

SUPERANNUATION ARRANGEMENTS FOR EMPLOYEES WHO COMMENCE FROM 10 AUGUST 1999

Purpose of this Information

The purpose of this information is to advise employees who commence Territory public sector employment from 10 August 1999 of their superannuation arrangements, including their superannuation entitlements and options.

Most employees who commenced service prior to 10 August 1999 were eligible to join the Northern Territory Government and Public Authorities Superannuation Scheme (NTGPASS). However, from that date new employees are no longer able to join the NTGPASS and are covered by the new superannuation arrangements outlined below.

Superannuation is an important form of savings and investment which enables you to save during your working life to achieve greater financial security at retirement. Therefore, you should read the following information carefully and it is recommended that you seek independent advice from a qualified financial adviser before you make any decisions relating to your superannuation.

Unlimited fund choice for employees

The Government, as your employer, will provide you with unlimited choice of superannuation funds. This means that you have the flexibility to choose any complying superannuation fund to which your superannuation contributions (employer and any employee contributions) will be paid.

To choose a complying fund you will need to complete the Superannuation Fund Choice Form supplied by your salaries/personnel officer when you commence employment. A guide to choosing a fund is outlined on page 2. If your personnel/salaries officer does not receive your completed Form within 28 days, your contributions will commence to be paid to the *default superannuation fund*, the Australian Government Employees Superannuation Trust (AGEST).

Which employees will be covered under these arrangements?

All employees commencing with the Territory public service from 10 August 1999 will be covered by these arrangements. Therefore, regardless of whether you are employed on a permanent or temporary basis, or on full-time,

part-time or casual employment, you will be offered unlimited superannuation fund choice.

What if I am already a member of a superannuation fund?

If you are happy with the fund you were in prior to joining the Territory public sector, you may continue with that fund. However, you will need to check with the fund whether the fund rules will allow you to continue to be a member of the fund.

You will still need to provide details of your fund on the Superannuation Fund Choice Form.

How much employer superannuation contributions will be paid for me?

Under Commonwealth superannuation guarantee legislation, all employers are required to provide a minimum level of superannuation for most of their employees. These compulsory employer contributions, known as superannuation guarantee contributions, will be paid to your chosen complying fund or otherwise to the default fund AGEST, at the next available pay day.

Your superannuation guarantee contributions will be worked out at each pay day as a percentage of your usual gross fortnightly salary plus approved allowances. The percentage rate is currently 7 per cent per annum rising to 8 per cent from 1 July 2000 and reaching a maximum rate of 9 per cent from 1 July 2002 and onwards.

The superannuation guarantee contribution is not deducted from your salary and wages but is a separate payment made by your employer for your benefit. Therefore, these contributions do not reduce the amount of salary and wages which you would normally receive.

Can I make my own superannuation contributions?

Whilst not compulsory, you may elect to make your own additional contributions to your chosen fund or AGEST to which your superannuation guarantee contributions are paid. You can make these employee contributions by way of a one-off payment or regular fixed dollar payroll deductions from

commencement or at any time later by completing the Superannuation Fund Choice Form supplied by your salaries/personnel officer. These contributions will be deducted from your after-tax salary.

What will be my benefit entitlement?

Your benefit will be in the form of a lump sum benefit. Except under limited circumstances, your benefit will be subject to Commonwealth preservation rules and therefore you will be unable to access your benefit until permanent retirement after at least age 55 years.

As your chosen fund and the default fund will be an accumulation fund, your benefit will be determined in a similar way to the amount of savings you accumulate in a bank account. That is, your benefit from your fund will equal:

- Total employer and any employee contributions paid into the fund
Plus
- Interest on those contributed amounts
Less
- Administration charges, taxes (including surcharge tax for high income earners), insurance costs and other expenses
Equals
- Your Total Benefit Entitlement

What is the default superannuation fund?

The Default Fund, AGEST, has been selected by the Government after a review process which compared various funds on the basis of administration fees, investment strategy and performance, death and disability insurance, administration capabilities and service levels.

Employees who fail to choose a fund within 28 days will have their contributions automatically paid to AGEST.

However, you are also able to choose (on the Superannuation Fund Choice Form) for AGEST to be your chosen fund.

You should note that if you are with AGEST, you will be unable to opt out until you complete 4 months membership.

Information on AGEST will be supplied by your salaries/personnel officer when you commence employment.

Can I change my fund and how frequently can I change?

If you are unhappy about your chosen fund, you can change the fund to which your contributions will be paid. For those employees in the default fund AGEST, you will be unable to choose another fund until you have accrued 4 months membership. However, when making these changes you should consider carefully the exit and entry fees which may apply.

To make any changes you will need to complete the Superannuation Fund Choice Form available from your salaries/personnel officer. Any changes you make would be effective from the next available pay day.

A guide to choosing a superannuation fund

The information provided here should be treated only as a guide to help you choose a fund and there may be other matters which you may need to consider when making your decision. Tips on choosing a fund can also be found from the book *Super Decisions – Consumer Guide*, published by the Association of Superannuation Funds of Australia (ASFA) and available from their internet website www.asfa.asn.au. You should obtain independent advice from a qualified financial adviser when choosing the fund most appropriate to your circumstances.

1. Understand the type of funds available

The main types of superannuation funds are:

- Industry funds – established by unions and employer groups usually for their workers across a common industry, such as hospitality, health, education, etc;
- Public offer funds – generally established by banks, insurance companies or other institutions; and
- Retirement savings accounts – established by banks, building societies, credit unions and life offices to provide low cost, low risk and low interest structure funds.

2. Ensure that the fund is a complying superannuation fund

Your contributions will only be paid to a complying superannuation fund. A complying fund is one which is regulated under the *Superannuation Industry (Supervision) Act* and receives concessional taxation treatment.

Your fund will be able to advise you whether it is a complying fund. You will be required to obtain from the fund their Superannuation Fund Number (SFN). This number will enable your salaries/personnel officer to check with the regulatory authority on the fund's compliance status.

3. Compare fees from various funds

It is important that you are aware of the amounts and types of fees charged by funds to meet their administrative and investment costs. These may include monthly account fees, contribution fees, investment fees and entry and exit fees.

4. Investment strategy and performance

You should understand the fund's investment strategy and ensure that the fund is meeting its investment objectives. It is important that the fund's investment strategy suits your needs and expectations. You should also find out what the fund's investment performance and crediting rates have been in the last 1, 3 and 5 years.

5. Insurance cover and costs

Permanent disability and death insurance cover is an important aspect of your superannuation. It is an additional amount paid to you or your dependants should you die or retire due to ill health. You should compare the different levels of insurance cover and the costs of the cover. You would also need to check whether there are circumstances when you would not be covered (such as on leave without pay or during casual employment).

6. Products and services provided by funds

You should ensure that the fund provides a range of quality products and services. Funds are required to provide members with information on the fund as well as details of benefit entitlements. Therefore, you should check that the fund's information material and strategies are adequate. Funds may also provide you with details of their service standards, such as the average time it takes for the fund to respond to queries or to process benefits.

You may also be interested to know if the fund provides the following:

- Telephone enquiry lines for member account details;
- Ability to make additional contributions (ie employee contributions);

- Availability of information on the internet;
- Ability to roll in superannuation benefits from other funds;
- Financial and retirement planning services; and
- Member information seminars.

A checklist of what employees should do at commencement

- ✓ At commencement, read this information carefully and ensure that your salaries/personnel officer has supplied you with the Superannuation Fund Choice Form and details of the default fund;
- ✓ Obtain independent advice from a qualified financial adviser on an arrangement which best suits your needs;
- ✓ When you have selected a fund, you will need to join up with that fund by completing the fund's member application form.
- ✓ You will need to obtain from your chosen fund, the fund's name, address, Superannuation Fund Number (SFN) and your member account number with the fund;
- ✓ Complete all sections of the Superannuation Fund Choice Form. Check that you have written down the correct details of your fund (or you can choose the default fund AGEST), specified whether you wish to make any employee contributions and signed the form.
- ✓ Return your completed form to your salaries/personnel officer within 28 days. Note that if your salaries/personnel officer does not receive your correctly filled form within 28 days, your contributions will automatically be paid to the default fund.

Further information

If you have any queries in relation to your superannuation you should contact your salaries/personnel officer or your fund. You should also make enquiries to your financial adviser.

There are also superannuation industry bodies which can assist you with further information, such as the Australian Prudential Regulation Authority (APRA), which deals with superannuation fund operating standards, and the Australian Taxation Office (ATO), which deals with superannuation tax issues (including the superannuation guarantee). You can contact APRA on 131 060 or the ATO on 131 020.