

2 April 2014

**Mr Dan Dwyer**  
CWU Divisional Secretary  
CWU  
Level 9, 365 Queen St  
MELBOURNE VIC 3000

Dear Dan

**Modifications to the Australia Post Superannuation Scheme (APSS)**

Thank you for your letter addressed to Ms Catherine Walsh dated 31 March 2014 regarding the proposed modifications to the APSS.

As we have explained during our EBA negotiations and in letters sent to the Australian Council of Trade Unions (ACTU) addressed to Mr Tim Lyons on 13 December and 17 February and in our meeting with the ACTU on 4 February at which you were present, Australia Post has a superannuation expense of approximately \$270 million which must be effectively managed to enable us to invest in our business for ongoing job retention, reward our people and remain competitive. During the EBA process, we also made a commitment to manage the APSS in a responsible way.

Consequently, it was determined that with effect from 1 July 2014;

- (a) Australia Post will no longer apply Average Weekly Ordinary Time Earnings (AWOTE) indexation to an employee's superannuation salary; and
- (b) the superannuation accrual period during periods of leave of absence without pay (LWOP) will be capped at 28 days.

These changes are designed to help ensure:

- the ongoing viability of the APSS;
- superannuation benefits for all employees remain at a higher level than industry standard;
- members are treated more equally in respect of the indexing of superannuation salary and taking extended LWOP as individual circumstances do not enable all members to enjoy these benefits.

It is important to note that these changes apply only to members of the defined benefit section of the APSS. They do not apply to members of the Commonwealth Superannuation Scheme (CSS), Australia Post Superannuation Plan (APSP) which is managed by AMP, or any other accumulation fund selected by an employee.

Our responses to the questions contained in your letter are set out below:

**Cessation of AWOTE indexing**

1. **How many Post staff are involved (who have their salary indexed by AWOTE)?**  
Approximately 17,000.
2. **What is the average gap between actual salary and the higher AWOTE adjusted salary?**  
For ease of understanding we will refer to actual salary as 'calculated

superannuation salary' and adjusted salary as 'reported superannuation salary'. Calculated superannuation salary is the amount calculated for each employee on each birthday according to the definition of superannuation salary for APSS purposes.

Reported superannuation salary is the highest level that the calculated superannuation salary has been on any birthday during the period of APSS membership, plus indexing, if any. Reported superannuation salary is the salary provided to the APSS for the purposes of calculating superannuation benefits.

The average gap between calculated superannuation salary and reported superannuation salary is approximately \$8,000. This difference is made up of previous higher duties or allowances, or previous wages at a higher position when a lower position was taken by consent. For some members, the amount will also include indexing from prior years.

**3. Can we have a number of real examples of persons affected across a range of categories eg Retail, Transport, Processing, Admin, Delivery etc. and in different designations?**

Under the defined benefit section of the APSS, from 1 July 2014 if an Award level employee's reported superannuation salary, regardless of their designation or category of employment, does not grow, or grows by less than the Australia Post Enterprise Agreement rate, then it will no longer be indexed with AWOTE. The reported superannuation salary is likely not to grow between birthdays when the calculated salary is lower than the reported superannuation salary.

The calculated superannuation salary will be lower than the reported superannuation salary if the employee has stopped receiving shift penalties or other allowances included in salary for APSS purposes, or has accepted a lower grade role by consent since their last birthday.

The changes to AWOTE indexation will not affect the guarantee that an employee's superannuation salary will not decrease.

Australia Post has not undertaken any analysis of individual circumstances for any employee across the business.

**4. How many staff have AWOTE adjusted salaries because of shift penalty changes, loss of higher duties, lower incomes because of compensation etc?**

Australia Post has not undertaken any breakdown details of the salary components for relevant employees. However, the approximately 17,000 employees whose reported superannuation salary is higher than their calculated superannuation salary have had a downward adjustment in actual salary at some point during their APSS membership.

An employee is also likely to have had an upwards adjustment in calculated superannuation salary since the downward adjustment. However, the reported superannuation salary accelerated at a much faster pace due to the indexing. In other words, AWOTE has grown at an accelerated rate over recent years that is much higher than wage increases at Australia Post.

This higher AWOTE rate has exacerbated the difference between calculated superannuation salary and reported superannuation salary to the point where

calculated superannuation salary does not catch up to reported superannuation salary. This level of superannuation salary inflation in the APSS is not sustainable. The table below shows the superannuation salary in the APSS against EBA wage increases over the past four years:

Year to 30 June	EBA rate	Super Salary growth for APSS
FY10	4.0%	6.9%
FY 11	1.5%	5.8%
FY 12	1.5%	5.6%
FY 13	1.5%	5.3%

5. **What were the reasons for introduction of AWOTE adjustments when introduced?**  
Australia Post has not been able to source any relevant documents that explain the introduction of the AWOTE indexation policy. It appears that the policy was first introduced to the Commonwealth Superannuation Scheme (CSS) and Australia Post payroll extended the practice to APSS members.
6. **What is the cost saving to Post over each of the next 4 years?**  
The APSS employer financed defined benefit liabilities were \$3.6bn as at 28 February 2014 and the corresponding expense for Australia Post in FY14 is \$270m. These changes to AWOTE indexation are projected to constrain the growth in this employer expense by \$27m in FY14 and \$20m pa from FY15-FY18.
7. **Can you explain the effect on part-time staff whose hours are reduced?**  
There is no impact on part-time staff in any way that is different to full-time staff. This is because part-time wages are calculated at the full-time equivalent for APSS purposes and the years of service pro-rated for part-time hours.

#### **Leave of absence Without Pay (LWOP) modification**

8. **What groups are excluded from the change eg compensation, parental leave, sick leave?**

For any employees who are on LWOP on 1 July 2014 (for any reason), the modification will not apply to that period of LWOP.

For periods of LWOP that commence after 1 July 2014, the rules are:

- (a) Employees who take paid and unpaid maternity leave or unpaid paternity and adoption leave will remain entitled to a benefit accrual of up to 12 months.
  - (b) Employees continue to be eligible for death and total and permanent disablement benefits for 12 months after the start of their LWOP.
  - (c) Australia Post currently intends to continue the practice of including periods of unpaid absence by reason of illness [including while receiving workers compensation payments] in an employee's service period for superannuation purposes, for up to 12 months and beyond in appropriate circumstances.
9. **How many staff each year seek leave without pay exceeding 4 weeks, 8 weeks, 3 months and 6 months?**  
Approximately 2,000 staff apply for LWOP for greater than 4 weeks. For those that take LWOP for greater than 4 weeks, the average period of leave is 37 days.

Australia Post has not undertaken any further analysis on the number of people taking LWOP.

**10. How much LWOP is not approved?**

Applications for LWOP are considered given the operational requirements of the business at the time the employee wishes to take leave. Australia Post does not maintain a record of applications for LWOP that may not be approved due to operational requirements.

**11. What is the cost saving to Post over each of the next 4 years?**

The changes will constrain Australia Post's superannuation expense explained in response to question 6 by approximately \$3m per annum.

Given the changes will not take effect until 30 June 2014, I would invite you to contact me if you have further queries. I would be happy to meet with you at a mutually convenient time.

Yours sincerely,



**Geraldine Rivers**  
Head of Workplace Relations & Policy