

Super Bulletin

AN EMPLOYER'S UPDATE

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AUGUST 2005

Welcome to our first edition of Super Bulletin. It's our way of keeping our employers informed about First State Super's performance, recent developments at First State Super and in superannuation legislation. Please feel free to circulate this bulletin to your work colleagues.

Choice of fund questions you asked us

At the Annual Employer Seminars held in May 2005, the Federal Government's choice of fund legislation and its impact on the NSW Public Sector was discussed.

With a start date of 1 July 2005, a number of topical questions about choice of fund were raised. We have included the most commonly asked questions, and the answers, in this newsletter.

Q: After 1 July 2005, do I have to do anything differently?

As eligible First State Super members have always had choice, nothing has changed.

Employers listed as Schedule 1 Employers under the First State Superannuation Act 1992, are not required to distribute the Standard Choice form to employees.

First State Super remains the default fund for NSW public sector employees. If an employee does not make a choice, or if the employee has not provided all the necessary information for their chosen fund, the employer is required to send contributions to First State Super.

If an employee makes a choice, **all** contributions made on behalf of the employee and any existing account balance can be sent to their chosen fund. The employee should provide you with the necessary information for their chosen fund. You will need to check that the employee has chosen a "complying fund". Visit www.ato.gov.au/super/scripts/search.asp

Q: Could we use our own department's guidelines when it comes to offering choice of fund?

If an employee is eligible to become a full member of First State Super and chooses another complying superannuation fund for their contributions you **must comply with the employee's choice**. This requirement is in the First State Superannuation Act 1992.

If the employee does not request you to send contributions to another complying fund, they become a member of First State Super.

Please refer to the NSW Premier's Department Circular 2004-41, Commonwealth legislation: Choice of Superannuation Fund, for further details. Visit their website at www.premiers.nsw.gov.au under Training and Resources.

Q: Some funds make employers 'sign up' before receiving SG contributions. Do we have to sign up?

No. In a press release* from The Hon Mal Brough, MP, Minister for Revenue and the Assistant Treasurer, he states:

"I can reassure employers that the choice legislation in no way compels them to become a participating employer" said Minister for Revenue and Assistant Treasurer, Mal Brough. "Employees can only choose a fund that will accept contributions from their employer at the time the employee chooses that fund. A fund which requires the employer to become a participating employer before they will accept contributions does not satisfy this requirement."

*No. 003 Superannuation choice – a smooth transition for business and employees, 19 January 2005.

Q: If the employee's chosen fund requires payments to be made in ways that do not fit in with our payroll systems do we have to make the payment?

There is a difference between being asked to 'sign up as a participating employer sponsor' and a payment requirement.

In the First State Superannuation Act 1992, employees are not required to choose a fund that meets their employer's payment system requirements. By default, employers are required to pay contributions to the employee's chosen fund in order to meet the choice of fund obligations.

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Choice of fund, questions you asked us (cont')

Q: If an employee requests their SG contributions split between funds, do we have to?

No. This issue is dealt with by Section 10 of the First State Superannuation Act 1992. It reads in part, "A full member may notify the member's employer that the employer is to meet the employer's obligations in respect of the member under the Superannuation Guarantee (Administration) Act 1992 of the Commonwealth by contributing to another complying superannuation fund."

As members may choose a complying fund (and not funds) other than First State Super, they cannot split their SG contributions between First State Super and another fund nor between two or more other funds.

Q: What information about choice does First State Super have that we can give to employees?

Available from our website are:

The employer based flyer, "Choice of fund and NSW public sector employees from an employer's perspective", designed to answer the basic questions about choice of superannuation fund in the NSW public sector.

The member based flyer, "Are you a First State Super member and confused about choice of fund?", designed to provide a list of questions members can ask another fund.

If you would like electronic versions or printed copies of these flyers please contact **First State Super on 02 9238 2507.**



Nothing changes for either NSW public sector employers or employees on 1 July 2005

NSW Treasury reminder

The funding arrangements for Superannuation Guarantee (SG) contributions have changed for the 2005-06 year. From 1 July 2005, the funding for SG payments made to First State Super, or other accumulation superannuation schemes, and associated payroll tax payments are included in your Recurrent Budget Appropriation. Payments can no longer be reimbursed from the Crown Finance Entity after 30 June 2005. Agencies will also be responsible for ensuring that SG contributions are included in all payroll tax returns.

The Recurrent Budget Appropriation of agencies has been increased from 2005-06 to meet the accumulated superannuation and associated payroll tax expenses.

Employers are required to send contribution returns and payments to First State Super at least monthly unless some other contribution period has been agreed with the Trustee of First State Super.

Best fee deals across all funds

First State Super is committed to providing the best value services for our members. The result is fees that are among the lowest in super. **SelectingSuper* ranked First State Super first for best value fee deals across all funds (as at 28 February 2005).**

Who is SelectingSuper?

SelectingSuper specialises in collecting and analysing information about superannuation and investing in Australia. Owned by Rainmaker Information Pty Ltd, they assist super fund trustees, employers and members by comparing superannuation funds with each other based on fees, investment performance, communication, insurance cover, administration and ancillary services.

Compare our fees

- No entrance fees, ongoing contribution fees, commissions or brokerage paid to advisers.
- An administration fee of \$4.33 per month (or \$1 per week).
- Investment management expenses of between 0.09% and 0.33% based on the option you select.
- Basic insurance cover for \$5 per month (death and total and permanent disablement).



SelectingSuper* ranked First State Super first for best value fee deals across all funds.

A super update on the Federal Budget

On 10 May 2005 the Federal Treasurer, Peter Costello, delivered the Federal Budget. As we have come to expect with the delivery of most budgets, changes to superannuation were also announced.

As the Government will hold a majority in both Houses of Parliament from 1 July 2005, industry commentators expect that the proposed changes will proceed as announced.

Tax changes and their impact on super

Personal income tax cuts

Significant increases in the thresholds for higher marginal tax levels were announced in the Budget 2005 and follow on from last year's Budget. These changes have been approved and were effective from 1 July 2005.

Residents only tax scales from 1 July 2005:

Current tax thresholds	Tax rate	New tax thresholds from 1 July 2005	New tax thresholds from 1 July 2006
\$0 to \$6,000	0%	\$0 to \$6,000	\$0 to \$6,000
\$6,001 to \$21,600	15%*	\$6,001 to \$21,600	\$6,001 to \$21,600
\$21,601 to \$58,000	30%	\$21,601 to \$63,000	\$21,601 to \$70,000
\$58,001 to \$70,000	42%	\$63,001 to \$95,000	\$70,001 to \$125,000
\$70,001 +	47%	\$95,001 +	\$125,001 +

*Reduced from 17% from 1 July 2005

Removal of surcharge tax

The Federal Government has abolished the superannuation surcharge tax payable on individuals' surchargeable superannuation contributions and termination payments made by employers from 1 July 2005.

This means that the surcharge tax will not apply to superannuation contributions made or termination payments received from 1 July 2005. However, employees can expect to continue to receive surcharge tax assessments in future years in respect of periods ending before 1 July 2005.

The removal of surcharge tax should encourage greater saving for retirement by higher income earners.

Impact for employers and employees

The increase in personal income tax thresholds and the removal of surcharge tax may cause employers and employees to re-evaluate the use of salary packaging. The changes to tax thresholds may increase the number of employees where salary packaging is no longer financially beneficial.

Employees may reconsider their packaging arrangements as the increase in the tax thresholds would provide a reduced benefit for those earning less than \$95,000 taxable income for 2005/2006 and \$125,000 for 2006/2007. For some employees, superannuation may be a more tax effective investment in light of the abolition of the surcharge tax. Employees should seek their own independent financial advice on their specific circumstances.

Splitting of contributions

The Federal Government announced that legislation enabling splitting of superannuation contributions would be reintroduced and available for contributions made on or after 1 July 2006. Under this proposal, eligible couples would be able to split their employer and personal superannuation contributions with their spouse.

Once introduced, contribution splitting will be voluntary. Trustees will need to determine whether they will allow members to split contributions with their spouse from 1 July 2006.

More information will be sent to you as details of this proposal become available.

Superannuation Guarantee contributions

The Federal Government also announced in the Budget two new measures that affect some employer's superannuation guarantee (SG) obligations.

Back payment of wages

Employers will be required to pay SG contributions in respect of payments of salary or wages made after the quarter in which an employee terminated employment. Currently, where a payment of salary or wages is made after the quarter in which employment ceased, no SG obligation arises. The effective date of this change will depend on the passage of legislation.

Relief from double payment

From 1 January 2006, where an employer misses the deadline for making a contribution to meet the SG requirements, there will be a 30-day window to contribute to the fund. This will offset the need to pay the SG Charge to the ATO but other penalties may still apply.

Please note: These measures do not affect the NSW Public Sector employers, as they are already required to apply these procedures.

“The removal of surcharge tax should encourage greater saving for retirement by higher income earners.”

Questions employees often ask

Q: What if I already have a First State Super account from a previous job?

The employee needs to:

- Ring First State Super on 1300 650 873 to check if there is an existing account number.
- If an account number exists, give the payroll office his/her First State Super account number.

Then the employee's contributions will go into the one account, fees and charges will be reduced as they will be deducted from only one account.

Q: Is super payable on overtime?

No. Employers are not required to pay the 9% compulsory contributions on:

- overtime
- annual leave loading
- or accrued annual, long service or sick leave taken as a lump sum on termination of employment.

Employer compulsory contributions are paid on:

- Ordinary Time Earnings for every dollar earned
- paid maternity or adoption or parental leave
- shift loading
- weekly workers' compensation payments, not including any amount by which the aggregate of:
 - (a) the weekly workers compensation paid to an injured member, and
 - (b) the salary actually paid to that member while partially incapacitated, exceeds the salary that the member would probably have been earning but for the injury (assuming the member had continued to be employed in the same or some comparable employment)
- non-cash benefits as required by industrial awards.

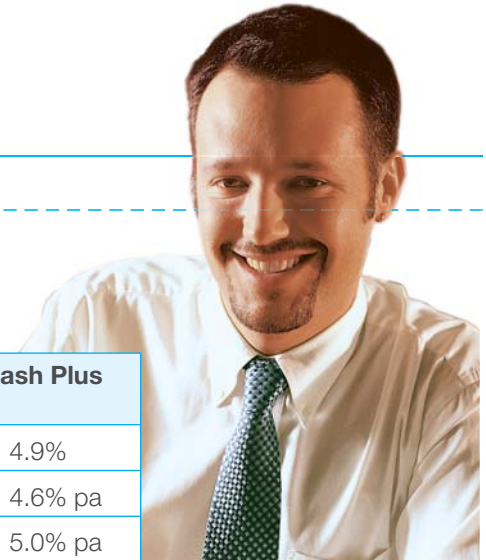
Compulsory employer (including Superannuation Guarantee) contributions must be paid on behalf of an employee until the employee reaches 70 years of age, or leaves employment. Employers should make other arrangements for payment in lieu of compulsory employer contributions once an employee reaches 70 years of age.

See Premier's Department *Circulars 1999-49 and 2002-57* for more information. Visit their website at www.premiers.nsw.gov.au under Training and Resources.

Investment performance

First State Super member earning rates (net of tax and investment expenses) for periods ended 30 June 2005.

	High Growth	Diversified	Balanced	Capital Guarded	Cash Plus
One year	15.6%	13.7%	11.7%	9.9%	4.9%
Three years	9.7% pa	9.3% pa	8.5% pa	7.7% pa	4.6% pa
Five years	5.0% pa	5.9% pa	6.2% pa	6.3% pa	5.0% pa



Contact details

If you need assistance or have a question about your First State Super responsibilities please contact your Employer Relationship Officer.

First State Super

John Williams

Employer Relationship Officer

Phone: **(02) 4253 1313**

Fax: **(02) 4253 1404**

Email: **FTC_Employer_Contact@pillar.com.au**

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