



Super Administration Guide

Salary

This guide is designed to support eligible employers to correctly determine and report salaries for your employees who are contributing members of CSS, PSS and PSSap.

It covers:

- How to determine super salary
- The rules for allowances
- Determinations and agreements
- Salary reductions & salary maintenance
- Ordinary time earnings
- PSSap insurance salaries

Who do these rules apply to?

These rules apply to regular employees of eligible public sector employers who are contributing members of CSS, PSS and PSSap.

If your employee is paid a total remuneration package or shift penalties please refer to the total remuneration packages and shift allowance administration guides.

You should also check your enterprise agreement (or similar), any individual agreements with employees, and any remuneration tribunal decisions that refer to super salary. This is to ensure that they don't require a different calculation method.

Super salary

What is super salary?

Super salary determines the amount of super contributions that you pay for your employees who are members of one of our schemes. It may differ from their gross salary and their ordinary time earnings.

In CSS and PSS, super salary is used to calculate the amount of member contributions and productivity contributions¹. We also use super salary to determine the amount of employer contributions² that you must pay.

Super salary is generally calculated in accordance with the relevant scheme rules:

- [Superannuation Act 1976](#) (the scheme rules for CSS, also relevant for PSS and PSSap)
- [PSS Trust Deed](#) (the scheme rules for PSS)
- [PSSap Trust Deed](#) (the scheme rules for PSSap)
- [Superannuation \(CSS\) Salary Regulations 1978](#) (the default rules for inclusion of allowances and penalties in super salary)

1 Also known as Employer Productivity Superannuation Contributions (EPSC)

2 Also known as 'employer liability'

Super salary for contributing PSSap members

There are two methods for calculating the super salary for employees who contribute to PSSap:

1. Fortnightly Contribution Salary (FCS), and
2. Ordinary Time Earnings (OTE).

FCS is the default method of salary calculation for PSSap and should be used for every PSSap member where OTE is not specified in a relevant agreement or determination. You can use OTE to calculate super salary for your employees if it is specified in a relevant agreement or determination. This includes enterprise agreements, remuneration determinations and workplace determinations. A full list of relevant agreements and determinations is included in Rule 2.2.3 of the [PSSap Trust Deed](#).



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Super salary for CSS, PSS and PSSap (FCS) members

Determining and reviewing super salary

In CSS, PSS and PSSap (FCS), salaries are set when your employee starts a new period of scheme membership, and are generally only updated once per year, on their birthday.

This means that super salaries don't change between birthdays, even where there has been a change to your employee's take home pay.

Example

Laura is a CSS member. Her birthday is 7 October. Her super salary was \$60,000 at her last salary review. On 1 July she received a promotion that increased her base salary to \$70,000. This increase was not reflected in her super salary until her salary was reviewed at her next birthday.

The process of checking your employee's salary and making any necessary adjustments is known as a **salary review**, or a **birthday review**.

At the salary review, you should determine your employee's super salary as the **highest** of:

1. the super salary at your employee's last review;
2. the highest amount of base salary plus recognised allowances received from their last review to the current review; or,
3. the base salary plus recognised allowances that they are receiving at the date of the current review.

You also need to complete a salary review whenever a CSS member ceases their membership (for example by resigning, being made redundant or retiring), and whenever a PSS member ceases employment due to redundancy.

This final review takes into account any changes to their super salary since the last salary review.

Example

Joel is a PSS member. His birthday is 17 January. His super salary was \$100,000 at his last salary review. On 1 July he received a salary increment, which increased his base salary to \$102,000. He was made redundant on 6 September. His payroll department completed a salary review as at 6 September, and reported a final salary of \$102,000 to CSC at exit.

Super salaries generally won't decrease. If you identify a reduction during the salary review, you need to apply the salary maintenance rules found on page 6.

Rules for allowances

Super salary in CSS, PSS and PSSap generally only include 'recognised allowances'. Allowances can be divided into two categories based on when they become 'recognised'. These are commonly known as **automatic allowances** and **qualifying allowances**.

Automatic allowances

Automatic allowances are included in your employee's super salary from the first salary review after they start to be paid. There is no minimum amount of time that an employee must receive an allowance before it becomes recognised for super purposes.

Automatic allowances include allowances that are payable:

- because your employee has a certain skill (e.g. first aid allowance); and
- because your employee has a certain qualification

i The full list of automatic allowances can be found in Regulation 5 of the Superannuation (CSS) Salary Regulations 1978.

Example

Lisa is a PSSap member whose contributions are based on FCS. Her birthday is 29 May. At her 2019 salary review her super salary was \$82,000. On 13 June 2019 she began to receive a first aid allowance (an automatic allowance) of \$631 p.a. Lisa's super salary remained \$82,000 p.a. until her 2020 salary review. Assuming no other changes, her super salary would then increase to \$82,631.

Qualifying Allowances

Qualifying allowances³ are included in your employee's super salary at the first salary review after one of the following conditions is met:

- the employee has received the allowance for a continuous period of greater than 12 months, or
- a 'likelihood certificate' is completed

There are six qualifying allowances:

1. higher duties allowance (HDA)⁴,
2. on-call allowance,
3. supervisory allowance,
4. allowances payable in lieu of overtime or other extra duty work,
5. hardship allowance, and
6. allowances not specified elsewhere that are payable because your employee performs any special function as part of their duties or work.

i More detail about qualifying allowances can be found in Regulation 4 of the Superannuation (CSS) Salary Regulations 1978.

³ Qualifying allowances are known in Superannuation (CSS) Salary Regulations 1978 as 'allowances of a prescribed kind'

⁴ Also known as temporary performance allowance (TPA)

We strongly recommend that you compare the allowances you pay with the definitions in the salary regulations to determine how they should be treated for super purposes

S17A certificates

S17A certificates certify that the conditions to include a qualifying allowance in super salary have been met.

If the relevant delegate at your agency believes there is a likelihood that your employee will continue to receive a qualifying allowance for a period of at least 12 months, they may complete the S17A as a 'likelihood certificate'.

If a S17A certificate is completed, the qualifying allowance will be included in your employee's super salary from their next salary review.

The relevant delegate should also complete a S17A certificate when an employee receives a qualifying allowance for a period of greater than 12 months to certify that the allowance has qualified and is to be included in the employee's super salary. This is useful for audit purposes.

The S17A can be found on [our website](#).

Example

Nathan is a CSS member. His birthday is 31 July.

At his 2017 salary review he had a base salary of \$100,000 p.a., and was not receiving any allowances. He began receiving higher duties allowance totaling \$10,500 p.a. on 1 July 2018, and his employer didn't complete a likelihood certificate.

At his 2018 salary review, his super salary remained at \$100,000 p.a. This is because he hadn't yet received the higher duties allowance for a continuous period of more than 12 months at the date of the 2018 salary review.

There were no changes to his salary between his 2018 and 2019 birthdays.

At his 2019 salary review, his super salary increased to \$110,500 p.a. This super salary included the higher duties allowance as he had received it for a continuous period of greater than 12 months at the date of the 2019 salary review.

Example

Rachel is a PSS member. Her birthday is 31 August.

Like Nathan, at her 2017 salary review she was receiving a base salary of \$100,000 p.a., and was not receiving any allowances. She also began receiving higher duties allowance at a rate of \$10,500 on 1 July 2018.

Her employer completed a likelihood certificate as they believed that there was a likelihood that she would continue to receive the allowance for a period of at least 12 months.

Because a likelihood certificate had been signed, her super salary increased to \$110,500 p.a. at her 2018 salary review.

Determinations and Agreements

It's possible to specify a super salary for your employees in a number of different instruments, including:

- Enterprise agreements
- Remuneration tribunal determinations
- Individual flexibility agreements
- Workplace determinations

When a salary is validly specified this will override other rules around allowances. It is important that any variations to the rules in the Salary Regulations are clearly and expressly stated in the relevant instrument.

Salary maintenance

Salary reductions

Generally speaking, super salaries for CSS, PSS and PSSap (FCS) members cannot decrease⁵. If your employee has a salary reduction, the salary maintenance rules will apply.

The definitions of 'salary reduction' are below.

CSS	PSS and PSSap (FCS)
A salary reduction happens any time the salary (including recognised allowances) on a person's birthday is lower than the highest salary (including recognised allowances) they received in the previous year. <i>Superannuation Act 1976 s 47(1)</i>	A salary reduction happens any time there is a reduction in the sum of hourly base salary plus recognised allowances. <i>PSS Trust Deed r 3.3.1</i>

⁵ CSS members who have a salary reduction can elect to contribute based on the lower salary at any time from the date of the salary reduction to three months after their next birthday.

Example

Ryan's birthday is 13 October. At his 2018 birthday his super salary was \$101,550 p.a., consisting of a base salary of \$101,000 p.a. and a first aid allowance of \$550 p.a. The first aid allowance ceased from 1 July 2018.

This would be a salary reduction regardless of whether Ryan were a CSS, PSS or PSSap (FCS) member.

Example

Erin's birthday is 1 February. On her 2018 birthday, her super salary was \$84,000 p.a. She received a sanction on 1 July 2018, and her salary was temporarily lowered to \$80,000 p.a. On 1 August her salary was restored to \$84,000 p.a.

If Erin were a PSS member, this would be a salary reduction—there was a reduction in the sum of her hourly basic salary plus recognised allowances.

However, if she were a CSS member, this would not be a salary reduction—the salary that she was receiving on her 2019 birthday was not lower than the highest salary that she received in the previous year.

Example

Mitchell's birthday is 9 May. On his 2019 birthday his super salary was \$100,000, consisting of a base salary of \$90,000 p.a. and higher duties allowance totaling \$10,000.

On 1 January he was promoted into his acting position, he stopped receiving the higher duties allowance and his base salary was increased to \$100,000.

This would not be a salary reduction in any scheme.

Salary Indexation

When an employee has had a salary reduction, the salary they were receiving immediately before the reduction will be indexed each year at the salary review. This indexed salary is called a maintained salary.

Maintained salaries are increased in line with average weekly ordinary time earnings (AWOTE). AWOTE is published by the Australian Bureau of Statistics, and reflects the average weekly ordinary time earnings for Australian adults in full-time employment.

The AWOTE we use to work out maintained salaries is updated twice per year in February and August. Before February 2013 AWOTE was updated quarterly in February, May, August and November.

Calculating Maintained Salaries

There are two ways to calculate maintained salaries. The method that is used will depend on your employee's super scheme, and whether they are receiving a partial invalidity pension (PIP).

PSSap and PSS (not receiving a PIP)

For all PSSap members, and for PSS members who are not receiving a PIP, the formula is:

$$\left(\frac{\text{pre reduction salary}}{\text{AWOTE at reduction}} \times \left(\frac{\text{AWOTE at review}}{\text{AWOTE at reduction}} \right) \right) + \text{pre reduction allowances}$$

Where:

- **Pre-reduction salary** is the sum of the base salary and any higher duties allowances that were included in the super salary on the day immediately before the reduction;
- **AWOTE at review** is the last published AWOTE prior to the date of the current review;
- **AWOTE at reduction** is the last published AWOTE before the reduction happened; and
- **Pre-reduction allowances** are the total amount of allowances (apart from higher duties allowance) that were included in your employee's super salary immediately before the reduction⁶.

This means the base salary and any higher duties allowance included in your employee's super salary immediately before the reduction will be increased in line with AWOTE, but other allowances they were receiving will not.

Example

Amanda is a PSS member. Her birthday is 6 November. At her 2018 salary review her super salary was \$110,530 p.a., consisting of a base salary of \$100,000 p.a., higher duties allowance totaling \$10,000 p.a. and a first aid allowance of \$530 p.a.

On 31 January 2019, she stopped being paid the first aid allowance. At review, the salary maintenance calculation included:

- Pre-reduction salary of \$110,000 (base salary plus higher duties allowance)
- Pre-reduction allowances of \$530.

This means that her maintained salary was:

$$\$110,000 \times \left(\frac{1633.80}{1586.20} \right) + \$539 = \$113,830$$

CSS and PSS (receiving a PIP)

For all CSS members, and for those PSS members receiving a PIP, the formula is:

$$\left(\frac{\text{pre reduction salary}}{\text{AWOTE at reduction}} + \frac{\text{pre reduction allowances}}{\text{AWOTE at reduction}} \right) \times \left(\frac{\text{AWOTE at review}}{\text{AWOTE at reduction}} \right)$$

This means any allowances that were included in your employee's salary immediately before the salary reduction will be increased in line with AWOTE along with their salary and higher duties allowance.

Example

David is a CSS member. His birthday is 6 November. At his 2018 salary review his super salary was \$110,530 p.a., consisting of a base salary of \$100,000 p.a., higher duties allowance totaling \$10,000 p.a. and a first aid allowance of \$530 p.a.

On 31 January 2019, he stopped being paid the first aid allowance. At review, the salary maintenance calculation included:

- Pre-reduction salary of \$110,000 (base salary plus higher duties allowance)
- Pre-reduction allowances of \$530.

This means his maintained salary was:

$$(\$110,000 + \$539) \times \left(\frac{1633.80}{1586.20} \right) = \$113,830$$

⁶ See Qualifying Allowances above

The AWOTE calculator

We provide employers with an AWOTE calculator to help calculate maintained salaries. The calculator is updated with the latest AWOTE twice per year, and is available on our website. To avoid the risk of reporting incorrect salaries, we strongly recommend that you download the calculator from our website each time you need to perform a salary review.

You should never use an AWOTE calculator that has passed the 'next expected release date' indicated at the top of the calculator. If you use a calculator past this date it will not take into account the latest AWOTE rate and may give an incorrect result.

You can find instructions on how to use the calculator in the AWOTE calculator quick guide.

Stopping salary maintenance

You should continue salary maintenance at each salary review until your employee's base salary and recognised allowances is either equal to or higher than the maintained salary on the review date.

Example

Melissa is a PSSap member whose contributions are calculated using FCS. Her birthday is 27 May.

2018 salary review

At Melissa's 2017 birthday, her base salary was \$100,000 p.a. and she received a first aid allowance totaling \$500 p.a. She lost the first aid allowance in June 2017, and as a result her base salary plus recognised allowances reduced from \$100,500 p.a. to \$100,000 p.a.

At her 2018 birthday review her employer used the AWOTE calculator to calculate a maintained salary due to the reduction in June. The results are in the table below:

Salary	Amount
Maintained salary	\$102,800
Base salary and recognized allowances at 2018 birthday	\$100,000
Super salary	\$102,800

As Melissa's maintained salary was higher than her base salary and recognised allowances at her birthday, it was applied as her super salary.

2019 salary review

In December 2018 Melissa got a promotion that increased her base salary to \$107,000 p.a.

At her 2019 salary review, her employer used the AWOTE calculator to recalculate her maintained salary (using the latest AWOTE), and compared it to the base salary and recognised allowances that she was receiving on her birthday:

Salary	Amount
Maintained salary	\$105,200
Base salary and recognized allowances at 2018 birthday	\$107,000
Super salary	\$107,000

As Melissa's base salary and recognised allowances at her 2019 birthday were higher than her maintained salary, her maintained salary no longer applied.

Salary reductions prior to 1 July 2003

Before 1 July 2003, salaries were updated using the current equivalent salary method. This meant that salaries were updated with the current rates of payment that your employee was receiving immediately before the salary reduction.

If you are calculating maintained salaries for reductions that happened before 1 July 2003, your employee's current equivalent salary as at 30 June 2003 will be increased in line with AWOTE. The AWOTE calculator will automatically take this into account if you select 'yes' to the question 'was the salary reduction prior to 1 July 2003?'

Multiple salary reductions

Employees may have had more than one salary reduction since their last birthday, or have a further salary reduction while already on a maintained salary. If this is the case, you should calculate a maintained salary for each reduction to compare with the base salary and recognised allowances that your employee is receiving at the time of the salary review. The highest of these will become their super salary for the next year.

Example

Liam is a PSS member whose birthday is 24 June. He had a salary reduction in August 2015. This means that he had a maintained salary that was increased in line with AWOTE in 2016 and 2017. In November 2017 he had a further salary reduction.

2018 salary review

At Liam's 2018 salary review his employer completed two AWOTE calculators. One used the information for the salary reduction from August 2015, and the other used the information from the salary reduction in November 2017.

The results of both calculators were compared with the basic salary and recognised allowances that he was receiving on his 2018 birthday. The results are in the table below:

Salary	Amount
Maintained salary—2015 reduction	\$113,630
Maintained salary—2017 reduction	\$106,680
Base salary and recognized allowances at 2018 birthday	\$100,000
Super salary	\$113,630

The maintained salary based on the 2015 reduction continued to apply because it was higher than the other salaries.

2019 Salary Review

Liam received a promotion in March 2019 which increased his base salary to \$120,000 p.a.

At his 2019 birthday review, his employer used the AWOTE calculator to compare his maintained salary based on the 2015 loss with the base salary and recognised allowances that he was receiving on his 2019 birthday.

Liam's payroll did not need to update the maintained salary based on the 2017 reduction as it was not the highest result in the previous review.

The results are in the table below:

Salary	Amount
Maintained salary—2015 reduction	\$116,160
Base salary and recognized allowances at 2019 birthday	\$120,000
Super salary	\$107,800

Liam's base salary and recognised allowances became his super salary because it was higher than his maintained salary at the time of the review. His payroll team would not need to complete an AWOTE calculator at his 2020 salary review unless he had incurred a new salary reduction.

Ordinary time earnings (OTE) for PSSap members

The rules around what should be included in or excluded from a person's OTE are maintained by the Australian Taxation Office. Generally speaking, OTE includes any earnings that your employee earns during ordinary hours of work. This can include payments like over-award payments, shift loading, annual leave loading, bonuses, and most allowances. OTE excludes overtime payments.

We can provide limited information about your obligations under OTE and super guarantee legislation. We recommend that you seek further information about your obligations directly from the Australian Taxation Office. You may also wish to refer to the Commissioner of Taxation's [Superannuation Guarantee Rulings](#), including ruling SGR2009/2, in order to gain a better understanding of your obligations.

Maximum contribution base

The maximum contribution base is a cap on the amount of payments made to an employee that are considered to be earnings. This means that you aren't required to pay contributions on earnings above that amount for employees whose contributions are based on OTE, but can if you want to. The amount is determined by the ATO and will change from year to year.

The maximum contribution base doesn't apply to CSS, PSS, or PSSap FCS members, which means you're still required to contribute based on their entire super salary.

Changing between OTE and FCS

When a PSSap member transfers from employment where OTE is used to employment where FCS is used, contributions are made as though the membership had always used FCS.

This means that the new employer will need to complete salary reviews for the entire period that OTE was used to account for any salary reductions that may have occurred. If there was a salary reduction while the employee membership was using OTE, the salary maintenance rules will apply.

The previous employer (where OTE was used) will need to provide the individual's full salary history to their new employer to assist with that review process.

An employee can continue to have contributions calculated using OTE if you agree to it in an individual agreement.

Example

Emily is a PSSap member who transferred from agency A to agency B on 8 September 2019. Agency A bases contributions on OTE whereas agency B bases contributions on FCS. Emily's birthday is 17 March.

When starting at agency B, Emily received a base salary of \$120,000 p.a. with no allowances.

Agency A provided the following salary history to agency B:

Salary	Base salary p.a.	Allowance type	Allowance value p.a.
01/01/2015–01/10/2015	\$116,000	None	
02/10/2015–13/01/2016	\$116,000	First Aid Allowance	\$550
14/01/2016–27/08/2017	\$118,000	First Aid Allowance	\$550
28/08/2017–14/01/2018	\$118,000	None	
15/01/2018	\$119,000	None	

In this case, Emily's salary was reduced when she stopped receiving the first aid allowance on 28 August 2017 (her super salary was reduced from \$118,550 to \$118,000). Due to this reduction, agency B will need to complete the AWOTE calculator for 2018 and 2019 birthdays to check whether a maintained salary will continue to apply. Emily's birthday salary from 2019 will remain her super salary until her 2020 birthday.

Insurance salaries for PSSap members.

Eligible PSSap customers are offered lifePLUS insurance cover as part of their PSSap membership. This cover includes income protection insurance, as well as total and permanent disability and death cover.

From 1 April 2020, lifePLUS cover will be provided to eligible PSSap customers who opt in within 60 days of being offered the insurance. If the PSSap customer does not opt in, they must wait until they are over 25 years of age and their account balance is over \$6,000 before being offered insurance on an opt out basis.

If they opt in, they'll be put into the default cover, known as lifePLUS auto. If they wish to customise their insurance cover, they'll need to complete a full insurance application. If the insurer approves the application the PSSap customer's cover will change to lifePLUS choice.

The level of income protection offered to PSSap customers and the associated insurance premiums are calculated using the individual's insurance salary. This is the amount on which their pay is based when on full time sick leave.

For customers with lifePLUS auto, insurance salaries are reported to us in your pay file (also known as a SAFF) through Super Stream. It is important that you provide us with the correct insurance salary when your employee joins your agency, and that you update it each time it changes. You don't need to wait for your employee's birthday to update their insurance salary, even if their contributions are based on FCS.

If you don't provide us with an insurance salary, a default salary of \$47,000 will be applied to your employee's account. The amount payable to a person with an accepted income protection

claim is calculated based on the lesser of their actual salary for insurance at the relevant time and the insurance salary advised to us. This means that incorrectly reporting (or not reporting) insurance salaries can result in an employee receiving less than they expect if they need to make a claim.

Customers with lifePLUS choice cover are responsible for updating their own insurance salaries. It's just as important that they notify us of any changes to their earnings for the same reasons above.

Insurance salary is not relevant to CSS and PSS members.

 **More information about insurance in PSSap can be found in the 'insurance and your PSSap super' document available at csc.gov.au**

Example

Ben is a PSSap customer with lifePLUS auto cover whose contributions are based on FCS. His base salary is \$100,000 p.a., which is also the amount his salary payments would be based on if he were to go on full-time sick leave. Shortly after his birthday, he gets a promotion which increases his base salary to \$120,000 p.a.

As his contributions are based on FCS, his super contributions would continue to be based on a salary of \$100,000 until his next birthday. Despite this, his employer would report through a new insurance salary of \$120,000 p.a. on the first pay day after his promotion.

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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 RSE: R1004601 | 1922 Scheme | DFRB Scheme | PNG Scheme | DFSPB | CSC retirement income