# Letter/Offer of Annualised Salary

The following letter template should be used as a guide only. Any wording changes, other than those to insert a business name, may change the context, meaning or purpose of the document. We recommend you receive advice from the Victorian Chamber of Commerce and Industry prior to making such changes.

The following templates can be used when proposing and agreeing to annualised salary arrangements. We also refer you to the Annualised Salary fact sheet for general information about annualised salary provisions. Please contact the Victorian Chamber Workplace Relations Advice line on 03 8662 5222 should you require any assistance in this regard.

Within this template, the following letters are included:

* Letter of offer of annualised salary
* Annualised salary letter of agreement

## Contacting the Victorian Chamber of Commerce and Industry

The Victorian Chamber’s team of experienced workplace relations advisors can assist members with a range of employment, human resources and industrial relations issues.

Our experienced workplace relations consultants can also provide assistance to both members and non-members on a range of more complex matters for a fee-for-service. The consultants can, among other things, provide training to employees, conduct investigations and provide representation at proceedings at the Fair Work Commission.

For assistance or more information, please contact the Workplace Relations Advice Line on (03) 8662 5222.

Disclaimer

The information contained in this document has been prepared by the Victorian Chamber of Commerce and Industry in this format for the convenience and benefit of its members and is provided as a source of information only. The Victorian Chamber does not accept responsibility for the accuracy of the information or its relevance or applicability in particular circumstances. The information does not constitute, and should not be relied on, as legal or other professional advice about the content and does not reflect the opinion of the Victorian Chamber, its employees or agents. The Victorian Chamber and its employees, officers, authors or agents expressly disclaim all and any liability to any person, whether a member of the Victorian Chamber or not, in respect of any action or decision to act or not act which is taken in reliance, whether partially or wholly, on the information in this communication. Without limiting the generality of this disclaimer, no responsibility or liability is accepted for any losses incurred in contract, tort, negligence, or any other cause of action, or for any consequential or other forms of loss. If you are uncertain about the application of this information in your own circumstances you should obtain specific advice.

**IMPORTANT INFORMATION**

1. Template Letters are provided as a basis from which to draft a suitable letter. Templates Letters are not intended to be used without further amendment being made and information being inserted to address the circumstances of each employee.

2. There are two Template Letters (Letter One and Letter Two). Please ensure you use the correct Letter for the applicable Modern Award (further information on page 7).

3. Before utilising a Template Letter we recommend you obtain advice to ensure you correctly identify which Modern Award covers your employee.  We also recommend you obtain advice to ensure the sum you propose to pay by way of an annualised salary appropriately compensates the employee for all entitlements. When calculating an annualised salary we recommend consideration is given to the amount of overtime worked or ‘outer limit’ and that a suitable ‘buffer’ is included to reduce the frequency of overtime payment becoming due.

4.  Whether you comply with your minimum legal obligations in a particular case may depend on a range of factors. Accordingly, the Victorian Chamber of Commerce and Industry cannot warrant that the information contained within the document will comply with minimum requirements of relevant legislation including the Fair Work Act or any Modern Awards applicable to your business.

5. These Templates Letters are available on the basis and understanding that the Victorian Chamber, its employees, officers, authors or agents are not providing legal advice and do not accept responsibility for any action, or decision not to act, taken on the basis of using the Template Letter or any information contained in a Template Letter.

6. We strongly recommend you contact the Victorian Chamber Workplace Relations Advice Line and/or the Victorian Chamber Workplace Relations Consultants to obtain advice relevant to your particular circumstances.

## Letter One - Annualised salary letter of offer\*

**Insert** **[BUSINESS NAME] on Letterhead**

**[INSERT DATE]**

**[INSERT FIRST AND LAST NAME OF EMPLOYEE]**

**[INSERT ADDRESS OF EMPLOYEE]**

Dear **[INSERT NAME]**,

**Re: Annualised Salary**

Effective from **[INSERT DATE]**,youwill be remuneratedbyway of an annualised salary.

As you are aware, your employment conditions and benefits are underpinned by **[INSERT APPLICABLE AWARD]** (“award”). In accordance with the award, **[INSERT BUSINESS NAME]** may elect to remunerate an employee by way of an annualised salary. The annualised salary includes all financial benefits you would otherwise be entitled to in the award, enterprise agreement, the National Employment Standards or any other law or legal instrument.

Your annualised salary is $[**INSERT**] (before tax) per annum (“annualised salary”) which will be paid **[WEEKLY/FORTNIGHTLY/MONTHLY]** **[ IN ADVANCE/ARREARS**].

The annualised salary compensates you for the following entitlements contained in the award including:

* Hourly rate **[(INSERT AWARD CLAUSE)]**
* Overtime payments **[(INSERT AWARD CLAUSE)]**
* Weekend and public holiday penalties **[(INSERT AWARD CLAUSE)]**
* Annual leave loading **[(INSERT AWARD CLAUSE)]**
* **[LIST ALL OTHER PENALTIES/ENTITLEMENTS WHICH ARE INCLUDED] [(INSERT AWARD CLAUSE)]**

We have calculated the annualised salary by reviewing the hours you have worked over the last **[insert months]** months**.** This assessment informed us of your average hours, working patterns and overtime hours worked during this time. Considering this information, your annualised salary has been calculated and remunerated on the following basis:

**[INSERT METHODOLOGY. FOR EXAMPLE:**

* **1976 ordinary hours worked Monday to Friday (38 hours x 52 weeks);**
* **104 hours of overtime Monday to Friday, after the completion of ordinary hours (average of 2 hours of overtime per week x 52 weeks);**
* **38 hours of overtime on Saturdays (average of 7.6 hours per day x 5 days per year);**
* **76 hours of overtime on Sundays (average of 7.6 hours per day x 10 days per year); and**
* **38 hours of ordinary time on public holidays (average of 7.6 hours per day x 5 days per year)]**

The annualised salary is based on you working a maximum of **[INSERT ORDINARY HOURS]** ordinary hours and an averageof **[INSERT OVERTIME HOURS]** hours of overtime per **[WEEK/FORTNIGHT/MONTH]**. Please note, if you work in excess of these outer limits you will be remunerated for those hours separately in accordance with the award. For work performed in excess of these outer limits you will be remunerated at the rate of **[$INSERT RATE] [PER HOUR, TOGETHER WITH THE RELEVANT AWARD PENALTIES/LOADINGS OR AT THE RELEVANT BASE RATES AND RELEVANT PENALTIES/LOADINGS IN THE AWARD].**

Please rest assured we will carefully monitor and record your start and finish times as well as your unpaid breaks to ensure you receive the required remuneration. This information will be provided to you **[PRIOR TO THE END OF EACH PAY PERIOD/ROSTER CYCLE]**.

Finally, we will continue to monitor the hours you work to ensure you are sufficiently remunerated and are not disadvantaged by this arrangement. If we consider it is necessary to change this arrangement, we will notify you.

We confirm that the balance of your terms and conditions as set out in your contract dated **[INSERT DATE]** remain unchanged.

If you have any questions about your remuneration now or in the future, please contact me on **[INSERT PHONE NUMBER].**

Yours faithfully,

**[INSERT COMPANY NAME]**

**[ADD SIGNATORY OF LETTER]**

**[ADD POSITION TITLE OF SIGNATORY]**

## Letter Two - Annualised salary letter of agreement^

**Insert on [BUSINESS NAME] Letterhead**

**[INSERT DATE]**

**[INSERT FIRST AND LAST NAME OF EMPLOYEE]**

**[INSERT ADDRESS OF EMPLOYEE]**

Dear **[INSERT NAME]**,

**Re: Offer to be remunerated by way of annualised salary**

As you are aware, your employment conditions and benefits are under pinned by **[INSERT APPLICABLE AWARD]** (“award”). In accordance with the award, an employer and employee can agree to remunerate an employee by way of an annualised salary. The annualised salary includes all financial benefits you would otherwise be entitled to in the award, enterprise agreement, the National Employment Standards or any other law or legal instrument.

We propose to pay an annualised salary equal to $[**INSERT**] (before tax) per annum (“annualised salary”) which will be paid **[WEEKLY/FORTNIGHTLY/MONTHLY]** **[ IN ADVANCE/ARREARS**].

The annualised salary compensates you for the following entitlements contained in the award including:

* Hourly rate **[(INSERT AWARD CLAUSE)]**
* Overtime payments **[(INSERT AWARD CLAUSE)]**
* Weekend and public holiday penalties **[(INSERT AWARD CLAUSE)]**
* Annual leave loading **[(INSERT AWARD CLAUSE)]**
* **[LIST ALL OTHER PENALTIES/ENTITLEMENTS WHICH ARE INCLUDED] [(INSERT AWARD CLAUSE)]**

We have calculated the annualised salary by reviewing the hours you have worked over the last **[insert months]** months**.** This assessment informed us of your average hours, working patterns and overtime hours worked during this time. Considering this information, your annualised salary has been calculated and remunerated on the following basis:

**[INSERT METHODOLOGY. FOR EXAMPLE:**

* **1976 ordinary hours worked Monday to Friday (38 hours x 52 weeks);**
* **104 hours of overtime Monday to Friday, after the completion of ordinary hours (average of 2 hours of overtime per week x 52 weeks);**
* **38 hours of overtime on Saturdays (average of 7.6 hours per day x 5 days per year);**
* **76 hours of overtime on Sundays (average of 7.6 hours per day x 10 days per year); and**
* **38 hours of ordinary time on Public Holidays (average of 7.6 hours per day x 5 days per year)]**

**[IF APPLICABLE\*\*: THE PROPOSED ANNUALISED SALARY IS, IN ACCORDANCE WITH THE REQUIREMENTS OF THE (INSERT AWARD TITLE) AWARD, AT LEAST [45/25]% ABOVE THE MINIMUM WEEKLY WAGE SET OUT IN THE AWARD]**

The annualised salary is based on your working a maximum of **[INSERT ORDINARY HOURS]** ordinary hours and an averageof **[INSERT OVERTIME HOURS]** hours of overtime per **[WEEK/FORTNIGHT/MONTH]**. Please note, if you work in excess of these outer limits you will be remunerated for those hours separately in accordance with the award. For work performed in excess of these outer limits you will be remunerated at the rate of **[[$INSERT RATE] PER HOUR, TOGETHER WITH THE RELEVANT AWARD PENALTIES/LOADINGS OR AT THE RELEVANT BASE RATES AND RELEVANT PENALTIES/LOADINGS IN THE AWARD].**

Please rest assured we will carefully monitor and record you start and finish times as well as your unpaid breaks to ensure you receive the required remuneration. This information will be provided to you **[PRIOR TO THE END OF EACH PAY PERIOD/ROSTER CYCLE]**.

Finally, we will continue to monitor the hours you work to ensure you are sufficiently remunerated and are not disadvantaged by this arrangement. If we consider it is necessary to change this arrangement, we will notify you.

If you agree to be remunerated by way of the proposed annualised salary set out in this letter, please sign this letter in the space below and return it to me by **[INSERT DATE].**

We confirm that the balance of your terms and conditions as set out in your contract dated **[INSERT DATE]** remain unchanged.

If you have any questions about your remuneration now or in the future, please contact me on **[INSERT PHONE NUMBER].**

Yours faithfully,

**[Insert Company Name]**

**[Add signatory of letter]**

**[Add position title of signatory]**

**Employee’s acceptance**

I, **[insert employee’s name]**, agree:

to the terms outlined in this letter; and

that all other terms and conditions of my employment remain unchanged.

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| **[Insert employee’s name]** | **Date** |
|  |  |

\***Letter One** must be used for employees covered by the following awards:

* + Banking, Finance and Insurance Award 2010
	+ Clerks - Private Sector Award 2010
	+ Contract Call Centres Award 2010
	+ Hydrocarbons Industry (Upstream) Award 2010
	+ Legal Services Award 2010
	+ Mining Industry Award 2010
	+ Oil Refining and Manufacturing Award 2010 (clerical employees only)
	+ Salt Industry Award 2010
	+ Telecommunications Services Award 2010
	+ Water Industry Award 2010
	+ Wool Storage, Sampling and Testing Award 2010

^ **Letter Two** must be used for employees covered by the following awards:

* + Broadcasting and Recorded Entertainment Award 2010
	+ Local Government Industry Award 2010
	+ Manufacturing and Associated Industries and Occupations Award 2010
	+ Marine Towage Award 2010
	+ Oil Refining and Manufacturing Award (non-clerical)
	+ Pastoral Award 2010
	+ Pharmacy Industry Award 2010
	+ Rail Industry Award 2010
	+ Restaurant Industry Award 2010
	+ Health Professionals Award 2010
	+ Horticulture Award 2010
	+ Hospitality Industry (General) Award 2010

\*\* Annualised salaries paid to employees covered by the Marine Towage Award 2010 must be at least 40% above the minimum rate prescribed. Annualised salaries paid to employees covered by the Restaurant Industry Award 2010, or Hospitality Industry (General) Award 2010 must be at least 25% above the minimum prescribed rates.