

# EMPLOYER GUIDE: DEFINED BENEFIT SCHEME

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**ACTIVE**  **SUPER**

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## Membership

Members of the Active Super Defined Benefit Scheme were originally members of the State Superannuation Scheme (SSS) and were either compulsorily transferred to Active Super on 1 July 1997 or have subsequently transferred their membership from SSS after becoming employed by an Active Super employer.

Defined Benefit Scheme Rules make no distinction between casual and permanent employees. It is quite possible for a casual employee to continue membership in this Division under some circumstances.

A casual employee wanting to continue their Defined Benefit Scheme should contact the Active Super Member Care team for clarification on whether or not this is possible.

## Defined member contributions

Each year, members elect (or are required) to contribute for a specified number of units of pension. Members' individual unit entitlements are based on their superable salaries at each Annual Review Day (ARD).

The adjustments to members' unit entitlements take effect on the Annual Adjustment Day (AAD). The ARD and AAD will vary depending on the member's month of birth as shown below:

MONTH OF BIRTH	ANNUAL REVIEW DAY	ANNUAL ADJUSTMENT DAY
January to June	28 July	21 October
July to December	9 February	5 May

Prior to each AAD, employers are notified of the new four-weekly contributions payable by each member; there are 13 contribution periods in each financial year. It is the responsibility of the employer to:

- deduct these contributions from their employees' salaries
- forward the amounts deducted to the Scheme administrator by no later than the 28th day of the following month.

Subject to employer conditions, members may meet their contribution obligations by:

- concessional (pre-tax) contributions only, grossed up to allow for the 15% contributions tax (or 30% tax for some or all of the contributions for any employees earning \$250,000 or more per annum), or
- non-concessional (post-tax) contributions only, or
- a combination of concessional and non-concessional contributions.

The contributions periods are shown in the table below:

PERIOD NO	FROM	TO
1	1 July	28 July
2	29 July	25 August
3	26 August	22 September
4	23 September	20 October
5	21 October	17 November
6	18 November	15 December
7	16 December	12 January
8	13 January	9 February
9	10 February	9 March
10	10 March	6 April
11	7 April	4 May
12	5 May	1 June
13	2 June	30 June

## Additional member contributions

Members may make contributions to the Defined Benefit Scheme over and above the defined contributions they pay towards their individual unit entitlements. However, these additional contributions do not count towards the defined benefits provided by the Defined Benefit Scheme. Instead, they are invested in the member's Other Contributions (OC) account.

## Employer contributions

Under the Active Super Trust Deed, an employer is required to make certain contributions to the Defined Benefit Scheme on a four-weekly basis:

- Defined contributions to fund the employer financed benefit.
- Contributions to fund the defined Basic Benefit (BB).
- A Past Service Contribution (where required) to supplement the defined contributions towards the employer financed benefit.

While the contributions towards the employer financed benefit and BB are calculated and requested for each member individually, any Past Service Contribution due is requested as a single amount on each four-weekly Contributions Due Report.

## Contributions to fund the employer financed benefit

The four-weekly contribution to fund the employer financed benefit and BB of each Defined Benefit Scheme member is based on a billing multiple and BB contribution rate, applied against the member's own four-weekly contribution.

The Defined Benefit Scheme billing multiple is determined separately by the Fund's actuary and differs to the billing multiple for the Retirement Scheme.

The historical movements in the Defined Benefit Scheme billing multiple and BB contribution rate are shown below:

DATE	BILLING MULTIPLE	BASIC BENEFIT RATE
1 Jul 1997 to 30 Jun 1998	1.64x	2.5%
1 Jul 1998 to 30 Jun 1999	1.1x	2.7%
1 Jul 1999 to 30 Jun 2000	1.0x	Nil
1 Jul 2000 to 31 Oct 2000	0.9x	Nil
1 Nov 2000 to 30 Jun 2005	Nil	Nil
1 Jul 2005 to 30 Jun 2008	0.82x	1.25%
1 Jul 2008 to 30 Jun 2009	1.64x	2.5%
1 Jul 2009 to 30 Jun 2011	3.28x	5.0%
1 Jul 2011 onwards	1.64x	2.5%

## Government co-contributions

The entitlement of a Defined Benefit Scheme member to the Government co-contribution is the same as for an Accumulation Scheme member.

If Active Super receives a co-contribution for a Defined Benefit Scheme member, it is deposited to that member's OC account.

## Non-concessional contributions

For the Defined Benefit Scheme, the following contribution types are considered to be non-concessional contributions:

- Defined contributions made by the member towards units (if paid from post-tax salary).
- Member top-up contributions to their OC account (if paid from post-tax salary).
- Spouse contributions received on behalf of the member to their OC account.
- Government co-contributions received on behalf of the member to their OC account. (These do not count towards the member's non-concessional cap).

The rules for Defined Benefit Scheme members for the non-concessional cap are the same as those described for the Accumulation Scheme. Find out more about [non-concessional contributions](#) and [contribution cap limits](#) at the ATO website or by calling Member Care.

## Concessional contributions

For the Defined Benefit Scheme, the following contributions are considered to be concessional contributions:

- Defined employer contributions.
- Defined BB contributions, made by an employer.
- Defined contributions made by the member towards units (if paid on a pre-tax basis).
- Any other employer contributions (such as Award contributions) paid to their OC account.
- Any member 'top up' contributions made by the member to their OC account on a pre-tax basis only (such as salary sacrifice).
- Any member 'top up' contributions made by the member to their OC account on a post-tax basis for which they later claim a tax deduction.

## Notional Taxed Contributions (NTC)

For the purpose of reporting concessional contributions to the ATO, the defined employer and BB contributions are estimated using a formula and form part of the Notional Taxed Contributions (NTC).

The general rules for Defined Benefit Scheme members in respect of the concessional contributions cap are the same as those described for the Accumulation Scheme. However, as with the Retirement Scheme, some additional complexity exists in the reporting of concessional contributions to the ATO.

Like the Retirement Scheme, the Defined Benefit Scheme utilises actuarial formulae to estimate the concessional contributions to be reported to the ATO in respect of each financial year. Because this is an estimate, it should be noted that a member's NTC may not match the actual contributions made by the employer for that member during the year.

Included in the NTC for Defined Benefit Scheme members are:

- Defined employer contributions
- Defined BB contributions made by an employer
- Defined contributions made by the member towards units (if paid on a pre-tax basis).

The defined member contributions do not need to be estimated, but they form part of the NTC along with the estimated employer amounts.

The Scheme administrator must calculate the NTC at the end of each financial year, add the total NTC to any other concessional contributions made to the Defined Benefit Scheme during the financial year (e.g. to the OC account) and report the total concessional contributions to the ATO.

In all cases when the NTC exceeds the concessional cap by itself (i.e. not in conjunction with any other non-NTC concessional contributions), there are special provisions that allow Active Super to protect the member's NTC against breaching the concessional cap.

**Please refer members enquiring about concessional contributions, the NTC and/or the concessional cap to Member Care.**

## Superable salaries

Members' unit entitlements are calculated using salaries advised by the employer. It is therefore important that the reported salaries are correct.

The Rules concerning the calculation of superable salary can be found in Schedule 4 of the Trust Deed, (Rules 1.2 and 1.3), available at [activesuper.com.au](http://activesuper.com.au)

The following is a summary of the rules.

## Award or wages employees

Superable salary includes:

- the base pre-tax salary actually paid to employee, excluding any allowances or leave payments, plus
- allowances (including shift allowances) actually paid during the 12 months immediately preceding the members annual review date and which are taken to be Ordinary Time Earnings (OTE), plus
- the amount of any weekly workers' compensation payments which are taken to be OTE, plus
- the value of any private use of a motor vehicle provided by the employer, plus
- the value of any child care facilities provided by the employer, plus
- voluntary salary sacrifice (concessional) superannuation contributions paid on behalf of the employee
- the value of any other salary sacrifice arrangements and any associated fringe benefits tax payable.

## Salary reductions

When a member has a reduction in salary, an employer should immediately notify the Trustee of the reduction. Contributions continue to be payable on the units for which contributions were already being paid unless the Trustee approves a reduction in the contributions payable.

The excess units do not, however, attract any benefits until such time as the member's unit entitlement increases with salary increases to the same level or higher than the previous, higher salary.

Special provisions apply where the reduction in salary is 20% or more. Under these circumstances the member has the option of crystallising their accrued entitlement in the form of a deferred benefit and then either joining the Active Super Retirement Scheme as a new member or joining the Active Super Accumulation Scheme.

Special provisions also apply to members who have had a salary reduction due to ill-health, or other exceptional circumstances. These members can apply to the Trustee to have their pre-reduction unit entitlement (and hence benefits) continue to apply up until such time as their actual salaries reach the pre-reduction salaries.

**Please refer members who are subject to a salary reduction to Member Care to discuss their options.**

## Annual reporting of salaries

For each Annual Review Day, Active Super provides each employer with a list of members employed by them whose salaries are to be reviewed. The employer needs to check this list against their own records and provide Active Super with the following details for each of their current members:

- Membership number
- Name
- Actual salary paid as at the Annual Review Day
- Equivalent full-time salary for part-time employees as at the Annual Review Day.

Please provide these details to Active Super no later than two weeks following the Annual Review Day.

## Benefit Certificate

As with the Retirement Scheme, Active Super holds a [Benefit Certificate for the Defined Benefit Scheme](#) which states that Active Super will ensure it complies with its SG obligations.

## Members transferring between employers

Members of the Defined Benefit Scheme who transfer employment to another local government employer within NSW may transfer their contributory membership to the new employer under the continuity provisions described for the Retirement Scheme.

Additionally, the same mobility provisions also apply for former members of the EISS Defined Benefit Scheme and SSS who join an Active Super employer.



## Executive officers

Defined Benefit Scheme members who are considered to be executive officers have the option of transferring their Active Super membership to the Accumulation Scheme. Upon doing so, they can leave their accrued entitlements in the Defined Benefit Scheme as a deferred benefit or arrange to have the deferred benefit transferred to the Accumulation Scheme as a lump sum.

Members seeking further information about a transfer to the Accumulation Scheme as an executive officer should contact Member Care.

## Leave without pay (LWOP)

There are two types of LWOP: prescribed (approved) and non-prescribed (non-approved). The Defined Benefit Scheme treats these two types of LWOP differently. The prescribed LWOP counts as service for Defined Benefit Scheme purposes, whereas non-prescribed LWOP may not.

### Prescribed or approved LWOP

The major types of prescribed LWOP are maternity/paternity leave and sick leave without pay. Other classes of prescribed LWOP are listed at Rule 11.8.4 of Schedule 4 to the Trust Deed, which can be accessed on [activesuper.com.au](http://activesuper.com.au)

Member contributions continue to be payable while a member is on prescribed LWOP at the same rate as would apply if the member was not on LWOP. Arrangements should be made with members regarding the payment of those contributions prior to leave commencing.

Members may have the option to defer payment of their contributions until they return from leave. Members seeking more information on his option should contact Member Care.

Employers should note that employer contributions (when applicable) also continue to be payable while a member is on prescribed LWOP.

A period of prescribed LWOP that exceeds two years duration is treated as non-prescribed LWOP from the end of that two year period. See the non-prescribed conditions below.

### Non-prescribed or non-approved LWOP

This includes any LWOP that is not prescribed or authorised LWOP.

Any period of non-prescribed LWOP that is more than three months can continue to be counted as active service provided the member makes arrangements with their employer to meet the employer's contribution liability for the whole period the member is on leave. The employer should advise the Scheme administrator whether or not such arrangements have been made prior to the member commencing leave.

Member contributions continue to be payable, although when no arrangement is made with the member to pay the employer contributions during the period of non-prescribed LWOP, there might be a reduction in the member's unit entitlement and contribution rate.

Members' entitlements to the Basic Benefit (the separate 3% employer funded benefit) do not accrue in respect of any period of non-prescribed LWOP that exceeds five days. Employers are therefore required to report all periods of non-prescribed LWOP exceeding five days, irrespective of whether or not that period extends over three months.

The following table summarises the differences between approved and non-approved LWOP:

	<b>APPROVED LWOP</b>	<b>NON-APPROVED LWOP</b>
Types of leave	Sick leave without pay, maternity leave without pay, secondment, workers compensation, duties for the employer or State, military leave, circumstances approved by the Trustee.	Holiday or annual leave.
Is employer advice required?	No—unless sick leave or maternity/paternity leave without pay exceeds two years.	Yes—for LWOP in excess of five days and for part-time LWOP.
Are contributions payable?	Yes—employee and employer contributions are payable. However, for sick or maternity leave, contributions are due for the first two years only.	Employee and employer contributions remain payable for the whole period.
Is there a permanent reduction in unit entitlement?	No.	Yes. The employer may require the employee to pay the employer's contributions liability for the whole period of the leave (generally when the leave exceeds three months). If the employee is unable to pay the employer's liability, the employee may take a permanent reduction in unit entitlement. The employee should contact Member Care.
Can employee contributions be deferred?	Yes, subject to the Trustee's approval.	Yes, subject to the Trustee's approval.

#### Basic Benefit

The Basic Benefit accrues for the first two years only for maternity and sick LWOP.

The Basic Benefit does not accrue for any period in excess of five days.

## Part-time employees

Defined Benefit Scheme contributions and benefits are both calculated using each member's salary ratio, i.e. the actual salary received divided by the salary payable if the member was working full-time.

For example, a member working three days per week would receive 60% of the salary payable when compared to a full-time employee and the member's salary ratio would be 0.6.

The salary ratio for a member working full time would be 1.0

The member's unit entitlement is adjusted in respect of the period the member is employed on a part-time basis. Employees considering a change in working hours should contact Member Care beforehand to determine the impact on their entitlements.

A failure to immediately report changes in working hours will result in either:

- an accrual of contribution arrears – when there is an increase in working hours, or
- an over-calculation of both contributions payable and benefits payable – when there is a decrease in working hours.

## Tax file numbers

Active Super is required to ask all new members to provide their tax file numbers (TFNs). Although it is not compulsory to do so, a member may be disadvantaged if they choose not to supply their TFN by paying more tax than would otherwise be required. Additionally, Active Super can't accept any non-concessional contributions for a member if their TFN hasn't been provided to the Fund.

Employers are required to provide the TFN of all new members to Active Super within 14 days of receiving their TFN declaration form.

TFNs also assist members in locating their superannuation benefits if they have lost contact with their superannuation fund, can enable multiple accounts to be identified and amalgamated if required. [Learn more about multiple accounts, lost or unclaimed super at the ATO site.](#)

Members at any stage of membership can provide their TFN by completing the *Notification of tax file number (TFN)* form available at [activesuper.com.au/forms](https://activesuper.com.au/forms)