

A private sector employer's guide to making sense of
Choice of fund legislation



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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, employers generally choose which super fund receives the SG contributions they make on their employees' behalf; they may also refuse any employee requests to have their SG paid into an alternative fund. Under the new legislation however, most employers will be obliged to offer their employees a choice of superannuation fund 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 business

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 business 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 May 2005.

"I have been a participating employer of VicSuper for five years and the service I have received during that time has been fantastic.

"Whenever an employee has a problem with their super that I cannot help with, I refer them to Melanie, who looks after my account. Or I'll speak to her myself if the problem applies to a range of employees. Either way, I know I can depend on Melanie's full support.

"I've never received this level of personalised service from any other super fund – and with choice of fund coming, this one-on-one assistance will be more important than ever."

Peter Hayne
Business Manager
Resource Ed Personnel Pty Ltd



Preparing your business 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 business, 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.

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 you need to offer choice to, 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.

Full details of the standard choice form, including a copy of the form, 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 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.

Making sense of the terms

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

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

Employee Relations Act 1992 (Vic)

An agreement under the *Employee Relations Act 1992* (Vic) is one that was in force under this Act and continues to be in operation under the *Workplace Relations Act 1996* (Cwth).

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 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 private sector workplaces are Australian Workplace Agreements (AWAs), certified agreements (CAs) and Federal industrial awards, so we'll begin by looking at whether or not you need to offer choice to employees who fall under these categories. The diagram on the next page will lead you through the process.

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

- www.wagenet.gov.au – this site provides comprehensive information about Australian Federal awards and agreements
- www.oea.gov.au – this site contains information about Australian Workplace Agreements (AWA). To access information relating to employers, simply choose the 'Employer' link on the homepage.

If you have employees who do not belong to any of these categories, please refer to the diagram on page 6 to check if you need to offer them a choice under the legislation.

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 will need to offer a choice to all employees who fall outside the categories of employees for whom employers are already meeting their requirements (as detailed on pages 5 and 6). However it is understood that the Australian Taxation Office (ATO) will not require you to give standard choice forms to these employees if, as at 1 July 2005:

- they have already given you written notification of their preferred fund, and
- you are able to contribute to that fund on their behalf.

If you have employees who are employed under...

...an employment agreement, including:

- an Australian Workplace Agreement (AWA)
- a certified agreement (CA)
- an employment agreement under the *Employee Relations Act 1992* (Vic)



ask yourself

Are you paying SG contributions for these employees “under, or in accordance with” the agreement (see below 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



your obligations

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

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, an AWA or 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.

Q: I have employees who are employed under an AWA or 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 an AWA or 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 an AWA 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 AWA and does not need to offer their employees a choice under the legislation.

But what if the AWA 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 AWA 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 obligation. 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.

Making sense of the terms

The Superannuation (Productivity Benefit) Act 1988 (Cwlth)

The *Superannuation (Productivity Benefit) Act 1988* applies to Commonwealth or ACT sector employees with no other employer-sponsored superannuation cover, eg certain casual and temporary employees.

Source: Australian Government Department of Finance and Administration Superannuation Circular Number 44

Contributions made under a 'prescribed law'

This term refers to contributions that are being made under "a law of the Commonwealth, of a State or of a Territory" (eg, where contributions are made to a public sector superannuation scheme or under certain state-regulated industrial agreements) that is prescribed in the choice of fund regulations.

If you have employees...

...who are not Commonwealth employees *and* their contributions are being made to unfunded public sector superannuation schemes



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.

If you have employees...

...who are Commonwealth employees *and* are members of the Commonwealth Superannuation Scheme (CSS) or Public Superannuation Scheme (PSS)



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.

If you have employees...

...whose contributions, at least in part, are being made under, or in accordance with, a State industrial award



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.

If you have employees...

...whose contributions are being made under the following legislation:

- the *Superannuation (Productivity Benefit) Act 1988* (Cwlth)
- a prescribed law



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.

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.

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 a '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 – which is known as the 'employer 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.

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.

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 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

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 are required to give you about their chosen fund will be included in 'Part 2: Administering your super obligations under choice of fund'.

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

“We’ve invited VicSuper to present seminars at our workplace on a number of occasions. For instance, we have recruited 200 new employees since last June, and part of their induction program involves VicSuper providing information sessions on superannuation.

“Many employees know little about super to begin with, so these sessions have been invaluable in helping them understand how they can make the most of their super. Even if they don’t act on it straightaway, learning about topics like salary sacrifice gives them information they can consider when they are planning for their retirement.”

Phil Jenkinson
Manager
Personnel Administration
Connex Melbourne Pty Ltd

VicSuper Fund is already the default fund for many VicSuper Fund participating employers. It 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.

This means that if you are currently paying SG contributions into VicSuper Scheme on a default basis, to continue your present arrangements 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 April 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 April 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.

“I first heard about VicSuper through my colleagues when I was working as a teacher. Two years ago I changed careers and when my new employer offered me choice of fund, I didn't hesitate to choose VicSuper. Belinda, a VicSuper representative, liaised with my employer to set up my account and was helpful and professional throughout the whole process.

“I feel very secure with VicSuper and now that I have my own business – Plonkart – designing apparel for wine lovers, I intend to stay with the fund to make self-employed contributions.”

Katherine Webster
VicSuper Fund member



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.

VicSuper offers employers a number of convenient payment options – EFT, cheques and, from April 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 to note that they normally charge an administration fee for their services.

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.

“Last year, it was time for us to review our superannuation arrangements so we included VicSuper in the review along with two other superannuation funds. We recommended using VicSuper as the superannuation fund for all staff and the board accepted our proposal.

“We feel completely spoilt by VicSuper. Our service expectations were low because we had never received any service before. Now information is processed quickly, we have an account manager who is available to help with our queries, we receive training in superannuation and our employees are better off.”

Megan Worley
Financial Controller
Hobsons Australia, trading
as The Good Guides Group



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

- If you and your employees are in the process of establishing or renewing an employment agreement such as an AWA or 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 the 'employer default fund'The employer default fund is _____

- 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.

During the next few months, 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’
- more choice of fund news in Employer Updates, including an invitation to additional choice of fund seminars
- updates on VicSuper’s website.

In addition to this, from mid-April 2005 the Government will commence 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 *Choice of fund – a guide for employees* 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.

18 October 2004

To whom it may concern

Letter of confirmation of complying fund status – VicSuper Fund

This letter confirms that:

- VicSuper Fund is a 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 and the Australian Securities and Investments Commission
- 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 private 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 private 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 March 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).

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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