‘Superable’ salaries

An employee’s Superable Salary will play a significant role in the calculation of the member and employer contributions to the Retirement Scheme and in the calculation of the final benefit payable.

It is therefore essential that the Superable Salaries collected from employers are correct and up to date.

Rules 1.3 and 1.4 of Schedule C, Part 1 of Annexure A of the Local Authorities Superannuation Fund Trust deed deal with the definition of salary for the Retirement Scheme.

Employees under an Award or Industrial agreement

Superable salary includes:

- Base pre-tax salary actually paid to employee, plus
- Allowances (including shift allowances) actually paid during the 12 months immediately preceding the 31 December review date and which are taken to be ‘ordinary time earnings’ (OTE), plus
- The amount of any weekly workers’ compensation payments which are taken to be ‘ordinary time earnings’, plus
- The value of private use of an employer-provided vehicle, plus
- The value of any child care facilities provided by the employer, plus
- Salary sacrifice superannuation contributions paid on behalf of the employee
- The value of any other salary sacrifice arrangements and any associated fringe benefits tax payable on such other arrangements.

Particular care needs to be taken in calculating any allowances and shift loadings that are included in the salaries reported.

Contract Employees (including Award regulated contracts)

For the purpose of this exercise, contract employees are taken to be all employees (other than Executive Officers) who are employed on an individual contract basis (including an individual on an award regulated contract).

Superable salary is the value of the employee’s total salary package less:

- The Assessed Annual Cost (AAC) cost to the employer of providing Retirement Scheme benefits as determined by the Trustee.

It should be noted that the AAC to the employer of providing Retirement Scheme benefits may bear no apparent resemblance to the contributions actually paid by the employer at any given time. The AAC is calculated as follows:

Average contribution rate x 1.9 + 2.5% of superable salary

Once the initial salary has been nominated, any increase in salary cannot be greater than the percentage by which the total salary package has increased since the salary was last nominated or changed. This means that a member’s salary can only increase if the total value of the remuneration package has also increased.

Salary Reductions

Where a member has a reduction in salary, contributions continue to be payable on the unreduced salary up until the following 31 March, unless the Trustee approves a reduction in the contributions payable. Members in this situation should be advised to contact Member Services.

Special provisions apply where the reduction in salary is 20% or more. Under these circumstances, the member concerned has the option of ‘crystallising’ their accrued entitlement in the form of a deferred benefit and then either rejoining the Retirement Scheme as a new member, or joining the Accumulation Scheme. Members wishing to take up this option should lodge an election with the Fund.

Special provisions also apply to members who have had a salary reduction due to ill-health, or other exceptional circumstances. These members may apply to Member Services to have their pre-reduction ‘superable’ salary applied up until such time as their actual salaries exceed the pre-reduction salaries. Again, members wishing to use these provisions should apply to the Fund.

'Superable' salaries

Annual Reporting of Salaries

In December each year, the Fund provides each employer with an electronic listing via e-mail of members employed by that employer.

The employer is required to provide the Fund with the following details in respect of each of those members:

Full-time members

> New full-time salary as paid at 31 December

Part-time members

> Full-time equivalent salary as at 31 December, plus

> Part-time salary as paid at 31 December,

or

> New salary ratio (if applicable).

More information on Superable Salaries can be found on page 1 of this document.

Reporting of Salaries on Exit

Employers are also required to advise the Superable Salary as an annual amount for an exiting member as at the last day of service with the employer.

This information should be provided to the Fund as soon as possible. This will reduce the risk of any delay in removing the member from the Contributions Due Report and assist in the processing of any benefit payable to the member.

Retrospective salary adjustments

The Superable Salary to be reported for contribution purposes is the salary actually in payment at 31 December. Retrospective adjustments to pay (such as back dated pay increases) should not be reported for contribution purposes. Any corrections to errors in the original salary reporting can, of course, be amended, so these should be reported to the Fund as soon as they are detected.

In the case of members who are ceasing employment, retrospective salary adjustments may be used to calculate their final benefits. Therefore retrospective adjustments will be captured via the Employment Termination Advice (ETA) which asks for the salary at exit and the previous two review days (ie the last 31 December and the 31 December before that). This will enable us to correctly determine the benefit entitlements of members whose benefits are based on final average salary.

Members transferring between employers

Members of the Retirement Scheme who transfer their employment to another the Fund employer may have the option of transferring their contributory membership to their participating employer, rather than exiting the Retirement Scheme. This is commonly referred to as 'continuity of membership'.

Continuity of membership within the Retirement Scheme can occur where a member has ceased employment and is entitled to apply for a benefit on the grounds of Partial and Permanent Invalidity (PPI), Resignation/Dismissal/Discharge or Retrenchment.

From 11 March 2015 continuity of membership is also available to members who have reached their early retirement age (which is 58 in most cases, but may be 55 if this has been carried over from membership of one of the predecessor schemes listed on page 3 of the Retirement Scheme Employer Guide).

When a member has commenced employment with another participating employer (or recommenced with the same employer) the following criteria must be met:

> the new period of employment has commenced no later than three whole calendar months following the month in which the original employment ceased.

> the member has not been paid a benefit, or any part of a benefit, following the original termination of employment.

> the member has made the application for continuity of membership to the Fund within two months of commencing employment with the new employer.

> the Trustee has granted approval for the continuity of membership to occur.

If the member has changed participating employers, but is not eligible to apply for continuity or chooses not to apply for continuity, they may elect to defer their Retirement Scheme benefit or receive a benefit payment (subject to Retirement Scheme and Preservation rules). Upon commencement with the new participating employer an Accumulation Scheme account will be opened for the member, in order to receive employer contributions (including superannuation guarantee contributions) and any personal contributions.

More information

Please contact Member Services on **1300 300 820** between 8.30am and 5.00pm, Monday to Friday, if you have any questions or need more information.