

Calculation of Superable Salary and oncost Liability and Membership Options for Public Service Senior Executives and Police Service Executives

The information contained in this fact sheet is relevant to Public Service Senior Executives and Police Service Executives who contribute to the State Authorities Superannuation Scheme (SASS), the State Superannuation Scheme (SSS) and the Police Superannuation Scheme (PSS). Members of these schemes are also covered by the State Authorities Non-contributory Superannuation Scheme (SANCS – basic benefit).

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The STC schemes are administered by Mercer Administration Services (Australia) Pty Ltd on behalf of the schemes' trustee, SAS Trustee Corporation (STC). STC is governed by the *Superannuation Act 1916*, the *State Authorities Superannuation Act 1987*, the *State Authorities Non-contributory Superannuation Act 1987*, the *Superannuation Administration Act 1996* and the *Police Regulation (Superannuation) Act 1906*. The schemes are also subject to Commonwealth superannuation and tax legislation.

STC has published this fact sheet. STC is not licenced to provide financial product advice in relation to the STC schemes or to their members.

Reasonable care has been taken in producing the information in this fact sheet and nothing in it is intended to be or should be regarded as personal advice. If there is any inconsistency between the information in this fact sheet and the relevant scheme legislation, the scheme legislation will prevail. In preparing this fact sheet, STC has not taken into account your objectives, financial situation or needs. You should consider your personal circumstances, and possibly seek professional advice, before making any decision that affects your future.

To the extent permitted by law, STC, its directors and employees do not warrant the accuracy, reliability or completeness of the information contained or omitted from this fact sheet.

1. Introduction

The elements that make up your remuneration package are matters for negotiation between you and your employer. At least part of your remuneration must go toward funding your superannuation benefits and your employer can advise you of the costs associated with your particular scheme and salary level. You will find more information on the employment portal of the NSW Public Service Commission on their website at www.psc.nsw.gov.au/legislation-and-policy/senior-executives

However, this fact sheet provides some basic information about how your salary is determined for the purposes of your SASS, SSS or PSS membership (your superable salary) — and the amount of contributions that you must make to your superannuation scheme.

This fact sheet does **not** apply to contract employees who are not either Public Service Senior Executives or Police Service Executives. This includes Health Service Senior Executives and Transport Service Senior Executives who - while employed in Public Service Senior Executive bands on a model contract under the *Government Sector Employment Act 2013* - are not considered to be executive officers under the SASS, SSS or PSS Acts. Although many aspects of contract employment are similar, there are some important differences between Public Service Senior Executives and Police Service Executives and other contract employees, including Health Service Senior Executives and Transport Service Senior Executives, as to the elements of a remuneration package that may be included in superable salary.

It is also important for you to know that if you elect to defer your SASS, SSS or PSS benefit **within 12 months** of your Public Service Senior Executive and Police Service Executive appointment, the superable salary used in the calculation of the deferred benefit will be the salary applying immediately before your appointment as a Public Service Senior Executive or Police Service Executive. More information about this rule is included in section 7. *Membership and contribution options*.

Superannuation is a complex area and the rules which govern the State Super schemes are complex. We recommend you seek professional advice based on your individual circumstances.

2. Importance of your tax file number (TFN)

Provision of your TFN is important. You do not have to provide State Super with your TFN, but if you do not, the fund is liable to pay additional income tax on assessable contributions (such as employer and salary sacrifice contributions). Commonwealth legislation requires superannuation funds to pay additional income tax (32% on top of the 15% contributions tax already paid) on assessable contributions received from members who have not provided their TFN.

If you have not provided your TFN, you should consider doing so now.

For additional information, please refer to the *Important information about your tax file number (TFN)* section of STC Form 204 *Tax file number collection* which can be downloaded from our website at www.statesuper.nsw.gov.au

3. Nomination of superable salary

Importance of your nominations

It is important that you give careful consideration to both:

- the initial nomination of your superable salary, and
- nominations of this amount at later review days.

The amount of the superannuation benefits you receive on retirement or earlier exit from employment is directly affected by the decisions you make about your superable salary.

On commencement as a Public Service Senior Executive or a Police Service Executive

On first commencing as a Public Service Senior Executive or a Police Service Executive, your employer will determine the total dollar value of the remuneration for your position. This is known as the Total Remuneration Package (TRP). Your employer will ask you to nominate a salary for superannuation purposes (superable salary). Your nomination should be made within 28 days of the commencement of your contract. If you do not nominate a salary within the 28 day period the minimum superable salary will apply.

The **minimum** superable salary that can be nominated at entry or any subsequent review day is the monetary remuneration payable i.e. the cash salary. This is generally your salary for income tax (PAYG) purposes, excluding any performance-related incentive payments.

The **maximum** superable salary that it is possible to nominate is the TRP (not including performance-related incentives), **less** your employer superannuation contribution *oncost* liability (see 4. *Employer superannuation liability*). If this maximum allowable superable salary does not apply from the beginning of your Public Service Senior Executive or Police Service Executive contract, you cannot nominate it at a later review.

Your superable salary figure may be higher than the cash salary if you have before tax elements in your package. If you do not have any before tax elements in your package apart from the superannuation oncost liability (e.g. the cost of a motor vehicle), then your minimum and maximum superable salary figures will be the same.

At later reviews

After the initial nomination of superable salary, your salary for superannuation purposes cannot increase at a percentage rate greater than any increase in your remuneration package as a whole. In other words, the proportion of your superable salary to TRP remains approximately the same throughout your employment as a Public Service Senior Executive or a Police Service Executive. The exception is where you nominate a lower superable salary at a later review. In this case, the lower proportion of superable salary to TRP applies from that time onward.

You should note that if you move into a Health Service Senior Executive or Transport Service Senior Executive position you will no longer be considered to be an executive officer under the SASS, SSS or PSS legislation, and therefore the standard rules regarding salary will apply.

The formula used to establish the new maximum salary that may be nominated at any review day is:

$$NMAX = L \times \frac{P2}{P1}$$

NMAX is the new maximum nominated salary.

L is the nominated salary at the last review.

P2 is the total remuneration package at the current review.

P1 is the total remuneration package at the previous review.

Example:

If your total remuneration package at your last review was \$120,000 and your nominated superable salary at that time was \$78,000 and the current total package at this review is \$125,800 then:

$$\begin{aligned} NMAX &= \$78,000 \times \frac{\$125,800}{\$120,000} \\ &= \$81,770 \end{aligned}$$

NMAX is the maximum salary that can be nominated at this review.

When nominating a specific superable salary figure, it will help you to know how much your employer superannuation liability will be.

4. Employer superannuation liability

You are required to meet, from your package, your employer's liability for the superannuation benefits that you accrue during your employment as a Public Service Senior Executive or a Police Service Executive. This liability, known as the employer oncost, is paid from before tax income. It is additional to the

personal (employee) contributions that members of SASS, SSS and PSS are required to pay to their schemes (see *section 8. Option to salary sacrifice personal contributions*).

The employer oncost liability varies according to the superannuation scheme or schemes of which you are a member. It is determined as a percentage of your superable salary and determined in accordance with actuarial advice. Therefore, the actual dollar amount of your oncost liability will depend on your superable salary figure.

The percentage of superable salary required to meet the employer liability oncost to your scheme has been determined by the scheme Trustee in accordance with actuarial advice.

The maximum employer oncost percentage payable by any officer is 30% of superable salary.

SASS members

In most cases, the employer oncost percentage payable by SASS members is double that of their personal contributions to the scheme, plus 2.5% for the basic benefit. A SASS member makes personal contributions of 1% of superable salary per annum to accrue one benefit point. Therefore, for every 1% of salary paid into SASS as personal contributions, a 2% contribution (from before tax salary) must be paid to satisfy the employer oncost liability, plus 2.5% for the basic benefit.

There are two exceptions:

1. If you are a former member of the State Public Service Superannuation Fund (SPSSF), the oncost percentage is 2.5% of superable salary for every 1% of personal contributions.
2. If you contribute at a rate of 7%, 8% or 9% during the term of your contract, the employer oncost may be calculated on the lower rate of 6% of superable salary. This happens if the contributions above 6% enable you to catch up on benefit points that you did not contribute for before your employment as a Public Service Senior Executive or a Police Service Executive started. When the before employment as a Public Service Senior Executive or a Police Service Executive benefit points have been made up, the employer oncost is calculated on the actual contribution rate.

In addition, if you have reached the maximum limit of 180 points, there may be no further oncost apart from the 2.5% basic benefit oncost.

SASS members are given the opportunity once each year to change the rate of their personal contribution to the scheme, within the range of 1% – 9%. Contribution rate elections take effect from 1 April. If you are a member of SASS, your employer oncost percentage should vary in line with changes that you elect to make to your personal contributions.

In accordance with Trustee policy, approval may be given to applications from Executive Officers to reduce personal contributions to 6% with effect from the first day of the month in which the member's contract as an executive officer took effect.

If you have additional benefit (death and disablement) cover in SASS, you are also required to meet the employer liability for this cover. Because the employer meets three-quarters of the cost of the additional benefit, this liability is three times the amount of the annual levy (at the date the package is allocated) that is deducted from a member's account for the cover.

SSS and PSS members

If you are a member of SSS or PSS, your oncost percentage is determined by reference to a specific table for your scheme – see section 6 – plus 2.5% for the basic benefit. Once your PSS or SSS oncost percentage has been determined, it stays the same until you reach the scheme normal retirement age. For PSS members this is age 60, for SSS members this is age 60 for members contributing for a retirement age of 60, or age 55 for certain female members contributing for a retirement age of 55. On reaching that age, the total oncost percentage reduces to 2.5%, which is the liability for the basic benefit only.

The percentage oncost figures described above are included in the various formulae for calculating the superable salary you may nominate.

5. Formula for calculating superable salary and oncost liability

Outlined below is the formula for each scheme based on nomination of the maximum superable salary allowable at the commencement of your employment as a Public Service Senior Executive or a Police Service Executive:

SASS

The formula to calculate the maximum nominated superannuation salary is:

$$\text{MAX} = \frac{T - (3 \times L)}{1.025 + (C \times R)}$$

MAX is the maximum nominated salary.

T is the total remuneration package.

L is the annual levy (at the date the package is allocated) payable for additional benefit cover.

C is the number of 'chargeable' benefit points (based on the situation at the date the package is allocated).

R is the cost of each point (2% unless you transferred from the SPSSF on 1 April 1989, in which case it is 2.5%).

Example:

If a Public Service Senior Executive or a Police Service Executive has a total package of \$120,000 and is contributing to SASS at 6% of salary and the cost of their additional benefit cover on an annual basis is \$430, then the maximum nominated salary and the employer oncost would be:

$$\text{MAX} = \frac{\$120,000 - (3 \times 430)}{1.025 + (6 \times 0.02)}$$

$$= \$118,710 \div 1.145$$

$$\text{Superable salary} = \$103,677$$

The employer oncost is the difference between \$120,000 and \$103,677 – i.e. \$16,323.

If this member then decided that the superable salary would be less than the maximum allowable, the oncost of that salary would be established as follows:

Oncost =

$$\text{Nominated salary} \times [0.025 + (C \times R)] + (3 \times L)$$

For instance, if the officer in the above example decided that the salary for superannuation purposes would be \$75,000 then the oncost would be calculated as follows:

$$\$75,000 \times [0.025 + (6 \times 0.02)] + (3 \times \$430)$$

$$\text{Oncost} = \$12,165$$

SSS and PSS

The formula to calculate the maximum nominated superannuation salary is:

$$\text{MAX} = T \div (1.025 + C)$$

MAX is the maximum nominated salary

T is the total remuneration package.

C is the package oncost value from the employer oncost table.

Example:

If a SSS retirement age 55 female, post 1963 member who joined the Fund at age 35 years and 120 days has a total package of \$120,000, the maximum nominated salary would be:

$$\text{MAX} = \$120,000 \div 1.025 + \frac{24.2 - 22.5 \times 120}{100} + \frac{22.5}{365.25 \times 100}$$

$$= \$120,000 \div 1.2556$$

$$= \$95,572$$

The employer oncost is the difference between \$120,000 and \$95,572 – i.e. \$24,428.

6. Employer oncost tables

SSS and PSS members

The employer oncost percentage that you are required to pay depends on your age when you joined the scheme and your gender. The older you were when you joined, the higher will be your oncost. If you are a SSS member, your oncost percentage also depends on whether you joined the scheme before or after 1 July 1963.

The percentages in the table below are those that would apply on your birthday at the age shown. The formulas for calculating the oncost take into account the number of days (if any) between the birthday and the date of commencement. A maximum table percentage of 27.5%, plus the 2.5% basic benefit liability, applies. After you have reached age 60 (or age 55 for certain female SSS members contributing for a retirement age of 55), the employer oncost from the table becomes zero, with the 2.5% basic benefit oncost remaining payable.

Employer oncost as % of nominated superable salary

Exact age on entry to scheme	State Superannuation Scheme						Police Superannuation Scheme	
	Pre 1 July 1963 members			Post 30 June 1963 members			Male	Female
	Males	Females R55	Females R60	Males	Females R55	Females R60		
%	%	%	%	%	%	%	%	
16	8.6	8.1	6.5	7.4	7.1	5.6	14.02	6.25
17	8.7	8.2	6.6	7.5	7.2	5.7	14.02	6.25
18	8.9	8.4	6.7	7.7	7.4	5.9	14.02	6.25
19	9.2	8.7	6.9	8.0	7.7	6.1	14.88	7.19
20	9.6	9.1	7.1	8.4	8.1	6.4	15.75	8.21
21	10.1	9.6	7.4	8.8	8.6	6.7	16.66	9.34
22	10.5	10.2	7.9	9.2	9.1	7.1	17.59	10.54
23	11.0	10.9	8.3	9.6	9.7	7.5	18.55	11.83
24	11.4	11.5	8.9	10.0	10.3	8.0	19.54	13.20
25	11.9	12.3	9.4	10.4	11.0	8.5	20.54	14.62
26	12.3	13.1	10.1	10.8	11.7	9.1	21.25	15.82
27	12.8	14.2	10.9	11.3	12.5	9.7	21.83	16.92
28	13.4	15.2	11.6	11.8	13.4	10.3	22.35	17.97
29	14.0	16.3	12.4	12.4	14.4	11.0	22.78	18.91
30	14.7	17.3	13.1	13.0	15.5	11.7	23.15	19.74
31	15.5	18.7	14.0	13.7	16.7	12.5	23.41	20.44
32	16.3	20.1	15.0	14.5	18.0	13.3	23.54	20.98
33	17.2	21.5	16.0	15.3	19.4	14.2	23.57	21.40
34	18.1	23.1	17.0	16.1	20.9	15.1	23.51	21.69
35	19.1	24.7	18.0	17.0	22.5	16.0	23.38	21.90
36	20.6	26.4	19.1	17.9	24.2	17.0	-	-
37	22.1	27.5	20.2	18.9	26.1	18.1	-	-
38	23.7	27.5	21.5	20.0	27.5	19.2	-	-
39	25.4	27.5	22.9	21.3	27.5	20.5	-	-
40	25.7	27.5	24.4	22.8	27.5	21.9	-	-
41	27.5	27.5	26.1	24.4	27.5	23.4	-	-
42	27.5	27.5	27.5	26.2	27.5	25.1	-	-
43	27.5	27.5	27.5	27.5	27.5	26.9	-	-
44	27.5	27.5	27.5	27.5	27.5	27.5	-	-
45+	27.5	27.5	27.5	27.5	27.5	27.5	-	-

7. Membership and contribution options

Public Service Senior Executives and Police Service Executives have a number of scheme membership and contribution options. You can:

Option a) Continue your current contributory SASS, SSS or PSS membership, or

Option b) (i) cease contributory membership of your current scheme and defer your accrued contributory benefit within that scheme for payment at a later date, and

(ii) pay future superannuation contributions into another superannuation fund of your choice, or

Option c) this option is the same as in b) above with the exception that, instead of leaving your deferred accrued contributory benefit within your current scheme, you can elect to rollover the lump sum value of that benefit entitlement to another complying superannuation fund, Approved Deposit Fund (ADF) or Retirement Savings Account (RSA) of your choice.

Options b) and c) – if you defer your accrued contributory scheme benefit you will not be eligible to rejoin the scheme as a contributory member at a later date. A benefit deferred within SASS, PSS or SSS is payable from the relevant scheme's early retirement age (55 or 58), provided you have ceased the employment that gave rise to the deferred benefit, or upon earlier death or total and permanent disability. The deferred benefit will be classed as "preserved" under the scheme rules until you cease the relevant employment after attaining the early retirement age.

Note: Pension rights are generally not retained on deferral or rollover, except in the case of a SSS benefit that is left deferred in that scheme.

If you do not make a specific election, then you will be deemed to have elected to take option a). An election to take either of options b) or c) can be made at any time while you remain a Public Service Senior Executive or a Police Service Executive even if you previously elected (or were deemed to have elected) to take option a) to continue as a contributory member of your scheme. If you elect to take option b) you can, at any time while you remain a Public Service Senior Executive or a Police Service Executive, take option c) to elect to rollover the lump sum value of your deferred contributory benefit to another complying superannuation fund, ADF or RSA.

If you elect to take either of options b) or c), there is **no** cash termination payment (withdrawal benefit) payable, in exchange for the (higher) deferred benefit, prior to attaining your scheme early retirement age.

If you elect to take option a), your basic benefit will continue to accrue whilst you remain a Public Service Senior Executive or a Police Service Executive. If you elect to take option b), your basic benefit will be deferred along with your accrued contributory benefit. However, if you elect to take option c), your basic benefit can be rolled over to another complying superannuation fund, ADF or RSA, along with your accrued contributory benefit.

If you elect under options b) or c) to defer your benefits within 12 months of the commencement of your employment as a Public Service Senior Executive or a Police Service Executive, the superable salary used in the calculation of the deferred benefits will be the salary applying immediately before your appointment as Public Service Senior Executive or a Police Service Executive.

However, if you have been a Public Service Senior Executive or a Police Service Executive for at least 12 months, your deferred benefits will be calculated based on the nominated superable salary. Therefore, it will generally be to your advantage to wait for a period of at least 12 months after becoming a Public Service Senior Executive or a Police Service Executive before deferring your benefit, irrespective of whether you also wish to rollover your benefit another complying superannuation fund, ADF or RSA.

Benefits deferred in the contributory schemes are adjusted, with investment earnings or by reference to the Consumer Price Index, either wholly or partly, from the date they are deferred until the date of payment. There are individual fact sheets that explain the rules applying to deferred benefits in SASS, SSS and PSS. You should read the fact sheet for your scheme to understand the conditions that apply.

Superannuation Guarantee contributions

If you elect to cease contributions to SASS, SSS or PSS and join another superannuation fund of your choice, you will be required to pay, as a minimum, the employer's cost of Superannuation Guarantee (SG) contributions. The current rate of SG contributions is 11% of cash salary. For Public Service Senior Executive or a Police Service Executive, SG contributions are not compulsory above an amount based on a superable salary equal to the 'maximum contribution base' (please contact us if details are required).

SG contributions are made from your before tax salary (unless you elect to also make additional after tax contributions). You may elect to contribute as much as you wish of your before tax income (in line with your contractual conditions) as long as you are meeting the minimum SG contribution requirement.

Return to a non-Public Service Senior Executive or a non-Police Service Executive position

If you return to a non-Public Service Senior Executive or a non-Police Service Executive position in the public sector (including to Health Service Senior Executives and Transport Service Senior Executives positions), maintenance of your salary to the value of your total remuneration package can apply for up to 12 months. However, the special packaging arrangements applying to non-monetary benefits other than superannuation are no longer available. Effectively, what this means is that only certain non-monetary benefits may count as superable salary. For most public sector employees, these 'approved employment benefits' are pre-tax superannuation contributions, motor vehicle (private usage component), and child care expenses. If you deferred your SASS, SSS or PSS benefit during your employment as a Public Service Senior Executive or a Police Service Executive, you will not be eligible to rejoin your former scheme.

8. Option to salary sacrifice personal contributions

SASS, SSS and PSS members are allowed, with their employer's agreement, to make their personal (employee) contributions from pre-tax income (salary sacrifice).

Salary sacrifice is not compulsory. With your employer's agreement, you have the choice of paying your compulsory personal contributions:

- entirely from your after-tax salary
- entirely from your before-tax salary i.e. salary sacrifice contributions
- from a combination of before-tax and after-tax salary.

If you make personal contributions by salary sacrifice you should note that the contribution rate paid will be greater than the amount paid from after tax income, to allow for contributions tax.

Can I make additional contributions?

SASS, SSS and PSS can only accept your compulsory personal contributions. Any additional contributions you wish to make (either by salary sacrifice or from after-tax money) must be paid into another superannuation fund of your choice.

If you are considering making additional contributions to another superannuation fund, please refer to our website regarding contribution caps and your total superannuation balance. There is a fact sheet specific to each of our schemes.

SSS Fact sheet 23: *Contribution caps and your total superannuation balance*

SASS Fact sheet 16: *Contribution caps and your total superannuation balance*

PSS Fact sheet 16: *Contribution caps and your total superannuation balance*

9. Superannuation tax rules

Please see STC Fact Sheet 3: *Taxation*, for details of the Commonwealth tax rules regarding superannuation, including:

- the amount of tax payable on superannuation contributions when they are made to a fund;
- the amount of tax payable on superannuation benefit payments at certain ages, and
- the importance of providing your TFN.

More information

If you need more information, please contact us:

Telephone: **SASS** 1300 130 095 **SSS** 1300 130 096 **PSS** 1300 130 097 **Deferred Benefits** 1300 130 094
8.30 am to 5.30 pm, Monday to Friday.

Personal interviews: Please phone to make an appointment.

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