UniSuper

Fact sheet

Temporary allowances

If you are a Defined Benefit Division (DBD) member and are paid a temporary allowance it's important that you're aware of how this payment will be treated in terms of your super. Temporary allowances are treated differently to the other types of remuneration or salary used to calculate your DBD benefit.

What this fact sheet covers

This fact sheet provides information on temporary allowances and clarifies how allowances commencing on or after **18 April 2015** are treated.

This fact sheet should be read in conjunction with the *Defined Benefit Division and Accumulation 2 members Product Disclosure Statement,* available at **unisuper.com.au/pds.**

What is a temporary allowance?

A temporary allowance is a supplementary payment an employee receives in addition to their salary for particular purposes—usually for things like additional tasks or higher duties— and for a limited period of time.

Allowances expected to be paid for less than five years are generally regarded as temporary. UniSuper's governing rules (known as the Trust Deed) contain clear guidelines about whether allowances are temporary or permanent. These guidelines have been amended to provide more clarity around temporary allowances from 18 April 2015.

Who is this fact sheet for?

DBD members who are paid an allowance as part of their remuneration package.

This fact sheet will help you identify if your allowance is temporary for the purposes of the DBD.

How does a temporary allowance affect my DBD?

If you're receiving a temporary allowance, when calculating your end benefit payable, temporary allowances are excluded from the salary we use when calculating your benefits; however your service fraction increases. This is to ensure you receive fair but not disproportionate benefits from allowances paid over shorter periods within your DBD membership.

You can read more about the DBD formula and definition of terms in the *Defined Benefit Division and Accumulation 2 members Product Disclosure Statement.*

Identifying a temporary allowance (from 18 April 2015)

UniSuper assesses allowances when they commence. Once an allowance has been identified as temporary (see below), this assessment won't change unless a genuine mistake has been made, regardless of how long the allowance ends up being paid.

During assessment, allowances are generally considered temporary where:

- It is stated to be payable for a fixed term of less than five years, or
- No fixed term of payment is stated but it is expected to be payable for less than five years (e.g. because it was linked to the performance of a temporary task or temporary relocation to a particular area, which are expected to last less than five years).
- It is paid or payable by or on behalf of the employer in connection with an agreement to terminate the employment of the member at a particular time.*

* This applies to pre-retirement contracts (which are regarded as temporary allowances). These are typically contracts under which a member previously employed as an ongoing employee is employed on a fixed-term contract and paid an allowance in recognition that their employment will cease at the end of the fixed term.

Allowances won't be re-assessed retrospectively if they end up being paid for more than five years or be treated as temporary just because a term of employment is less than five years.

Examples

To illustrate how temporary allowances are identified, we've included some examples below.

1. **Situation:** Annie commences employment on an ongoing basis. Her remuneration package is $100K with a $50K allowance. There is no indication that her allowance is for a limited time or is linked to a particular temporary task, duties (for example, higher duties), living conditions or is otherwise temporary in nature.

   Treatment: Annie's allowance is not considered a temporary allowance and the allowance should be included as part of her salary we use when calculating her benefits.

2. **Situation:** Bhared has been employed for more than 20 years. His salary is $90K and recently his remuneration package was re-negotiated due to new duties. As a result, Bhared now receives a salary of $110K and an allowance of $50K. There is no indication that his allowance is for a limited time or is linked to a particular temporary task, duties (for example, higher duties), living conditions or is otherwise temporary in nature.

   Treatment: Bhared's allowance is not considered a temporary allowance and the allowance should be included as part of his salary we use when calculating his benefits.

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3. **Situation:** Christopher has been employed for more than 25 years and is currently on a salary of $100K. The terms of his contract are re-negotiated as he has been employed by the same employer on a two year contract, with a salary of $100K and an allowance of $50K. There is no indication that Christopher's allowance is limited in time or linked to a particular temporary task, duties (for example, higher duties), living conditions or is otherwise temporary in nature.

   Treatment: If Christopher's allowance is payable in connection with an agreement to terminate his employment at a particular time (for example, a pre-retirement increase), then this allowance is considered a temporary allowance and should be treated as an increase in service fraction.

   Otherwise, his allowance is not considered temporary because there's no indication that the allowance is payable for less than 5 years. The duration is dependent on Christopher's employment and is not linked to a specific period or task. Therefore, his allowance should be included in his salary we use when calculating his benefits.

4. **Situation:** Deb is employed on a two year contract with salary of $100K. From commencement, Deb has received an allowance of $50K. There is no indication that Deb's allowance is limited in time or linked to a particular temporary task, duties (for example, higher duties), living conditions or is otherwise temporary in nature.

   Treatment: Deb's allowance is not considered a temporary allowance, therefore the allowance should be included as part of the salary we use when calculating her benefits. The duration is dependent on Deb's employment and is not linked to a specific period or task. Since Deb is a new member, it's unlikely that the allowance is linked to an agreement to terminate employment.

5. **Situation:** Eli has been employed for more than 10 years. He receives two simultaneous allowances; the first is payable for two years and the second is payable for six years.

   Treatment: Eli's first allowance is considered temporary, and should be treated as an increase in service fraction, because it's payable for a period of less than five years. The second allowance is not considered temporary because it's payable for a period greater than five years and should be treated as a salary increase.

6. **Situation:** Frea is employed in an ongoing position as Head of School (substantive position). Frea successfully applies for a three-year position as Dean. In her new role, Frea receives an allowance. At the end of her three-year position as Dean, Frea will revert to the Head of School role.

   Treatment: Frea's allowance is considered a temporary allowance because the duration is less than five years. Therefore, the allowance should have no impact on her salary we use when calculating her benefits and should instead be treated as an increase in service fraction.

For more information on temporary allowances, please call us on **1800 331 685**.

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