reduction

Where a salary reduction has occurred and PIP is not payable, the productivity contribution is based on the updated former salary called the **"imputed salary"**. If the member has elected to pay contributions on the lower **actual salary**, then the productivity contributions are based on this lower salary.

Administrative arrangements

Not all agencies that employ members who contribute to CSS are required to forward productivity contributions to us. Agencies, such as Australia Post and Telstra, who administer their own schemes, also administer productivity contributions on behalf of their CSS members.

All other agencies must forward productivity contributions to us on each payday on which member superannuation contributions are **due** to be paid.

Where a member is receiving a reduced actual salary, for absences such as sick leave or leave at half pay, the full productivity payments, based on the superannuation salary, are due.

Situations where members are entitled to productivity contributions but are not receiving salary are:

- maternity or parental leave without pay, where the member has elected to pay contributions
- study leave without pay when the employer agrees to pay its contributions
- unauthorised absence
- sick leave without pay
- suspension without pay
- LWOP of less than twelve weeks.

If members are absent on leave without pay or reduced pay and have deferred the payment of their superannuation contributions until their return to work, agencies are still required to forward the productivity payments to us each fortnight.

Note: payroll systems should not cease the payment of productivity contributions when members' superannuation contributions are ceased due to the above periods of leave. If payment is ceased it will be necessary for the payment to be forwarded to us by cheque.

We pay member benefits on the EPSC that was due to be paid by the agency. If the agency does not pay the correct amount each fortnight the CSS Fund is short paid not only by the amount of the short payment but also the interest that should have accrued on the correct amount. Therefore, **failure to pay the correct amount of EPSC will result in the imposition of penalty interest on agencies.**

Where a member has approval to pay contributions on leave without pay to work for another employer, the new employer is required to pay productivity contributions.

As EPSC is only payable where member contributions are due, if a member elects not to contribute after 40 years' service, EPSC also ceases to be paid.

Transfer of productivity/SGC into the scheme

Members joining CSS may transfer from another superannuation Fund EPSC/SGC that has accrued from other employment that has ceased. This transfer should be paid into the scheme within three months of becoming a member.

Also, members who become entitled to a benefit from another productivity related scheme while a member, may pay that into the Fund within three months of the benefit becoming payable. Generally, this will relate to employment undertaken while on leave without pay, but may also relate to casual employment undertaken while a member which has now ceased.
For further information in regard to transferring payments into CSS refer to us.

EPSC benefits

The EPSC is in addition to the general benefits available under CSS.

On retirement, it may be taken as a lump–sum if the member has reached their preservation age and is permanently retiring from the work force, or used to buy additional non–indexed pension.

On invalidity retirement, it is paid in cash in addition to other entitlements.

On resignation, the EPSC must be preserved until the member has reached preservation age and retired from the workforce or has reached age 60 and ceased employment after attaining that age. If the member preserves his/her own contributions in CSS, the productivity remains in the Fund. If, however, the member elects to take a refund of contributions (up to the SIS regulations upper limit), the EPSC SGC top up amount and any other compulsory preserved amount must be rolled over to an eligible rollover fund.

Preservation age

Date of Birth	Preservation Age
Before 1 July 1960	55 years
1 July 1960 to 30 June 1961	56 years
1 July 1961 to 30 June 1962	57 years
1 July 1962 to 30 June 1963	58 years
1 July 1963 to 30 June 1964	59 years
After 30 June 1964	60 years

Important points to remember

- The amount of employer productivity contributions paid is based on each contributing member's salary for superannuation contribution purposes, except when PIP is payable.
- EPSC must be paid fortnightly on every payday that the member is due to contribute. If this does not occur, we will impose a penalty interest.
- If members resign and apply for a refund of their own contributions and interest, their benefit application cannot be processed unless they have nominated a rollover Fund into which their productivity contributions and SGC 'top up' may be paid.

For more information

Please refer to the Employer Administration Centre at eac.csc.gov.au

Productivity contribution rates applicable to full–time superannuation salaries.

eac.csc.gov.au/your–toolkit/data–reporting/epsc–rates/(The full–time EPSC rates are reduced for part–time members – refer page 5.)

Superannuation Guarantee Charge

For employers whose annual payroll is more than $1 million

Year	%
1 July 1992 – 31 Dec 1992	4
1 Jan 1993 – 30 June 1993	5
1993 – 94	5
1994 – 95	5
1995 – 96	6
1996 – 97	6
1997 – 98	6
1998 – 99	7
1999 – 00	7
2000 – 01	8
2001 – 02	8
2002 – 13	9
2013 – 14	9.25
2014 – 15	9.5
2015 – 16	10
2016 – 17	10.5
2017 – 18	11
2018 – 19	11.5
2019 – 20	12

For employers whose annual payroll is less than $1 million

Year	%
1992 – 93	3
1993 – 94	3
1994 – 95	4
1995 – 96	5
1996 – 97	6
1997 – 98	6
1998 – 99	7
1999 – 00	7
2000 – 01	8
2001 – 02	8
2002 – 13	9
2013 – 14	9.25
2014 – 15	9.5
2015 – 16	10
2016 – 17	10.5
2017 – 18	11
2018 – 19	11.5
2019 – 20	12
2013 – 14	9.25
2014 – 15	9.5
2015 – 16	10
2016 – 17	10.5
2017 – 18	11
2018 – 19	11.5
2019 – 20	12