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Commonwealth Superannuation Corporation

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Shift Allowance

Super Administration Guide

This administration guide covers the main rules around when shift allowance (also known as shift penalties) should be included in your employee's super salary, and the amount that should be included.

We've also included a how-to guide for completing a salary review for employees who receive shift allowance.

Who do these rules apply to?

These rules apply to eligible employees who are members of CSS, PSS and PSSap—who have their salary calculated using the fortnightly contribution salary (FCS) method.

You should also check your enterprise agreement, any individual agreements with employees and any remuneration tribunal decisions. This is to ensure that they don't require shift allowance to be excluded from super salary.

You should only apply the methods in this guide to shift allowance, and not to any other allowance.

When to include shift allowance in super salary

Before including shift allowance in your employee's salary on a particular day, you should check that the following two conditions have been met:

1. The employee's period of membership has been greater than 12 months,

and

2. The employee has received shift allowance on a regular basis for the 12 months immediately before that particular day.

Membership greater than 12 months

The first test that you need to look at is whether your employee's period of membership has been greater than 12 months.

If the individual had continuous service when they started work with your organisation, this 12 month period can include time at their previous employer.

Regular basis

The second test that you need to look at is whether shift allowance has been payable to the employee on a *regular basis*–this means that shift allowance has been payable in 75% or more pay periods in the 12 months immediately prior to the date in question.

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What is a 'pay period'?

Generally speaking, a pay period is the period of time beginning at the start of a pay day, and ending immediately before the start of the next pay day.

Pay periods may be shorter if:

- your employee doesn't join on a pay day—in this case, their first pay period will be from their first day of employment to the end of the day before their first pay day.
- your employee doesn't leave on a pay day—in this case, their last pay period will finish at the end of their last day at work.

What happens if the individual takes leave?

The 12 month period does not take into account any *disregarded* periods of leave.

Disregarded periods are periods of leave where shift allowance was not payable to the employee and which meet one of the two conditions below:

- where there was **more than one pay day** while the individual was on leave, the period **starting on the first pay day and ending on the day before the last pay day** is a *disregarded period of leave*
- where there was **only one pay day** while the individual was on leave and they **return on the next pay day**, the period from the pay day and the end of their leave is a *disregarded period of leave*.

You will need to add the length of any disregarded periods of leave to the 12 months when working out if shift allowances have been payable in 75% of pay periods.

For example, if your employee has two weeks of disregarded periods of leave, the 12 month period will actually be 12 months and two weeks long.

You should also include the following in the 12 month period:

- any period of leave where your employee continued to be entitled to receive shift allowance
- any pay period where your employee wasn't entitled to receive shift allowance if that period isn't a disregarded period of leave.

Super salary calculation

If your employee has met the eligibility criteria to have shift allowance included on a particular day, their super salary will be the lowest of **A** × **B** and **C** + **D**.

A 'particular day' is any day that you need to know an employee's salary. This could be:

- the end of each pay period
- your employee's birthday
- the date of exit for CSS members
- the date of exit for PSS members (if they are exiting because of a redundancy).

It is not sufficient to only calculate the **A** × **B** and **C** + **D** on the day that your employee qualifies to have shift allowance included, or on the employee's birthday.

The definitions of **A**, **B**, **C** and **D** are below. They differ slightly depending on whether the employee works full or part time:

A is the highest amount of **fortnightly** salary paid or payable to your employee in any pay period during the 12 month period. This includes shift allowance.	**B** is the number of pay periods included in the last 12 months. To work out this number you will need to apply the following principles: • If the start of the 12 month period is the start of a pay period, but the end of that period is not the end of a pay period, don't count the last pay period. • If the start of the 12 month period is not the start of a pay period, but the end of that period is the end of a pay period, don't count the first pay period. • Where the start of the 12 month period is not the start of a pay period, and the end of that period is not the end of a pay period, count the first pay period but not the last.
C is the **annual rate** of salary that would be payable to the person on the particular day if shift penalties were not included.	If your employee was a **full time employee** for super purposes, D is the total amount of shift allowance earned in the previous year. If the hourly rate of the shift changed in that year, calculate D by multiplying total hours worked for each unique rate by its corresponding rate and summing the results. This only applies if the rate itself changed, it does not include the hourly rate change by virtue of a salary increase. If your employee was an **approved part time employee** at any time since the last review, you will need to multiply **D** calculated above by FTH/PTH Where: **FTH** is the full time hours for the position, **PTH** is the part time hours for the position

Salary reductions

You may find that there are a number of reductions between your employee's last birthday review and the current review. This is because the amount of shift allowance paid and the eligibility to have shift allowance paid tends to vary from pay period to pay period.

Employees who receive shift allowance can have a salary reduction when:

- the result of the salary calculation (A x B or C + D) is lower on one pay day than it was on the previous pay day, or
- your employee does not meet the eligibility criteria on one pay day even though they had met the criteria previously.

This is in addition to other causes of salary reductions such as the loss of another recognised allowance or a reduction in your employee's basic salary.

The way that you treat these salary reductions will depend on the scheme your employee belongs to:

For PSS and PSSap
You don't need to perform a salary maintenance calculation for every reduction. Instead you should look to the dates that Average Weekly Ordinary Time Earnings (AWOTE) rates were published since your employee's last birthday. You will need to find the highest salary that the employee was receiving immediately before a reduction between each AWOTE publication date (known as an AWOTE period), and perform a salary maintenance calculation on that reduction using the **AWOTE calculator**.

Once you have completed the salary maintenance calculation for the highest pre-reduction salary in each AWOTE period between the employee's last and current birthday, compare these calculations with your employee's salary on the current birthday and on their last birthday.

Whichever is the highest amount will become their super salary until the next review.

For CSS
You only need to do a salary maintenance calculation if the employee's salary at the date of review is lower than the highest salary since their last birthday.

If the salary is lower, complete the review the same way that you would for a PSS or PSSap member (see above).

Salary reviews for employees receiving shift allowance

Completing a birthday review for a shift worker is similar to completing a birthday review for any other employee. However you will need to take into account additional information and complete a few more steps.

When completing the birthday review you need to examine **each pay period between your employee's current and last birthday**. You will need to determine whether they have qualified to receive shift allowance on each pay day, and if so, what the salary should be for each pay period.

! Remember that individuals whose period of membership is less than 12 months at the time of the review cannot have shift allowance included in their super salary. In these cases complete the birthday review as though they weren't being paid shift allowance.

Calculations required for each pay period:

You must check your employee's entitlement to shift allowance and calculate their salary for every pay period since their last salary review.

Step 1: Find the right information

The first step is to note down the following information from your pay system.

(Annual) Salary and recognised allowances.

You will need information about your employee's annual salary and entitlements to any allowances at the end of each pay period since the last salary review.

Example:

Chris is a PSS member. He had a basic salary of $70,000 up to and including the pay period ending on 15 May 2019, and then received a pay rise which brought the basic salary to $75,000 on 27 May 2019. Chris' salary entitlements would be as follows:

Pay period	Salary
01/05/2019–15/05/2019	$70,000
16/05/2019–29/05/2019	$75,000

Amount of shift allowance paid

This is the amount of shift allowance that your employee was entitled to be paid for work performed in the pay period. If shift allowance is paid with a delay in your organisation you will need to pay careful attention to the employee's roster to ensure that you are calculating based on the dates that the work was performed, rather than the dates that the allowance was paid.

If your employee was paid shift allowance at different rates through the year, you will also need the number of hours that attracted shift allowance payments during the pay period.

12 month period start date

This is the date 12 months before that day that you are looking at. Don't forget to consider any disregarded periods of leave and how that may impact the 12 month period – refer to page 2 of this guide for more information.

Step 2: Determine your employee's eligibility

Shift allowance should only be included in your employee's super salary where it has been payable for 75% of the included pay periods between the start of the 12 month period and the end of the pay period being examined.

If this test has not been met, the super salary will be your employee's annual salary and recognised allowances at the time. Shift allowance cannot be included.

Step 3: Calculate salary components

Super salary is the lowest of **A** × **B** and **C** + **D**. Please refer to the super salary calculation section of this guide for more information.

Step 4: Calculate the super salary for each pay period

Determine the employee's super salary for each pay period.

The order of determinations that you need to make for each pay period is:

1. Was the employee's period of membership greater than 12 months prior to the end date of the pay period in question?
    a. If NO, the employee's super salary will be the sum of their annual basic salary plus any recognised allowances;
    b. If YES, proceed to the next step.
2. Was the employee entitled to receive shift allowance in 75% of the pay periods during the eligibility period?
    a. If NO, the employee's super salary will be the sum of their annual basic salary plus any recognised allowances;
    b. If YES, proceed to the next step.
3. Was the result of A × B lower than the result of C + D?
    a. If YES, the employee's super salary is the result of A × B;
    b. If NO, the employee's super salary is the result of C + D.

Step 5: Completing the salary review

Identify your employee's super salary for each pay period between their last birthday and the current review date.

Take note of each reduction point – any point in time where there has been a reduction in your employee's super salary. You may find that there are a number of reductions between the last birthday review and the current review. You will need to perform a salary maintenance calculation for the reduction point with the highest pre-reduction salary in each AWOTE period.

You don't need to perform a salary maintenance calculation for every reduction. Refer to the Salary Reductions section on page 3 of this guide for more information.

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