



**Victorian
Public Sector
Commission**

Victorian Public Service Executive Employment Handbook

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1. Introduction

This is the Victorian Public Service (VPS) Executive Employment Handbook (the Handbook).

The Handbook is managed by VPSC and questions about its content should be directed to 03 9651 2020 or info@vpsc.vic.gov.au.

For remuneration advice, speak with the [Victorian Independence Remuneration Tribunal](#).

1.1 Handbook (the Handbook)

This document provides the policy framework for employing executives under the *Public Administration Act 2004* (the PAA).

1.2 What is the Handbook?

The Handbook will:

- assist public service bodies to manage employment contracts, remuneration and employment matters relating to executives;
- inform executives, or those contemplating executive employment, about working conditions in the public service;
- provide guidance to executives and employers in the public service on executive employment and remuneration policy standards.

1.3 How to Use this Handbook

The interpretation of this Handbook is subject to an individual executive's contract. If there is inconsistency between an individual contract and information contained in this Handbook, the contract takes precedence. It should be read in conjunction with the PAA and the executive employment contract. The Handbook does not form part of an Executive's contract.

Employers

This Handbook will help employers with policies that are relevant to executive employment



in the **public service**.

Employers should seek information relating to tax matters from the Australian Tax Office (ATO) or another expert advisor.

Executives

This Handbook sets out executive employment arrangements. It also explains the benefits of working in the public service.

It is important that executives are aware of what is available and make use of their entitlements.

The public service places emphasis on work/life balance, achieving personal/professional development, and preparing for the future. Have a look at the information contained in this Handbook and also discuss matters with your human resources unit.

Executives should seek information relating to tax matters from the ATO or another expert advisor. The ATO website is also a good source for publications on tax matters, and the [ASIC Money Smart website](#) has good information on superannuation.

1.4 Employment conditions and remuneration matters

VPSC provides advice on executive employment (excluding remuneration matters) to departments and agencies and publishes resources to support executives and employers. This includes a standard contract for employing public service executives, the executive vehicle cost calculator and publications on a range of topics including work/life balance, codes of conduct, standards and governance.

The Victorian Independent Remuneration Tribunal (the Remuneration Tribunal) will determine executive remuneration bands for public service executives and may issue guidelines on the placement of executives within remuneration bands.

If an executive is unsure whether they are employed as a public sector or public service executive, they should contact their employer.



1.5 Victorian Public Sector Commission

The VPSC plays a leadership role in building a public sector that delivers world-class services for the Victorian community.

The objectives of the VPSC are to strengthen the efficiency, effectiveness and capability of the public sector in order to meet existing and emerging needs and deliver high-quality services; and to maintain, and advocate for, public sector professionalism and integrity.

1.6 Who to Contact

Executives should contact the human resources unit, executive employment coordinator or manager within their organisation on matters relating to their employment. If required, employers or HR areas can contact the VPSC via email at info@vpsc.vic.gov.au.



2. Recruitment and Selection

This section assists:

- employers and human resource administrators recruiting executives; and
- executives by providing information on what they may expect from recruitment to appointment.

Summary

- All employment decisions must be based on merit
- The Victorian Public Sector Commissioner has published binding standards and non-binding guidelines to be followed throughout the recruitment, selection and appointment process

2.1 Recruitment, Selection and Appointment Process

The VPS is a major employer and exercises a significant leadership role within the broader public sector. Recruiting the right people is integral to ensuring the maintenance of the Public Sector Values. The process followed to recruit executives therefore needs to demonstrate a fair and consistent approach. This means proper thought, planning, and a rigorous assessment should be undertaken, balanced against the public sector Employment Principles.

The public sector Employment Principles are outlined in section 8 of the PAA and are binding on all public sector bodies. They require public sector body Heads to establish employment processes that ensure:

1. employment decisions are based on merit
2. public sector employees are treated fairly and reasonably
3. equal employment opportunity is provided
4. human rights as set out in the Charter of Human Rights and Responsibilities are upheld
5. public sector employees have a reasonable avenue of redress against unfair or



unreasonable treatment

6. in the case of the public service bodies, the development of a career public service is fostered.

2.1.1. How Do I Recruit for an Executive Position?

Each public sector body should have in place policies and guidelines for recruiting, selecting, and appointing people. A generic recruitment, selection and appointment process is outlined in [appendix A](#). Reference should also be made to the VPSC's publication [Merit in Employment guidelines](#).

2.1.2 Pre-employment screening

Inadequate pre-employment screening processes have been identified by the Independent Broad based Anti-corruption Commission as a significant risk to the integrity of the Victorian public sector. VPS employers are expected to ensure appropriate pre-employment misconduct screening processes are used when recruiting executives. The VPS Pre-employment Screening Policy, released by VPSC in October 2018, is mandatory for VPS employers.

2.1.3. Who has the Authority to Make an Appointment?

Appointments of executives in the public service are approved by the relevant employer being the applicable Public Service Body Head or, in the case of a public service body Head, the Premier.

2.1.4 Classification of executive roles

In 2018 the Victorian Secretaries Board endorsed the [VPS Executive Classification Framework](#). The Framework is being implemented over a two-year period. The Victorian Public Sector Commission (VPSC) has established a time-limited team to deliver executive classification assessment services for departments and their connected service agencies through a fee for service agreement. Once implementation is complete, all VPS executive roles will align with the classifications set out in the Framework.

Executives should contact their HR unit for further information on implementation of the Framework in their department or agency. HR units can contact the VPSC via email at

Executives have previously been titled Executive Officers (EO). This terminology is being replaced with the Senior Executive Service (SES). Further information on the transition from EO to SES and other related reforms to remuneration is available at the VPSC's [Victorian Public Service Executive Employment](#) webpage.

2.2 Can Applicants Seek a Review of a Selection Decision?

Public service employees may apply to the public service body for an initial review of a proposed appointment or promotion on the ground of a significant deficiency in the selection process. That is, the review cannot be on the ground of relative merit.

Public service employees may apply to the VPSC for a review of the initial review process in the public service body on the ground that it was unfair, or inconsistent with the PAA or the standards.

The provisions outlined above are prescribed in the *Public Administration (Review of Actions) Regulations 2015*. Applicants in the following categories cannot access a review under these Regulations:

- public entity employees;
- former public service employees; and
- public service employees seeking employment in a public entity.

However, this should not prevent an applicant from raising any concerns they have with the relevant organisation and expecting those concerns to be addressed. Also, if an applicant considers there was an error in the application of the public sector values and/or employment principles they may raise their concerns with the VPSC.

2.3 Information Privacy

The *Privacy and Data Protection Act 2014* (PDPA) requires all public service agencies to comply with its principles. All private information about individuals that is collected must be used in accordance with the PDPA. Every government agency is required to have its own privacy policy outlining responsibilities and procedures for collecting, using and storing private information. This means that all applications for executive positions will be

collected, used and stored in accordance with the PDPA and agency policies. Any breach of the PDPA requirements can be reported to the [Office of the Victorian Information Commissioner](#).

3. Work environment

This section sets out the public service working environment, the standard executive employment contract and work/life balance philosophy.

Summary

Victorian public sector staff must comply with the [public sector values](#) (Section 7 of the PAA 2004) and [Code of Conduct for Victorian Public Sector Employees](#) and [Code of Conduct for Victorian Public Sector Employees of Special Bodies](#).

Executive employment is governed by a written standard employment contract. If a contract has not been entered into before employment, a contract should be entered into as soon as possible after the employment commencement date. To accommodate special circumstances, however, the PAA stipulates that a contract can be entered into up to 3 months after the employment commencement date. Executives in the public service must also comply with the Victorian Government Professional Lobbyists [Code of Conduct](#).

Executives have access to a number of benefits as part of their employment in the VPS including flexible work arrangements, support programs, and study options.

3.1 Values and Conduct

The Victorian public sector is made up of public service bodies and public entities. The public sector funds, delivers and regulates a range of public services on behalf of government. The public sector values define the behaviours expected of employees.

The [Public Sector Values](#) are outlined in section 7 of the PAA:

Responsiveness

- providing frank, impartial and timely advice to Government;
- providing high quality services to the Victorian community; and
- identifying and promoting best practice.

Integrity

- being honest, open and transparent in their dealings;



- using powers responsibly;
- reporting improper conduct;
- avoiding any real or apparent conflicts of interest; and
- striving to earn and sustain public trust of a high level.

Impartiality

- making decisions and providing advice on merit without bias, caprice, favouritism or self-interest;
- acting fairly by objectively considering all relevant facts and applying fair criteria; and
- implementing Government policies and programs equitably.

Accountability

- working to clear objectives in a transparent manner;
- accepting responsibility for their decisions and actions;
- seeking to achieve best use of resources; and
- submitting themselves to appropriate scrutiny.

Respect

- treating others fairly and objectively;
- ensuring freedom from discrimination, harassment and bullying; and
- using their views to improve outcomes on an ongoing basis.

Leadership

- actively implementing, promoting and supporting these values.

Human Rights

- making decisions and providing advice consistent with human rights; and
- actively implementing, promoting and supporting human rights.

The [Code of Conduct for Victorian Public Sector Employees](#) and [Code of Conduct for Victorian Public Sector Employees of Special Bodies](#) reinforce the values. The Victorian [public sector values](#) and Codes of Conduct are a public statement of how we conduct our business and how we treat our clients and colleagues. The values and Code of Conduct are binding on all public sector employees.

3.2 Conflict of interest

In line with the Code of Conduct, when executives are performing public duties, private interests must not influence, or be seen to influence decisions. Personal interests can change over time as personal circumstances change. Conflicts of interest must be declared and managed or avoided.

Conflicts of interest can be actual, perceived or potential:

- An actual conflict of interest is one where there is a real conflict between public duties and private interests
- A potential conflict of interest arises where private interests could conflict with public duties
- A perceived conflict of interest is where a third party could form the view that an executive's private interests could improperly influence their actions as a public sector employee, now and in the future.

Examples where a conflict of interest may arise include where the executive has other significant sources of income, is an office holder in a public or private company or has shareholdings and other business interests. It also includes family interests that may represent a conflict of interest through ownership of real estate or being a trustee or beneficiary of a trust. The VPSC has published a model conflict of interest policy and guidance and supporting materials to assist organisations. The model policy sets standards for managing conflict of interest risks that reflect Code of Conduct requirements for Victorian public sector employees.

Executives are not only required to disclose their interests, but also take reasonable steps to identify and manage a conflict, or the appearance of a conflict of interest. All executives are required to complete a Declaration and Management of Private Interests Form upon appointment (prior to their contract being entered into) and annually after appointment or within five working days after a change in circumstances (i.e. to any part of information that an executive has previously disclosed in their form, for example, change of residence). Conflicts of interest should be declared using the organisation's Conflict of Interest

declaration and management form.

3.3 Gifts, Benefits and Hospitality

The way public sector employees manage offers of gifts, benefits and hospitality is critical to maintaining the trust of those we serve. Employees need to act in a manner that allows the community, customers, Government, clients and business associates to feel confident that they perform public duties without favouritism or bias, or for personal gain.

The VPSC has issued a [Gifts, Benefits and Hospitality Policy Guide](#) and minimum accountabilities for public sector employees. These stipulate that:

Public officials offered gifts, benefits and hospitality:

1. Do not, for themselves or others, seek or solicit gifts, benefits and hospitality.
2. Refuse all offers of gifts, benefits and hospitality that:
 - are money, items used in a similar way to money, or items easily converted to money;
 - give rise to an actual, potential or perceived conflict of interest;
 - may adversely affect their standing as a public official or which may bring their public sector employer or the public sector into disrepute; or
 - are non-token offers without a legitimate business benefit.
3. Declare all non-token offers (valued at \$50 or more) of gifts, benefits and hospitality (whether accepted or declined) on their organisation's register, and seek written approval from their manager or organisational delegate to accept any non-token offer.
4. Refuse bribes or inducements and report inducements and bribery attempts to the head of the public sector organisation or their delegate (who should report any criminal or corrupt conduct to Victoria Police or the Independent Broad-based Anti-corruption Commission).

Public officials providing gifts, benefits and hospitality:

5. Ensure that any gift, benefit and hospitality is provided for a business purpose in that it furthers the conduct of official business or other legitimate organisational goals, or promotes and supports government policy objectives and priorities.
6. Ensure that any costs are proportionate to the benefits obtained for the State, and would

be considered reasonable in terms of community expectations.

7. Ensure that when hospitality is provided, individuals demonstrate professionalism in their conduct, and uphold their obligation to extend a duty of care to other participants.

Heads of public sector organisations:

8. Establish, implement and review organisational policies and processes for the effective management of gifts, benefits and hospitality that comprehensively address these minimum accountabilities.

9. Establish and maintain a register for gifts, benefits and hospitality offered to public officials that, at a minimum, records sufficient information to effectively monitor, assess and report on these minimum accountabilities.

10. Communicate and make clear within the organisation that a breach of the gifts, benefits and hospitality policies or processes may constitute a breach of binding codes of conduct and may constitute criminal or corrupt conduct, and may result in disciplinary action.

11. Establish and communicate a clear policy position to business associates on the offering of gifts, benefits and hospitality to employees, including possible consequences for a business associate acting contrary to the organisation's policy position. This must take into consideration any whole of Victorian Government supplier codes of conduct.

12. Report at least annually to the organisation's audit committee on the administration and quality control of its gifts, benefits and hospitality policy, processes and register. This report must include analysis of the organisation's gifts, benefits and hospitality risks (including repeat offers from the same source and offers from business associates), risk mitigation measures and any proposed improvements.

13. Publish the organisation's gifts, benefits and hospitality policy and register on the organisation's public website (applies only to organisations with an established website). The published register should cover the current and the previous financial year.

Executives have a responsibility to record on the Gifts, Benefits and Hospitality Register any:

- Benefits – preferential treatment, privileged access, favours or other advantage offered including invitations to sporting, cultural or social events, access to discounts and loyalty programs, and promises of a new job.
- Gifts – free or discounted items or services and any item or service that would generally be seen by the public as a gift. These include items of high value (e.g. artwork, jewellery, or

expensive pens), low value (e.g. small bunch of flowers), consumables (e.g. chocolates) and services (e.g. painting and repairs).

- Hospitality – a friendly reception and entertainment of guests. Hospitality may range from light refreshments at a business meeting to expensive restaurant meals and sponsored travel and accommodation.

Organisations must publish their gifts, benefits and hospitality policy and register. The register should cover the current and previous financial year.

Disciplinary action consistent with the relevant industrial instrument and legislation, including dismissal, may be taken where an employee fails to adhere to this policy. This includes where an employee fails to avoid wherever possible or identify, declare and manage a conflict of interest related to gifts, benefits and hospitality in accordance with VPSC's [Conflict of interest policy](#).

3.4 Professional Lobbyists Code of Conduct

In Victoria, lobbyists and government affairs directors are required to be listed on the Register of Lobbyists to engage in lobbying activities. They must comply with the Victorian Government Professional Lobbyist Code of Conduct. This Code also places obligations on executives who have contact with lobbyists and government affairs directors.

A lobbyist is a person or organisation who represents the interests of a third party to government. Lobbyists can strengthen democracy by advising individuals and organisations on public policy processes and by facilitating contact with relevant government representatives.

A government affairs director (GAD) is a person who makes regular enquiries, advocates changes to public policy, or seeks specific assistance from government in a paid capacity of an organisation or business or professional or trade association.

The following obligations apply to executives in the public sector:

- Executives must not knowingly and intentionally be party to lobbying activities by a lobbyist or government affairs director who is not listed on the Register of Lobbyists.
- When first contacted by a lobbyist, executives should ensure they are informed of which clients the lobbyist is representing, the nature of the clients' issues, and whether the clients are involved in a government tender process.
- Executives must not be party to lobbying activities when they are involved in a



government tender process.

- Executives must not, for a period of 12 months after they cease their employment, engage in lobbying activities relating to any matter with which they had official dealing in their last 12 months of employment.

Executives should review the Professional Lobbyists Code of Conduct to ensure they are aware of the details of these requirements. An executive's failure to comply with these obligations could be considered a breach of the Code of Conduct for Victorian Public Sector Employees and result in disciplinary action.

3.5 Standard Executive Employment Contract

The terms and conditions of an executive's employment are set out in the standard executive employment contract. The employment contract puts into writing the expectations of both parties. The [standard executive employment contract](#) can be downloaded from the VPSC website.

The standard contract is compulsory for all executive employment in the VPS. The contract template incorporates all the required government executive employment policies and ensures a consistent approach to executive employment across the public service.

Schedules appended to the standard executive employment contract set out the position, duties, location, and remuneration package that are specific to an executive.

Note:

- Sections 25 and 26 of the PAA provides that an executive will be employed on an employment contract.
- The employment contract is signed by the employer and executive.
- The term of an employment contract cannot exceed five years. Subsequent employment contracts may be entered into.
- A decision on the renewal of an employment contract must be made no later than four months of expiry. Where a contract is for one year or less, discussions should occur at least three months prior to its expiry and a decision made before two months of expiry.
- There is not limit to the number of times an employer and an executive can renew a contract.



3.6 Work/Life Balance

The Victorian Government supports a balance between work and family for all Victorians. The Victorian public service leads the way by offering the advantages of balancing work, family commitments and life activities. Executives are offered flexible work arrangements to enable a balance of work with other life activities including family, health, study, sport and exercise, carer responsibilities, hobbies, and life/career aspirations.

This section is pertinent to executives as it presents the various benefits available in public service employment that go beyond simply financial rewards. Some benefits are as follows.

3.6.1. Flexible Working Arrangements

In September 2016, the Victorian Secretaries Board committed to 'All Roles Flex', a recommendation that provides for mainstream implementation of flexible working arrangements across the VPS.

Processes will differ from agency to agency, but the goal should be to reach an outcome in which an individual's needs for flexibility are met, consistent with business requirements, industrial instruments and legislative requirements.

Flexible working arrangements include flexible start and finish times, working part-time, job sharing, etc. Executives can negotiate with their employer their working hours to fit with their other commitments, balanced against the demands of the role. The VPSC resource on [Mainstreaming Flexibility Across the VPS](#) provides more information on how to implement work/life balance for executives and their employees.

3.6.2. Support Programs

Executives can access support programs through the Employee Assistance Program (EAP). The EAP is a personal coaching and counselling service that offers **confidential**, short-term support for a variety of work-related and personal issues that may be affecting an executive at work or at home.

A qualified advisor from the EAP can talk with the executive or a member of the executive's immediate family over the phone or arrange a face-to-face consultation at an agreed location, either on or off site. The executive can talk with an EAP advisor for a total of up to five hours, which can be over a number of sessions. These sessions are funded by the employer.

If an executive decides to access the EAP, their **details are not passed on** to anyone in their agency or human resources unit.

3.6.3. Professional Development – Victorian Leadership Academy

Established by the Victorian Secretaries Board and part of the VPSC, the Victorian Leadership Academy (VLA) offers a tailored development program to lift the capability of Victorian Public Service leaders.

Through the VLA, executives reflect on their experience and development, gain insights into their individual strengths and vulnerabilities and plan their next development goals. Participants have access to other VLA coordinated development opportunities.

Opportunities are experiential and founded on global best practice and contemporary adult learning approaches. Public sector values, priorities and challenges sit at the heart of all development.

More information is available on the [VLA section of the VPSC website](#).

Other public sector-focused leadership development

Executives can access opportunities to undertake intensive study focused on leadership in the public service. For example, study programs include the Executive Fellow Programs and Executive Master of Public Administration offered by the Australia and New Zealand School of Government.

Each department or agency has their own approach to leadership development and executives should contact their employer or human resources unit directly.

A leave of absence may be granted to pursue study or for research.

3.6.4. Diverse and inclusive culture

A diverse public sector is best equipped to understand, value and deliver for the Victorian community. Current whole of government strategies are focused on increasing the low representation and improving employment experiences of Aboriginal employees, those with a disability and people from culturally and linguistically diverse backgrounds (CALD).

In July 2017, the VPSC launched Barring Djinang, the new Aboriginal employment strategy

for the public sector. Barring Djinang has a 2 per cent Aboriginal representation target across the VPS. The strategy is designed to enhance attraction, recruitment, retention and career development of Aboriginal staff members across the Victorian public sector, who are currently under-represented at executive levels.

Executives play a significant role in improving and driving inclusion across the VPS. The VPSC website lists current diversity programs and initiatives and Executives are encouraged to familiarise themselves with these.

3.6.5. Outside Employment

Executives must seek the approval of their employer before engaging in any outside employment. The opportunity exists for executives to seek a leave of absence to undertake outside work that contributes to their professional development. Executives may also be able to undertake other secondary work unrelated to their position (so long as there is agreement with the employer). Executives must ensure that there is no direct or indirect conflict of interest arising from the secondary work they undertake (refer to [section 3.2 – Conflict of interest](#)).

Refer to the [Code of Conduct](#) for guidance.

3.6.6. Health and Wellbeing

Good health and wellbeing is an important aspect of achieving work/life balance. In recognition of this, the public service offers discounted corporate rates for health insurance.

Also as part of their employment contract, Executives are offered medical checks. Check with your agency's human resources unit for details of how to access the medical check.

4. Remuneration

This looks at how the remuneration package is determined and what is included.

Summary

- The Victorian Independent Remuneration Tribunal (the Remuneration Tribunal) determines executive remuneration bands for public service executives and may issue guidelines on the placement of executives within remuneration bands.
- The executive employment contract provides that a review of individual executive remuneration is undertaken annually.
- Each employer must establish an Executive Remuneration Committee.
- Employers must report executive employment details annually to the Victorian Public Sector Commission (VPSC) in the form and detail advised at the time.

What is Considered Remuneration?

The total remuneration for executives includes:

- base salary (including any post-tax employee superannuation contributions or other post-tax deductibles);
- employer superannuation contributions (compulsory employer contributions and pre-tax contributions directed by the executive);
- employment benefits (i.e. non-salary benefits) – full cost of any benefits is met by the executive; and
- the annual cost to the Employer of providing the non-monetary benefits, including any fringe benefits tax payable.

4.1 Remuneration Bands

Executive employment is structured in three work value levels described as bands. The work value of the band levels are described in the [VPS Executive Classification Framework](#).

The VPS Executive remuneration bands are set by the Premier and apply to all VPS executives and are available on the [VPSC website](#). Public Service Body Heads may determine remuneration levels for individual executives.

4.2 Departmental Executive Remuneration Committee

Each department must establish an Executive Remuneration Committee. The committee's role is to ensure that a consistent and rigorous approach is taken to setting and adjusting executive remuneration.

4.2.1. Responsibilities of Departmental Executive Remuneration Committees

The specific role and responsibilities of an Executive Remuneration Committee are for each employer to determine. A suggested model is set out below.

The Executive Remuneration Committee's responsibilities are to:

- provide a budget forecast of expenditure on executive salaries for each financial year;
- provide a forecast of any changes to the executive profile in the department and the challenges this will bring;
- monitor budget expenditure and report progress against the forecast on a six-monthly basis;
- review all proposals for remuneration levels and adjustments to assure transparency and fairness;
- ensure that the distribution of executive salaries is reported in the Department's Annual Report (for more details, refer to the current Financial Reporting Directions issued under the *Financial Management Act 1994* which are published on the Department of Treasury and Finance website);
- report to the VPSC annually, details of executive employment in the agency in the form and format advised at the time;
- provide the VPSC with an aggregate agency report on the total cost of executive employment on an annual basis; and as required
- ensure it has documented its methodology for determining work value, related benchmarks, reasons for any remuneration level, including changes in, and premium remuneration. These policies must stand up to review.

Note:

- The committee must have an independent external member– someone who can provide an unbiased external viewpoint.
- The VPSC maintains a whole-of-government database on executive remuneration. Reports are provided to the Government and the Victorian Secretaries Board. Therefore, accurate and timely information must be provided.

4.3 When is Remuneration Reviewed?

4.3.1. Annual Remuneration Policy Reviews

The Remuneration Tribunal undertakes a review of executive remuneration policy annually. Details of any increase and its application are notified to employers in the public service annually by the Remuneration Tribunal Secretariat.

4.3.2. Individual Annual Executive Remuneration Reviews

The standard executive employment contract provides that an executive's remuneration will be reviewed annually. The agency's remuneration review for individual executives is conducted in the context of the outcome of the remuneration policy review of executive remuneration policy (see above). For administrative purposes, agencies usually align their individual executive remuneration review to the effective date of the annual remuneration policy review. Agencies' remuneration adjustments should be assessed with regard to:

- sustained performance evidence of the executive's application of key competencies, and
- retention factors.

The annual review does not guarantee a remuneration increase for individual executives.

The annual review average increase in remuneration for individual executives in an agency (undertaken in response to the policy increase advised as effective from 1 July each year) must not exceed the adjustment approved by the Remuneration Tribunal. This does not include ad hoc reviews that may be undertaken at any time during the year.

4.3.3. Ad Hoc Reviews

An employer may agree to undertake an ad hoc remuneration review at any time. This may be to acknowledge changes in responsibility, accountability or for retention purposes. An

employer agreeing to undertake this review does not guarantee any increase to any element of the Executive's remuneration.

Any increases or other change to base salary or employment benefits (including as a result of a change in the annual cost to the Employer of providing the non-monetary benefits) shall be notified to the executive in writing.

An executive may request in writing at any time to re-structure base salary and any employment benefits for consideration by the Employer. Should the Employer agree to this request, such a re-structure shall only apply prospectively, and must include a superannuation component at least equivalent to the minimum superannuation contribution required by the Employer to avoid a charge under the *Superannuation Guarantee (Administration) Act 1992* (Cth) (although note that special requirements may arise for an executive who is a member of a statutory superannuation scheme where superannuation contribution obligations arise through the relevant legislation).



5. Employment conditions

This section provides information about executive employment conditions.

Summary

- Executives are entitled to standard leave entitlements such as 20 days annual leave, 15 days personal/carer's leave and three months long service leave after ten years' service that may be accessed, pro rata, after seven years.
- An executive undertaking a temporary assignment at a higher band level may be paid a higher duties allowance.
- Relocation arrangements must be agreed to by the employer prior to the executive accepting the offer of employment.

5.1 Leave Entitlements

Executives are eligible for the following leave entitlements (some of these entitlements are dependent on a minimum length of service – check the contract for specific eligibility requirements):

Annual leave: 20 days paid leave per year – accumulating on a daily pro rata basis from employment commencement date. Cashing out of annual leave is permitted, consistent with the VPS enterprise agreement.

Personal leave: 15 days paid leave per year, cumulative.

Parental leave – Primary caregiver leave (including birth or adoption): 16 weeks paid leave and 36 weeks unpaid.

Parental leave – Secondary caregiver leave (including birth or adoption):

- 4 weeks paid leave; and
- 12 weeks additional paid leave if you assume primary responsibility for the care of a child and your spouse is not concurrently taking primary responsibility for the care of the child; and
- unpaid leave to bring the total available paid and unpaid leave to 52 weeks.

Special parental leave: paid leave for such periods that a registered medical practitioner certifies as necessary following termination of pregnancy after 20 weeks and unpaid leave after that.

Pre-natal leave: 38 hours per pregnancy for routine medical appointments associated with pregnancy or 7.6 hours per pregnancy if you have a spouse who is pregnant.

Pre-adoption leave: 2 days paid leave for attending compulsory interviews or examinations as part of the adoption process.

Permanent care leave: entitlement to access parental leave if you are granted a permanent care order in relation to the custody or guardianship of a Child and will be the primary or secondary caregiver.

Grandparent leave: 52 weeks' continuous unpaid grandparent leave if you are or will be the primary caregiver of a grandchild.

Surrogacy leave: leave equivalent to the entitlements for pre-natal leave and six weeks paid leave.

Special surrogacy leave: paid leave for such periods that a registered medical practitioner certifies as necessary following termination of pregnancy after the completion of 20 weeks not exceeding the amount of paid surrogacy leave entitlement.

Foster and kinship leave: 2 days paid leave on up to 5 occasions per calendar year.

Gender transition leave: 4 weeks paid leave and up to 48 weeks unpaid leave.

Leave to attend rehabilitation program: paid or unpaid leave to undertake an approved rehabilitation program.

Cultural and ceremonial leave:

NAIDOC week leave: 1 day of paid leave per calendar year.

Leave to attend Aboriginal community meetings: leave to attend Aboriginal community meeting during working hours.

Leave to attend Annual General Meetings of Aboriginal community organisations: leave may be granted to you to attend Annual General Meetings of Aboriginal community organisations at which the election of office bearers will occur.

Ceremonial leave: 3 days paid leave per year.

Leave to participate in the First People's Assembly of Victoria: 10 days paid leave per calendar year.

Defence reserve leave: leave up to a maximum period of 78 weeks' continuous service if you are required to complete defence reserve service.

Military service sick leave: 114 hours of special leave with pay for each year of service with the VPS.

Jury service leave: leave with pay for the period during which your attendance is required.

Leave for blood donations: leave without loss of pay to visit the Red Cross Blood Bank as a donor once every 12 weeks.

Leave to engage in voluntary emergency management activities: leave with pay when required to attend a voluntary emergency management activity if you are required to attend at a time when you would usually be at work.

Voluntary community activities leave: 10 days per calendar year.

Participation in sporting events leave: 2 weeks paid leave in any two calendar year period may be granted to you to participate either as a competitor or an official in any non-professional state, national or international sporting event.

Study leave: paid leave may be granted to you to undertake an accredited course of study.

Leave of absence: Leave for study, training, research, or other employment. This leave is either paid or unpaid depending on the agreement between the employer and executive.

Compassionate leave: 3 days paid leave per event, plus additional leave depending on circumstances.

Family violence leave: 20 days paid leave per calendar year for medical appointments, legal proceedings and other activities related to family violence.

Accident compensation leave (WorkCover): Full or part-time leave is available over the period of up to 52 weeks as leave the result of a work-related injury. The employer will pay the difference between WorkCover compensation and the executive's remuneration package for a period up to 52 weeks.

Long service leave: See section 5.2.

Infectious diseases leave: a special leave of absence with pay may be granted if an employee is unable to attend work due to legal restrictions as a result of them suffering

from an infectious disease.

Other leave:

VPS Executives are entitled to the leave provisions set out in the executive contract and any additional leave provisions provided in this handbook.

Executives are also entitled to any additional leave entitlements outlined in the VPS Enterprise Agreement (in force at the time) to the extent these entitlements are not already covered in the contract or handbook.

Executives are not eligible for leave loading when accessing any form of leave. For full details of leave provisions, refer to the contract and current VPS Enterprise Agreement.

Note:

The annual leave entitlement accrues on a daily basis. Annual leave entitlements must be taken by the end of the calendar year following the calendar year in which they are accrued (unless otherwise agreed) and at a time convenient to the needs of the employer and the executive.

There is no limit to the accumulation of personal/carer's leave. Unused personal/carer's leave will not be paid out at end of employment.

Notice and evidence requirements for all leave entitlements above are set out in the executive contract and the VPS Enterprise Agreement.

5.1.1. Purchased Leave

Executives may purchase additional leave to supplement their normal leave allocation. Executives may negotiate with their employer to sacrifice an agreed number of weeks remuneration in return for additional leave during the year. The additional leave is then paid for by the executive over the full 52 weeks of the year; that is, the executive will receive remuneration equal to the period worked (e.g. 48 weeks) which is spread over 52 weeks.

The calculation is based on remuneration, e.g. an executive will be paid 48/52 of the contract remuneration if purchasing an extra four weeks of leave (note the exact formula is 48.179/52.179 to reflect the calculation of fortnightly pay).

Accrual of sick leave and long service leave remains unchanged.

5.2 Long Service Leave

“Service” for this purpose is the aggregate of service: a) in the Victorian public service; and b) with any public or private employer approved by the employer prior to the commencement of the executive contract.

An executive is entitled to three months paid long service leave for every ten years of continuous service in the VPS. Executives can access long service leave on a pro rata basis after an initial seven years of continuous service.

Executives, subject to the employer’s agreement, may take any or all of their long service leave at half pay over double the period to which they would be entitled.

Full details of long service leave entitlements, including access to entitlements after four years’ service if retiring or in other specific circumstances, can be found in the standard executive contract.

Service for the purposes of long service leave that has not been pre-approved by the employer shall be considered in accordance with the ‘recognised service’ clause within the VPS Enterprise Agreement. Nonetheless, any application for recognition of prior service must be made within six months of the executive starting employment in the VPS.

The table below outlines the entitlement and payment of long service leave based on the time an executive has spent in their role or the public service.

Entitlement	Payment
Between 7 and 10 years	
Leave can be taken on a pro rata basis. Pay in lieu of leave on a pro rata basis if employment terminates or voluntary resignation.	Based on one day for every 40 calendar days completed.



Entitlement

Payment

Half pay – a longer period of leave can be taken on half pay.

Payment will be computed at half of what the employee would have been entitled to had they remained on duty during that period.

10 years

Three months leave with pay.

Normal pay. Superannuation contributions will continue to be paid in full.

Half pay – a longer period of leave can be taken on half pay.

Payment will be computed at half of what the employee would have been entitled to had they remained on duty during that period.

After 10 years

One-and-a-half months leave with pay for additional five years completed.

Normal pay. Superannuation contributions will continue to be paid in full.

Part-time hours

Part-time executives retain the same entitlements above.

Payment is calculated on a proportionate basis for the period of the part-time hours.



Entitlement

Payment

Rate of pay-in-lieu of long service leave

Pay in lieu of leave:

- at the end of employment (as a result of age retirement, ill health, death, termination of employment or voluntary resignation).

Payment is based on one day for every 40 calendar days completed.

For part-time workers, pay in lieu is calculated proportionately by FTE level (e.g. 0.6).

5.3 Higher Duties Allowance

The employer may pay a higher duties allowance for a temporary assignment that is at a higher band level. If the employer wishes to pay an allowance, the employer will determine an appropriate remuneration level for the period of the temporary assignment. Some examples are below.

Example:

- An executive at band 3 level is asked to undertake an acting role for two months in a position that is at band 2 level. The employer may pay an allowance to the executive at an appropriate base salary within band 2 level for the two-month period.
- An executive who temporarily undertakes a role that encompasses different responsibilities within the same band level. The employer may take this into account at the executive's annual performance review.
- A non-executive is assigned to an executive role at band 3 level. The employer may determine an appropriate allowance for the period of the assignment.

5.4 Relocation Policy

An executive who is relocated for a position may be reimbursed necessary and reasonable expenses of relocation for themselves, their family and their effects (for example, airfares,



temporary accommodation costs during settling in and settling out periods, and insurance). Relocation expenses may be considered appropriate at the start and conclusion of a term of appointment. Optional expenses may also be reimbursed on a case by case basis. See Appendix B for further detail on relocation expenses.

Relocation arrangements should be agreed to by the employer prior to the executive accepting the offer of employment. Employers should ensure that agreed relocation terms are appropriately documented.

Any caps on relocation allowances decided between an employer and executive should be considered as an upper limit, not as an entitlement. The need and reasonableness of each individual item should be considered by the executive and employer.

The executive should keep track of expenses against agreed relocation terms and provide receipts for reimbursements as required by the employer.

5.5 Reimbursements

5.5.1. Travelling and Personal Expenses

Executives may be reimbursed for any necessary and reasonable expenses incurred during the course of their duties. Refer to the [Victorian Public Sector Travels standards on reimbursement of expenses for official travel](#).

5.5.2. Telephone Expenses

Executives who make work-related calls or are required to be available by telephone outside normal working hours can have their service charges reimbursed by the employer. The reimbursement should be related to the number of work-related calls.

Employers should note that mobile devices (such as a mobile phone, iPad or laptop) are considered business expenses and should not be included in TRP.

5.6 Living Away from Home Allowance

An executive who is living away from home^[1] may receive an allowance that reimburses additional costs incurred for living in another place. This arrangement would be for a short-term assignment and the allowance must be negotiated between the executive and

employer.

Note:

- Reimbursements may be subject to fringe benefits tax. Any fringe benefits tax liability must be included in the executive's TRP. Refer to the [ATO](#) for more information.

5.7 Can executives be paid via a private company?

Executives cannot be paid via their private company. An executive is an employee of the public entity and a public official under the PAA. It is the executive who must be held accountable in the exercise of their functions – not their company.

Such an arrangement would not be an executive employment contract but the engagement of a contractor or a consultant. More importantly, in most situations, a contractor or consultant cannot hold key delegations, particularly financial delegations.

[1] A person is considered to be living away from a usual place of residence if, 'but for a change in residence in order to work temporarily for the employer, the person would have continued to live at the former place'. It must also be the intention of the employee to return to the former locality.

6. Employment benefits and salary sacrifice arrangements

This section provides information on:

- salary sacrifice arrangements;
- executive motor vehicle policy; and
- fringe benefits tax.

Summary:

- Salary sacrifice allows executives to structure their remuneration to best suit personal circumstances.
- A salary sacrifice arrangement can only be entered into for prospective income, i.e. before the work is performed or the income derived.
- Government policy outlines the items that can be salary sacrificed.
- The sum of salary sacrificed items, any fringe benefits tax liability, employer superannuation contributions and salary must equal the executive's TRP.
- Before entering into a salary sacrificing arrangement, executives should seek independent financial advice and refer to ATO publications on salary sacrificing and fringe benefits tax.
- There are two ways for executives to access a motor vehicle: the Executive Vehicle Scheme and/or a Novated Leasing Arrangement. The cost of the motor vehicle can be paid by executives through a salary sacrificing arrangement.
- It is government policy that executives meet any fringe benefits tax liability that arises from their salary sacrificing arrangement.

6.1 What is Salary Sacrificing?

Executives may enter into a salary sacrifice arrangement as part of their total remuneration. In this arrangement, the executive agrees to forego part of their salary in

return for the employer providing benefits of a similar value. The amount that is sacrificed forms part of the TRP an executive receives.

Under an effective salary sacrificing plan:

- taxable income is reduced
- the employer may incur a liability to pay fringe benefits tax on the fringe benefits provided. The executive must meet any fringe benefits tax liability that arises from their salary sacrificing arrangement
- salary sacrificed superannuation contributions are classified as employer superannuation contributions (not employee contributions) for tax purposes (also called 'concessional contributions') – refer to the ATO for more information.

A salary sacrifice arrangement can only be entered into for prospective income, i.e. before the work is performed or the income derived. Once an employee is in receipt of the income it is subject to income tax and cannot be effectively salary sacrificed. The Australian Taxation Office has published reference material and definitive public rulings on the subject of effective salary sacrifice arrangements.

Executives are advised to read the information published by the [ATO](#) and obtain independent financial advice before entering into a salary sacrifice arrangement.

6.1.1. Non-salary Benefits

Executives are able to include non-salary benefits as part of their TRP. Items that may be salary sacrificed as non-salary benefits include, and would normally be limited to:

- a motor vehicle obtained through the Executive Vehicle Scheme;
- a motor vehicle obtained through a Novated Leasing Arrangement;
- VPS health insurance scheme; and
- superannuation – salary can be sacrificed towards superannuation savings. See [section 7](#) for information. (Note that special issues may arise for an executive who is a member of a statutory superannuation scheme where superannuation contribution obligations arise through the relevant legislation.)

Note:

- Salary sacrificing can incur fringe benefits tax (see [section 6.3](#)).

- Executives must meet any fringe benefits tax liability that arises from the salary sacrifice arrangement.
- The ATO publishes rulings and handbooks for employers detailing salary sacrifice items and fringe benefits tax status.

6.2. Executive Motor Vehicle Policy

One of the benefits available to executives is the ability to access a motor vehicle. There are two ways of accessing a motor vehicle: the Executive Vehicle Scheme and/or a novated leasing arrangement. Executives are able to select a motor vehicle under each arrangement. The cost of the motor vehicle may be paid by executives through a salary sacrificing arrangement.

6.2.1. Executive Motor Vehicle Scheme

The VPS allows executives to choose an approved vehicle from a list of approved vehicles published by [VicFleet](#) for business and private use. The scheme is based on sharing costs between the executive and employer. The cost of the motor vehicle to the executive's total remuneration package is calculated using a formula based on whole of fleet costs.

Benefits of the Executive Motor Vehicle Policy

The benefits of this arrangement for an executive include:

- tax benefits, as costs are deducted from the pre-income tax component of remuneration
- a comparatively inexpensive option for accessing a motor vehicle
- provision of a fuel card
- car parking at work
- car is maintained, insured and serviced by the employer
- provision of accident management services and manufacturer's roadside assistance.

6.2.2. Conditions for Executive Motor Vehicle Scheme

The table below outlines the conditions for each party under executive motor vehicle scheme arrangements.

Conditions

Executive:

- pays 2/3 of the approved costs of the car plus any accessories agreed with the employer through a salary sacrificing plan
- may claim for more than 1/3 business use if a record of usage is kept over a three-month period
- pays for e-TAGs
- observes government motor vehicle policies
- pays the fringe benefits tax associated with the arrangement
- may nominate other persons to use the vehicle for private purposes
- ensures the vehicle is available for use for business use during business hours, if required.

Note: Vehicles are retained for a maximum of three years or 60,000km, whichever occurs sooner.

Employer:

- approves the provision of the vehicle
- meets 1/3 of the approved costs for business use
- arranges provision of fuel card
- provides car parking at work site(s)
- is responsible for the maintenance, insurance and servicing of vehicles, and arranges accident management services and manufacturer's roadside assistance.

All public service employers are to use the standard motor vehicle costing methodology published by the VPSC.

Refer to the VPSC website for the [vehicle costing calculator](#). Further information regarding the vehicle costing methodology appears in [appendix F](#).

Part-time Executives

Part-time executives may access an executive motor vehicle scheme where the employer agrees. The vehicle cost to a part-time executive is not pro-rated. If a vehicle is made available to a part-time executive, they are expected to meet the full costs from their remuneration package.



Temporary Motor Vehicle Use

An employer may allow the use of an executive motor vehicle to a non-executive who is undertaking an executive role on a short-term temporary assignment. No deductions are made for the temporary vehicle use for the period of the assignment.

6.2.3. Novated Leasing Arrangement

An executive can access a motor vehicle solely for private use through a novated lease.

This arrangement is entered into with the agreement of the employer. The vehicle is arranged through a finance company and the employer facilitates the payments through a salary sacrificing arrangement. The executive bears all costs of the vehicle. If the executive's employment ends, the arrangement continues between him/her and the finance company. [VicFleet](#) has more information about this arrangement.

Note:

- The Government has a contract in place with providers of novated lease arrangements – refer to [VicFleet](#).
- Car parking is not provided by the employer as part of a novated lease or for a privately owned vehicle.

6.3 Fringe Benefits Tax

6.3.1. What is Fringe Benefits Tax?

Fringe benefits tax (FBT) is a tax incurred by employers when employees are provided with certain benefits in respect of their employment. Benefits provided through salary sacrificing and some reimbursements of expenses may incur FBT.

6.3.2. What are Fringe Benefits?

A fringe benefit is a benefit received by a person in respect to their employment. A benefit includes any right, privilege, service or facility.

6.3.3. Are any Fringe Benefits Exempt from Fringe Benefits Tax?

A number of benefits can be exempt from FBT. Refer to the [ATO](#) for more information on exempt benefits.

6.3.4. Are Superannuation Contributions Fringe Benefits?

Salary sacrificed superannuation contributions are employer contributions and are not fringe benefits. Therefore any salary sacrifice into superannuation does not incur FBT liability.

6.3.5. Who Pays Tax on Fringe Benefits?

Executives must pay, from their TRP, any applicable FBT arising from their access to fringe benefits (e.g. vehicle provided under the Executive Vehicle Scheme or novated lease).

6.3.6. What are Employers' Responsibilities?

Employers must:

- keep records of FBT liability;
- complete and lodge an annual FBT return with ATO by 21 May each year; and
- provide executives with a payment summary of the total taxable value of the fringe benefits received in an FBT year exceeding \$2,000 (from 1 July 2007). The ATO uses the payment summary in income tests for a number of government benefits, e.g. Medicare Levy.

6.3.7. What are executives' responsibilities?

Executives must complete a FBT declaration form outlining the business use of any benefit that could be exempt from FBT.

6.3.8. Where can I get more information about FBT?

Employers

Employers can find more information about their FBT obligations from the [ATO](#), in particular, the ATO publication [Fringe benefits tax – a guide for employers](#).

Executives

Executives are advised to seek independent financial advice to assist their decision making for maximising their benefits. The ATO also has a number of publications on FBT that are useful.



7. Preparing for the future - Superannuation

Summary:

- Superannuation contributions are required in respect of an executive
- An executive may choose to cease their membership of a defined benefits scheme but must be a member of another complying fund.
- An executive may choose to be a member of more than one superannuation scheme, e.g. a defined benefits scheme (if eligible) and an accumulation scheme.
- An executive may be able to sacrifice salary into their superannuation fund. Refer to the [ATO website](#) for rulings on effective salary sacrifice arrangements

7.1 General Superannuation Information

Superannuation is a complex area and this handbook does not attempt to provide advice to individuals. This handbook outlines government policy and the choices available to employees.

A [general information paper](#) that executives may find useful is available on the VPSC website.

7.1.1. Which Superannuation Fund?

There are two types of superannuation fund: **accumulation schemes** and defined benefits schemes.

Accumulation schemes are lump sum funds where the investment of the individual and earnings on that investment determine the outcome for the individual on retirement. The employer contribution required under the *Superannuation Guarantee (Administration) Act 1992 (Cth)* is made into the accumulation fund.

The compulsory superannuation contribution is currently 9.5 per cent of “ordinary time earnings” (as defined for purposes of the Superannuation Guarantee legislation).

Defined benefits schemes operating in the broader Victorian public sector are, with the

exception of the Emergency Services Superannuation Scheme which is open only to operational emergency services workers, closed to new membership. These schemes are established by legislation and have a prescribed level of contribution. They provide a defined benefit by way of lump sum, pension, or a combination of the two. The closed defined benefits schemes include the Revised Scheme, New Scheme, Transport Scheme and the SERB Scheme.

[Appendix E](#) details the employer contribution required to be made to the defined benefits schemes.

All executives are required to be members of a complying superannuation fund. However, choices are available in terms of the superannuation provider. As some executives will have been members of statutory superannuation schemes prior to entering into executive contracts the choices are complex.

Executives are required to make employer and employee superannuation contributions from their TRP if they are under a defined benefits scheme.

It is strongly recommended that executives seek financial advice before making decisions relating to superannuation.

Executives joining the public service, or who are already a member of an accumulation scheme must ensure their scheme is a complying superannuation fund or choose a complying superannuation fund to which employer contributions can be paid. Executives are required to provide the necessary documentation to their employer to prove their fund is a complying fund if a fund other than the default fund is chosen by an individual. (Most funds provide this proof by way of a 'complying fund status' letter which can be easily accessed on their website.)

[VicSuper](#) is currently the default provider for public service employees. However, [ESSSuper](#) can accept contributions where the executive has ceased membership of one of the defined benefit funds and still have funds with the fund.

7.1.2. Superable Salary

Defined benefits schemes superable salary, as elected by the executive, is:

- 70 per cent of the total remuneration package
- the pre-contract superable salary, if that salary is higher.

These limits are established by State legislation in the *Superannuation (Public Sector) Act 1992 (Vic)* and are therefore not able to be altered in any way.

Accumulation scheme members employer contribution is calculated on the basis of a notion of salary called “ordinary time earnings” in accordance with the *Superannuation Guarantee (Administration) Act 1992 (Cth)*.

7.2 Superannuation Requirements

7.2.1. Employees Contributing to Superannuation

Employees in Victorian public service agencies and certain other public sector organisations are able to contribute their employee contributions either after tax as a personal contribution (also called a ‘non-concessional contribution’) or before tax which can include through a salary sacrifice arrangement. Salary sacrifice contributions are considered to be employer contributions (also called ‘concessional contributions’).

The conditions for an effective salary sacrifice arrangement have been decided by ATO rulings and policy (refer to the [ATO website](#)). Executives are strongly advised to obtain independent financial advice before entering a salary sacrifice arrangement. Employers accept no liability for an executive’s decision to request a salary sacrifice arrangement.

Employee contributions to defined benefits schemes are defined in the *State Superannuation Act 1988*.

Employees who are members of accumulation schemes may contribute additional voluntary contributions (whether concessional or non-concessional) subject to the rules of the relevant fund.

Limits apply with respect to concessional and non-concessional contributions. If contributions are made above these limits, additional tax may apply. Please check with your super scheme or the ATO website.

7.2.2. Employee Responsibilities

A member of a statutory superannuation scheme, as defined in section 3 of the *Superannuation (Public Sector) Act 1992 (Cth)*, who is about to enter an executive contract, must elect to either continue or cease to be a member of that scheme.

An executive should carefully consider their decision because once a choice has been made

to cease membership of a statutory superannuation scheme that decision cannot be reversed.

The choice to remain in a statutory superannuation scheme may be changed prospectively at any time in the future.

When commencing a new contract, executives must nominate a super fund for their employer to make contributions. Executives should seek independent financial advice before making any decisions about their superannuation.

For more information about contributing towards superannuation refer to:

- the VPSC website;
- the Emergency Services and State Super (ESSSuper) website;
- independent financial advice.

7.2.3. Lump Sum Payments Towards Superannuation

You may be able to make lump sum contributions directly into an accumulation superannuation fund either as a concessional contribution or a non-concessional contribution. Check the rules of your fund and the ATO website.

7.2.4. Temporary Changes to Remuneration (including Higher Duties Allowance)

Where an assignment is for a period of more than 12 months, the higher level of remuneration may be included in salary for superannuation purposes in a defined benefit scheme and also will constitute “ordinary time earnings” for Superannuation Guarantee purposes for members of accumulation funds.

7.2.5. Termination Benefits

Where an executive has elected to remain in a defined benefits scheme, membership of that scheme ceases on cessation of employment. The nature of any payment from the superannuation fund will be determined by the fund in accordance with the *Superannuation (Public Sector) Act 1992* and will depend on the reasons for the cessation of employment.

7.2.6. Maximum super contribution base

The amount of superannuation payable for some executives may increase each year as a result of the indexation of the **maximum super contribution base** (MSCB) by the Australian Taxation Office. The superannuation guarantee and MSCB apply to executives who are members of accumulation schemes. The superannuation guarantee and MSCB do not apply to executives who are members of defined benefits schemes (such as the Emergency Services and State Super Defined Benefits Scheme).

VPS employers who use the VPS contract must bear the cost of increases to both the superannuation guarantee and the annual ATO indexation of the MSCB. Increases to the amount of superannuation payable as a result of the MSCB indexation will be required for executives whose base salary exceeds the amount of the MSCB. Under the contract, these increases must be passed onto executives without any impact on base salary.

If an executive's remuneration is described as: "base salary + other benefits + superannuation", the change will be to the superannuation component only. The executive's salary component and other benefits cannot be reduced to offset the additional superannuation payments. Employers are not to offset the cost of the changes to superannuation by passing on less of the annual adjustment to an individual executive than they otherwise would have.

VPS employers do not need to seek the Tribunal's advice under section 37 of the Victorian Independent Remuneration Tribunal and Improving Parliamentary Standards Act 2019 if an employer increases an executive's superannuation benefits to comply with the Superannuation Guarantee (Administration) Act 1992 (Cth) and this results in the executive being paid above the relevant remuneration band.

7.2.7. Superannuation Guarantee rate

The compulsory superannuation contribution is currently 10 per cent. There are legislated annual increases to that rate scheduled between 2021 and 2025. Those increases must be passed on to executives without any impact on base salary. More information about the dates of the increases can be viewed on the [ATO website](#).

7.2.8. Mandatory superannuation contributions

Executives who are entitled to the 10 per cent superannuation contribution rate (accumulation fund members) are only entitled to receive contributions up to the maximum super contribution base amount which the ATO sets each year. For executives earning

above the maximum superannuation contribution base, the 10 per cent will be capped and updated subject to indexation each year. For executives earning below the maximum superannuation contribution base, the contribution rate will be 10 per cent of their salary.

The monetary value of the 10 per cent should be updated in each executive's contract annually where there has been any change their remuneration package to ensure they receive their mandatory superannuation contribution.



8. Performance management and development

This section provides information about managing performance, development and disputes.

Summary:

- An executive's performance should be reviewed regularly and employers can determine the frequency of formal reviews that best suit their operating environment.
- Executive performance management establishes the link between the whole of government, the employer and individual executive objectives and priorities.

8.1 Performance Management

The VPSC recently published a Performance Management Framework for VPS executives. The Framework provides:

- information about the purpose and context of the performance management framework
- details about the scope and design of the framework
- an outline of the foundation principles
- guidance on performance setting and performance assessment.

The Framework will be implemented at the commencement of the department/agency's next performance cycle (i.e. 2020 for calendar year or 2019-20 for financial year cycle). For details on the department/agencies performance processes and systems, contact the relevant HR unit.

8.2 Managing Under Performance

Where the performance of an executive is considered as requiring improvement, it is both the executive's and the employer's responsibility to:

1. identify the cause(s);
2. design a development plan with measurable performance standards – both the executive and employer should agree to this plan; and
3. monitor improvement – the monitoring period should be between one and three months.

If the executive's performance does not improve after the second review period, this may be considered as a basis for terminating the executive's contract.



9. Grievances

9.1 Grievances or Disputes

Grievances or disputes that arise out of the executive contract may be resolved by following the procedure in the standard executive employment contract.

9.2 Review of Actions

An executive may apply to their employer for an initial review of an employment related action that personally affects them such as a selection process or performance management.

All public service bodies must have a review process in place that complies with the *Public Administration (Review of Actions) Regulations 2015* and the Reasonable Avenue of Redress Standard.

9.2.1. Applying to the VPSC for review

An executive may apply to the VPSC for review of an employment related action in four circumstances:

- the employer did not conduct an initial review;
- the initial review process was unfair;
- the employer personally took the action or was the primary decision maker; or
- the employee was victimised for previously applying to VPSC for a review

10. End of employment

This section looks at different circumstances surrounding the end of employment for executives, the processes to follow, and the available options.

Summary:

- Generally, the employer may terminate an executive's contract by providing four months' written notice.
- An employer may terminate a contract without notice for reasons of serious misconduct.
- An executive must give four weeks' notice to end their contract.
- An executive's employment may end due to the expiry of the contract, voluntary resignation, termination of contract, retirement or death.
- Executives must be paid out any accrued entitlements (i.e. annual leave and long service leave) at the end of their employment, as appropriate. Any payments in lieu of accumulated annual leave and long service leave entitlements are not considered to be ordinary time earnings so the Employer is not required to pay a superannuation contribution on them. Payments in lieu of these leave entitlements are calculated in accordance with the source of the entitlement (for example, the 'base rate of pay' as defined in the Fair Work Act 2009 (Cth) or the 'ordinary time rate of pay' as defined in the Long Service Leave Act 2018 (Vic).
- Pay in lieu of notice is based on 100 per cent of the TRP.
- Some executives are entitled to a right of return (section 27 of the PAA). The right of return provides the executive with appointment to a non-executive role at the most senior non-executive level (currently the Senior Technical Specialist level), provided the appointment remuneration does not increase and subject to a maximum salary at the midpoint of that classification.
- Information or products developed by the executive during their employment in the VPS remains the property of their employer.

10.1 Circumstances Ending Employment

An executive's employment can end in a number of different circumstances. Some of these circumstances and the responsibilities of each party are discussed below.



10.1.1. Re-employment

The standard executive employment contract requires that the employer:

- consult the executive at least six months prior to the expiry of the contract regarding whether a further contract will be offered. In the case of a short-term contract (one year or less), the consultation should be undertaken at least three months prior to the expiry of the contract;
- advise the executive on the decision about contract renewal no later than four months before contract In the case of a short-term contract, no later than two months before contract expiry;
- The contract provides that the parties may agree to such other period in writing.

Note:

- If a new contract is offered, the employer should ensure that the administrative processes (i.e. payroll processes, new contract ready for signing, delegations continue, etc.) are in place to execute the contract before the current contract expires.

If a contract is not renewed, the executive must be paid any outstanding accrued but untaken annual and/or long service leave entitlements, if applicable.

10.1.2. Payment of Accrued Entitlements

Executives must be paid out any accrued entitlements (i.e. annual leave and long service leave) at the end of their employment, as appropriate. Any payments in lieu of accumulated annual leave and long service leave entitlements are not considered to be ordinary time earnings so the Employer is not required to pay a superannuation contribution on them. Payments in lieu of these leave entitlements are calculated in accordance with the source of the entitlement (for example, the 'base rate of pay' as defined in the Fair Work Act 2009 (Cth) or the 'ordinary time rate of pay' as defined in the Long Service Leave Act 2018 (Vic)).

10.1.3. Termination of Contract

A contract may be terminated by the employer or employee under the terms set out in their contract, and subject to the requirements of the PAA. See [appendix C](#) for more detail on summary dismissal.

Note:

- If the employer chooses not to continue employment through to the end of the notice period, payment in lieu of notice may be offered.

Payment of accrued entitlements

If the contract is terminated, the executive must be paid any outstanding accrued but untaken annual and/or long service leave entitlements as indicated above, if applicable.

10.1.4. Retirement

An executive may choose to retire at any time after reaching the age of 55 (section 20(4) of the PAA) – (some defined benefit superannuation funds may provide for a lower age for retirement benefits). It is unlawful to discriminate against an employee on the basis of age or for the employer to compulsorily retire an employee due to age (refer to the *Equal Opportunity Act 1995*). An exemption from the Attorney-General can be sought for compulsory age retirement in certain circumstances.

Payment of accrued entitlements

On retirement an executive must be paid out:

- any outstanding remuneration;
- accumulated annual leave; and
- outstanding long service leave entitlements.

10.1.5. Death

It is important that employers have in place processes to deal with an executive's family, friends and colleagues, should an executive die in their employment. Most VPS agencies should have access to an Employee Assistance Program.

Payment of entitlements

The deceased executive's family (dependents or non-dependents) or representative (trustee) is to be paid any outstanding:

- remuneration; and

- annual leave and long service leave payment, provided that all legal requirements are satisfied.

Note:

- Termination of contract is covered in the standard executive employment contract and reflects sections 34 and 35 of the PAA. A generic step-by-step guide for ending employment is in [appendix D](#).

10.2 Right of Return

Section 27 of the PAA provides a right of return for some executives. The right of return is available to an executive:

- where their contract is terminated by the employer
- the executive was a VPS employee prior to their initial employment as an executive and this employment was continuous.

The right of return provides the executive with appointment to the most senior non-executive classification level at a remuneration level no higher than the midpoint of that classification.

Note:

- There is no minimum contract period required for a right of return.

An executive loses the right of return if their employment is terminated for misconduct within the meaning of section 22 of the PAA. The *Public Administration (Review of Actions) Regulations 2015* establish procedures for dealing with allegations of misconduct. An executive may waive in writing their right of return. If the right of return is exercised the executive is not entitled to any payment in lieu of notice.

During a review in accordance with the regulations, it may be necessary to suspend an executive on pay pending the outcome.

Calculating the right of return salary level

The PAA provides that an executive returns to the midpoint of the highest non-executive classification unless that midpoint would result in an increase in salary. The right of return

salary is calculated as follows:

- Executive's TRP minus the employer superannuation contribution subject to the maximum salary being the midpoint of the most senior non-executive classification. The executive is not to receive a higher remuneration on return.

The rate of salary on return is calculated by taking the employer superannuation contribution (the SG rate) from the contracted TRP to arrive at the maximum cash figure (Note that this method of calculation was approved by Government to ensure that all returning executives were treated equally regardless of superannuation scheme membership).

The STS position is an award-based classification. The STS midpoint does not include the employer superannuation guarantee contribution.

Effect on non-salary benefits

An executive on return to a non-executive role relinquishes any benefits that have been provided exclusively as part of the executive contract – notably the executive scheme motor vehicle. Other arrangements the executive had may continue, e.g. novated motor vehicle lease, VPS health insurance payments through salary sacrifice or deduction.

10.3 Redeployment

Redeployment to a vacancy at a similar level may be considered for an executive who is identified as surplus, in line with the VPS Agreement. Executives are not entitled to the redundancy packages set out in the PAA.

10.4 Outplacement Support

An employer must offer reasonable outplacement support to an executive who is leaving the public service involuntarily save as a result of termination on notice due to failure to fulfil duties or due to summary termination. The outplacement assistance provides the executive with support and enables them to search for a new job for up to 4 months.

10.5 Confidential Information

When an executive leaves an organisation, any work produced by the executive remains the property of the employer, unless otherwise agreed in writing between the employer and

executive. Confidential information obtained by an executive during his or her employment must not be used for personal gain or to advantage a prospective employer or business, or disadvantage the Victorian Government.



11. Useful website links

11.1 Tax Information

Australian Tax Office at <http://www.ato.gov.au/>

11.2 Motor Vehicle Leasing

VicFleet at <http://www.vicfleet.vic.gov.au/>

11.3 Victorian Independent Remuneration Tribunal

<https://www.vic.gov.au/victorian-independent-remuneration-tribunal>

11.4 Victoria Public Service Agreement and Employment Matters

Industrial Relations

Department of Economic Development, Jobs, Transport and Resources

Superannuation Information

ESSSuper – Emergency Services and State Super

Super Choice

VicSuper

Australian Securities and Investment Commission

Australian Prudential Regulation Authority

11.5 Legislation and Regulations

Financial Management Act 1994 (Vic)

Privacy and Data Protection Act 2014 (Vic)

Public Administration Act 2004 (Vic)

Public Administration (Review of Actions) Regulations 2015

Superannuation Guarantee (Administration) Act 1992 (Cth)

Superannuation (Public Sector) Act 1992 (Vic)

11.6 Other matters

Privacy Information

Office of the Victorian Information Commissioner



12. Glossary

Agency Head

Chief Executive or Secretary of a department or agency in the public service.

Complying Superannuation Fund

A fund that meets certain regulatory requirements. Refer to the [APRA superannuation fund website](#) for a list of complying superannuation funds.

Declared Authority

Defined under Part 7, Section 104 of the PAA. For a current list, see [Machinery of Government](#).

Executive

An executive is defined under Part 3, Division 5, section 23 of the PAA as a person who:

- is employed as an executive under this part of the Act;
- holds a statutory office which is a declared authority; or
- holds a prerogative office which is a declared authority and the Governor in Council, by Order published in the Government Gazette, has declared that employment to be employment as an executive.

Employer

An employer of an executive is defined under Part 3, Division 5, section 24 of the PAA.

Employment contract

An employment contract for an executive is a written standard employment contract.

Expenses (work related)

Expenses unavoidably incurred from time to time in the course of authorised duties.

Government Gazette

The Victoria Government Gazette provides official notification of decisions or actions taken by, or information from, the Governor of Victoria, Government Authorities, Government

Departments, Local Councils, companies and individuals.

Government Business Enterprise (GBE)

Defined as follows:

- its principal function is to engage in commercial activities in the private sector
- it is controlled by government
- it has an independent legal existence from government and the executive.

Maximum Contribution Base

This is a quarterly notion of salary for purposes of the Superannuation Guarantee (SG) legislation. An employer only needs to pay SG contributions on salary up to this amount each quarter. For the 2018/2019 year, the maximum contribution base per quarter is \$54,030. Refer to the [ATO website](#) for the current maximum super contribution base.

Personal information

The Executive agrees that the Employer and the Department/Agency will collect information, including personal information, regarding the Executive and the Executive's employment and may disclose that information to other Victorian public sector entities for reasons relating to the Executive's employment, to third parties in the delivery of employment services to the Executive and/or where the disclosure of that information is otherwise permitted (including where authorised or required by law).

Prerogative Office

An office under the Crown (other than a statutory office) to which the Governor in Council makes appointments (refer Section 104 of the PAA).

Professional Association

An organisation which has the sole purpose of enhancing the interests of the members of a particular profession, trade or occupation.

Public Entities

Defined under Part 1, Section 5 of the PAA

Special Bodies

Defined under Part 1, Section 6 of the PAA (e.g. Victorian Auditor-General's Office, Victoria Police). For a current list, see [Machinery of Government](#).

Statutory Authority

An office established by or under an Act where either the Governor in Council or a Minister makes appointments. e.g. Ombudsman.

Total Remuneration Package (TRP)

The basis of remunerating executives in the public sector and includes base salary, employer's superannuation contribution, other employment benefits and any applicable fringe benefits tax.



Appendix A - Recruitment, selection and appointment process

Tip:

Refer to the VPSC's [Best Practice Recruitment and Selection Toolkit](#) for more comprehensive guidelines on recruitment.

Ensure an approved executive position is available to be filled and that appropriations are secured.

Seek approval for advertising vacant position.

For public service appointments approval must be sought from the executives' employer i.e. Chief Executive Officer, Departmental Secretary or the Premier.

1. Advertise position.

- Define key selection criteria in line with the employer's requirements for the role.
- Advertise the vacancy widely to attract a sufficient pool of competent applicants.
- Use Victorian Government's employment website: careers.vic.gov.au
- Other advertising mediums such as newspapers, internet job search sites or Victorian Government Purchasing Board contract recruitment agents may be used to attract a suitable pool of candidates.

2. Appoint selection panel.

- Appoint selection panel – there needs to be a gender balance and an independent panel member.

3. Shortlist candidates and interview.

- Interview candidates with prepared questions to assess interviewees' knowledge, skills

and abilities in relation to the key selection criteria.

- Other means of assessment including oral or written presentations, work samples, role plays or testing maybe undertaken.
- Record panel assessment of each applicant against the key selection criteria.

4. Choose most suitable candidate.

- Conduct reference checks in relation to key selection criteria.
- Seek approval from employer for appointment.
- Offer employment.

5. Confirm appointment.

- Send appointment letter to successful candidate.
- Provide standard employment contract.
- Notify unsuccessful candidates once an employment offer has been accepted.

6. Arrange any relocation.

7. Induction

- Prepare an induction programme to the organisation.

Tips for Using Executive Search Consultants

The [State Purchase Contract](#) (SPC) for the provision of staffing services is in place for the period 1 January 2016 to 31 December 2019. The objective of the contract is to ensure a consistent and timely supply of suitably qualified and high quality on-hire workers and permanent personnel for the Victorian Government. The use of the SPC for executive appointments is optional however the rules of use should be complied with and quotes sought when engaging an executive search firm to ensure transparency and competitive pricing.

- Ensure you have a range of executive search firms to call on for quotes – keep up to date

with their track record and check with colleagues in other departments.

- Consider using consultants for an abbreviated service and only pay for what you need, e.g. executive search.
- Seek quotes from recruitment firms who have a successful track record in relevant industries as well as senior government appointments.
- Check if the consultant has the capacity to provide a comprehensive and targeted search function.
- Request quotes to be expressed as flat fees, not percentages of remuneration.
- Refer them to government remuneration policy and explain packaging arrangements.
- Request regular updates from the consultant for the duration of the search assignment. Request replacement guarantee of 6 months (below 6 months is insufficient).
- Negotiate on price where possible.
- Ensure the consultant is supplied with information to help them brief potential candidates (e.g. strategy documents, organisation culture, business plans, employee conditions and benefits).
- Request details of all candidates (including those who were referred). For the longlist meeting, ask the consultant to categorise candidates according to source (i.e. responded to advertisement or search).
- Link payment tranches to delivery of tangible services/products (e.g. presentation of search strategy, shortlist, candidate accepts offer).
- Check your liability for success fees if other candidates are subsequently placed in your organisation – if the amount is excessive, then negotiate before signing the contract.
- Seek help from your purchasing/contract officer on documentation before executing the contract (they can also give helpful feedback on evaluation of proposals).



Appendix B - Relocation costs

Relocation costs may be considered appropriate at the start and conclusion of an executive appointment and should be negotiated and agreed before the contract is signed. There is no obligation on the employer to pay an executive's relocation costs at the conclusion of a contract where this was not negotiated as part of the original contract.

Necessary and reasonable expenses are defined as:

- economy airfares for staff member and immediate family
- accommodation costs incurred during travel and during settling-in and settling-out periods
- removal expenses relating to furniture, motor vehicles and effects including comprehensive insurance cover
- storage costs.

Other optional expenses an employer may consider reimbursing, on a case-by-case basis include:

- Costs associated with the sale of existing residence, including estate agent fees, legal costs, stamp duty and fees relating to the discharge of a mortgage.
- Costs associated with the purchase of permanent accommodation in Victoria, including legal costs, stamp duty, mortgage transfer, buyer's advocate and valuation fees. An appropriate depreciation allowance may also be paid.
- Transport costs (return economy airfares) for a maximum of one return trip in each of the first three months of the period of employment from their new place of work to their former Australian residence to visit immediate family for a limited period while immediate family they continues to live at their former residence – (this benefit would be subject to fringe benefits tax).

Reimbursement of short-term accommodation costs during settling in and settling out periods such as:

- an allowance to cover actual cost of reasonable temporary accommodation of up to 10 weeks pending the purchase or lease of permanent accommodation; and
- where the temporary accommodation is in a hotel, reimbursement for breakfast and dinner, noting the hotel chosen should comply with relevant travel policy and offer a

government discount.

Employers and executives should note that the purchase of assets, such as new furnishings, are not considered relocation expenses.

Employers should ensure that relocation caps or allowances are understood to be an upper limit not an entitlement to be paid in full regardless of the specific factors of the relocation. The need and reasonableness of each individual item should be considered by the executive and employer.

Note: Reimbursement of expenses associated with purchase of a new residence would usually only be considered where the residence at the previous location is sold. Any real estate agent's commission applicable to the purchase of a new residence or any fee associated with a mortgage would not be reimbursed.



Appendix C - Summary dismissal

Summary dismissal or immediate dismissal occurs where serious misconduct occurs. Examples of serious misconduct include:

- breaching the PAA
- acting improperly in an official capacity
- breaching a directive
- making improper use of their position for personal gain
- making improper use of information acquired by him or her by virtue of his or her position to gain personally or for anyone else financial or other benefits or to cause detriment to the public service or the public sector. (Section 22 of the PAA)

For serious misconduct, no notice period, counselling or warning is required.

Termination of employment for executives is set out in section 34 of the PAA.

Appendix D - Step by step guide for ending employment

Below is a generic step-by-step guide for human resource administrators to consider when ending the employment of an executive. It is provided as a guide only and will not be applicable in all circumstances.

Decision making

1. Determine reason for ending employment.
2. Discuss end of employment scenario with the Agency Head.
3. Reach a consensus on the proposed decision to end employment.
4. An appropriate person (e.g. a senior manager) is delegated to consult with the affected executive.

Administration

The Agency Head has been consulted with and has agreed to:

- any minimum process requirements;
- proposed date for termination;
- any redeployment options; and
- any outplacement support.

Consultation with Executive

The executive has been advised of:

- the intention to end employment;
- the reasons for proposed termination;
- expected formal notification date;
- expected employment end date.



Formal Notification

Written notice is signed by the Agency Head.

- Notice or payment in lieu is provided (if applicable).



**STATE SUPERANNUATION FUND (NEW SCHEME)
AND TRANSPORT SUPERANNUATION FUND**


MEMBER CONTRIBUTION RATE

AGE	0%	2.5%	3.0%	5%	7%	7%	7.5%
25 or less	8.4	8.7	8.8	9.0	9.2	Firefighters 11.5	9.3
26	8.5	8.8	8.9	9.1	9.4	11.6	9.4
27	8.6	8.9	9.0	9.2	9.5	11.8	9.6
28	8.6	9.0	9.1	9.4	9.6	11.9	9.7
29	8.7	9.1	9.2	9.5	9.8	12.1	9.9
30	8.8	9.2	9.3	9.6	9.9	12.2	10.0
31	8.9	9.3	9.4	9.7	10.1	12.4	10.2
32	9.0	9.4	9.5	9.9	10.2	12.6	10.3
33	9.0	9.5	9.6	10.0	10.4	12.8	10.5
34	9.1	9.6	9.7	10.2	10.6	13.0	10.7
35	9.2	9.8	9.9	10.3	10.7	13.2	10.9
36	9.3	9.9	10.0	10.4	10.9	13.4	11.0
37	9.3	10.0	10.1	10.6	11.1	13.6	11.2
38	9.4	10.1	10.2	10.7	11.3	13.8	11.4
39	9.4	10.2	10.3	10.9	11.4	14.0	11.6
40	9.5	10.3	10.4	11.0	11.6	14.2	11.8
41	9.5	10.3	10.5	11.1	11.8	14.4	11.9
42	9.5	10.4	10.5	11.2	11.9	14.6	12.1
43	9.5	10.4	10.6	11.4	12.1	14.8	12.3
44	9.5	10.5	10.7	11.5	12.3	15.1	12.5
45	9.5	10.6	10.8	11.6	12.4	15.3	12.7
46	9.5	10.6	10.8	11.7	12.6	15.5	12.8
47	9.5	10.7	10.9	11.8	12.8	15.7	13.0
48	9.5	10.7	11.0	12.0	12.9	15.9	13.2
49	9.5	10.8	11.0	12.1	13.1	16.1	13.4
50	9.5	10.9	11.1	12.2	13.3	16.4	13.6
51	9.5	10.9	11.2	12.3	13.4	16.5	13.7
52	9.5	10.9	11.2	12.4	13.5	16.6	13.8
53	9.5	11.0	11.3	12.4	13.6	16.8	13.9
54	9.5	11.0	11.3	12.5	13.7	16.9	14.0
55 or more	9.5	11.1	11.4	12.6	13.8	17.1	14.2

These employer contribution rates of salary for superannuation purposes are to be used for contract officers (as defined in section 3(1) of the State Superannuation Act 1988 or the Transport Superannuation Act 1988) who remain as members of the scheme and where the employer's cost of superannuation is deducted from the member's remuneration package.

Effective 29 October 1994

Approved/Not-Approved



MINISTER

Image 2 – State Superannuation Fund (New Scheme) – click to see full size

Image Source:

<https://vpsc.vic.gov.au/wp-content/uploads/2018/10/Image-2-State-Superannuation-Fund-New-Scheme-and-Transport-Superannuation-Fund.jpg>

Appendix F - Executive vehicle cost to package

Cost to Package of Executive Vehicle (Executive Leased Vehicle). Effective 20 June 2019.

About the Methodology

The Vehicle Costing Methodology is used to calculate the cost of a motor vehicle in an executive's total remuneration package. The cost is notional – it represents value to the employee rather than cost to the employer.

The Executive Vehicle Scheme is a non-salary benefit and has a key role in the attraction and retention of executives.

When to Apply the Methodology

A costing calculator is available to assist you to apply the methodology. This calculator was updated in 2018 and will be updated at least annually (or whenever there is a material change in taxation arrangements). Refer to the VPSC website for the [old and updated vehicle costing calculators](#) (both downloadable Excel spreadsheets).

Transitional arrangements have been adopted to ensure consistent treatment of executives in specific circumstances outlined below. During the transition to the updated calculator please calculate the annual cost to the executive's package as follows:

For executives who were employed prior to 10 October 2018 and who had an executive vehicle immediately prior to 10 October 2018 (applicable executives):

- Apply the old costing calculator for the duration of the existing lease.
- Upon commencing a new lease, apply the updated costing calculator.
- Apply an uplift to the executive's TRP as outlined below.

For executives who were employed prior to 10 October 2018, who did not have a lease immediately prior to that date and who then took up a lease on or after 10 October 2018:

- Apply the old costing calculator up to and including 30 June 2019.
- Apply the updated costing calculator from 1 July 2019.



- Do not apply a TRP uplift.

For executives who commenced on or after 10 October 2018:

- Apply the updated costing calculator.
- Do not apply a TRP uplift.

Department Secretaries may use their discretion to consider any amendment to an executive's TRP. As such, advice on how to address individual circumstances, including transition arrangements, should be sought from your Secretary in the first instance.

Moving forward the most up-to-date calculator must be used to apply the methodology under the following circumstances:

- A new appointment is made, including existing executives moving to new positions at a different remuneration level.
- The total remuneration under a current executive contract is reviewed.
- An executive vehicle is changed over.

TRP Uplift

- For applicable executives, upon the expiry of the existing lease agreement and on the basis that a new lease is entered in to, the executive's Total Remuneration Package (TRP) should be increased by an amount no greater than the gap between their current contribution and the updated calculation for the same vehicle. Therefore if an executive selects a more expensive vehicle for their new lease the TRP uplift will be based on the arrangements for their existing vehicle and if they select a cheaper vehicle the uplift will be lower.
- If an applicable executive does not take up a new vehicle lease or returns a vehicle prior to the expiry of a lease, then no TRP adjustment is required.

Example TRP Uplift Calculation Methodology



	Total annual cost to package Old Calculator	Total annual cost to package New Calculator	TRP Uplift
Current Vehicle	\$12,000 (a)	\$15,000 (b)	Maximum TRP uplift this executive can get is \$3,000 (b – a)
New Vehicle		\$15,000 (b) or higher (more expensive vehicle)	\$3,000 – maximum TRP uplift
		between \$12,001 to \$14,999	Receive a TRP uplift of the total annual cost to package of the new vehicle using the new calculator <i>less</i> the total annual cost to package of the current vehicle using the old calculator (e.g. if the new vehicle using a new calculator is \$13,500 then the TRP uplift is \$1,500 or \$13,500 – \$12,000).

\$12,000 (a) or below

No uplift as the cost is equal to or below the total annual cost that is being paid by the executive of the current vehicle using the old calculator.

Details of the Costing Methodology

Total Cost to Employee Package = Cost of Vehicle (Formula No. 1) + Fringe Benefits Tax (Formula No. 2) Refer to the VPSC website for the [vehicle costing calculator](#) (a downloadable Excel spreadsheet).

Formula No. 1 – Cost of Vehicle

Vehicle Cost = A + B + C

- A = notional standing cost (registration and insurance) x private use percentage
- B = notional standing cost (depreciation) x private use percentage
- C = running cost x total annual kilometres x private use percentage

The notional value of registration and insurance is based on VicFleet data.

Depreciation captures the residual loss for the vehicle, and is dependent on the vehicle purchase cost as well as the type of vehicle. The estimated depreciation is based on RACV data.

By assumption, the private use percentage is set to 2/3, and the total annual kilometres to 30,000. Both default figures can be adjusted if supported by appropriate justification. If the vehicle has a higher proportion of business use, the cost to the executive may be reduced. For a reduction in the private kilometre component, contact your fleet manager. The executive will be required to complete a logbook for three months. The revised figures can then be used for five years (in line with ATO rules). If the executive changes roles, they will need to complete a new logbook for another three months. Refer to the [ATO website](#) for more details on the logbook method

Running costs (fuel, tyres, servicing etc.) are based on RACV data, and vary according to the type of vehicle.

Formula No. 2 – Fringe Benefits Tax

Fringe benefits tax = (Purchase price including GST) x FBT rate x FBT gross-up factor x statutory distance rate

Price is the Government purchase price of the vehicle (registration, stamp duty and cost of plates are not included).

GST is the full invoiced amount by the manufacturer/dealer.

The FBT rate is **0.47** (i.e. 47% expressed as a decimal) as per the ATO.

The FBT gross-up factor is **1.8868** as per the ATO.

The statutory distance rate is **0.20** (i.e. 20% expressed as a decimal) as per the ATO.

