

Change to Employer Superannuation Arrangements for Employees Aged 70 or Older

Following amendments to Commonwealth superannuation legislation that came into effect on 1 July 2007, the Victorian Government has decided to change employer superannuation contribution arrangements for public sector employees aged 70 or more from 1 July 2007.

Under the previous arrangements, contributions under the Commonwealth's Superannuation Guarantee legislation ceased when an employee turned 70 years of age.

Under the new arrangements, public sector employers, including DEECD and schools, are to make voluntary employer superannuation contributions up to age 75, provided the employee meets the 'gainful employment test' which requires that they have worked for at least 40 hours in a consecutive 30 day period during the financial year in which the contribution is made. Specifically the minimum threshold of \$450 earnings in a month does not apply as it relates to SG.

The contribution of 9% of salary can only be made to a complying superannuation fund as an Additional Superannuation payment not as Superannuation Guarantee payments.

Once an employee turns 75 all superannuation contributions must cease, however the employee is to be compensated for the loss of employer superannuation contributions by an increase in salary of 9% once they meet the 'gainful employment test'. This test must be applied each financial year.

In the case of employees paid on HRMS, the affected employees have been identified and advised of the change and all required changes will be undertaken centrally.

In the case of employees paid on the school level payroll, schools will need to identify employees aged 70 to 75, calculate the employer contribution of 9% of salary (backdated to 1 July 2007, or the date the employee became eligible since 1/07/2007) for those who meet the "gainful employment test", and pay this to a complying superannuation fund nominated by the employee. (**Note:** as these are voluntary employer contributions, the superannuation guarantee charge for 'late payment' of contributions does NOT apply).

In the case of employees aged 75 or older, who meet the 'gainful employment test' for the current financial year, their salary will need to be increased by 9% either from 01/07/2007 or from the date they turned 75 after 1/07/2007.

CASES21 procedures to accommodate these new arrangements are listed below.

To process voluntary employer superannuation contributions for employees 70 - 75 yrs in CASES21 Finance.

Employees aged between 70 - 75 years

Once an employee turns 70 and the 'gainful employment test' has been met, an employer additional contribution must be paid to the employee's superannuation fund. This contribution is calculated at 9% of the gross salary. Employee's who turned 70 prior to 1/07/2007 must meet the gainful employment test from 01/07/2007 and have this contribution backdated to 1/07/2007.

Process.

The amount is calculated manually and added to the next invoice for the super fund with the GL code 80080 and the relevant Subprogram.

This amount is entered in the Additional Payment column of the online superannuation form or manually added to the hardcopy superannuation fund form.

To process employer additional 9% salary for employees aged 75 yrs and over in CASES21 Finance.

Employees aged 75+

Employees aged 75 or older as at 01/07/07 are to be compensated for loss of employer superannuation by receiving 9% extra in their payroll salary, once the 'gainful employment test' is met each financial year.

This year the payment is to be back dated to 01/07/2007 or backdated to their 75th birthday whichever was most recent.

Process

Create a new Pay Item and name it 'Additional 9% salary 75+'

To add a new Pay Item, open the *Payroll | Reference Tables | Payroll Data Maintenance | Pay Item Details (PI11001S)* format.

- click on the **Add a New Record** icon on the toolbar.

PI11001S Pay Item Details - Display - 9991:DEECD VIC School

File Edit View Help

Pay Items Defaults and Leave Loading Details Leave Details Operator

Pay item: 12 Additional 9% salary 75+ Add Record

Transaction type: A Does this affect tax: Y

Unit of measure: Val Tax rate: 0

Category: NORM Tax free amount: 0.00

SGL applies: N

Personal super applies: N

Sub Program: []

Program: []

GL Code: []

Initiative: []

PAYG Payment summary box: 1

Payroll group: 0 (0 means all groups)

deet Enter a value for TRANSTYPE CASES21 Service Pack 2

- Enter a code to identify this new pay item into the **Pay Item** field.
Handy Hint: It is recommended that when adding new pay items a naming convention on the **Pay Item** key be developed – for example, name all tax pay items in the 1-9 range, and choose a different range for other types of pay items such as allowances, deductions etc.
- Enter the **Description** Additional 9% salary 75+
- Select the **Transaction type** A
- Select the **Unit of measure** Value
- Enter the **Category** NORM
- It is recommended the **Sub Program**, **GL Code** and **Initiative** fields remain blank. The coding for these fields will be automatically allocated from the Cost Centre Details format (if used) or the Department Details format.
- Select 1 Normal Pay from the **PAYG Payment summary box**.

- The **Payroll group** field defaults to **0** (indicating all groups). Do not change this default as you will then be able to use the pay item for any payroll groups you have created.
- Enter **Y** into the **Does this affect tax** field.
- **Tax rate** field = 0.
- **Tax free amount** = 0.00
- Enter **N** into the **SGL applies** field.
- Enter **N** into the **Personal Super applies** field.

Click on the **Defaults and Leave Loading Details** panel tab.

The screenshot shows a software window titled "PI110015 Pay Item Details - Display - 9991:DEECD VIC School". The window has a menu bar (File, Edit, View, Help) and a toolbar with various icons. Below the toolbar are tabs for "Pay Items", "Defaults and Leave Loading Details", "Leave Details", and "Operator". The "Defaults and Leave Loading Details" tab is selected. The main area contains several input fields: "Pay item:" with a dropdown menu showing "12" and a "Save" icon; "Additional 9% salary 75+"; "Base item to get rate from:" with a text box containing "0"; "Calculate Leave loading:" with a checkbox; "Base item for leave load rate:" with a checkbox; "Percentage of base item:" with a text box containing "0.00"; and "Auto calculate value:" with a dropdown menu showing "N". An "Edit Record" link is visible in the top right corner.

- **Auto calculate value** field; enter **N**.
- Save the changes by clicking on the **Save Changes** icon on the toolbar.

When the payroll is processed the new pay item must be added to the employee's Normal Employee Payroll screen.

Open the *Payroll processing / Process Payroll / Payroll Processing (PE31001)* format

- Select the employee name from the drop down box in the **Employee** field
- Select a new pay line
- In the **Item** field select the Pay Item created for Additional 9% Salary 75+
- The description in the **Detail** field will automatically default
- In the **Value** field enter the *lump* sum amount calculated that is 9% of the Normal Pay
- Save the details by clicking on the **Save Changes** icon on the toolbar

NOTE: This Pay line would not be saved as **Standard Pay** because it only applies after the employee has met the 'gainful employment test' during the current financial year. The gainful employment test must be applied each financial year.