

CIRCULAR FOR THE INFORMATION OF ALL AEU MEMBERS

RE: THE EFFECT OF BACKDATED PAY INCREASES ON CSS AND PSS

Following endorsement of the *First Stage Increase Final Offer* for school sector teachers and CIT teachers, many members asked the AEU to seek clarification of the implications of the pay rise for their superannuation contributions and entitlements.

While the initial increases under the next EBA are to be effective from 1 October 2003, the money cannot be paid to teachers until the EBA is certified by the AIRC. This means that there will be backdating of the increase to 1 October 2003.

The information in this circular is general advice in response to the specific questions asked in regard to the treatment of backdated pay increase by CSS and PSS.

As always, the AEU recommends members seek individual advice about the implications of this information for their own circumstances. Such advice should be sought from a qualified source such as ComSuper Advisory Service, or an appropriate financial advisor.

QUESTION:

Could you please explain the way a backdated pay rise impacts on PSS and CSS contributions and exit salary as provided for under the PSS Rule 3.1.2 and Superannuation (CSS) Salary Regulation Part5, Section 19(1).

Specifically if a Certified Agreement provides a pay rise from 1 October 2003, but the Agreement is not certified in the AIRC until some time after this date, what impact does the 1 October pay rise have on PSS and CSS contributions (including arrears), and what impact does it have on benefit calculations for staff who exit the scheme after 1 October 2003 but before the new Agreement has been certified.

ANSWER: (Provided by ComSuper)

If a pay rise is payable from 1 October 2003, even though it is certified at a later date, every PSS member who had a birthday on/from 1 October 2003 must have their salary for contribution purposes adjusted to reflect the new salary. Arrears for contributions and EPSC (Employee Superannuation Productivity Contribution) must also be paid.

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ComSuper must also be advised of any PSS member who had a birthday on/from 1 October and ceased employment prior to certification. This is because every PSS member is entitled to have the actual salary payable to them on their birthday to be part of their Final Average Salary for benefit purposes. They will not have to pay contribution arrears as they will have ceased membership but the employer should pay EPSC arrears as the new EPSC payment will form part of their preserved benefit or payable as a balance due amount.

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The CSS must have a pay rise payable and approved before the members birthday to affect the members contribution salary. Therefore, any CSS member who had a birthday from 1 October until the day before certification will not have their salary for contribution purposes adjusted.

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However, even though the new salary is not salary for contribution purposes, it is salary for benefit purposes. Therefore, the agency must advise ComSuper of the new salary for any CSS member who ceased membership on/from 1 October where the final salary for superannuation purposes was applicable at date of exit. This generally means that ComSuper will recalculate the member's pension benefit based on the new higher salary and pay arrears of pension to the member. There are no arrears payable by the employer or the employee.

Clive Haggar
Branch Secretary

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