

14th March, 2005

FULL STEAM AHEAD TO SUPER CHOICE ON 1 JULY

The Government is getting on with the job of delivering superannuation choice to Australian workers from 1 July this year, Federal Assistant Treasurer, Mal Brough, said today.

“The first of July will be an historic occasion for Australian workers. For the first time, many employees will be able to decide who manages their hard earned retirement savings,” Mr Brough said.

The Minister today released the superannuation choice regulations, the standard choice form to be provided to employers and details of forthcoming amendments to the legislation.

“The Government has consulted widely with employer groups and key stakeholders to ensure we strike the right balance between meeting the needs of employers, employees and the industry.

“Today’s announcement provides certainty for the superannuation industry and paves the way for the Government to embark on a comprehensive community education campaign from mid April. The campaign will focus on helping businesses and employees to understand what choice will mean, and how to meet their obligations. The Government is investing \$19.7 million over two years for the education campaign.

Among other things, the superannuation choice regulations, developed in consultation with industry and stakeholders, outline the minimum insurance requirements for default funds under choice. Retirement Savings Accounts (RSAs) have been exempted from the minimum insurance requirement. Most RSAs are opened by employers with a high turn over of casual staff and also tend to have low account balances, and hence are most likely to be eroded by insurance premiums.

The Minister also released the standard choice form to be provided by employers to their eligible employees. The release of the form provides certainty for the superannuation industry. Employers will receive copies of the form in a mailout from the ATO in April, along with a comprehensive information booklet to help them meet their choice obligations. A call centre and website will also provide assistance to employers.

Legislative amendments will be introduced to clarify the operation of the choice legislation. It will also clarify how businesses that already provide choice to their employees will be exempted from having to select a default fund.

The choice of fund legislation as it currently stands does not apply to employees covered by a state award. The Government will be introducing an amendment to the choice legislation to allow the Commonwealth to override state awards in respect of superannuation from 1 July 2006.

“I thank all those groups who have provided submissions and feedback throughout the consultation phase,” Mr Brough said.

Attachment: Summary of the Minister's announcement

The superannuation choice regulations (www.comlaw.gov.au)

The Superannuation Guarantee (Administration) Amendment Regulations 2005 and the Superannuation (Industry) Supervision Amendment Regulations 2005 prescribe the:

- Minimum level of insurance to be offered by the default fund;

As a result of the consultation the draft regulations were changed so that a fund can meet the requirement either by offering insurance at a premium of at least \$0.50 per week or according to an age based benefit scale. On the age based benefit scale a fund would meet the requirement where an employee aged 23 would be covered for \$50,000 upon their death.

- Exemptions from the insurance requirement;
- Information an employee must give their employer if they want to choose a fund;
- A mechanism for prescribing the content of the standard choice form, and
- Narrow exemptions to the “kick back rule”. The exemptions in the regulations are designed to allow for common practices which are not detrimental to an employee but would have otherwise been prohibited under the legislation. Eg, a trustee will be able to offer or provide an employer with a clearing house service. A clearing house is a service that will distribute contributions to an employee’s chosen fund on behalf of the employer.

The standard choice form for employees (www.ato.gov.au)

- It also includes the standard choice form that employers will provide to their employees after 1 July.
- The form has been kept to two pages (one sheet of paper.)

The enhanced fee disclosure regulations (www.comlaw.gov.au)

The Corporation Amendment Regulations 2005:

- Are designed to set out a standard approach for superannuation and managed investment products to disclose their fees to consumers. This will promote consistency and comparability.
- This important measure makes sure consumers can easily identify the fees and charges that apply.

Minor amendments to the choice legislation

Businesses already offering choice:

- Some people have already had choice of fund as a condition of their employment. In these cases, the employer has never had to choose a ‘default fund’. Under these amendments, an employer in this situation will not have to nominate a default fund on 1 July. The employer will also not be required to hand over a standard choice form.
- This is expected to benefit smaller businesses that employ a few people during peak work periods. This exclusion does not exempt an employer from having to meet their Superannuation Guarantee obligations.
- If an employee has already chosen a fund before 1 July 2005, this choice will be treated as meeting the choice of fund rules. In other words, employers who already meet their obligations will not have to hand out the standard choice form to these employees.

Bringing choice to more Australian workers:

- Employees on state awards are not covered by the choice legislation.
- The Government has sought the co-operation of the states to allow state award employees to choose their own super fund. The states have not committed to come on board with a national choice scheme as yet.
- The Government intends to amend the choice legislation to override state laws to give choice to employees on state awards from 1 July 2006.
- The Australian Taxation Office (ATO) is working closely with the Department of Employment and Workplace Relations (DEWR) to make it easier for employers and employees to determine if they are covered by the choice of fund legislation.

The Superannuation Holding Accounts Special Account (SHASA):

- This system was established to receive small superannuation amounts from employers who cannot find a superannuation fund. This facility is no longer needed, as Retirement Savings Accounts (RSAs) offer similar low-cost benefits for employers.
- Under the current law, employer contributions into SHASA will not meet the employer's choice of fund obligations.
- The Government will amend the law to provide employers with a 12 month transitional period. If an employee does not make a choice, employer contributions made into SHASA will comply with the choice of fund legislation until 30 June 2006. SHASA will then be closed to new employer deposits.

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Media Contact: Carlie Hogan 6277 7360

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