QUEENSLAND TREASURY

Long Service Leave Central Scheme Guidelines

Queensland Government

Translating and interpreting assistance

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1.0 Background

The Long Service Leave Central Scheme (the Scheme) was established to actuarially manage the long service leave liabilities of the general government budget sector. The Scheme became operational on 1 July 1999 and covers the long service leave liability for all public service employees and other employees of its member agencies.

The Scheme is funded by its member agencies from a levy calculated on gross salaries. Contributions received are used to reimburse member agencies for the long service leave payments made to their employees and to meet the operating costs of the Scheme.

A central long service leave fund has several advantages – it provides agencies with certainty as to the long service expense each year, it ensures that cash is available to meet long service leave costs, and it allows the fund's liabilities to be centrally managed from a whole-of-government perspective.

2.0 Administration of the Scheme

The Scheme is administered by Queensland Treasury. The areas primarily involved in this administration are Fiscal Management (Treasury), QSuper Ltd and the Office of the State Actuary. The roles of these areas are summarised in the table below.

Division / Office	Roles
Fiscal Management fiscal.reporting@treasury.qld.gov.au	Performance monitoring Policy development Levy rate review Approval of: • payment of refunds and operating expenses of the scheme • applications for new members to join the scheme • applications for members to leave the scheme • applications for exemptions for ineligible employees
QSuper Ltd alcs_lslcs_admin@qsuper.qld.gov.au	Collection of LSL levies Approval and payment of long service leave claims to members Payment of refunds Maintenance of administration records Helpdesk for members on LSL levy and claims issues
Public Service Commission	Collection of ELSLER data through MOHRI quarterly collections
Office of the State Actuary	Actuarial assessment of the long service leave liability and levy rate

3.0 Membership to the Scheme

3.1 Member Agencies

Membership to the Scheme is mandatory for departments, Commercialised Business Units and shared service agencies and voluntary for other state budget sector entities.

3.2 Joining the Scheme

In general, membership to the LSLCS is for Queensland Government entities that:

- form part of the State's General Government Sector;
- are more than 50% budget funded
- employ predominately public servants
- are subject to PSIER Directive 12/18 "Recognition of Previous Service"

State public sector agencies may apply to join the Scheme by submitting their request in writing to the Scheme, care of Fiscal Management, Queensland Treasury. The submission should include:

- whether the entity forms part of the State's General Government Sector;
- whether the entity is more than 50% budget funded;
- the number of public sector employees and the number other employees – for newly established agencies, also the number of employees transferred from an existing Queensland Government agency (if any) and whether that transferring agency is a member to the Scheme;
- current value of leave liabilities;
- most recent audited statement of the accrued long service leave liability for the agency;
- the annual gross salaries of "eligible employees"; and
- a request for exemption for "ineligible employees" if appropriate. Refer to the section *Exemption from the Levy* below.

In general, membership is not suitable for agencies that:

- have few or no public servants;
- have few employees eligible for long service leave;
- are not subject to Directive 12/18 "Recognition of Previous Service" issued by the Industrial Relations Minister and the Office of the Public Service Commissioner; and/or
- are less than 50% budget funded

Applications will be considered on a case by case basis.

On commencement with the Scheme new members are required to pay to the Scheme a sum equal to their actuarially assessed long service leave liability at the time of joining as calculated by the State Actuary.

The agency is to provide the following information to enable the State Actuary to calculate the transfer value:

- the number of employees joining the scheme; and
- the total long service balances of the affected employees

3.3 Leaving the Scheme

When an agency or part of an agency leaves the Scheme, the Scheme will, in most circumstances, pay out the balance of the agency's (or part of the agency's) long service leave liability attributable to the period the agency was a member of the scheme. This amount, which is to be calculated by the State Actuary and agreed with Queensland Treasury, will be equivalent to the sum of the relevant employees movements in the actuarial value of their accrued long service leave balances from joining the scheme to the last day of membership.

The agency is to provide the following information to enable the State Actuary to calculate the transfer value:

- the number of employees leaving the scheme:
- the total long service balances of the affected employees; and
- an ELSLER report for the employees leaving the scheme covering the period from the date of the last ELSLER to the date of the transfer.

3.4 Machinery of Government Changes

A Machinery of Government (MOG) change will generally have little impact on the scheme as employees will still be covered by the scheme even though they may have a different member as their employer. If a member agency or part of an agency is moving in or out of the scheme this should be discussed with Fiscal Management to establish if a cash transfer is required to cover the accrued long service leave balances for the employees being transferred.

4.0 Levy

4.1 Levy Payments

Member agencies must contribute a levy based on a percentage of their total “gross salaries” of all “eligible employees” on their payroll. Payment is due quarterly in arrears on the 12th working day after the end of each calendar quarter (i.e. 30 September, 31 December, 31 March and 30 June).

From 1 July 2019, the levy is to be calculated as 2.35% of gross salaries (previously levy rate 2.1%).

Further details of remittance procedures are outlined in the document *Administration - Process and Requirements*. Refer Attachment A.

4.2 Secondments

Member agencies are responsible for the payment of the long service leave levy of all employees on their payroll. This includes employees on secondment to other agencies that have been retained on the payroll of the transferring agency.

To ensure that the LSL levy expense is borne by the receiving agency the transferring agency should seek reimbursement of the long service leave levy paid on the employee’s account.

Where an employee has been retained on the transferring entity’s payroll the secondee’s salary costs and reimbursement must be coded to WOGFIR 511103 “Salaries and Wages not included for LSL and AL levy calculations” by both the transferring and receiving agencies. This is to simplify the consolidated reporting and reconciliation process and will ensure that salary and LSL costs are recorded only once.

4.3 Capitalised and On-Charged Salary and Wages Costs

Where agencies capitalise or on–charge any salaries and wages these costs must be included in the calculation of the levy to ensure all employees are fully covered by the Scheme.
On-charged salary costs does not refer to the recovery of salaries for seconded employees. Refer *Seconded Employees* above.

4.4 Transferred Employees

A major benefit of a centralised long service leave scheme is that recognition of prior service for transferring employees can be facilitated without the need to transfer funds to or from the Scheme or its member agencies for the transferring employees’ accrued long service leave entitlements.

In most instances where recognition of prior service is given by a member agency no transfer payment is required.

4.4.1 Transfers to/from another member agency

Normal Transfer payments are not required.

4.4.2 Transfers to/from reciprocal non-member agency

Where recognition of prior service is granted for an employee transferring between a member and non-member Queensland government agency, pursuant to Directive 12/18“Recognition of Previous Service”, a transfer payment may be required where an employee has in excess of seven years accrual. In circumstances where a member agency is required to transfer LSL funds to a non-member agency, the member agency may seek reimbursement from the scheme. Likewise, if cash is transferred from a non-member agency to a member agency, these funds should be transferred to the scheme as part of the quarterly process. A transfer payment may be made when an employee who terminates has a **vested** benefit and it is agreed between all parties that the employee will forgo payment of LSL entitlement in favour of the non-member agency recognising prior period of service. (A vested benefit is when an employee has an entitlement to LSL due to serving the required qualifying period of service; i.e. 10 years). This payment and appropriate overheads can be recovered by the member agency from the Scheme.

Refer to PSIER Directive 12/18 – Recognition of Previous Service” when determining whether an agency has reciprocal arrangements. Agencies should refer any queries in relation to this direction to their agency PSIER contact officer.

4.4.3 Transfers to/from non-reciprocal non-member agency

A transfer payment into the scheme is required when a member agency recognises prior service of an employee transferring from an agency that is not a party to the reciprocal arrangements outlined in Directive12/18. In these circumstances the member agency must pay an amount to the Scheme equivalent to the employees accrued LSL balance at the time of commencement of employment.

A cash transfer for **non-vested** LSL will **not** be made out of the scheme to non-reciprocal, non-member agencies in any circumstances.

4.5 Directives

Member agencies of the Scheme must comply with the following Directives issued by the Minister responsible for industrial relations and the Office of the Public Service Commissioner:

- Directive 11/18 - Long Service Leave;
- Directive 12/18 - Recognition of Previous Service; and

Directives may be accessed from the below internet address:

https://www.qld.gov.au/gov/request-advice-about-directives-policies-and-guidelines

4.6 Exemptions from the Levy

Member agencies may claim an exemption from payment of the levy on employees not eligible to accrue long service leave entitlements.

To obtain an exemption for “ineligible employees” agencies must submit a request for exemption in writing to the Scheme care of Fiscal Management, Queensland Treasury, outlining:

- the reasons for the employees’ ineligibility;
- the number of employees concerned; and
- their combined annual “gross salaries”.

Exemption will be granted to agencies conditional upon the agency being able to:

- demonstrate the employees’ ineligibility; and
- provide on a quarterly basis, a break-up of the agencies’ gross salaries between eligible and ineligible employees.

5.0 Claims for Long Service Leave Taken

When employees take long service leave (in service or cash equivalent), the agency is to pay the employee as the leave is taken and seek reimbursement from the Scheme. Claims are to be submitted quarterly in arrears to QSuper and are due on or before the 14th working day after the end of the calendar quarter (i.e. 30 September, 31 December, 31 March and 30 June). Claims received on or before the due date will be paid by the end of the month following the quarter.

Claims are only to be submitted for LSL payments actually made to employees and from 1 July 2016 are to include on-costs calculated at the following rates:

LSL paid	On-cost rates applicable to Payroll tax exempt agencies	On-cost rates applicable to agencies subject to payroll tax
LSL taken in service	12.00%	16.75%
Cash Equivalent LSL	Nil	4.75%

Previously, on-cost rates for the period 1 July 2014 to 30 June 2016 were:

LSL paid	On-cost rates applicable to Payroll tax exempt agencies	On-cost rates applicable to agencies subject to payroll tax
LSL taken in service	13.25%	18%
Cash Equivalent LSL	Nil	4.75%

Supporting documentation such as employee names, salary level, length of service etc. does not have to be submitted with the claim. However, agencies do need to retain this information for audit purposes and to enable the verification of claims made against the Scheme.

Further details of claim reimbursement procedures are outlined in the document *Administration - Process and Requirements*. Refer Attachment A.

* The “in-service” LSL on-cost rate is calculated on a whole-of-government level and is not necessarily an accurate representation of an individual agency.

6.0 Actuarial Reviews

6.1 Purpose of Reviews

Actuarial reviews of the Scheme are conducted by the State Actuary on a regular basis to:

- evaluate the viability of the scheme;
- reassess the levy rate; and
- assess the accrued liability of the service leave entitlements for inclusion in the consolidated Report on State Finances.

6.2 MOHRI – ELSLER data collection

Member agencies are required to provide Employee Long Service Leave Entitlement Report (ELSLER) data. This information is forwarded to the State Actuary and forms the basis for the calculation of the Schemes’ long service leave liability reported in the annual Report on State Finances.

The Public Service Commission collects ELSLER data via its’ Minimum Obligatory Human Resource Information (MOHRI) quarterly process. Queries in relation to MOHRI ELSLER reporting should be directed to Email address MOHRI.administrator@PSC.QLD.GOV.AU.

7.0 Accounting Treatment

Agencies are not required to hold liabilities for long service leave on their Statement of Financial Position. Instead the liabilities will be recorded by the Consolidated Fund and reported centrally as part of the consolidated financial statements.

The levied amount is to represent the annual long service leave expense in the agency’s Operating Statement. This replaces the shorthand method used previously by many agencies in estimating their LSL liability.

The accounting entries for long service leave transactions are summarised in Attachment B.

8.0 Glossary

“Gross salaries” are salaries of all employees on the agency’s payroll.

Gross salaries include:

Salaries, Wages and Related Costs and Annual Leave, which cover:

- salaries and wages;
- higher duties;
- recreation leave and leave loading paid; and
- allowances (meal, travel etc),

plus all capitalised and on-charged salary costs;

but does not include:

- contractors from external agencies;
- consultants;
- superannuation;
- payroll tax;
- fringe benefits tax
- Workcover; and
- long service leave taken or long service leave levy.

"Eligible employees" are:

1. all employees, including permanent, temporary, part-time, full-time and casual employees and

2. where specific IR rulings on LSL apply, employees of contractors (note: these instances are very rare)

3. employed/engaged by a member agency of the Scheme,

4. who are entitled to LSL pursuant to Section 43 (1) of the *Industrial Relations Act 1999*; or
   Any other State legislation that confers LSL entitlements on employees who are not subject to the *Industrial Relations Act 1999*.

"Ineligible employees" are:

1. employees that do not meet the definition of 'eligible employees'; and

2. includes:
   - consultants;
   - contractors and employees of contractors (except where specific IR rulings on LSL apply); and
   - employees in foreign countries engaged under local conditions.

Appendices

Appendix A: Administration Processes and Requirements

Introduction

The QSuper Ltd administers the receipts and payments relating to the Long Service Leave Central Scheme (LSLCS).

Pay Office Number

When communicating with the QSuper either by telephone or in writing it is important you quote your pay office number. This code is used to identify your department or authority.

Long Service Leave Scheme – Levy Remittance Procedures

- LSL levies are to be paid quarterly in arrears by agencies to QSuper.
- The levy is to be calculated as 2.35% of gross salaries (commencing 1 July 2019)
- The levy is due on the 12th working day after the end of each calendar quarter.
- One levy remittance is to be paid by each Agency or Pay Office code in respect of a quarter (i.e. multiple remittances per Pay Office code/Agency are not permitted).
- Levies are to be remitted by electronic funds transfer (EFT). Agencies will need to provide LSL Remittance information via the Electronic Data Collection (EDC) system to QSuper at least one day prior to the funds transfer. This is required for forecasting and reporting purposes.
- It is imperative that the EFT code is used in the "lodgement reference field" see EFT remittance procedures.

EFT Remittance Procedures

The Long Service Leave levy is to be remitted to QSuper by EFT.

This facility will enable you to ensure that your remittance is received by QSuper within the remittance deadline, which is 12 working days following the period end date.

QSuper requires that your EFT transactions be made such that a Pay Office specific reference code is used in the "lodgement reference field" for each EFT remittance. As this code appears on our bank statement, it will enable QSuper to identify the Pay Office, Long Service Leave Scheme and period of the remittance upon receipt.
The reference coding system has three variables:

1. Pay Office Code: e.g. a four-digit code such as 0906
2. Scheme Code: LSUB (Long Service Leave levy remittance)
3. Period end date: e.g. 30092012 (for period ending 30 September 2015)

An example of a complete reference code would be as follows: 0906LSUB30092012.

Important Note

It is necessary to use a separate EFT transaction for each contribution type.

Banking Details

Your EFT transactions

ACCOUNT NAME: Employers Contribution Account

BANK/STATE/BRANCH NO. (BSB): 064 013

ACCOUNT NUMBER: 10007547

Claims Reimbursement Procedures

- Claims for reimbursement are to be submitted quarterly by the 14th working day following the end of the calendar quarter to the QSuper.
- One claim is to be submitted via EDC system by each Agency/Pay Office code in respect of a quarter (i.e. multiple claims per Pay Office code/Agency are not permitted).
- Each claim will need to be appropriately authorised in order for the payment to be processed. QSuper will remit your claim payment by EFT by the end of the month following the quarter.
- QSuper will not remit your claim if your quarterly Levy remittance has not been received.
- The Scheme guidelines do not allow the levy and claim to be netted by the department or authority.
- Claims should only be submitted on actual payments made.

Appendix B: Accounting Entries for Long Services Leave Central Scheme

1. Account for LSL expense in agency

LSL expense is a 2.35% salary on-cost, which is recorded on a monthly basis.

At the end of a quarter the agency will be holding a current liability for that quarter's LSL levy payable to QSuper the following month.

Entity	WOGFIR	CPID	Description	DR	CR
Agency	511301	Households (HOU 205)	LSL expense	xxx	
	211642	Parent Entity (CRO 048)	LSL levies payable		xxx

2. Payment of appropriation for outputs

LSL expense is part of the output costs, which are funded by a fortnightly appropriation from the Consolidated Fund. The entries for the total appropriation are shown below.

Entity	WOGFIR	CPID	Description	DR	CR
Agency	111212	PFE218	Cash at bank - increase/decrease	xxx	
	491101	Parent Entity (CRO048)	Appropriation funding for outputs		xxx

3. LSL Levy paid to Central Fund

The LSL Levy is paid by agencies quarterly to QSuper who administers the LSLCS.

Entity	WOGFIR	CPID	Description	DR	CR
Agency	211642	Parent Entity (CRO048)	LSL levies payable	xxx	
	111212	PFE218	Cash at bank - increase/decrease		xxx

4. Employee is paid for LSL either in service or on termination.

The employee is paid by the agency that holds the payroll records and the agency submits a quarterly request for reimbursement from the LSLCS to QSuper.

At the end of a quarter the agency will be holding a receivable for LSL paid to employees in that quarter that will be reimbursed by QSuper the following month.

Entity	WOGFIR	CPID	Description	DR	CR
Agency	112152	Parent Entity (CRO048)	LSL claims receivable	xxx	
	111212	PFE218	Cash at bank - increase/decrease		xxx

5. Agency is reimbursed by LSLCS for all LSL payments made and claimed.

QSuper arranges for the reimbursement to agencies on a quarterly basis for all LSL payments included in their claim for reimbursement.

Entity	WOGFIR	CPID	Description	DR	CR
Agency	111212	PFE218	Cash at bank - increase/decrease	xxx	
	112152	Parent Entity (CRO048)	LSL claims receivable		xxx

6. New Member Agency Joining the LSLCS

A new agency joining the scheme will be required to make a cash contribution equal to their accrued long service leave liability at the time of joining.

Entity	WOGFIR	CPID	Description	DR	CR
Agency	215204	Parent Entity (CRO048)	Current Provision for LSL – - Transfers out	xxx	
	225204	Parent Entity (CRO048)	Non-Current Provision for LSL – - Transfers out	xxx	
	111212	PFE218	Cash at bank – - increase/decrease		xxx

7. Member Agency Leaving the LSLCS

A member agency that elects to leave the scheme may receive a cash contribution equal to their accrued long service leave liability at the time of leaving. QSuper will be instructed by Treasury and Trade to draw down from LSLCS investments and make the payment to the agency.

Entity	WOGFIR	CPID	Description	DR	CR
Agency	111212	PFE218	Cash at bank – - increase/decrease	xxx	
	215207	Parent Entity (CRO048)	Current Provision for LSL – - Transfers in		xxx
	225207	Parent Entity (CRO048)	Non Current Provision for LSL – - Transfers in		xxx

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