



Collection of Ordinary Time Earnings salary in the Retirement and Defined Benefit Schemes

What has changed?

On 1 July 2008, the base used to calculate the amount required to satisfy the Superannuation Guarantee obligation (currently 9%) was changed to Ordinary Time Earnings (OTE).

A clear explanation of OTE is provided in the ATO Superannuation Guarantee Ruling (SGR) 2009/2, which is available from the Australian Tax Office website at www.ato.gov.au. Broadly, OTE includes amounts an employee earns for ordinary hours of work, including over-award payments, shift or casual loading, commissions, allowances, bonuses (other than those for work done in overtime hours) and payments in lieu of notice. It does not include overtime payments or lump sum payments made on the termination of employment in relation to accrued leave.

Why will employers need to provide superable salary and OTE information?

It is understood that most employers already use OTE to calculate their Superannuation Guarantee requirements for accumulation schemes. However, for the defined benefits schemes such as the Energy Industries Retirement Scheme and the Energy Industries Defined Benefit Scheme the salary used to determine entitlements is defined in the Trust Deed and is known as the Superable Salary.

To determine if the employer has satisfied the Superannuation Guarantee a "test" is performed to ensure that the employer benefit provided by the Scheme is of a value sufficient to have satisfied the Superannuation Guarantee requirements. If the benefit is not of a sufficient level then an additional amount equivalent to the shortfall is added to the benefit payable. In most cases the benefits provided by the Scheme are of a sufficient level and no shortfall amount is required to be added to the benefit paid.

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This "test" is prescribed under what is called the Benefit Certificate as supplied by the Scheme's Actuary. A new Certificate has been issued with effect from 1 July 2008 which caters for the new OTE provisions and this can be viewed in the Scheme Documents section of the website at www.eisuper.com.au

The Certificate requires that the test now uses an OTE salary definition for superannuation accruing after 1 July 2008. This means that the Scheme will now need to collect both superable salary and OTE salary for Retirement Scheme and Defined Benefit Scheme members. To minimise inconvenience to employers it is proposed that the Scheme will request the additional salary information at exit and as at 30 June each year commencing 2009.

Will employers need to provide historical OTE information?

Given that member benefits depend on the average of their superable salaries for the three years prior to their retirement, the Certificate requires an average OTE definition meaning that historical OTE salaries would be required. It is understood that this would pose an issue for employers to provide this historical data which is why, from an administrative perspective, it is intended only to request the OTE information in the event of a payment and commence collecting this data for all members of the Defined Benefit and Retirement Schemes commencing 30 June 2009.

Need further information?

If you would like further information, please contact Employer Services on 1800 636 441 between 8.30am and 5pm on any business day.