DEFERRED SALARY SCHEME GUIDELINES

1 ABOUT THE SCHEME

Unless otherwise specified in your industrial agreement, the Scheme requires five years’ participation whereby an employee works for four years at 80% of salary and on completion of the fourth year is entitled to 12 months leave with fortnightly payments made to the employee as outlined further below. If you are a part time employee, four years’ participatory service is required, during which time the employee is paid 80% of their part time salary earnings.

Note: If you are employed under the terms of the Metropolitan Health Service Engineering and Building Services Award 1999 your deferred salary entitlement is referred to as Sabbatical Leave and may be taken, by agreement between you and your Employer as follows:

a) After 52 weeks of service in one continuous period of 13 weeks’ leave.
b) After 104 weeks of service in one continuous period of 26 weeks’ leave.
c) After 156 weeks of service in one continuous period of 39 weeks’ leave.
d) After 208 weeks of service in one continuous period of 52 weeks’ leave.

2 JOINING THE SCHEME

You can apply to join the scheme at any time by completing the Deferred Salary Scheme Application Form (Appendix 1) and submitting it to your manager.

Access to the Scheme will be subject to approval by the employer, taking into consideration operational requirements and the employee having satisfied the applicable Leave Management Policy. All requests must be dealt with in a reasonable and timely manner on the basis of fairness and equity.

The authority to approve applications to participate in the Scheme shall be in accordance with the applicable Delegation and Authority Schedule.

Subject to your application being agreed to, your participation in the scheme will commence from the earliest practicable pay period.

A summary of industrial award/agreement clauses relevant to the Deferred Salary Scheme is provided in Appendix 2.
Your manager may negotiate with you to delay commencement of your participation in the scheme if there are already a number of staff participating with a similar leave eligibility date. To satisfy operational requirements, the number of employees allowed to work under this arrangement may be restricted at any one time and/or the timing of the arrangements may need to be staggered.

Operational requirements may include:
- The availability of suitable leave cover, if required.
- The cost implications.
- The impact on client/patient service requirements.
- The impact on the work of other employees.

3  **20% SALARY REDUCTION**

The calculation of your 20% salary reduction during the first four years of participation in the Scheme is based on your gross base salary inclusive of commuted allowances according to the terms of your industrial award/agreement.

Your salary reduction will be adjusted to accommodate changes in salary including promotions, increments and other salary increases or conversion to full or part time.

4  **METHOD OF MANAGING THE 20% SALARY REDUCTION**

In the first four years of the scheme, your employer charges 100% of the salary expense to the Financial Accounts. However, you only receive (and pay taxes on) 80% of the salary. The remaining 20% (not paid) is accrued and is set aside to a ‘provision account’ (recorded as a liability) in the financial records. The "cash" is not physically held by your employer during this period, and therefore, by definition is not invested.

In the fifth year, you receive the balance of the provision account (i.e. the funds you have contributed over the past four years), which is taxed accordingly. Your employer ensures funds are available to fund this payment, in the same manner as ensuring funds are available to pay an employee going on long service leave.

There will be no impact on budget, as your employer charges 100% of the salary expense in the first four years. In the fifth year, no expense is charged as you are on leave. From a cash flow perspective however, your employer needs to ensure that cash is available in the fifth year to fund your pay.

5  **PARTICIPATORY AND NON-PARTICIPATORY PERIODS**

Participatory periods are any periods where you work and receive the reduced salary rate. Unless otherwise specified in your industrial award/agreement, four years of participatory service is required for you to access the fifth year’s leave.
Participatory periods include:

- periods of paid employment;
- paid leave (including annual, long service, sick and parental);
- secondments within the public sector where your Deferred Salary Scheme is continued (provided it is agreed with your home agency and host agency for the Scheme to continue during the period of the secondment); and
- any period of leave without pay of two weeks or less (ie leave eligibility date is not delayed but your accrued salary is reduced).

Non-participatory periods are not counted as service towards the fifth year’s leave and include:

- any period where you are occupying a position not covered by an industrial award/agreement which provides for a deferred salary scheme (when you will be paid your normal salary);
- any period where you are in receipt of approved Workers’ Compensation payments;
- any period of leave without pay greater than two weeks and any period of absence that does not normally count for entitlements; and
- any period of temporary suspension in the Scheme. Temporary suspension in the Scheme may be agreed to between you and your employer, generally for a maximum period of 6 months. A temporary suspension in the Scheme may be considered once only, upon written request to your manager outlining your reasons for the temporary suspension. The period of temporary suspension will extend the qualifying period by the length of time of the suspension. An employee may request a temporary suspension in the Scheme in order to take a period of paid and/or unpaid parental leave (a temporary suspension up to 12 months may be agreed for parental leave only).

During non-participatory periods you will be paid at the rate you would receive if you were not participating in the scheme (ie your normal salary, or if the period is unpaid leave - no salary).

Periods of non-participatory service will delay the commencement of the leave year by the length of that non-participatory period. In circumstances where the commencement date of the fifth year is not deferred by the same amount of time, the percentage of the salary paid in the fifth year of the Scheme will be proportionally reduced.

6 FIFTH YEAR (PERIOD OF DEFERRED LEAVE)

Following the accumulation of four years participatory service, you are entitled to 12 months leave to be taken as one continuous period at a time agreed to by your employer taking into consideration current work requirements.

You are required to apply for the period of deferred leave at least three months prior to your eligibility date by completing a normal leave application form.
Where applicable, you must vacate health service provided or subsidised housing and during the leave year, relinquish any Government vehicles or other items belonging to the employer, which are in your possession.

6.1 Payment During The Fifth Year

The impact of a Deferred Salary Scheme on allowances and leave entitlements is outlined in the attached Appendix 3 – Impact on Employee Entitlements.

Employees are strongly encouraged to consider the impact of the Deferred Salary Scheme on their allowances and leave entitlements and discuss with their Human Resource Department prior to applying to join the Arrangement.

Payment during the fifth year of a Deferred Salary Scheme varies depending on the terms specified in your industrial agreement, as outlined below.

If you are employed under the terms of the:

- Public Service General Agreement 2002;
- Government Officers’ Salaries, Allowances Conditions General Agreement 2002;
  
  You will be paid (proportionately on a fortnightly basis) an amount equal to 80% of the salary you would otherwise be entitled to in the fourth year.
  
  During the fifth year of the arrangement your salary will be based on the average weekly hours worked in the fourth year. These hours are paid at 80% of your current hourly base rate. Where salary, penalties and/or allowances have been commuted, the base rate shall be deemed to be the commuted salary rate.
  
  During the fifth year you will not receive any salary increments, however any variation in rates due to wage increase in accordance with your industrial award/agreement will be taken into account when calculating your fortnightly payment.

If you are employed under the terms of the:

- The Hospital Salaried Officers’ Enterprise Agreements 2001;
- The Medical Practitioners AMA Industrial Agreements 2002;
- The WA Government Health Services (Australian Liquor, Hospitality and Miscellaneous Workers Union) Agreement 2002; or

During your fifth year of the Scheme you will be paid (proportionately on a fortnightly basis) the salary that has been put aside over the previous 4 years participatory service.
Interest is not payable on any portion of your accrued salary held over for the fifth year’s leave.

If you are employed under the terms of the:

- Metropolitan Health Service Engineering and Building Services Award 1999.
  You have the option of being paid in full at the commencement of a period of sabbatical leave or alternatively may elect to be paid on a pro rata basis fortnightly.
  If you elect to be paid on a fortnightly basis you will not receive any salary increments, however any variation in rates due to wage increase in accordance with your industrial award/agreement will be taken into account when calculating your fortnightly payment.
  You will be paid an amount equal to 80% of your ordinary rate of pay as at the date of payment/s.
  During the fifth year of the arrangement your salary will be based on the average weekly hours worked during the participatory period. These hours are paid at 80% of your current hourly base rate. Where salary, penalties and/or allowances have been commuted, the base rate shall be deemed to be the commuted salary rate.

6.2 Employment Entitlements

Accrual of Leave Entitlements:
Accrual of leave entitlements during the fifth year of a Deferred Salary Scheme varies depending on the terms specified in your industrial agreement, as outlined below.

If you are employed under the terms of the:

- Public Service General Agreement 2002;
- Government Officers Salaries, Allowances Conditions General Agreement 2002;
- The Hospital Salaried Officers Enterprise Agreements 2001;
- The Medical Practitioners MA Industrial Agreements 2002;
- The WA Government Health Services (Australian Liquor, Hospitality and Miscellaneous Workers Union) Agreement 2002; or
  During the fifth year of a Deferred Salary Scheme the period of absence will be treated as continuous service. Leave entitlements, such as long service, annual and sick leave, will continue to accrue during the fifth year on a pro rata basis, ie 80%.

If you are employed under the terms of the:

During the fifth year of a Deferred Salary Scheme the period of absence will be treated as continuous service for the purposes of superannuation and long service leave entitlements. There will be no accrual of any other entitlement such as annual or sick leave during the leave period.

If you are employed under the terms of the:

- Metropolitan Health Service Engineering and Building Services Award 1999.

Absence on sabbatical leave does not break continuity of service but shall not be taken into account when calculating the period of service for any purpose, as such no leave entitlements will accrue during sabbatical leave.

**Other Employment Entitlements:**

Unless otherwise specified in your industrial award/agreement, during the fifth year you will not:

- be paid any salary increment or wage increase (the due date for increments will be extended by the period of the leave year);
- be covered by Workers’ Compensation. However, for recurrence of pre-existing injuries, or aggravations, treatment may be covered subject to the normal Workers’ Compensation application process;
- have access to leave entitlements such as sick leave, bereavement leave, parental leave, donor leave, paid study leave, conference leave and jury/witness duty leave; or
- have an entitlement to public holidays or public service holidays in lieu.

### 6.3 Other Work

During the leave year you may not undertake any employment for hire or reward in any State Government hospital, health service or other agency (including relief or contract work). Appropriate approval is required for any outside employment in accordance with the applicable Delegation & Authority Schedule.

### 6.4 Leave Coverage

Where replacement staff are required to cover your absence taking the fifth year’s leave, they can only be appointed on a temporary basis. Such replacements may be by way of fixed term contract, temporary deployment (acting or at level) or secondment.

### 6.5 Returning after the Fifth Year

At the conclusion of the fifth year’s leave you are expected to return to the position you held substantively prior to commencing the fifth year, unless otherwise arranged and agreed.
Where your substantive position is no longer required, this will be discussed with you and any such changes will be notified to you while on leave. You will be placed in a suitable alternative position or proceed through the redeployment process. The normal resignation notice requirements apply if you wish to resign rather than return to work at the completion of the fifth year.

6.6 Deferring The Period of Deferred Leave

Subject to written agreement by your employer, you may defer taking your period of deferred leave for up to a maximum of 6 months from it falling due. During the period of deferment you will be paid your normal salary. If you are employed under the terms of the Public Service General Agreement 2002 or the Government Officers Salaries, Allowances Conditions General Agreement 2002 calculation of your payment for the period of leave is based on your salary rate at the end of the fourth year.

Deferral of the fifth year will not accrue any interest, nor will it enable access to your contributions, throughout the period of the deferral.

7 WITHDRAWAL FROM THE SCHEME

By agreement between the employer and employee, employees may withdraw from the scheme. This must be done in writing and submitted to your manager or supervisor.

Your participation will cease at the end of the next practicable pay period and you will revert to normal salary at the beginning of the next pay period. Payment of the accrued salary will be made in one lump sum at the earliest possible time and you will be taxed accordingly.

If you wish to withdraw from the scheme to return to work you are required to give four weeks notice to your employer. Your early return to work is at your employer’s discretion. You will be paid out your remaining deferred salary in one lump sum as soon as possible after returning to work.

If eligible, you are able to apply to rejoin the scheme at any time.

8 CESSATION OF EMPLOYMENT

If you resign or retire you will automatically be withdrawn from the scheme and paid your accrued/deferred salary in a lump sum less relevant tax.

If you take up employment in another public sector agency that has access to a Deferred Salary Scheme, you may request transfer of Deferred Salary.
If approved, transfer will proceed in accordance with *TI 520 Transfer of Employees* which provides for the portability of employee leave entitlements (including deferred salary) between agencies and specifies government policy in relation to the transfer of cash to the new employer in respect of the transferred leave. Transfer includes promotion, redeployment or any other means of permanent transfer that may occur between agencies. *TI 520* includes the transfer of deferred leave provided the employee will continue in this scheme in the new agency.

Your current employer is required to pay to your new employer the amount which you would receive if you had left the scheme and been compensated for the foregone salary.

**9 FINANCIAL AND TAXATION ISSUES**

Employees are strongly encouraged to seek independent financial, taxation and superannuation advice prior to applying to join the scheme.

The following taxation information is relevant at the time of policy development, however, it is recommended employees seek independent taxation advice to ensure it is current and relevant to their individual circumstances. Any information contained in this document should not be relied upon or acted upon in relation to tax liability.


TD 93/242 provides that income from employment, such as salary, wages or other payments to employees for services rendered, is generally derived only when received, that is, on a cash receipts basis. A deferred salary payment is not included in the taxpayer’s assessable income before payment provided the deferred amount is not applied, accumulated or invested for the benefit of the taxpayer.

**10 SALARY PACKAGING**

If you are salary packaging whilst participating in the Scheme, you are able to continue to package up to the approved percentage of your reduced salary during the whole five years.

**11 SUPERANNUATION**

Whilst participating in the Deferred Salary Scheme superannuation entitlements continue during the entire 5 year period, however, the impact on superannuation entitlements depends on the nature of your membership in the Government Employees Superannuation Scheme:
• **Contributory Lump Sum Scheme (Gold State):** Contributions and benefits are based on your pre-reduction salary and will continue to be paid as such while you participate in the Deferred Salary Scheme.

• **Pension Scheme:** Contributions can be maintained at pre-reduction salary level and benefits can accordingly remain based on the pre-reduction salary. Provided you are contributing for not less than your optimum (Primary) unit entitlement prior to participating in the Deferred Salary Scheme.

• **Non Contributory Lump Sum Scheme (West State):** Your employer-sponsored superannuation contributions will be based on your actual (reduced) salary.

  Members of the West State Superannuation Scheme, who withdraw from the Deferred Salary Scheme, will have employer contributions calculated on the cash salary received as a lump sum payment (where applicable).

You are strongly encouraged to seek advice about the implications for your superannuation prior to joining the Deferred Salary Scheme.

The Government Employees Superannuation Board can also be contacted for further information.

### 12 WORKERS’ COMPENSATION

If you are participating in the Scheme and you go on workers’ compensation your workers’ compensation payments will be calculated in accordance with the conditions of the *Workers’ Compensation and Rehabilitation Act 1981*.

Periods where you are in receipt of approved workers’ compensation payment are treated as *non-participatory service* for the purpose of your deferred salary scheme.

During non-participatory periods you will be paid at the rate you would receive if you were not participating in the scheme (ie as per the conditions of the *Workers’ Compensation and Rehabilitation Act 1981*). If the period is unpaid leave, no salary will be paid.

Periods of non-participatory service will delay the commencement of the leave year by the length of that non-participatory period.

Where a period of approved workers’ compensation exceeds 6 months your participation in the Scheme will be terminated. Payment of the accrued salary will be made in one lump sum at the earliest possible time and you will be taxed accordingly.