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March quarter 2010

Welcome

In this edition of the Employer Newsletter, we include a summary of the items in the recent Federal Budget that affect employers or which might trigger enquiries from staff and as usual we include a few administration reminders and updates.

There is also an article about which contribution amounts should be included in Payment Summaries for Retirement and Defined Benefit Scheme members.

As usual, we update you on LGS's investment performance and our forthcoming seminar schedule.

We value your feedback, so please feel free to send us your comments or any suggestions on what articles you'd like to see in future newsletters by emailing: employerservices@lgsuper.com.au.

CEO Update

Earlier this year the Energy Industries Superannuation Scheme (EISS) proposed to the State Government (without our knowledge) a merger of EISS and Local Government Super. The Trustee Board has since examined this proposal and unanimously decided that the merger would not be in the best interests of our members.

We also decided to sell our share in FuturePlus (which provides us with administration, accounting, financial planning and member services) and take direct control of most of the member services we offer. We're doing this so that we can better tailor the assistance we provide to the particular needs of local government.

We will establish our own team of financial planners and member service staff, including Client Relationship Managers. These staff will work solely for us and their thorough understanding of the Local Government industry will help us to improve service levels for members and employers.

There won't be any immediate changes to the way we work with you, but I will ensure that our unique relationship with local government translates into even better service for you and your employees.

If you have any suggestions about how we can improve our service please let us know by recording your comments in our [Suggestion Box](#) where the best suggestion each quarter wins a prize.

We always welcome your feedback and it is especially important at this time as we review our services to make sure they reflect the specific needs of the local government community.

Budget update

The Federal Budget contained fewer changes to super than the previous one, possibly because the Cooper Review had not presented its final conclusions at the time it was released. The changes it did announce will not take effect for some time but it is important to be aware of them and how they might affect you. The following is a summary of proposed Budget measures which relate directly to employers.

Superannuation Guarantee to rise to 12%

The most significant change in the Budget was the announcement that the SG rate would rise from 9% to 12%. This 3% increase however will be phased in over a six year period with the first increment starting in July 2013 and the final one in July 2019. The table below outlines the effective dates for each rate increase:

Financial year	SG Rate (%)
2009/10 to 2012/13	9
2013/14	9.25
2014/15	9.5
2015/16	10
2016/17	10.5
2017/18	11
2018/19	11.5
2019/20	12

If employers are already making contributions in excess of the minimum SG requirements they will only need to worry about these new rates when they exceed their current level of contributions.

Super Guarantee for people over 70

Australians who continue working between the age of 70 and 75 will be eligible for the compulsory Superannuation Guarantee contributions (currently 9%) for the first time. At the moment people in this age bracket are limited to voluntary salary sacrifice contributions and/or personal post-tax contributions except for those cases where SG contributions are required under an Award. This measure will take effect from 1 July 2013 and is aimed at providing an incentive for older people to remain in the workforce.

Reduction in personal income tax rates

The Government has upheld its commitment to honour the previous Government's tax commitments. In the financial year 2010-11:

- The 30 per cent threshold will increase from \$35,001 to \$37,001; and
- The second top marginal tax rate will be cut from 38 to 37 per cent. The table below provides a comparison between the previous and new tax rates.

Current rates from 1 July 2009		Effective rates from 1 July 2010	
Taxable income (\$)	Rate (%)	Taxable income (\$)	Rate (%)
0 - 6,000	0	0 - 6,000	0
6,001 - 35,000	15	6,001 - 37,000	15
35,001 - 80,000	30	37,001 - 80,000	30
80,001 - 180,000	38	80,001 - 180,000	37
180,001+	45	180,001+	45

Note: excludes 1.5% Medicare Levy

\$50,000 Concessional contributions cap to continue beyond 2012

The Government has proposed to allow individuals age 50 and over with superannuation balances less than \$500,000, to make Concessional contributions of up to \$50,000 per annum (indexed) after 1 July 2012. This will allow people to top up their super as they approach retirement as long as their account balance is under the threshold.

Co-contributions - Matching level frozen at \$1,000

Measures announced in the Federal Budget 2009/10 reduced the maximum co-contribution payable on eligible Non-Contributions to \$1,000 from the previous maximum of \$1,500 and the maximum was going to revert to \$1,500 in 2014-15. However, the Government has decided to make the current maximum level of \$1,000 permanent.

Furthermore, the Government has indicated it will freeze, for the next two financial years, indexation of the income levels at which co-contribution payments start to reduce (\$31,920) and where it cuts out completely (\$61,920). In other words, the rules that applied in the last financial year (2009/10) will apply for the next two financial years (2010 /11 and 2011/12).

New Government contributions for low income earners

While the Government has reduced the benefits available to low income earners under the Co-contribution scheme it has introduced a new scheme which will refund the 15% contributions tax levied on employer contributions up to a limit of \$500.

The new contribution is equal to the contributions tax payable for someone who is earning \$37,000 per year. The maximum payment will be \$500 and the first payment will occur in 2013/14 based on contributions made in the 2012/13 financial year.

The contribution for those who earn less than \$37,000 per year will be pro rataed. For example, if a member earns \$24,000 per year, the employer would normally pay \$2,160 in SG which would attract contributions tax (15%) of \$324. This member would therefore receive a refund of \$324, assuming that they were otherwise eligible.

Eligibility is determined when the member completes their tax return and the Scheme reports contributions to the ATO. The employer is not required to do anything additional in relation to this new scheme.

LGS becomes full public offer

From 1 July 2010 LGS has become a full public offer superannuation scheme. In other words, any person eligible to open a superannuation account in Australia will be able to join LGS and employment or former employment with an LGS employer will no longer be a condition of membership.

Anyone who wants to join LGS simply needs to complete the Application for Membership of Public Offer Division form contained in the Accumulation Scheme Product Disclosure Statement.

Members who wish to open an account for their spouse will also be directed to this new division (Division P) as it provides all the benefits of the former Spouse Account but without its restrictions. If you have any Spouse Account membership application forms please destroy them. The procedure for making spouse contributions remains unchanged.

The Public Offer division (Division P) is part of the Accumulation Scheme (Division A) and offers the same benefits as the traditional division (Division A) except for the insurance options. Someone who joins the Public Offer division does not automatically receive Basic Insurance Cover. They can apply for Voluntary Insurance cover if they wish to but acceptance depends on underwriting and is not automatic.

If you receive any enquiries from staff about whether their family or friends can join LGS, please refer them to Member Services on **1300 369 901**.

Meet the team: Sydney

The Sydney branch at 28 Margaret Street is our head office and is located in a well established financial area of the CBD and it's close to public transport facilities and railway stations. The Sydney team services members and employers located within the city, as well as those along the coastal strip from Palm Beach in the North, down to Sutherland in the South, across to Strathfield in the West and up to Wahroonga in the North-West.

Who's who at the Sydney branch

Errol Umar - Client Relations & Advice Manager, FuturePlus: Errol leads the Financial Planners and Client Relationship Managers. He develops the sales and business development strategies for the region and monitors business processes and compliance. An aspect of his role also involves financial planning and he continues to help executives improve their financial prosperity while protecting

their wealth. Errol has been with FuturePlus for over nine years and has 12 years experience in the financial services industry. His academic qualifications include a Bachelor of Economics (Macquarie University), Advanced Diploma of Financial Services (Financial Planning) and Certified Financial Planner (CFP) certification. In February 2009, he was ranked among the Top 50 Financial Planners in Australia by the Australian Financial Review Smart Investor magazine.



Errol Umar



Ian Ornelas

Ian Ornelas - Financial Planner, FuturePlus: Ian holds a Bachelor of Commerce and a Graduate Diploma in Financial Planning. Ian, who also speaks Portuguese, is able to provide specialised financial planning advice to members who are accumulating wealth as well as members who are planning for their retirement.

Lisa Judge - Financial Planner, FuturePlus: Lisa has been with FuturePlus for about eight years and has been working in the superannuation and finance industry for over 10 years. Her main role is to provide individual financial planning advice to

working and retired members. Lisa also visits worksites on a regular basis, taking FuturePlus' services to members. It is likely that you may also see Lisa presenting at a pre-retirement seminar or worksite at various times throughout the year. She holds a Bachelor of Commerce, as well as both a Graduate Diploma and a Masters in Financial Planning.



Lisa Judge



Clarissa Tai

Clarissa Tai - Financial Planner, FuturePlus:

Clarissa's main role is to provide investment strategies and advice to help members maximise their retirement incomes. She has been with FuturePlus for over three years and has over seven years experience in the financial services industry. Her academic qualifications include a Bachelor of Business (UTS), Graduate Diploma in Financial Planning and Certified Financial Planner (CFP) certification.

Daniel Corbett - Senior Financial Planner, FuturePlus:

Daniel conducts seminars and individual financial planning consultations for members, especially on an executive level. He has completed the Diploma in Financial Advising and is

currently enrolled in the Graduate Diploma of Applied Finance. He has been a planner for more than 10 years and has been with FuturePlus since 2005.



Daniel Corbett



Marriane Said

Marriane Said - Review Planner, FuturePlus:

Marriane provides financial planning advice to clients in the metropolitan area and she specialises in post retirement strategies. Marriane has been with FuturePlus almost 10 years and has over 12 years experience in the financial services industry. Her academic qualifications include a Bachelor of Management, Diploma of Financial Services (Financial Planning) and a Masters in Financial Planning.

Tony Curtis - Review Planner, FuturePlus: Tony has been with FuturePlus for three years and works in the Sydney Planning Team to help existing financial planning members keep their financial plans up to date and relevant to their circumstances.

Tony is a graduate of the Diploma and Advanced Diploma of Financial Services (Financial Planning).



Tony Curtis

Casey Stephens - Associate Financial Planner, FuturePlus:

Casey holds a Diploma in Financial Planning and has over 10 years experience in the superannuation industry. Casey is able to provide specialised financial planning advice to members who are accumulating wealth as well as those who are planning for their retirement.

Camille Wood - Client Relationship Manager,



Casey Stephens

FuturePlus: With over 30 years experience in the superannuation industry, Camille has a thorough working knowledge of the benefits and options available to members. Camille conducts pre-retirement seminars, personal interviews and group talks to both members and employers. Camille is also the Defined Benefits Scheme Specialist and a Justice of the Peace.



Camille Wood



John Hildred

John Hildred - Client Relationship Manager,

FuturePlus: John's role is to co-ordinate and conduct worksite visits, individual member interviews and seminars in the metropolitan area. John has had 35 years experience in the financial services

industry and has a thorough knowledge of benefits available to members. He has completed the Diploma of Financial Planning and is a Certified Financial Planner (CFP). He is also a Justice of the Peace.

Contribution caps

Employers should be aware that employees salary sacrificing may be at risk of exceeding the new contribution caps and of incurring excess contributions tax.

In the May 2009 Federal Budget, the Government halved its cap on the amount of concessional (or pre-tax) contributions members can make to super to \$25,000 a year (indexed). This change came into effect on 1 July 2009.

Income that's salary sacrificed as additional superannuation contributions is counted towards the concessional contributions cap, as is the 9% Superannuation Guarantee.

The transitional concessional contributions cap (for members aged 50 and over or who turn 50 before the end of the 2011/12 financial year) has also been reduced from \$100,000 to \$50,000 a year.

The annual cap on non-concessional or after-tax contributions remains at \$150,000 per annum for the 2009/10 financial year. It will in future be calculated as six times the level of the (indexed) concessional contributions cap.

Excess concessional contributions are currently taxed at 31.5% in addition to the standard 15% contributions tax. So, to help your staff avoid any nasty surprises, it's important to review any salary sacrifice arrangements you make on their behalf. LGS has a procedure in place designed to alert members to the fact that they are approaching their concessional or non-concessional caps but this will not be foolproof as members may have super accounts elsewhere which we can know nothing about. In the end it is the member's responsibility to ensure that they don't exceed the caps but if we can help prevent it happening it will make life easier for the members and for us.

Keep us up to date

Please keep us informed about any changes to your employer contact details or about any changes in personnel. We need to keep our contact information up to date (especially for payroll, SLOs, HR/Finance Managers, General Managers and Mayors) so that we can efficiently communicate any important information or administrative changes to the right people. Any updates can be emailed to: employerservices@lgsuper.com.au

Quarterly investment returns

March quarter 2010 returns for the Contributor Financed Benefit - Retirement Scheme

Strategy	Returns
High Growth*	2.2%
Growth*	2.1%
Balanced Growth	2.2%
Balanced	2.2%
Conservative	2.2%
Cash	1.1%

All figures are shown to one decimal place. Returns may vary slightly between Divisions of the Scheme.
* Available to Retirement Scheme members only.

March quarter 2010 returns for the Accumulation Scheme

Strategy	Returns
High Growth	1.9%
Balanced Growth	1.9%
Balanced	2.0%
Conservative	2.1%
Cash	0.8%

All figures are shown to one decimal place. Returns may vary slightly between Divisions of the Scheme.

Quarterly Superannuation Guarantee (SG) Contributions

Under the SG requirements all employers must contribute the minimum level of 9% of each eligible employee's earning base in super support for each financial year. The SG contribution is required to be contributed on at least a quarterly basis. From 1 July 2008, your employees' earning base is their ordinary times earnings (OTE).

The following describes the ATO deadlines for employer contributions and the penalties that may apply if employers do not meet them. Local Government employers who make monthly contributions in accordance with the Scheme rules will more than satisfy these minimum requirements and will therefore avoid any of the penalties listed.

The ATO imposes penalties if SG contributions are not made by the quarterly cut-off date by applying an SG Charge (SGC)* which is made up of three parts:

- SG shortfall amounts based on ordinary times earnings (OTE)
- Interest on that amount (currently 10% per annum)
- Administration fee of \$20 per employee per quarter.

If the SGC and the SGC statement are not submitted by the due date for lodgement additional penalties may apply and these are:

- General Interest Charge (GIC) from the SGC due date will be incurred. GIC compounds daily until SGC and accrued GIC are paid in full. The ATO can reduce the penalty. GIC is tax deductible in the year it is incurred.
- An amendment in the SG legislation, from 24 June 2008, means that if an employer makes an SG contribution to a superannuation fund which is late the employer can elect to have this contribution used to offset against the amount of SG charge they have to pay to the ATO for not meeting their superannuation obligations. Please refer to the ATO website for further information at www.ato.gov.au.
- Penalties may also apply for false or misleading statements, avoidance, failure to provide information or failure to keep SG records.

The following table obtained from the ATO lists the standard cut-off and lodgement dates.

Superannuation Guarantee quarter ended	Cut-off date for Superannuation Guarantee Contributions	Due date for lodgement of an SG statement and payment of the SG
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charge if
contributions are
not made on time

1 July - 30 Sept	28 October	28 November
1 Oct - 31 Dec	28 January	28 February
1 Jan - 31 March	28 April	28 May
1 April - 30 June	28 July	28 August

** The SGC is not tax deductible and cannot be reduced by the ATO.*

Would you like to see more of us?

As part of our service to you we offer free pre-retirement seminars to your employees, either on your site or at a venue close to you. If you'd like to organise a free seminar for employees, please call **1800 636 441**.

Free pre-retirement planning seminars

Pre-retirement seminars are targeted at people who are over 50 years of age and provide information on the following:

- Maximising Super Benefits
 - Decision Time
 - Income Streams in Retirement
 - Centrelink
 - Age Pension & Allowances
 - Asset and Income Tests
 - Financial Planning
 - The importance of qualified Financial Planning advice
 - Estate Planning
- Refreshments are provided.

For details of the forthcoming Pre-Retirement Seminars, [click here](#).

Office locations

Lismore

81-83 Molesworth Street

Newcastle

161 King Street

Orange

187 Summer Street

Sydney

28 Margaret Street

Parramatta

10-14 Smith Street

Wagga Wagga

2/209 Baylis Street

Wollongong

Shop 2/60 Burelli Street

Albury*

621 Dean Street

*Note: Bookings are essential.

Are you sending your communications to the right place?

The following is a one-stop reference guide to all the relevant contact numbers and addresses through which employers are to send communications.

Fax

All employer faxes are to be sent to: **02 9299 9321**

Contribution Return Emails

All Contribution Return e-mails are to go to the following e-mail address: employeronline@lgsuper.com.au

All Other E-mails

employerservices@lgsuper.com.au

Telephone

For all employer inquiries, please call **1800 636 441**

Writing

If you are writing to Local Government Super, please address the letter as follows:

Local Government Super
PO Box N835 Grosvenor Place
NSW 1220

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