

Salary for super purposes

How your salary is defined for superannuation purposes affects how much your employer contributes.

What is your salary for super purposes?

LGsuper defines your salary as the fixed payment you receive from your employer, plus any permanent allowances, as well as any non-cash benefit that forms part of a packaging arrangement and may be taken in cash. For more information on the specific definition used in salary packaging situations, contact LGsuper.

If a member's benefit is found to have been based on a salary that does not meet this definition, LGsuper may correct their benefit.

Since 1 July 2008, employers are required to contribute at least 9% of ordinary time earnings to meet their superannuation guarantee obligations. Ordinary time earnings generally include above award payments, commissions, allowances and paid leave. It does not usually include overtime.

Employers paying 12% of superannuation salary (as defined by LGsuper) are required to make sure this amount is at least equal to 9% of ordinary time earnings. If it isn't, the employer is to make an additional employer contribution for you. You are not required to contribute the 6% standard member contribution on the higher ordinary time earnings salary.

How do salary changes affect your super?

Not all changes to your salary will affect your superannuation. Your salary for superannuation purposes will only change if there is an actual change to your salary. If there is a change within your total salary package, but the overall value of your package remains the same, this will not change your salary for superannuation. The case studies below show how this works.

Salary changes with no effect on super

Example—packaging up

Rhonda is a senior executive with local government. In addition to her salary, Rhonda's employer provides her with a car. This year, her employer packages all of her entitlements for a total employment package. Rhonda sacrifices part of the package for a car and employer super contributions, meaning she receives the same pay, same car and same super. Her salary for super has not changed.

Example—variation within salary package

Andrew has a salary package similar to Rhonda's. After a year, he stops sacrificing salary for a car. The value of his overall package remains the same, and the increase in his pay (due to no longer packaging for the car) is not a salary variation that affects his salary for super purposes.

Example—packaging down

Bronwyn's employer has introduced salary packaging, allowing her to sacrifice a portion of her salary to lease a car from pre-tax salary. The reduction in Bronwyn's pay does not affect her super, as her pre-sacrifice salary continues to apply. Similarly, if she stopped salary sacrificing (like Andrew), her super salary would remain the same.

Example—variation within salary package

Brian is a tradesman with local government. His salary package has traditionally included a base wage plus allowances (both permanent and temporary). His super has always been calculated on his base wage plus permanent allowances. Through an enterprise agreement, all of Brian's entitlements are combined into a single salary figure, without changing the overall value of the total package. This variation to his salary is not included for super purposes.

Salary changes affecting super

Example—general salary variation

Mary is an administrative officer. Her salary increases with a general salary variation that affects all administrative officers. Her increased salary will be the salary for superannuation purposes.

Example—promotion

Tom, a mechanic, receives a promotion. His increase in pay will be used for his super.

Example—position upgrade

Alison is a head of information technology. Her employer arranges for an independent evaluation of her job that leads to the position being upgraded. Her salary increase will be used for super purposes.

Example—job downgrade

Barry, a senior manager, is approaching retirement. He would like to keep working, but in a less stressful position. His employer offers him a lower graded role, so the stress on Barry is reduced, and they can continue to take advantage of his knowledge. Barry accepts. His new salary will be the super salary, however he can continue paying contributions at the higher rate and his benefit will continue to be calculated based on his higher salary.

When will your salary change affect your super?

Any change to your salary for superannuation purposes will take effect immediately. Salary changes that took place after all case studies before 1 July 2007 did not take effect until the earlier of next 1 July or 1 January.

Any questions?

LGsuper is here to help. Contact us on 1800 444 396 to talk through your options and have your questions answered.

This info sheet has been prepared by the Queensland Local Government Superannuation Board (AFSL 230511 RSE Licence No. L0000178) on behalf of the Local Government Superannuation Scheme (ABN 23 053 121 564 RSE Registration No. R1000160). Information on products offered by the Board can be found in our product disclosure statements.

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Jul 10

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