

## Title: Superannuation and Ordinary Time Earnings

### Changes to Superannuation

Under the Memorandum of Agreement, *Public Sector Wage Bargaining in Queensland 2005-2007* the Queensland government and unions representing public sector employees agreed to implement an ordinary time earnings calculation for superannuation as of 1 July 2006.

Under the Superannuation Laws Amendment (2004 Measures No 2) Act 2004 a standard calculation method for employer contributions will be mandatory for all employees as of 1 July 2008. From that date the minimum employer contribution calculation is to be determined by multiplying the minimum required employer contribution rate (currently 9%) by the employee's Ordinary Time Earnings. The Memorandum of Agreement, *Public Sector Wage Bargaining in Queensland 2005-2007* introduces the benefit to the Queensland Public Sector employees two years early.

### What is Ordinary Time (OTE)

OTE can be defined as before tax earnings that are the result of an employee's ordinary hours of work. This does not include overtime or leave loading. However, it does include shift allowance, weekend penalties, higher duties allowance and locality allowances, which are currently not included in the calculation of employer superannuation contributions. Each public sector agency needs to consider the types of payments made and determine whether they fall within the OTE category. The ATO has provided a checklist<sup>1</sup> to determine salary or wages and OTE payments. This checklist can be found at the end of this circular.

The changes requiring ordinary time earnings to be the basis of minimum superannuation contributions calculations aims to standardise the contributions earnings base and superannuation guarantee calculation for all Australian employees.

### What Does This Mean to Employees?

From 1 July 2006 all eligible employees will have their current employer contribution tested against 9% of their OTE salary. Where the contribution based on OTE is higher than the standard employer contribution, the higher amount will be paid. This change may benefit QSuper members who currently have certain allowances (such as shift allowance) not included in the QSuper definition of salary. For example: a shift worker may benefit as the shift penalties are included in OTE salary, which may increase the employer contribution. In addition, some contributory members with lower contribution

<sup>1</sup> Superannuation A guide to employers,  
[www.ato.gov.au/super/cont.asp?doc=/content/19818/htm&page=23&pc=001/007/043/009/001&mnu=1887&mp=001/007&st=&cy=1](http://www.ato.gov.au/super/cont.asp?doc=/content/19818/htm&page=23&pc=001/007/043/009/001&mnu=1887&mp=001/007&st=&cy=1)

rates (2% to 3%) may benefit where their total salary includes allowances currently not included in QSuper salary but recognised for OTE purposes.

### QSuper Defined Benefit Account

QSuper's salary definition will continue to be applied to the calculation of benefits for employees who have a Defined Benefit account. A minimum benefit test will apply on exit (eg Retirement, resignation, etc) to ensure that the employer component equals at least 9% of the OTE from 1 July 2006.

### What is the Impact on Salary Sacrifice?

As OTE relates to the employer contribution, your current salary sacrifice arrangements will not change.

### Further Information

Employees seeking further information should consult their payslips or contact their agency's payroll services.

Payment Type	OTE	Salary or Wages
Allowances paid (other than a reimbursement of expenses)	Yes	Yes
Reimbursement of expenses (eg travel costs)	No	No
Bonuses that do not relate to specific performance criteria (eg Christmas bonuses)	No	Yes
Other bonuses	Yes	Yes
Commission	Yes	Yes
Over-award payments	Yes	Yes
Shift loading	Yes	Yes
Overtime	No	Yes
Casual loading	Yes	Yes
Benefits subject to fringe benefits tax	No	No
Workers compensation payments, including top up payments where no work is performed	No	No
Workers compensation payments, including top up payments paid by employer, where work is performed	Yes	Yes
Top up payments (eg when serving on jury duty or with reserve forces etc)	No	Yes
Payments when on maternity or paternity leave	No*	Yes
Pay for annual holiday leave taken	Yes	Yes
Government (wage) subsidies (eg Newstart allowance)	Yes	Yes
Annual leave loading	No	Yes
Pay for sick leave taken	Yes	Yes
Pay for long service leave taken	Yes	Yes
Accrued annual leave, long service leave and sick leave as a lump sum on termination	No	Yes

Payments in lieu of notice	No	Yes
Redundancy payments	No	Yes
Other payment made by an employer on termination of employment	No	Yes
Directors fees	Yes	Yes
Payments for performance in, or provision of services relating to, entertainment, sport, promotions, films, discs, tapes, TV or radio	Yes	Yes
Payments to a contractor who is an employee under the SGAA (labour portion only)	Yes	Yes
Dividends	No	No
Partnership and trust distributions	No	No
Payments for entering into restraint of trade agreement	No	No
Payments for domestic or private work under 30 hours per week.	No	No

\* QSuper recognises payments for maternity or paternity leave as part of the QSuper definition of salary.

The Division of Public Sector Industrial and Employee Relations provides policy advice and consultancy and training services to Queensland Government departments and agencies. It is part of the Department of Industrial Relations. Agency enquiries about this circular should be directed to Katrina McGill on telephone 07 322 46309.

- General enquiries about public sector industrial and employee relations matters should be directed to telephone 07 3239 0402.
- Written enquiries should be addressed to:  
The General Manager  
Public Sector Industrial and Employee Relations  
Department of Industrial Relations  
GPO Box 69  
BRISBANE Q 4001

Copies of all current circulars issued by Public Sector Industrial and Employee Relations are available from the department's web site at [www.psier.qld.gov.au](http://www.psier.qld.gov.au)