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ASFA supports ACTU's recommendation to increase super contributions

The Association of Superannuation Funds of Australia (ASFA) has expressed its support for the Australian Council of Trade Unions (ACTU) Congress' recommendation that higher superannuation contributions of 15 per cent are needed to fund an adequate retirement lifestyle.

In one of their submissions to the Henry review, ASFA also stated that they supported an increase in compulsory savings to 15% by 2015. However they since have amended this recommendation and suggested that a contribution of 12% was still appropriate.

ASFA also supported in its submission to the Henry Review the extension of the Superannuation Guarantee (SG) to cover contractors, the self employed and those in a part-time job earning less than \$450 a month.

With regard to changes to superannuation taxation, in its submission, ASFA also recommended that the age at which superannuation becomes tax-free is increased gradually to age 65 and that the equity of superannuation tax for low and middle income earners be improved as follows:

- ⊘ Rebate (via the co-contributions system) the 15% contributions tax on SG and any other pre tax contributions for low income earners.
- ⊘ Expand co-contributions to middle income earners.

Source: The Association of Superannuation Funds of Australia, ASFA Action Issue 364, ACTU – Gives 15% superannuation the big tick, 3 June 2009.

ASIC relief granted – exit statements

Following changes to unclaimed money for temporary residents, if a member:

- ⊘ left Australia 6 months ago;
- ⊘ no longer holds a current temporary resident visa; and
- ⊘ hasn't claimed his or her superannuation benefits;

the Australian Taxation Office (ATO) will send a written notice to the superannuation fund to inform them when they need to transfer the temporary resident's benefits to them.

Following ASFA's lobbying on behalf of the superannuation industry, ASIC has advised ASFA that it has agreed to provide superannuation funds with a Class Order giving ongoing relief from the statutory obligation to provide an exit statement to fund members whose benefits are compulsorily transferred to the ATO.

This new measure is very likely to benefit all funds, and their members, through an ongoing reduction in administration costs.

Background

Under section 1017D of the Corporations Act, superannuation funds must issue a periodic statement (exit statement) to a member whose benefits are withdrawn from the fund.

ASFA indicated that it has argued strongly in its Application for Relief that the clear intention of Parliament is that the account balances of departed temporary residents be treated as unclaimed and accordingly, the provisions currently applying to unclaimed monies transferred to the ATO should also apply to these payments.

Conditions of relief

The relief is provided subject to trustees advising in their PDS, Annual Report and prominently on their website (if a website is maintained):

- ⊃ the circumstances in which temporary residents' superannuation interests will be transferred to the ATO, and
- ⊃ that trustees are relying on the relief and will therefore not provide temporary residents with an exit statement (where their interest is transferred to the ATO).

Additionally, where contacted by such a member after the interest is transferred to the ATO, the trustee must provide the person with information about the payment that will allow them to apply to the ATO to claim their interest.

Source: The Association of Superannuation Funds of Australia, ASFA Action Issue 364, ASIC relief granted – exit statements to temporary residents, 6 June 2009.

Important news from the ATO

The ATO has advised ASFA that around 200,000 co-contribution payments (out of a potential 1.3 million) will not be made in the 2008-2009 financial year due to problems with ATO systems.

The ATO realises that this may lead to an increase in enquiries from members when they receive their annual statement and cannot see their co-contribution payment.

The ATO will place information about the delay on its website and has also prepared material that may be used by funds on their website or in other communications to members.

It is important to note that the ATO will be paying interest on the delayed payments at a rate set by the Reserve bank (currently 3.16%)

Source: The Association of Superannuation Funds of Australia, ASFA Action Issue 364, Co-contributions, 6 June 2009.

Re-shuffle puts super into Cabinet

Early this month, Prime Minister Kevin Rudd announced a Cabinet reshuffle in the wake of the resignation of the former defence minister Joel Fitzgibbon.

Senator Sherry's former job as Minister for Superannuation and Corporate law now goes to Chris Bowen who enters Cabinet.

Senator Sherry has indicated his focus is now on tax and the broader economic issues.

ASFA stated that there is no doubt Bowen is one of the government's rising stars and is, arguably, the biggest winner out of the re-shuffle precipitated by Joel Fitzgibbon's resignation.

AFSA indicated that his other portfolio, as Minister for Human Services may provide the opportunity to increase integration between the superannuation and social security systems.

Source: The Association of Superannuation Funds of Australia, The Voice: June 2009.

ABC news, Rudd details Cabinet reshuffle, 6 June 2009. <http://www.abc.net.au/news/stories/2009/06/06/2591343.htm>

Henry – where to now?

ASFA has indicated that the interim report from the Henry Review has missed the point on the benefits of compulsory and tax-advantaged voluntary contributions to super.

Here are some of the points where ASFA considers the Henry Review has got it wrong on adequacy:

- Applied wrong methodology in calculating adequacy based on incorrect assumptions about labour force participation.
- Assumed that, for the lower paid, the age pension will provide enough in terms of a retirement income and people on higher income will have the ability to save on their own, without concessions.
- Assumed the age pension will give rise to a high enough figure to provide an adequate retirement income when, it will effectively stay the same as today.
- Dismissed out of hand the gaps in the retirement savings of the self-employed.
- Asserted that women and others with broken paid labour force experience should be content with not much more than the age pension.
- Incorrectly asserted that it would cost employers more in compliance to extend SG to casuals paid less than \$450 a month.

ASFA is calling for a united industry submission to counter these erroneous calculations and assertions.

Source: The Association of Superannuation Funds of Australia, The Voice: June 2009.

New reporting obligations for employers

The ATO has indicated that if an employer offers its employees the option to sacrifice some of their before tax income as super contributions to their superfund or if an employer makes additional employer super contributions for their employees, that employer may need to report these amounts to the ATO and on their employees' 2009-10 payment summary. These amounts are called 'reportable employer super contributions.'

The changes will not affect a person's assessable or taxable income and will only apply to income tests for tax benefits and obligations such as super co-contributions and the Medicare levy surcharge.

New payment summaries will be available in 2009-10 that will include a new label to show reportable employer super contributions. These changes will also affect an employer's payroll system. More information will be provided to employers in a brochure that is included in their PAYG withholding payment summary stationery package this month. These new obligations for employers are explained in full on the ATO website.

Source: Australian Taxation Office, Issue 8 of its 'Workforce Education News.'



Legislation passed with regard to pension's minimum payment

The *Superannuation Industry (Supervision) Amendment Regulations 2009 (No. 4) - No. 106* were recently issued by the authority of the Minister for Superannuation and Corporate Law.

Purpose of the Regulations

The purpose of the Regulations is to give effect to the Federal Government's 2009-10 Budget measure to reduce the minimum payment amounts for account-based pensions for the 2009-10 financial year. This measure extends the pension drawdown relief provided in March 2009 for the 2008-09 financial year.

The Regulations also make minor technical changes to clarify the intended operation of the payment rules for account-based pensions. The reduction in the minimum payment amounts for 2009-10 applies to account-based annuities and pensions, allocated annuities and pensions, and market-linked annuities and pensions.

Source: Superannuation Industry (Supervision) Amendment Regulations 2009 (No. 4) - No. 106.

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The information in this factsheet is general in nature. Your personal objectives, financial situation or needs were not taken into account when preparing this information. You may want to seek independent advice before making any decisions about your super.

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