Superannuation "costs" for packaged/contract staff in the Retirement Scheme

Following recent changes to the required employer superannuation contributions, a number of queries have been made relating to the amount that should be deducted from the employee's salary package.

We understand that most Councils have adopted a policy of using the "Notional Cost" as the basis for this deduction. Should this apply to your Council please note the comments below:

The "notional" cost is set by the Actuary and is based on an estimate of the average cost of funding members' benefits. It does not change due to the financial position of the Scheme from time to time.

Superable Salary:

The method used to calculate Superable Salary uses the following formula:

Superable Salary = TRP / (1 + AAC Factor (as a Percentage))

Where:

TRP is the employee's Total Remuneration Package

AAC Factor is the Assessed Annual Cost (expressed as a percentage)

The formula used to calculate the AAC Factor is

$AAC = ACR \times F + B$

Where:
ACR is the Average Contribution Rate (capped at a maximum of 6)
F is the EFB notional oncost factor (1.9)
B is the BB notional oncost factor (2.5%)

The AAC Factor for every member is provided on the invoice for the Retirement Scheme each month.

The same formula is used whether the member has accrued 180 benefit points or not.