

CHOICE OF SUPERANNUATION – UPDATE

With the 1st of July looming upon us, make sure you are prepared for the new Choice of Fund regulations coming into force and avoid those nasty Tax Office penalties.

To assist you, we have updated our previous Macbites-Choice of Superannuation newsletter with all the latest information.

In accordance with the Government's Superannuation Guarantee legislation (ie. the 9% compulsory superannuation contribution), employers must offer employees a choice for their superannuation from 1st July, 2005.

Can all employees choose their fund?

Yes, except for the following exceptions:

- members in unfunded schemes, eg. State Government schemes.
- members of Commonwealth schemes.
- employees employed under a workplace agreement or a certified agreement under the Workplace Relations Act 1996, or the Industrial Relations Act 1988 that has a specified fund.
- defined benefit members unless entitled only to an accumulation benefit. (if unsure please contact the fund trustee or an authorized representative)
- employees employed under State awards that have a specified fund (It should be noted that in WA and Victoria, the State Governments have adopted Federal awards and that these are not exempt from offering choice).

What type of funds can be chosen?

Any complying regulated superannuation fund or retirement savings account that accepts employer contributions. Self managed superannuation funds can be used by the employee.

What is an employer (default) fund?

An employer will be required to choose a default fund. This is the fund that an employee's superannuation benefits will default to if they do not choose their own fund.

This fund must be a complying fund and also offer a minimum level of life insurance for members, the details of which are as follows.

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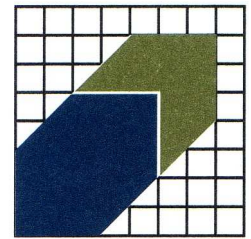
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An Employer fund must offer life insurance:

- At a premium of at least \$0.50/week for those under 56years, or
- With a level of insurance cover shown below

Age Range	Level of Insurance
20-34	\$50,000
35-39	\$35,000
40-44	\$20,000
45-49	\$14,000
50-55	\$7000

As an employer you can change this fund but you must provide all employees who had contributions paid into the previous fund a Standard Choice Form within 28 days of making the change.

What are the obligations of employers?

Employers will be required to give all current employees a standard “choice form” before 29th July, 2005. New employees are to be given this form within 28 days of commencing employment. This form can be downloaded at <http://www.superchoice.gov.au> and will include information such as: advice that the employee is permitted to choose a fund; the name of the default fund, etc. The employer must implement the employee’s choice of fund within two months of receipt of the completed “choice form”.

What are the obligations of employees?

The employee must provide a completed standard “choice form” containing all information required to enable the employer to meet their superannuation obligations. This includes evidence that the nominated fund is an eligible fund. If all the information required is not provided, their choice may not be accepted. There is no time limit on employees to choose a fund. Employees are only able to make changes to their fund once a year, unless the employer otherwise agrees.

Can I limit choices offered to members?

The answer is generally no, but where an award lists options, these are the limited options that would be made available to employees, with one of these options being the default fund.



What if I do not offer choice of superannuation funds?

The penalty is 'roughly' 25% of the notional superannuation guarantee shortfall capped at \$500 per employee per quarter.

I already offer my employees choice. What do I need to do?

You will continue to offer employees a choice of any fund, but will need to do this using a standard "choice form" from 1st July, 2005. One important change is that you will need to identify an employer (default) fund.

What records do I need to keep ?

You must keep records that show you have provided your eligible employees with a standard choice form, that show that you have consequently acted upon their requests, and that contain information about your chosen employer (default) fund.

Please contact us if you require any further assistance. Alternatively, you can access more detailed information on www.superchoice.gov.au.

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