Australian Government
Commonwealth Superannuation Corporation

02/23

PSSap employer training information

Information to support your agency to meet its superannuation responsibilities for PSSap members.

Commonwealth Superannuation Corporation

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

Contents

About PSSap and the organisations that will support you to meet your superannuation obligations

Public Sector Superannuation Accumulation Plan (PSSap or the Fund) (ABN 65 127 917 725, RSE R1004601) was established by the *Superannuation Act 2005* to provide superannuation services and products to employees of the Australian Government and other participating employers.

PSSap is a profit-for-member's accumulation fund which means that super accumulates with investment earnings to form the retirement benefit, commissions are not paid and all net investment returns are returned to members—offering our members a cost-efficient, long-term way to save for their retirement. In addition to the retirement benefit, PSSap provides Income Protection (IP), Death and Total and Permanent Disablement (TPD) insurance cover.

Commonwealth Superannuation Corporation (CSC) (ABN 48 882 817 243, AFSL 238069, RSEL L0001397) offers and is legally responsible for PSSap, including investment strategy and member communications. With over 30 years' experience, we understand the employment conditions of Australian Government employees. We are licensed under the Corporations Act 2001 and the Superannuation Industry (Supervision) Act 1993.

PSSap is currently administered by Mercer Administration under contract with CSC.

For additional information:

- Call **1300 338 240**
- Email **employer.service@csc.gov.au**
- Visit **csc.gov.au/employers**

Your vital role as an employer

Superannuation is an important part of the salary package for employees of the Australian Government and participating employers. For most people, super is the key source of income when they retire and may have to last for over 20 years.

Employers play a vital role in super. You make contributions on behalf of employees and provide important information to the super fund.

Australian Government employees (and employees of other participating employers) receive employer contributions from you well above the industry superannuation contribution rate. They are also offered investment choice and insurance coverage.

Employer responsibilities

Your agency has certain important legal responsibilities in relation to your employees' super. These include*:

- ensuring the eligibility of members that are joining PSSap;
- paying accurate contributions and submitting data on time, which ensures members' earnings and insurance cover are up to date;
- ensuring the accuracy of member employment information including insurance and contact details provided to us;
- responding to Employer Statement and any requested information as soon as possible; and
- distributing information about PSSap to members in a timely fashion, for example the **PSSap Product Disclosure Statement (PDS).**

This document provides general guidance only. It includes the steps you may need to take to help you meet your responsibilities as an employer. If you are unsure of your obligations we recommend you obtain independent legal advice.

*This is not an exhaustive list of all your obligations as an employer.

How we can support you to provide advice to members

Employers are not licensed to provide any financial advice or make any recommendations regarding an employee's super. This sometimes makes it difficult to assist employees if they come to you with questions about their super.

We can support you as we are licensed to provide general advice about PSSap and super through authorised representatives. You can inform your employees of this and provide them with our contact details.

Obtaining professional financial advice can support our members to reach their financial goals.

We have a team of authorised Financial Planners who provide 'fee for service' advice. They will receive a fixed quote upfront. There are no obligations, commissions or hidden fees. We do not pay commissions to Financial Planners.

To arrange an initial advice appointment, employees simply need to call **1300 277 777.**

Key areas to meet your responsibilities

Determination of whether an employee can join PSSap

Employees who may join PSSap include:

- New employees starting on or after 1 July 2005 who do not have an existing interest in the Defined Benefit plans (i.e. CSS or PSS).
- Ancillary members (see page 5 on Ancillary members).
- CSS deferred members coming back into employment with a casual membership may elect to be members of PSSap.
- A member of PSS who has elected to opt out of PSS from 1 July 2008 onwards.
- PSS or CSS pensioners (excluding Invalidity pensioners).
- Casual employees with a contributing or preserved CSS membership may elect to join PSSap for their casual employment only. You can find out more about this in the CSS and PSS training notes.

You can check whether a member has been a member of CSS or PSS by logging in to Employer Services Online (ESO) at **csc.gov.au/employers**. If you do not have access to ESO, complete the **CSS and PSS Employer Services Online registration request form**.

In order to get an accurate result, please make sure to ask the employee if they had a previous name or search with a Tax File Number (TFN). This will enable you to identify them via a search.

You will also need to determine if the new employee is an APS or Non-APS employee. For our purposes, APS employees are employed under the *Public Service Act 1999*, while Non-APS employees are employed under another enabling instrument, such as agency specific legislation.

If you are an eligible employer and the Eligibility determiner indicates that the member is not eligible to contribute to either CSS or PSS, then the employee may choose to contribute to PSSap or another fund—if no fund is chosen, then check for stapled fund first before directing contribution to PSSap. For all CSS and PSS enquiries call
1300 000 277 (+61 2 6192 9501) **1300 000 377** (+61 2 6192 9503)

- anyone currently contributing to CSS or PSS (except for ancillary membership) for non-casual employment arrangements;
- anyone that has a preserved or deferred membership in PSS (except for the purpose of transferring certain amounts above) or CSS;
- anyone who is an employee of an agency that has an exclusion in place on joining PSSap; or
- most PSS or CSS invalidity pensioners. Under limited conditions, some re-appointed CSS invalidity pensioners (e.g. those who have re-commenced on a casual basis) may be able to join PSSap.

Ancillary members

PSSap Ancillary memberships are for eligible CSS and PSS members who want to grow additional super in PSSap. CSS and PSS memberships are not affected in any way by PSSap Ancillary memberships.

PSSap Ancillary members are able to make the following contributions into PSSap:

- salary sacrifice;
- personal (after-tax) contributions;
- spouse contributions;
- employer contributions from employment contracts not eligible to pay to PSS or CSS;
- rollovers from other super; and
- accumulated transfer amounts (post 1995) (PSS members only, contributing or preserved).

PSS members are also able to transfer the following amounts to a PSSap Ancillary account:

- any amount rolled into PSS since 31 December 1995; and
- government contributions paid into their account.

Employers don't need to take any action as a result of this new transfer option being made available to PSS members. It also does not affect how PSS benefits are calculated.

PSSap Ancillary members are also eligible to apply for lifePLUS insurance cover through PSSap.

To become an Ancillary member of PSSap, employees need to join PSSap (in addition to CSS or PSS) by completing and returning the **Apply to join PSSap as an Ancillary member** form at **csc.gov.au/join-pssap**

Provision of key information to new employees when they start employment

Eligibility must be checked for every new employee. Starting an employee in the wrong super fund can have serious financial consequences for both the employee and the employer. Some members may be required to join CSS or PSS. For all other members, PSSap is the default fund for all new employees of the APS (and some non-APS employers) but, remember stapling rules.

Super 'stapling' came into effect on 1 November 2021. A stapled super fund is an existing super account which is linked or 'stapled' to an individual employee so that it follows them as they change jobs.

If joining or rejoining PSSap, your employee will need to complete <u>before</u> their start date:

- our pre-filled super fund nomination form; or
- ATO's standard super choice form to choose another fund.

For any employees seeking further information regarding CSC, visits **csc.gov.au/why-csc**

Product Disclosure Statement and Financial Services Guide

To guide members understand their super and to support you to explain it, we recommend you provide members a copy of the **PSSap PDS** at **csc.gov.au/pds**

You can also provide your member with a copy of the CSC **Financial Services Guide (FSG)** at **csc.gov.au/documents**

lifePLUS insurance

Note: an employer has a responsibility to provide salary for insurance and employment status (more information in PSSap Salary for Insurance section on page 10).

There are two types of lifePLUS cover available to eligible PSSap members, **lifePLUS auto** and **lifePLUS choice**. Both include:
- Income Protection cover;
- Total and Permanent Disablement (TPD) cover; and
- Death cover.

lifePLUS auto

Most new employees are eligible for lifePLUS auto when they commence employment with an Australian Government employer (designated employer), and they have 180 days to decide if choose to have PSSap as their super fund.

Generally, when a new employee joins PSSap and is:
- A permanent employee, or a non-ongoing employee with a contract of more than three months and their first super guarantee contribution to PSSap is paid within 180 days of the date they started work, they're eligible for lifePLUS auto cover.
- A casual employee and their first super guarantee contribution to PSSap is paid within 180 days of the date they started work, they're eligible for lifePLUS auto cover—but they will need to opt in within 60 days of receiving their welcome advice.
- A PSSap customer who was in APS employment before 1 November 2017 and hasn't held lifePLUS choice cover since then, they may be eligible for lifePLUS auto when they start working for an APS employer again.

A new employee's age, employment status and account balance determine if they'll need to opt in to get cover or if and when it's switched on automatically.

The Putting Members Interests First (PMIF) Act is in place to protect low account balances, and means that some employees will have to opt in for cover when they join PSSap. If they don't opt in, we'll automatically activate cover down the track when they meet PMIF requirements—that is, they turn 25 and their account balance reaches $6,000.

Income Protection cover

- lifePLUS auto gives most employees a benefit payment period that aligns with their age group (or to the end of a non-ongoing employee's contract period, whichever is earlier):

14 years 9m–34	**35–54**	**55+**
2 years	5 years	2 years

- A benefit amount of 75% of salary for the first two years, and 50% for the remaining three years if applicable to their age group (calculated on the lesser of their reported Income or Pre-disability Income).
- Benefit payments of up to $15,000 per month. For permanent employees this is based on the salary reported by you in the payroll file (if you don't provide salary information we'll use a default amount of $47,000) or for casual employees the salary details they provide when they opt in.
- A waiting period of 90 days (no need to exhaust sick leave to make a claim).
- 15.4% contributions to their super during the benefit payment period (based on the salary reported).

Death and TPD cover

lifePLUS auto gives employees levels of Death and TPD cover that change with their age.

lifePLUS choice

Not everyone is eligible for lifePLUS auto cover, some people don't want it and others will want to change it. Employees can apply for lifePLUS choice cover, but they must be under 67 (for Income Protection) or under 70 (for Death and TPD).

PSS or CSS customers who are contributing to super can also apply for lifePLUS choice by joining PSSap as an Ancillary customer. lifePLUS choice cover complements the Death and Invalidity benefits in their PSS or CSS Defined Benefit fund and they can access additional cover through income protection.

Employees can apply for lifePLUS choice by logging into their PSSap account and using our easy online application process. A full insurance application and health declaration will be required.

lifePLUS insurance cover premiums

Premiums are the amount an employee pays for insurance cover. Unless they opt out of cover, cancel their cover, or cover stops for another reason—for example, if the account has become inactive—insurance premiums for cover held are deducted from their PSSap account.

The cost of cover is based on age at their most recent birthday, and how much they're insured for under lifePLUS auto or lifePLUS choice.

We calculate Income Protection and Death and TPD premiums at the end of each calendar month. Premium amounts vary slightly month-to-month, depending on the date their cover commenced and the number of days in each month.

Opting out of or cancelling lifePLUS

Employees can opt out of or cancel Death and TPD, TPD only and/or Income Protection cover at any time by:

1. logging into their PSSap account; and
2. completing a cancellation of cover form, emailing or calling us.

We suggest the employee refers to the LIFEapp insurance needs calculator prior to deciding to make any changes.

If cover is cancelled and they choose to be covered again in the future, they'll need to apply and will be subject to underwriting and approval by the insurer. Cover may not be accepted or may be offered on modified terms and conditions.

More information

We have developed an **Insurance in Superannuation Key Facts Sheet** to support customers to understand PSSap's lifePLUS auto. Further information is available in the *Insurance and your PSSap Super booklet* at **csc.gov.au/pds**

Membership numbers, the website and secure online access

Once a membership is created we will send the new member a welcome letter confirming their membership number, insurance cover, our contact details and information available via **csc.gov.au**

Ancillary members will receive their welcome letter prior to contributions being paid. This is because they need to receive their membership number and then provide this to you so that you can deduct their nominated salary sacrifice amount from their pay and send this to us. For more information call 1300 338 240.

You should also let new members know for further guidance on their super, including useful information regarding their investment options, insurance cover, the contributions they can make, where to get more information, education and advice, to visit **csc.gov.au**

On this site they can also register to their online account to transact and manage their super securely and easily online at **PSSap Member Online**

Using this secure site, they can:

- check their balance and transaction history
- make super contributions via BPAY
- consolidate super from other funds into their PSSap account
- view their nominated beneficiaries
- view their insurance cover
- update their contact details.

Obtaining member contact details and discussing member contributions

You should check to see if the new employee wishes to make personal contributions or salary sacrifice to PSSap. If they do, you will need to confirm how much they wish to contribute and arrange for contributions to be deducted from their pay.

Obtaining correct member contact details is very important as it allows us to contact our members directly after you have set up their super account, freeing up your time. You should encourage employees to provide a mailing address, personal email address and mobile phone number when they join.

PSSap contribution types

Personal contributions

PSSap members can make personal contributions (it isn't compulsory), provided that:

- their membership is current; and
- the member is working for a designated employer.

Members can contribute any amount, but should be aware that contribution caps apply. For more information refer them to the **PSSap PDS** available at **csc.gov.au/pds** and at **ato.gov.au**

Although an employee may request that their contribution be a percentage of their salary, you must convert this amount to dollars and cents when you report and pay those member contributions to us.

You can let members know that they can also make personal contributions either by cheque or BPAY at any time unless their account is preserved.
Members can obtain their BPAY details by registering to use **PSSap Member Online** or the **Voluntary Contributions** form at **csc.gov.au/forms**

There is no link between a member's personal contributions and employer contributions.
Ancillary members can make personal contributions to their PSSap Ancillary account in addition to any contributions made to PSS or CSS (subject to contribution caps).

Salary sacrifice

PSSap members can make salary sacrifice contributions (it isn't compulsory), provided that:

- their membership is current; and
- the member is currently working for a designated employer.

You should mention that they can contribute any amount, but that contribution caps apply. For more information, refer them to the **PSSap PDS** at **csc.gov.au/pds** and at **ato.gov.au**

Although an employee may request that their contribution be a percentage of their salary, you must convert this amount to dollars and cents when you report and pay those member contributions to us.

There is no link between a member's salary sacrifice contributions and employer contributions.

Ancillary members can make salary sacrifice contributions to their PSSap Ancillary account in addition to any contributions made to PSS or CSS (subject to contribution caps).

PSSap members can salary sacrifice amounts into PSSap with the agency's agreement. These amounts are treated as employer contributions and should be entered into the Salary Sacrifice field and submitted through the SuperStream/clearing house.

Members who intend to salary sacrifice amounts into PSSap should be advised to seek separate financial advice.

Any salary sacrifice does not alter the employer's obligation to make basic employer contributions of 15.4% of the member's super salary.

Contributing CSS and PSS members can salary sacrifice into PSSap if they are Ancillary members (see page 5).

Eligibility to contribute

For members aged 75 and over the only contributions that can be received are employer contributions that are required to be made under superannuation guarantee legislation or an award or workplace agreement.

Spouse contributions

Spouse contributions can be made on behalf of a member but this is not done through the payroll system. The member must make these payments directly to us by cheque or BPAY. This can be done via **PSSap Member Online** or the **Voluntary Contributions** form at **csc.gov.au/forms**

Ancillary members are able to receive spouse contributions.

Contributions splitting

PSSap allows for members to transfer or roll over a portion of the concessional (before-tax) contributions made to their account to their spouse's super account.

PSSap members are also able to receive transfers from their spouse's super fund. For further information visit **csc.gov.au/spouse**

Eligibility for co-contributions

A low to middle income earner who makes personal contributions may be eligible for a co-contribution from the Australian Government. Co-contributions are put into their account by the ATO. To determine whether they are eligible, members should refer to **ato.gov.au**

Transferring super from other accounts

PSSap members who are eligible to contribute can transfer amounts into PSSap. They can do this by:

1. logging into **PSSap Member Online** and completing the **Consolidate form;** or
2. by completing a **Transfers** form available at **csc.gov.au/forms;** or
3. by making arrangements with their former superannuation fund.

Providing correct data and making super payments

You need to pay the first employer contribution for a new employee on the first payday after commencement of employment (unless they have nominated or are stapled to another fund). Please ensure you calculate contributions for PSSap members accurately.

Data must be provided to PSSap in a SuperStream compliant format using the SuperStream network.

There are two ways to do this:

1. upload a SuperStream compliant file to a clearing house; or
2. use your gateway service to send the data to PSSap.

Most employers will use a clearing house service. CSC provides a clearing house service to employers whose default super fund is PSSap. There are no set up fees or transaction costs.

To upload a file to PSSap, it must be in the correct format known as the SuperStream Alternative File Format (SAFF). PSSap requires some additional information that is not mandatory under the SuperStream Standard but is mandatory for employers to provide to the fund, such as employment status and insurance salary which is mandatory to provide to CSC to calculate the correct insurance cover amount.

You will need to confirm that your payroll system provider can produce a file in the right format that includes the additional information. A copy of the PSSap data requirements is at **csc.gov.au/making-payments**

If you use the CSC sponsored clearing house, you will need to pay contributions by direct debit. This is to ensure compliance with Commonwealth financial management legislation. This will also ensure that the contributions paid match the data you have submitted.

Employers with a small number of PSSap employees may wish to use the online contributions facility of their clearing house. This allows contributions to be manually entered for each employee each fortnight and sent to PSSap without uploading a SAFF file.

You need to ensure that you send the correct data and money on time. We can only invest the contributions for your employees when the money is received and balances with the data. We must do this in a reasonable period of time to avoid the member losing any investment earnings and potentially having a claim against your agency to recoup any loss.

New members

You won't know the PSSap membership number for a new employee so you should leave this blank in your SAFF. If you are using the online contributions functionality of the CSC-sponsored clearing house, you will need to enter 'UNKNOWN' in the Membership ID field.

After you have submitted data for a pay period, you can check the employee's membership number by referring to the returned SuperStream message in your clearing house or you can access the PSSap online employer portal and retrieve the correct membership number for your new employee.

If you are using the CSC-sponsored clearing house, you can also view the daily reports for this information.

Employment status

It is important that you provide correct employment status to ensure the member receives the correct insurance cover. If you do not provide an employment status the member will default to permanent full time. Not providing correct details can have significant consequences for PSSap members. For the purpose of insurance, a temporary or non-ongoing employee on a contract of less than three months should be reported to PSSap as a casual employee.

Supporting information for claims

It is important that when specific employee documents and information is requested from CSC, that you attend to these requests at your earliest convenience. From time to time, we will request certain documents and information from you to help **support an employee's insurance claim**. These requests could be employer statements, pay slips or a leave without pay history.

Understanding employer contributions

Employers are required to make super guarantee contributions for all members of PSSap that they employ. Basic employer contributions for a PSSap member must be at least 15.4% of the member's super salary.

If employers do not pay contributions when required to do so, they may be required to pay an interest charge on the outstanding amounts.

Employers may also make additional contributions for PSSap members, which may include:

- additional contributions as specified in an agreement or Enterprise Agreement (EA); or
- to provide for circumstances where they may agree with the member to make additional contributions (for example, as an incentive).

Employers do not need to pay any Employer Productivity Superannuation Component (EPSC) for PSSap members.

PSSap salary for insurance

The level of income protection insurance and premiums are calculated using their salary for insurance. This is the amount which the member's pay is based when on full time sick leave represented as an annual amount. It is important that the correct salary for insurance is provided at commencement and updated on the contribution file each time the figure changes. You do not need to wait for a member's birthday to update their salary for insurance, even if their contributions are based on Fortnightly Contribution Salary.

If no salary for insurance is provided, a default salary of $47,000 will be applied to the account and premiums will be based upon this salary.

It is important that the salary for insurance is correctly reported, as claims on income protection benefits are calculated on the lesser of the:

- employee's pre-disability salary; or
- salary for insurance reported to PSSap (amount insured).

Example: Murray is a new employee whose salary would be calculated at $100,000 p.a. ($8,333 per month) if he were to commence full time sick leave.

When setting up his PSSap account his employer did not provide a salary for insurance, so he is only covered for a default salary of $47,000.

On becoming ill, he is expecting an income protection payment of $6,250 per month paid to his bank account (plus $2083, 15.4% paid to his PSSap account)—enough to cover his mortgage and bills with a little extra for his medical costs.

Upon submitting his claim, Murray finds he will only receive a monthly income protection benefit of $2,937.50—less than half of what he expected.

Super salary used to determine the employer contribution

A member's super salary can be calculated as either their Fortnightly Contributions Salary (FCS) or their Ordinary Time Earnings (OTE), depending on which arrangement is in place for a particular member or group of members.

You will need to be aware of which arrangement is in place in your agency or in an individual's agreement
or remuneration determination. If there is no written agreement in place to determine which arrangement to use, FCS is the default method of salary calculation.

Fortnightly Contribution Salary (FCS)

The FCS is determined in the same way as the super salary is calculated for a PSS member. This is 1/26 of the greater of the:

- member's annual salary on commencement;
- member's basic salary and any recognised allowances being received on the member's birthday; or
- highest salary and any recognised allowances received during the period from the previous birthday until the eve of the next birthday, subject to the salary maintenance rules.

The above calculation is standard and does not vary if there are more than 26 pays in the year.

The formula for calculating contributions under the fortnightly contribution salary is: 15.4% x (annual rate of super salary including recognised allowances ÷ 26)

Please refer to the below table which outlines which types of allowances are recognised and when these are recognised from.

Table 1 - Recognised allowances for fortnightly contributions salary		
Allowance type (general)	**Applicable**	**Examples**
Allowances for the possession of particular skills.	Immediately payable from the next birthday review.	First aid allowance, language allowance, allowance payable in recognition of length of service or standard of efficiency attained.
Allowances relating to additional duties.	When received continuously for more than 12 months, or it is certified that there is a likelihood that the allowance will be received for 12 months.	Higher duties allowance, parliamentary employment allowance, restriction allowance, allowance payable in lieu of overtime or extra duty, allowance payable in compensation for physical hardship or discomfort associated with particular duties, allowance for special duties.

Table 2 - Recognised allowances for fortnightly contributions salary		
Reimbursement allowances and overtime.	Never	Expenses of office allowance, district allowance, travelling allowance, clothing allowance, bonuses of performance pay.

Employers are not required to make contributions for a member for a pay period if the member is not employed on pay day when they use the FCS arrangements

Please note however, that a shortfall contribution may be due at the end of the quarter if the contributions for the quarter do not equate to the minimum SG of the members OTE.

While a contribution is not mandatory under FCS for a period where the member is not employed on pay day, some agencies choose to make a contribution to ensure that a shortfall is not due in the future.

Calculating FCS for casual employees

For contribution purposes, a casual employees salary is what they actually earned in the particular fortnight (excluding payments for overtime, compensation or reimbursement of expenses such as meal allowance or mileage allowance).

If a member is on compensation leave, contributions are based on what the member would have earned had they been at work. Any leave without pay, reduced pay, salary increase or increments will have an immediate effect on a casual's contributions and ultimately, benefits.

You are not required to calculate a notional salary for a casual unless:

- the member is transferring to another employer and you need to provide super salaries to that employer; or
- the member is changing employment status and you need to calculate their super salary to determine the contribution amount to pay for them (FCS only).

To establish a Notional Salary for a casual for the purposes of transferring to another employer or for the purposes of changing employment status refer to the **PSS Training modules**.

Salary maintenance rules do not apply to casuals.

Calculating FCS during unpaid leave

In certain circumstances if a PSSap member's super salary is based on FCS and the member does not receive a salary payment, you are still required to calculate and pay the contributions (using the salary for super) as if the member would otherwise have received a salary payment. These circumstances are:

- unpaid leave of 12 weeks or less;
- unpaid or paid maternity or parental leave;
- a period of compensation leave without pay;
- leave without pay from one agency to engage in other approved employment where the employer has agreed to pay contributions;
- a period of unpaid leave where the employer has agreed to pay employer contributions (for example, during study leave); or
- unpaid sick leave.

Employer contribution shortfall when using FCS

PSSap rules explain that employers may have to pay an employer contribution shortfall if their contribution for a PSSap member for a quarter does not equal at least the current Super Guarantee (SG) of the member's OTE. The rationale is that 15.4% of OTE will always be greater than the SG of OTE, but there is a potential that 15.4% of FCS may not be greater than the SG of OTE measured on a quarterly basis.

For example, a person who had been working part-time (with their FCS based on those part-time hours) but then began working full-time could receive contributions that were less than the SG of OTE depending on how their contributions were calculated. With OTE, their full-time hours would be reflected immediately, but for FCS, the full-time salary would not be reflected until their next birthday.

Employers using FCS as a member's super salary must check at least quarterly to ensure that they have contributed at least the SG of the member's OTE. This shortfall is calculated, reported and paid by employers through SuperStream/clearing house.

You are required to report any shortfall via ESO and the member. Any shortfall must be paid within 28 days of the end of the quarter to which it relates if you are to avoid a SG charge.

Ordinary Time Earnings (OTE)

A member's super salary can be based on OTE only if that is the agreed basis for determining salary for super in either:

- the agency's CA that applies to the member;
- to provide for circumstances where they may agree with the member to make additional contributions (for example, as an incentive);
- the member's agreement;
- a remuneration determination that applies to the member; or
- an agreement in writing between the member and the employer where the member is not covered under an agreement or a remuneration determination.

OTE is based on what the member is paid for their regular hours of work. It does not include overtime payments and it can change each payday. OTE means the total of earnings in relation to ordinary hours of work, not including:

- earnings consisting of a lump sum payment made in lieu of unused sick leave, unused annual leave, or unused long service leave; or
- earnings consisting of over award payments, shift loading or commission up to the maximum contribution base for the quarter.

During periods of paid leave, employers must contribute 15.4% of OTE on the day on which a regular salary payment is to be made to the member. This does not apply during periods of paid maternity or paternity leave. Payments during paid maternity and paternity leave are not included in OTE. However, this arrangement could be different if an agency has specified payment through an agreement.

A full list of what is included and excluded from OTE is available in the Superannuation Guarantee Ruling 94/4 is at **ato.gov.au**

OTE during unpaid leave

If the member is on a period of unpaid leave and no OTE is payable on a given payday, then no employer contribution is due or payable on that payday. However, an employer may choose (perhaps as part of an employment incentive) to make contributions for a member who is on a period of unpaid leave.

Maximum super contribution base under OTE

If contributions are based on OTE, the maximum super contribution base (the maximum salary on which an employer's contributions are required to be calculated) is determined by the Tax Commissioner and is subject to annual indexation. The Tax Commissioner calculates the contribution base in early June each year for the following financial year. For more information refer to **ato.gov.au**

Employers may calculate their contributions on a higher figure than that set by the Tax Commissioner, but they are not required to do so. If super salaries are based on FCS, the maximum contribution base does not apply.

Members who transfer from OTE to an FCS agency

The FCS should be based upon the salary from the OTE agency. Therefore, the OTE agency will need to supply the employee's salary history to the FCS agency. The FCS agency is responsible for calculating the employee's FCS for the entire period as if the member had always been on FCS. This is required to ensure that the member's salary is correct, since there may have been a salary reduction.

The higher of the calculated salaries should be used in determining the salary for super at the next birthday. Alternatively, the employee may negotiate to continue having their salary based upon OTE by entering into an individual agreement.

Salary maintenance rules

Calculating salary reductions for PSSap members under FCS is done in the same way as for PSS members. Refer to the AWOTE (or salary maintenance) calculator at **csc.gov.au/awote**

The salary maintenance rules do not apply to OTE.

For members that opted out of PSS and have joined PSSap, calculate the salary as if it is a commencement salary.

Continuous service

For PSSap, the rules for continuous service are the same as PSS and are as follows:

1. the member must be defaulting to PSSap or elect to join PSSap through choice of fund or stapling rules; and
2. the new employment was arranged before ceasing the old employment.

If continuous service applies, the following membership data will need to be used from the previous employment:

- the salary for super applicable from the previous birthday;
- the approved hours for super as applicable from the previous birthday to calculate correct contributions but you are not required to report the hours to CSC; and
- the voluntary contribution rate (if requested).

Salary for super when salary sacrificing Under OTE

If a member on OTE has a salary sacrifice arrangement in place, the salary for super must not be reduced by salary sacrifice amount.

Under FCS

If a member on FCS has a basic salary established, and then salary sacrifices, the basic salary remains salary for super.

Salary for super under total remuneration packaging

Under OTE

If a member on OTE has a total remuneration arrangement in place, the salary for super which the 15.4% employer contribution will be based upon is the taxable amount being received by the member. For more information refer to the ATO Superannuation Guarantee Ruling SGR 2009/2, particularly the section Payments specifically **excluded from the definition of 'salary or wages'** at **ato.gov.au**

Under FCS with basic salary established

If a member on FCS has a basic salary established, and then elects to take non-cash benefits (such as the provision of a car when moving from an EL2 position to an SES position), the basic salary remains salary for super until the cash component of the package becomes greater than the previous basic salary. The effect of electing to forego cash salary for non-cash benefits is that there has been a salary reduction and the normal salary reduction rules will apply.

Under FCS without a basic salary established and TRP

As there may be no basic salary established in total remuneration packaging, there are situations where members on FCS could find that their super salary varies from what it would have been had the total remuneration packaging arrangements not been entered into. Non-cash benefits do not count for super salary when there is no basic salary established.

Overpaid and underpaid employer or member contributions

You cannot report through a negative employer or member contribution for a PSSap member. It is the employers obligation to pay contributions correctly.

Overpaid contributions

If you have overpaid, request a refund via a **Request for refund of overpaid contributions from the PSSap** form and email to **employer.service@csc.gov.au**

Underpaid contributions

If you have not met an employee's minimum super guarantee amount during the quarter, you must pay the SGC. The employer is also required to lodge an SGC statement to the ATO.

Other information

PSSap member numbers and accounts

Every PSSap member is allocated their own personal account and member number relating to that account. This account holds all employer and member contributions for the member. Each PSSap member will have only one account and one membership number. Members with overlapping periods of employment and members with concurrent jobs will use the one account for all contributions. If the member closes their PSSap account, transfers to another super fund and subsequently rejoins PSSap, they will receive a new account number while retaining their existing member number.

We do not require an AGS number for PSSap members but you may use these as a payroll ID.

Members receive a full Annual Statement and report at the end of each financial year.

Glossary

Ancillary membership: It is a membership for PSS and CSS members where they can receive all types of super contributions except for employer contributions that are eligible to be paid to CSS or PSS.

APRA: Australian Prudential Regulation Authority.

ATO: Australian Taxation Office.

Salary for insurance: the salary from which an agency would calculate any sick leave entitlements. This is different to the super salary and changes whenever the member has a change in annual salary for sick leave purposes e.g. promotion. This is the case for both Fortnightly Contribution Salary and Ordinary Time Earnings agencies.

Basic employer contributions: generally, 15.4% of the super salary of a PSSap member.

CSC: Commonwealth Superannuation Corporation (CSC) is the trustee of PSSap, CSS, PSS, ADF Super and MilitarySuper and administers five unregulated/exempt public sector funds.

Designated employer: explained in section 19 of the *Superannuation Act 2005*.

Employer contribution shortfall: the difference between the amount contributed in the quarter for a PSSap member whose super salary is based on the member's fortnightly contribution salary and the super guarantee of that same member.

Fortnightly contribution salary: (you may know this as 'birthday salary') this is 1/26 of whichever is greater, the:

- membership is current; and
- member is working for a designated employer.

Gainfully employed: employed or self-employed for gain or reward.

Invalidity retirement: means the termination of the employment of a PSSap member on the ground that they are unable to perform their duties because of mental or physical condition.

Maximum contribution base: sets the maximum limit on the amount of super support that an employer is required to provide for the benefit of an employee. The maximum contribution base is subject to annual indexation that is calculated and notified by the Tax Commissioner however you can choose to pay more.

Ordinary time earnings (OTE): is based on what a member gets paid for his or her regular hours of work. It does not include overtime payments and it can change each pay day—subsection 6(1) of the *Superannuation Guarantee (Administration) Act 1992* defines ordinary time earnings to mean:

I. the total of:

   a. earnings in respect of ordinary hours of work other than earnings consisting of a lump sum payment of any of the following kinds made to the employee on the termination of his or her employment:

      i. a payment in lieu of unused sick leave

      ii. a payment in lieu of unused annual leave within the meaning of subsection 26AC(1) of the *Income Tax Assessment Act 1936*

      iii. a payment in lieu of unused long service leave within the meaning of subsection 26AD(1) of the *Income Tax Assessment Act 1936.*

   b. earnings consisting of over award payments, shift loading or commission; or

II. if the total ascertained in accordance with paragraph (a) would be greater than the maximum contribution base for the quarter—the maximum contribution base.

Pay day:

I. the day on which a regular salary payment is made to the accumulation member;

II. however, if the accumulation member's super salary is based on fortnightly contribution salary (in the same way as the super salary is determined for a Defined Benefits member) and the member does not receive a salary payment because the member is on:

a. unpaid leave of 12 weeks or less;
b. maternity or parental leave;
c. sick leave without pay;
d. a period of compensation leave;
e. a period of leave of absence for the purposes of engaging in other approved employment as defined in the PSSap Rules; or
f. a period of unpaid leave where the employer has agreed to pay employer contributions. Then pay day also means the day that member would otherwise have received a salary payment.

Permanent incapacity: this occurs if a member stops being gainfully employed because of mental or physical ill-health and the trustee is reasonably satisfied the member is unlikely, because of that ill-health, to ever again engage in gainful employment for which the member is reasonably qualified by education, training or experience.

Product Disclosure Statement (PDS): a document required under the *Corporations Act 2001* to be given to a member to describe the key features of the superannuation arrangements applying to the member.

PSS: means the Public Sector Superannuation scheme within the meaning of the *Superannuation Act 1990.*

PSS Fund: the Fund established by the PSS Trust Deed, managed and invested by CSC in accordance with the provisions of the *Superannuation Act 1990* and the Deed.

PSS member: a person who is a member of PSS due to the operation of Part 3 of the *Superannuation Act 1990.*

Quarter: any three-month period beginning on 1 January, 1 April, 1 July or 1 October.

Salary sacrifice: is an arrangement between employee and their employer where the employee agrees for some of their before-tax salary to be paid into super.

SIS: the *Superannuation Industry (Supervision) Act 1993* and the regulations in force under that Act.

Superannuation salary (or super salary, or salary for super): the member's ordinary time earnings, if that is the salary set out in an agreement between the employer and the member; in all other cases, the amount that would have been the member's fortnightly contribution salary if they had been a Defined Benefits member superannuation system includes:

- regulated super funds;
- approved deposit funds;
- retirement savings accounts;
- exempt public sector super schemes;
- deferred annuities;
- Australian Securities and Investment Commission (ASIC) as a recipient of unclaimed money paid to ASIC under subsection 225(5) of SIS;
- the ATO or state or territory Superannuation Unclaimed Money authorities as the collectors of unclaimed superannuation money; and
- annuities.

Temporary incapacity: this occurs if a member stops being gainfully employed (including temporarily, and including if they still have their job but are taking unpaid leave) because of physical or mental ill-health but is not permanently incapacitated.