VicSuper
MAKING SENSE OF IT ALL

A public sector employer's guide to making sense of

Choice of fund legislation

Part 1: Preparing your business

Contents

An introduction to choice of fund

From 1 July 2005, you will be required to pay the compulsory Superannuation Guarantee (SG) contributions you make on behalf of your employees in accordance with the Federal Government's 'choice of fund' legislation.

Currently, Victorian public sector employers differ in the degree of choice they offer their employees. Under choice of fund however, employers will be obliged to provide their employees with a choice of superannuation fund in accordance with the legislation and pay SG to an employee's chosen fund, where applicable.

The choice of fund legislation outlines a set of procedures that you must follow to offer eligible employees a choice. It also looks at which categories of employees do not need to be offered a choice under the terms of the legislation. For the employees to whom you need to offer a choice, it details:

- how you are required to offer them a choice
- what you need to do in the event that an employee does not make a choice
- what an employee needs to do if they are choosing a super fund
- what you must do to comply with an employee's choice.

To help make it easier for you to manage the transition to choice of fund, we are presenting this information in two parts, this publication being Part 1. Together Part 1 and 2 will provide you with the knowledge you need to incorporate choice of fund into the way you administer your super obligations, and comply with the new rules, as follows:

Part 1 – Preparing your organisation

Based on choice of fund legislation that has already been passed, this publication contains step-by-step instructions on what you can do prior to 1 July 2005 to ensure that your organisation is ready for the new legislation.

Part 2 – Administering your super obligations under choice of fund

The second part of the guide will give you all the information you need to meet your choice of fund obligations from 1 July 2005. Topics that will be covered include:

- how to offer your employees a choice
- the information your employees need to give you about their chosen fund
- the requirements for implementing an employee's choice.

Part 2 of the guide will be distributed in June 2005.

"I've been dealing with VicSuper since July 2004, when I started in my current position. The super fund I dealt with in my previous job was quite lax, but the service I've received from VicSuper has been excellent.

"Alicia, my contact at VicSuper, is very approachable and always happy to help – nothing is a problem for her. And even if she's not available when I call, I know that all I have to do is leave a message and I'll receive a prompt reply.

"With other funds that have a large client base it's easy to feel like you're 'just a number' – but with VicSuper, I'm assured of quality one-on-one service."

Wendy Thompson,
Payroll & Administration Officer,
Victorian Auditor General's Office

Preparing your organisation for choice of fund

Although choice of fund legislation doesn't come into effect until 1 July 2005, there are steps you can take now to minimise any impact the legislation may have on your organisation, as follows:

1. Understand how choice of fund works
2. Work out which of your employees need to be offered a choice in accordance with the legislation
3. Look at which fund you will contribute to on behalf of employees who don't make a choice (ie, your 'default fund')
4. Consider what information you will need to keep track of
5. Review your systems to make sure you will be able to contribute and provide information to multiple super funds simultaneously
6. Go over your procedures for new employees.

Step 1

Understand how choice of fund works

Choice of fund only applies to the SG contributions you make on your employees' behalf *from* 1 July 2005. It does not apply to:

- any other types of contributions, including personal and salary sacrifice contributions, and those in excess of SG
- any contributions made prior to 1 July 2005, including SG.

If an employee chooses their own fund after 1 July 2005 and wishes to consolidate their pre-1 July 2005 contributions, they have two options for doing this:

1. they can request a rollover from the relevant fund, or
2. transfer their contributions under portability legislation.

In both cases, the employee would need to contact their super fund for the relevant form.

Who will have a choice under choice of fund?

Choice of fund has been introduced to give more Australians the ability to choose their own superannuation fund. The Association of Superannuation Funds Australia Ltd (ASFA) estimates that about 30% of Australian workers already have choice; this is expected to rise to 70% once the new legislation is introduced. Therefore, it is possible that not all your employees will need to be offered a choice in accordance with the legislation.

So how can you determine which of your employees *do* need to be given a choice under choice of fund? Put simply, the legislation lists a number of superannuation arrangements that satisfy the choice of fund requirements – if you have employees who are receiving SG contributions under these arrangements, then you are already meeting your choice of fund obligations for them and, in their case, do not need to do anything new according to the legislation. This will apply regardless of whether or not you are already offering them a choice.

See Step 2, which begins on the next page, for details on which employees will not need to be offered a choice under the new legislation.

Standard choice form

Once you've identified who needs to be offered a choice, you should understand how you have to go about this. Under choice of fund legislation, the 'standard choice form' is the means by which you must give your eligible employees the chance to select their super fund.

The standard choice form will:

1. contain details on the employer 'default fund' (see below)
2. outline the information employees need to give you about their chosen fund.

Generally, you will be required to provide standard choice forms to your existing employees by 29 July 2005, and to new employees within 28 days of them commencing employment with you.

If your employee submits a correctly completed standard choice form and provides you with all the required information, then they are deemed to have made a 'valid' choice. In this case, you have up to two months in which to act on their request. This means that the fund must become the employee's chosen fund within two months of the date the employee provides you with all the required information, not that you must begin making payments to the fund within two months.

Full details of the standard choice form, including a copy of the form and information on when it must be distributed, and what your employee needs to do to ensure they make a valid choice, will be contained in 'Part 2: Administering your super obligations under choice of fund'.

Default fund

Choice of fund requires employers to have a default – or employer – fund. This is the fund that will receive the SG contributions of employees who have a choice under the legislation but do not take up the opportunity. You may need to have more than one default fund, as different default funds may apply for different groups of employees. You also need to ensure that your default fund meets the legislative requirements.

For more information on default funds, see pages 7 to 9.

Step 2

Work out which of your employees need to be offered a choice in accordance with the legislation

You can determine which of your employees need to be offered a 'choice' by reviewing their employment and superannuation arrangements prior to 1 July 2005.

It is not unusual for specific groups of employees within the one workplace to be employed under different employment arrangements.

The most common types of employment arrangements that apply in Victorian public sector workplaces are certified agreements (CAs) and Federal industrial awards.

You can find out more information about certified agreements and industrial awards by accessing the following website:

- www.wagenet.gov.au – this site provides comprehensive information about Australian Federal awards and agreements.

Under certified agreements and Federal industrial awards, employees generally receive Superannuation Guarantee (SG) contributions in one of two ways, as follows:

1. to public sector defined benefit schemes such as the State Superannuation Fund's (SSF's) New Scheme or Revised Scheme. These schemes are closed to new members
2. to accumulation funds such as VicSuper Fund's VicSuper Scheme.

Employees who are members of public sector defined benefit schemes

Victorian public sector employers are already meeting their choice of fund obligations for employees who are covered by either a certified agreement or Federal industrial award *and* are receiving SG contributions to public sector defined benefit schemes.

This is because the Federal Government has advised the Victorian Department of Treasury and Finance that they will prescribe the *Emergency Services Superannuation Act 1986* (Vic), *State Superannuation Act 1988* (Vic), *Transport Superannuation Act 1988* (Vic), *State Employees Retirement Benefits Act 1979* (Vic) and *Parliamentary Contributions Act 1962* (Vic).

As a result, you will not need to offer employees who are members of the following public sector defined benefit funds a choice in accordance with the legislation:

- the State Superannuation Fund (which consists of the Revised Scheme, New Scheme, State Employees Retirement Benefit – SERB – Scheme, and Transport Scheme)
- the Parliamentary Contributory Superannuation Fund
- the Emergency Services Superannuation Scheme.

Because of this, identifying which of your employees are members of public sector defined benefit schemes – and ruling out these employees – is the first step in determining to whom you need to offer a choice in accordance with the legislation.

For all other employees

If you have employees who are not members of any of the public sector defined benefit schemes mentioned above, you can consult the diagram on the following page to check whether you need to offer them choice of fund in accordance with the legislation.

Making sense of the terms

Certified agreement (CA)

A CA (also known as an Enterprise Bargaining Agreement or EBA) is a collective agreement between an employer and a union representing employees, or an employer and a group of employees, that has been certified by the Australian Industrial Relations Commission (AIRC). A CA applies to all employees in a group provided it has been endorsed by the majority of employees.

Source: Australian Government Office of the Employment Advocate

Australian Workplace Agreement (AWA)

An AWA is an individual written agreement that sets out an employee's terms and conditions of employment, as negotiated directly between the employer and individual employee or collectively between the employer and a group of employees. An AWA only applies to employees who have signed the agreement. AWAs are administered by the Office of the Employment Advocate (OEA).

Source: Australian Government Office of the Employment Advocate

If you have employees who are employed under…

…a certified agreement

Eg, the Victorian Public Service Agreement 2004

↓

ask yourself

Are you paying SG contributions for these employees "under, or in accordance with" the agreement (see next page for details)?

YES →

your obligations

You are already meeting your choice of fund obligations for these employees and will not need to offer them a choice in accordance with the legislation.

NO →

your obligations

You are not meeting your choice of fund obligations for these employees and, as required under the legislation, you must offer them choice of fund in accordance with the legislation.

If you have employees who are employed under…

…a Federal (or Territory) industrial award

Eg, the Victorian State Agencies Award 2003

→

your obligations

You must offer these employees choice of fund in accordance with the legislation.

If you have employees…

…who do not belong to any of the previous categories

→

your obligations

You must offer these employees choice of fund in accordance with the legislation.

Note: The legislation lists other types of superannuation arrangements (eg Australian Workplace Agreements) that already meet the choice of fund requirements. These arrangements are not included here as they are generally not relevant to Victorian public sector employers. For more information on these arrangements, please contact your account consultant, or VicSuper's Member Centre on **1300 366 216**.

Q: I already offer choice and some employees have chosen their own super fund – do I still have to offer them a choice under the legislation?

A: Under choice of fund you need to offer a choice to all employees who fall outside the categories for whom employers are already meeting their requirements. However, in April 2005 the ATO confirmed that where an employee has made a valid choice (as detailed below) before 1 July 2005, the employer will not have to offer the employee a choice.

The following conditions must be met in order for the employee's choice to be valid:

- the employee already has choice
- the employee provides their employer with written notification of their chosen fund and includes all the required information (full details of the information your employee must provide you about their chosen fund will be included in 'Part 2: Administering your super obligations under choice of fund').
- the employee's chosen fund is a complying fund to which you can contribute on the employee's behalf.

Q: What does it mean for a contribution to be made "under, or in accordance with" an employment agreement?

A: The ATO has advised that the words "contribution made under, or in accordance with" an employment agreement (eg a certified agreement) will be broadly interpreted and the provision will apply where the contribution is made under an "enforceable undertaking". This means that if the agreement mentions superannuation and requires a "positive act" by an employer, then the employer is meeting their choice of fund obligations as long as:

1. they are paying SG contributions according to the agreement's superannuation provisions, and
2. the total of these contributions meets the compulsory SG requirement of 9%.

To see how this works, please see the examples in the panel to the right.

Given this ATO interpretation, legal advice indicates that the superannuation provision contained in Clause 34.1 of the Victorian Public Service Agreement 2004 is sufficient to exempt employers from having to offer employees covered by the agreement a choice in accordance with the legislation. However you should continue to allow your employees to choose a fund as per your own internal processes, where applicable.

Q: I have employees who are employed under a CA that includes a superannuation provision that allows them to choose a super fund. Do I need to offer them a choice in accordance with the legislation?

A: As long as the superannuation provision meets the requirements outlined in the previous question, you do not need to offer these employees a choice in accordance with choice of fund. However you would still need to offer them a choice as per your current arrangement.

Note: You may find that while you have employees who are covered by an employment agreement such as a CA, the agreement doesn't mention superannuation at all, or mentions superannuation but does not require a positive act by you.

If this is the case, and you are in the process of establishing or renewing an employment agreement, you and your employees may wish to consider amending the agreement to incorporate a superannuation provision that meets the legislative requirements.

Examples of employers paying "under, or in accordance with" an employment agreement

Example 1

Employees of 'Sam Sample Pty Ltd' are employed under a CA that mentions superannuation and requires a positive act by the employer. According to the agreement, this positive act involves contributing the equivalent of 9% of an employee's salary to a complying super fund; if the employer did not pay 9% superannuation to a complying fund then the employee could take legal action to enforce the agreement. Therefore the employer is deemed to be making SG contributions "under, or in accordance with" the CA and does not need to offer their employees a choice under the legislation.

But what if the CA only stated that the pay of Sam Sample Pty Ltd employees would be calculated inclusive of the 9% superannuation? This provision simply explains that the employee's SG is part of their salary package – it does not require a positive act by the employer. Therefore, in this scenario, Sam Sample Pty Ltd is not paying its employees SG "under, or in accordance with" an employment agreement, and will have to offer employees covered by the CA a choice in accordance with the legislation.

Source: The Association of Superannuation Funds of Australia Ltd (ASFA) Employer Fact Sheet

Example 2

'Generic Enterprises' employees are covered by a CA that requires the company to pay the SG contributions they make on their employees' behalf to VicSuper Fund, the agreement's 'nominated fund'. The CA also states that Generic Enterprises will pay additional employer SG contributions of 6% of the employee's salary on top of the compulsory 9%, which means they are more than meeting their minimum SG obligations. So as long as Generic Enterprises makes SG contributions according to the agreement's terms, they do not need to offer employees covered by the agreement a choice under the legislation.

Step 3

Look at which fund you will contribute to on behalf of employees who don’t make a choice

While you must offer all eligible employees a choice of super fund, they may decide not to take up this opportunity. For this reason, the current legislation requires you to have an employer fund, also known as the ‘default fund’.

Default fund

The default fund is the super fund into which you must pay the SG contributions of employees who do not exercise a choice. Under choice of fund legislation all employers must specify their default fund on the standard choice form they provide to employees.

If you have employees who are covered by a Federal or Territory industrial award that names a super fund, that fund must be the default fund for these employees. Where more than one super fund is named in a Federal or Territory industrial award, you must choose one of the named funds as the default fund for the employees covered by the award.

In April 2005 the Department of Treasury and Finance issued an Employer Superannuation Circular advising that VicSuper Fund is the default fund for Victorian Public Service (VPS) departments – this will ensure consistency and certainty of arrangements across all VPS departments.

If you belong to a department that wishes to use a super fund other than VicSuper Fund as their default fund, you should notify the Department of Treasury and Finance’s Superannuation Policy Unit and provide evidence that the preferred fund meets the legislation’s minimum requirements for default funds (see page 9 for details).

All other public sector bodies are able to choose their own default fund without notifying the Department of Treasury and Finance of their decision.

Note: In a media release dated 14 March 2005, The Minister for Revenue and Assistant Treasurer Mal Brough announced that legislation would be amended to exempt certain employers from having to select a default fund. At the time of printing, no such amendment had been made.

Making sense of the terms

Complying super fund

A complying super fund is a superannuation fund that is regulated by the Australian Prudential Regulation Authority (APRA), a Commonwealth Government agency that, together with the ATO, administers the *Superannuation (Industry) Supervision Act 1993* (SIS) (Cwlth) and sets the standards for the prudential management of superannuation funds.

Under the SIS Act (Cwlth), only a regulated superannuation fund with the following characteristics can be a complying fund:

- there are no foreseeable plans to close the fund
- the fund has a corporate trustee or pays retirement benefits as pensions
- the trustee elects to comply with the SIS Act (Cwlth).

Arms-length

This term is used in reference to an agreement that two parties make freely and independently of each other, and without some special relationship (for example, being related to one another, or having another deal on the side). It is important to determine if an agreement is made on an 'arms-length' basis because it shows that the price, requirements, and other conditions were fair and real.

Source: The Real Life Dictionary of the Law by Gerald and Kathleen Hill

What if a super fund offers you inducements or incentives to choose their fund as your default fund?

Under choice of fund legislation, a trustee, or an associate of a trustee, of a complying super fund is prohibited from offering employers inducements or incentives to use the fund as their default fund. This includes supplying, or offering to supply, goods or services to an employer – either outright, at a particular price, or in association with a discount, allowance, rebate or credit – on the condition that one or more of their employees will join, or will apply or agree to join, the fund.

Under the choice of fund regulations however, a trustee, or an associate of a trustee, of a complying super fund is able to provide the following without breaching the rules:

- a business loan that is negotiated on a commercial 'arms-length' basis and is dependent on only the employer joining the fund
- a clearing house service to an employer
- advice or administration services, relating to the payment of superannuation contributions, to an employer or their employees
- any other goods or services to an employer as long as the same goods or services are available on the same terms to all of the employer's employees who are members of the fund.

Post - 1 July 2005 SG contributions

From 1 July 2005, SG contributions must be paid into the employer's default fund until an employee makes a 'valid' choice and that choice takes effect. This means that if you pay SG contributions for the April to June 2005 quarter on or after 1 July 2005, these contributions must go to your default fund unless:

- your employee has given you written notification of their preferred fund prior to 1 July 2005, and you are able to contribute to that fund *or*
- your employee has chosen a fund from 1 July 2005 and provided you with all the required information, including written evidence that the fund will accept the SG contributions you make on their behalf.

Full details of the information employees must give you about their chosen fund will be included in 'Part 2: Administering your super obligations under choice of fund'.

Note: If you pay the SG contributions for the final quarter of 2004/2005 to your existing fund by 30 June 2005, these contributions do not need to be made in accordance with choice of fund legislation.

Q: My employee is salary sacrificing into their existing fund. If they choose another fund, should I start sending these contributions to their preferred fund?

A: Choice of fund only applies to the compulsory SG contributions you make on behalf of your employees from 1 July 2005. So while you may choose to send the salary sacrifice contributions to the employee's chosen fund, you are not obliged to under the legislation.

Q: If my employee chooses another super fund, do their pre-1 July 2005 SG contributions have to be transferred to the new fund as well?

A: It is up to your employee to decide what they would like to do with the funds they have accumulated prior to 1 July 2005. If they wish to transfer their pre-1 July 2005 contributions – including any voluntary contributions they have made (such as salary sacrifice) – to their chosen fund, they can organise this in one of two ways:

- they can roll over their benefits to another fund, or
- they can transfer all or part of their balance under portability legislation.

'Part 2: Administering your super obligations under choice of fund' will contain a full explanation of these two methods.

An employer's default fund must:

- be a complying super fund
- offer a 'minimum' level of insurance cover for death.

Requirement for offering insurance in respect of death

Under the choice of fund legislation, employers must choose a default fund that, as a minimum, offers either:

- a level of death cover as per the table below, or
- for those less than 56 years of age, death cover at a premium of at least $0.50 per week.

Note: These are only minimum levels of cover; funds can still offer insurance above these levels.

To be an eligible default fund, defined benefit funds must offer a death benefit that includes a future service component that is at least equivalent to the minimum requirements outlined in the table below.

Default fund – minimum insurance requirements for death cover

Age range	Level of cover
20 to 34	$50,000
35 to 39	$35,000
40 to 44	$20,000
45 to 49	$14,000
50 to 55	$7,000
56 or more	Nil

VicSuper, through group policies with AXA Group Insurance, offers VicSuper Scheme members death cover that meets the legislation's minimum requirements (see the next page for more information).

Under choice of fund regulations, however, your default fund does not need to meet the minimum insurance requirements if:

- before 1 July 2005, you are making contributions to a fund that does not meet the insurance requirements. In this case, you may continue to send SG contributions to that fund for three years. However from 1 July 2008 you must begin making SG payments to a fund that does meet the requirements
- you make SG contributions under a Federal award
- you make SG contributions on behalf of an employee into a Retirement Savings Account (RSA) or to a capital guaranteed fund, as long as the requirement relates to the employee
- you arrange insurance outside of the superannuation system and the insurance cover is at least consistent with the minimum insurance requirements and available to the employee for whom you are making the contributions
- the fund's insurer meets the minimum requirements but does not offer insurance to a particular employee because of the employee's health, occupation (for example, a high risk occupation), hours worked (for example, the employee may be a casual) or other circumstances determined by the insurer
- on 11 March 2005, you were contributing to a fund whose rules provide for a death benefit of at least $50,000 for the employee. This exemption continues while you contribute to the fund or a successor fund.

VicSuper as your default fund

"I joined VicSuper because of their low fees and excellent advice service. My VicSuper superannuation adviser was so helpful I've asked him to come and speak to my staff at work. Superannuation is a very important issue and I want them to have access to good advice."

Pam Strijder,
Assistant School Principal,
Lara Primary School

The Department of Treasury and Finance has advised that VicSuper Fund, which is already the default fund for many VicSuper Fund participating employers, will continue to be the default fund for Victorian Public Service departments.

VicSuper Fund is a complying superannuation fund that provides all eligible VicSuper Scheme members with one unit of automatic death and disability insurance cover through group life insurance policies with AXA Group Insurance and gives them the opportunity to increase this level of cover to suit their needs.

To continue paying SG contributions into VicSuper Scheme on a default basis you only need to ensure that 'VicSuper Fund – VicSuper Scheme' is listed as the default fund on the standard choice form you give your employees. This simple step will allow you to continue sending your employees' SG payments to VicSuper if they do not choose another fund.

Benefits for you

VicSuper offers employer support services that make it easier for you to administer your super. These include:

- flexible payment and data options, including EFT and direct debit, from June 2005
- direct telephone access to the account consultant who manages your account
- **VicSuper EmployersOnline**, a facility that gives you the convenience of administering your super obligations electronically
- regular employer updates that keep you informed of superannuation developments and amendments to legislation
- seminars that give you the up-to-date information you need to manage your employees' super, including changes to superannuation rules and regulations
- face-to-face contact visits, where we can help you with superannuation matters, available upon request
- annually revised employer resource guide, which keeps key dates and facts at your fingertips.

Benefits for your employees

VicSuper also offers a range of services to help members make sense of their super so they can make the best decisions for their situation and future.

Research shows that employers can contribute to their staff's wellbeing and enhance their productivity by offering programs that improve their financial knowledge – put simply, a financially-literate employee is a happier employee. This is because employees often bring their money worries with them to work.

Offered without obligation and at no additional charge, our member education services include:

- workplace seminars on subjects such as salary sacrifice
- one-on-one superannuation advice by VicSuper representatives who are not paid commissions
- a comprehensive program of seminars on a range of retirement planning and superannuation investment topics
- an education program, in both print and online format, to familiarise members with the basics of super (from May 2005).

In addition to services that help them make the most of their super, VicSuper members also benefit from:

- a maximum account-keeping fee of $15.12 pa
- a 0.50% pa management fee, which is capped at $1,500 pa for average account balances of $300,000 or more
- dollar disclosure of fees, which allows them to see exactly what fees are being deducted from their account
- access to comprehensive insurance cover at cost-effective premiums
- competitive long-term investment returns
- the satisfaction of knowing that their super is invested in an economically, socially and ecologically responsible manner
- the ability to split funds across a combination of our seven investment options
- access to our Member Centre for the cost of a local call from anywhere in Australia
- the ability to manage their account online using **VicSuper MembersOnline**
- access to home loans at competitive rates.

"VicSuper has the lowest fee structure compared to the other super funds I looked at. The fact I can invest in a mix of options allows me to choose the perfect investment strategy to suit my level of risk. With VicSuper I feel in control of both my money and my future."

Murray Harding,
Business Continuity Manager,
Emergency Communications
Victoria

Step 4

Consider what information you will need to keep track of

As part of administering your choice of fund obligations, you may need to make changes to your record-keeping procedures. This is because the legislation requires that employers keep records showing they have met the choice of fund requirements for five years.

Information you need to record/retain includes:

1. **the original copy of an employee's correctly completed standard choice form**
2. **the date you issued a standard choice form to each employee**

   Under the legislation, you need to distribute standard choice forms to your employees within specific timeframes, depending on their circumstances (by 29 July 2005 for existing employees, and for new employees, within 28 days of them commencing employment with you). Recording the dates you issued the forms will help you confirm that you have fulfilled the requirements.
3. **the date you received a correctly completed standard choice form**

   Recording this information will help you:
   - establish by what date you need to start paying into your employee's chosen fund if they have made a 'valid' choice
   - determine whether you need to accept an employee's choice (under the legislation, employers are not obliged to comply with an employee's choice if they have made a choice within the last 12 months).
4. **the name and contact details of an employee's chosen super fund.**

Step 5

Review your systems to make sure you will be able to contribute and provide information to multiple super funds simultaneously

Reviewing the capacity of your payroll system

Under choice of fund, you may need to make contributions and provide information to more than one super fund at the same time. You can identify any problems that you may encounter after 1 July 2005 and think about how you will deal with them by asking yourself the following questions:

- Is my payroll system set up to contain more than one super fund?
- Is my payroll system capable of making payments via different methods (ie, cheque, direct debit and EFT) and providing payment data in more than one format? If not, will I need to modify the system? How would I go about this?

  For instance, your system may currently be set up to only make EFT payments. What will you do if one of your employees chooses a super fund that only accepts cheques?

  In this situation, you have a couple of options:
  1. contact the fund to see if you can negotiate a solution that suits you both
  2. modify your system to allow for cheque payments.

  Whichever option you choose, you should note that you cannot reject an employee's choice simply because your system is not currently set up to make payments to their chosen fund.

  VicSuper offers employers a number of convenient payment options – EFT, cheque and, from June 2005, direct debit. This allows our employers to select a payment option that best suits them.
- What type of information will I be required to submit to different super funds?
- Can my payroll system accommodate any extra information required, eg the information listed in Step 4?

Q: What about clearing houses?

A: A clearing house is an organisation that collects and distributes payments and/or information on behalf of third-party companies. Clearing houses that offer superannuation support can help employers meet their choice of fund obligations by sending the SG contributions they make on behalf of their employees, including the accompanying data, to various superannuation funds once they have received the relevant details and contribution amounts.

If you are thinking of using a clearing house, it is important that you fully understand the services that will be provided to you, as well as what you or, indirectly, your employees may be charged for these services. You should also note that even if you make SG payments to the clearing house by a SG quarterly cut-off date, this does not necessarily mean that you will meet the deadline.

Step 6

Go over your procedures for new employees

To ensure that you comply with choice of fund legislation for all new employees who join your company after 1 July 2005, you need to firstly determine whether or not you are already fulfilling the choice of fund requirements for them – if you are not, you will need to do the following to offer them a choice in accordance with the legislation:

1. Confirm which super fund will need to receive their SG contributions until they make a valid choice, ie what is the default fund that applies to them?

   For most employees of VicSuper participating employers the default fund is VicSuper Fund or, if they are covered by a Federal or Territory award, a fund named in the award.
2. Give them a standard choice form within 28 days of their commencement date *unless* they have advised you of their chosen fund in writing within this timeframe *and* provided you with all the required information, including written evidence that the fund will accept the SG contributions you make on their behalf (full details of the information employees are required to give you about their chosen fund will be included in 'Part 2: Administering your super obligations under choice of fund').

   Alternatively, you can streamline this process by giving new employees a standard choice form along with the other forms they are required to fill in at the start of their employment, eg bank account details and tax declaration form.

In summary

Below is a checklist containing tasks you should complete before 1 July 2005 to help ensure your business is ready for choice of fund.

By 1 July 2005

- [ ] Identify the employees for whom you are already meeting your obligations
  - [ ] Rule out employees who are members of public sector defined benefit schemes
  - [ ] For all other employees, refer to page 5

- [ ] If you and your employees are in the process of establishing or renewing an employment agreement such as a CA, consider incorporating a superannuation provision that meets the legislative requirements for contributions made "under, or in accordance with" employment agreements like AWAs or CAs

- [ ] Make a list of those employees who need to be offered a choice under the legislation

- [ ] Confirm which default fund has to be specified on the standard choice form you give employees:
  - [ ] For employees who are covered by a Federal or Territory industrial award – the default fund is a fund named in the award
  - [ ] For all other employees – the default fund is VicSuper Fund – VicSuper Scheme

    Note: If you belong to a department that wishes to use a super fund other than VicSuper Fund as their default fund, you should notify the Department of Treasury and Finance's Superannuation Policy Unit and provide evidence that the preferred fund meets the legislation's minimum requirements for default funds (see page 9 for details).

    All other public sector bodies are able to choose their own default fund without notifying the Department of Treasury and Finance of their decision.

- [ ] Consider your record-keeping procedures

- [ ] Review the capacity of your payroll system

- [ ] Amend your induction process for new employees starting after 1 July 2005 to incorporate the choice of fund requirements

So where to now?

We hope this guide has helped you identify what you can do to help prepare your business for choice of fund.

Prior to the introduction of choice of fund, you can also expect:

- the second part of the guide – ‘Part 2: Administering your super obligations under choice of fund’. This guide will contain the information you need to administer your super obligations once the new legislation comes into effect
- a sample of the standard choice form will also be provided with ‘Part 2: Administering your super obligations under choice of fund’

  In the meantime, please contact your account consultant, or our Member Centre on **1300 366 216**, if you would like standard choice forms pre-populated with VicSuper Fund’s details sent to you.
- more choice of fund news in Employer Updates
- updates on VicSuper’s website.

In addition to this, the Federal Government has commenced an education campaign, which will help employers and employees understand what choice of fund is and how it will affect them.

Please remember that we are here to provide you with all the superannuation support you require. If you have any questions regarding choice of fund, or any other superannuation matters, please contact your account consultant. Alternatively, you can contact our Member Centre on **1300 366 216**.

What if your employees have questions about choice of fund?

As an employer, you cannot provide financial advice to your employees unless you are licensed to do so. This applies to choice of fund as well.

VicSuper is taking a number of steps to ensure that your employees are fully informed about choice of fund. These include:

- highlighting details about choice of fund that are relevant to employees in the upcoming issue of our member newsletter, *Member News*, which is due for release in May 2005
- producing *An employee’s guide to making sense of choice of fund legislation* to provide employees with detailed information on the legislation and will also be available in May 2005
- updating the ‘Choice of fund for employees’ page of our website with new information as it becomes available.

As always your employees can also contact our Member Centre on **1300 366 216** to speak to one of our superannuation consultants. These consultants can answer any general queries your employees may have about choice of fund, superannuation, or their VicSuper Fund account.

10 May 2005

To whom it may concern

Letter of confirmation of complying fund status – VicSuper Fund

This letter confirms that:

- VicSuper Fund is a complying and regulated fund within the meaning of the *Superannuation Industry (Supervision) Act 1993* (Cwlth) – SFN 5003/589/94, ABN 85 977 964 496
- the trust deed of VicSuper Fund permits the acceptance of rollovers of superannuation monies from members
- all amounts transferred into VicSuper Fund will retain their preservation status established in their previous fund. The transferred benefit is fully vested, ie it is credited to the member's personal account
- VicSuper Fund and VicSuper Pty Ltd, as corporate trustee of VicSuper Fund, are subject to the *Superannuation Industry Supervision Act 1993* (Cwlth) and the *Corporations Act 2001* (Cwlth) and are regulated by the Australian Prudential Regulation Authority (APRA) and the Australian Securities and Investments Commission (ASIC)
- the Superannuation Product Identification Number (SPIN) for VicSuper Scheme is VSP0103AU
- the Superannuation Product Identification Number (SPIN) for VicSuper Beneficiary Account is VSP0102AU.

VicSuper Pty Ltd ABN 69 087 619 412 has issued this letter in its capacity as Trustee of VicSuper Fund.

Yours sincerely

Bob Welsh
Chief Executive

Disclaimer

The information contained in *A public sector employer's guide to making sense of choice of fund legislation* is given in good faith and has been derived from sources believed to be reliable and accurate. No warranty as to the accuracy or completeness of this information is given and no responsibility is accepted by VicSuper Pty Ltd or its employees for any loss or damage arising from reliance on the information provided.

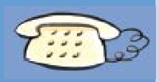
A public sector employer's guide to making sense of choice of fund legislation is intended to provide general advice only about VicSuper Fund and superannuation matters and is not intended to be used as a substitute for professional advice. As this general advice will not be specific to your own circumstances, you will need to consider if the general advice provided is suitable for your own superannuation requirements before taking any action. You should also obtain a VicSuper Combined Financial Services Guide (FSG) and Product Disclosure Statement (PDS) by calling VicSuper on **1300 366 216** prior to making a decision. Alternatively, you can download a copy of the relevant Combined FSG and PDS by visiting www.vicsuper.com.au. These documents will help you understand the features, costs, benefits and risk of contributing on your employees' behalf to the VicSuper Fund benefit plan.

The information on choice of fund is based on the choice of fund legislation as at May 2005 and any explanatory material from Government available at that time. Any amendments to the legislation after that date and any documents or other materials issued by the Australian Taxation Office or other Government agencies after that date could impact on how the legislation is interpreted and administered.

VicSuper Pty Ltd ABN 69 087 619 412 is the Trustee of VicSuper Fund and holds an Australian Financial Services Licence (No. 237333) under the *Corporations Act 2001* (Cwlth). VicSuper is licensed to deal in, and advise on, superannuation products including VicSuper Fund interests (meaning all aspects of the Fund).

The employers and member included in this guide have provided their consent.

For further information



Call our Member Centre

1300 366 216 and speak to a VicSuper superannuation consultant between 8.00am and 5.00pm, Monday to Friday

Visit us

VicSuper – Melbourne Advice Centre
Level 6, 90 Collins Street, Melbourne

VicSuper – Geelong Advice Centre
91A McKillop Street, Geelong

VicSuper – Bendigo Advice Centre
15 MacKenzie Street, Bendigo

8.00am to 5.30pm
Monday to Friday

To make an appointment to see a VicSuper superannuation adviser call **1300 366 216**

Send us a fax

03 9667 9610

Write to us

VicSuper
GPO Box 89A, Melbourne 3001

Browse our website

www.vicsuper.com.au

100% Recycled
100% Australian made

V1002A 5/05