

# Directions

June 2005

Welcome to Directions, our regular online newsletter for employers that brings you information about the Aon Master Trust and the services we offer our clients.

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Aon is offering a range of services to help employers manage choice of fund <more>

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## [Splitting of superannuation contributions](#)

The Government has re-announced its intention to allow the **splitting of superannuation contributions** with a member's spouse.

## [Superannuation guarantee – payments of wages received after employment ceases](#)

The Government will apply the superannuation guarantee (SG) arrangements to payments of salary or wages made after the quarter in which the relevant employment relationship ceased.

## [Superannuation guarantee – reducing incidence of double payment](#)

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## Choice of fund update

We've finally arrived at the business end of choice of fund. Choice will start on 1 July and for most employers, this means they have to do three things:

1. identify eligible employees
2. provide a Standard Choice form to eligible employees
3. act on the employee's choice.

The Australian Taxation Office has prepared an excellent brochure called *Choice of Superannuation Fund – guide for employers* that explains exactly what employers need to do to meet their choice of fund obligations. You can download and print a copy of the guide by going to the Publications page on [www.superchoice.gov.au](http://www.superchoice.gov.au)

From the same website, you can also download and print a copy of *Super Choices*, a booklet produced by ASIC to help employees understand more about super and make better super choices.

**Remember** that only licensed financial advisers can offer advice and guidance about investment choice. Two years' gaol and/or a \$22,000 fine are the penalties employers face if they advise employees outside the terms of the Choice of Super law. The booklets mentioned above are a good start but if employees want personal advice, they should arrange a discussion with a qualified financial adviser. Our customer contact centre can provide referrals to an Aon Wealth Management adviser.

To help you and your employees understand choice of fund, we have put various reference materials on our website including sample Powerpoint presentations, fact sheets, a template standard choice form and

accompanying sample covering letter. If you or your employees have any questions about choice of fund, please contact your client service manager.

### Aon's choice process and clearing house solution

Aon is offering a range of services to help employers manage their superannuation obligations under the new choice of fund regime that will ensure contributions are allocated quickly and efficiently. Our **standard** service, which will be provided at no cost to most employers, is built around our new streamlined "straight through processing" system for managing contributions.

We will cater for clients who wish to opt out of all or part of the straight through processing system but there will be fees charged to these employers according to the type of services they would like Aon to provide.

One of the main benefits of using the facility is that it will relieve your payroll department from having to manage the distribution of contributions to (potentially) many different funds.

Clients using Aon's standard service will submit contribution files to Aon electronically via our secure internet-based HR portal. The files are loaded onto Aon's administration platform (SuperB) and reviewed immediately. A number of reports are then produced for client review including:

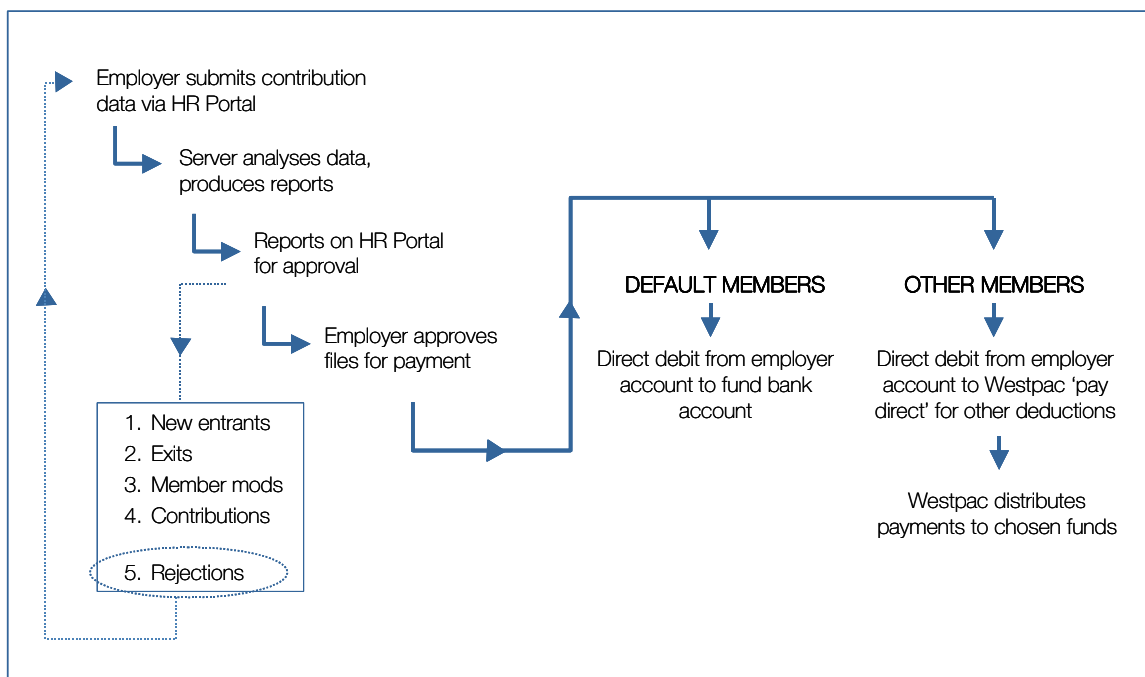
- New entrants
- Exits
- Modified member data
- Contributions
- Rejections

The client reviews these reports and either accepts them or makes modifications. Rejections can be taken offline if necessary and do not have to be resolved before processing other records. Once the contributions report is accepted by the client, contributions are processed.

By accepting the contribution file summary, clients trigger a direct debit of a corresponding amount from the employer's account. Contributions going to the Aon Master Trust (the default fund) will be banked directly. Other contributions will bypass the Aon account and go straight to Westpac for distribution to designated funds.

This service is provided at no charge where the employer follows the process described above but there will be a charge to the employer for the following services:

- processing "non-default" disbursements where these make up 25% or more of the employees



- processing files not submitted by Aon's HR Portal
- processing payments not made by direct debit

- processing dishonoured cheques or direct debits.

Under the terms of the standard service, employers are responsible for processing completed choice forms, which includes checking the eligibility of chosen funds, resolving any errors or problems, updating fund choices, and maintaining compliance records. Alternatively, for a fee, employers can send their completed forms to Aon for processing.

## Budget postscript

- The Government's economic outlook expects a strong world economy in 2005-06.
- The Government has estimated a Budget surplus of \$8.9 billion in 2005/06 (\$2.4 billion in 2004/05).
- The biggest single feature of the Budget is the establishment of the so-called 'Future Fund', which will aim to set aside reserves to pay the ballooning costs of current and future public service retirees. \$16 billion has been forecast for this fund in the current year and the Treasurer expects this will earn \$460 million this year. The current liability for these retirement costs is about \$91 billion. The proceeds from the expected sale of Telstra, which are estimated to be \$33 billion, will also be paid to this fund, assuming that the sale is approved by Parliament.
- The only major superannuation change for the year is that the superannuation surcharge currently payable by higher income earners will be abolished from 1 July 2005. This means that from 1 July 2005, the surcharge will no longer apply in respect of superannuation benefits that accrue, contributions made or termination payments received from that date. Personal income tax brackets are being raised again to ensure that more than 80 per cent of Australian taxpayers remain in or below the 30 per cent tax bracket and that only three per cent of taxpayers will pay the highest rate of 47 per cent as from 1 July 2006. Details are as follows:

Current tax thresholds	Current tax rate	New tax thresholds from 1 July 2005	Tax rate from 1 July 2005	New tax thresholds from 1 July 2006	Tax rate from 1 July 2006
Income range (\$)	(%)	Income range (\$)	(%)	Income range (\$)	(%)
0-6,000	0	0-6,000	0	0-6,000	0
6,001-21,600	17	6,001-21,600	15	6,001-21,600	17
21,601-58,000	30	21,601-63,000	30	21,601-70,000	30
58,001-70,000	42	63,001-95,000	42	70,001-125,000	42
70,001+	47	95,001+	47	125,001+	47

Source: Aon Consulting

This means that for tax payers earning \$95,000 per year the tax break in 2005 is \$41 per week and from 1 July 2006 the total tax break will be \$57 per week.

## Splitting of superannuation contributions

The Government has re-announced its intention to allow the **splitting of superannuation contributions** with a member's spouse. The measure, previously intended to apply from 1 July 2005, will now apply to employer and personal contributions made on or after 1 July 2006. Trustees can decide whether or not a fund will accept a split. This change to the original splitting model, which proposed mandatory splitting, addresses concerns expressed by the industry that some funds will be forced to provide splitting where few or no members have an interest in taking up this offer.

## Superannuation guarantee – payments of wages received after employment ceases

The Government will apply the superannuation guarantee (SG) arrangements to payments of salary or wages made after the quarter in which the relevant employment relationship ceased. Currently, for the SG arrangements to apply, salary or wages must be paid by an employer to an employee. Where payments of salary or wages are made after the quarter in which the employment relationship ceased, no SG obligation arises.

## **Superannuation guarantee – reducing incidence of double payment**

After 1 July 2006, the Government will allow late payments made for an employee by an employer to be used to offset any part of a SG charge liability that relates to that employee. These contributions must have been made within a period of 30 days after the due date for making contributions. Currently, these contributions cannot be used to reduce a SG charge liability for the previous quarter. Consequently, the employer may effectively pay contributions twice for an individual in respect of the same period.

**For more information, call your client service manager.**

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