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September quarter 2010

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## Welcome

In this edition of the Employer Newsletter, we include a number of administration reminders and updates on topics such as contribution files and how to manage them, information on how to deal with directed termination payments and on contribution refund requests in the Accumulation Scheme.

We also provide an update on the transitional arrangements for contract/package staff affected by the introduction of the Assessed Annual Cost factor.

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](mailto:employerservices@lgsuper.com.au).

## Administration update and reminders

### Contribution files

#### 1. Contribution file totals need to match amounts remitted

Please ensure that the total of a contribution file matches exactly the EFT or cheque amount sent to us. If a correction is made to the contribution file then the EFT or cheque amount needs to be amended before it is sent to us. We cannot allocate funds to member accounts if there is the slightest discrepancy between the file amount and the amount we receive as we have no way of knowing where the error lies. Another common cause of this problem is the presence of formulas in the spreadsheet which can lead to discrepancies caused by rounding.

#### 2. Monthly contributions

Contributions to the Accumulation Scheme are required to be remitted monthly in accordance with the Local Government Super rules. In addition, Commonwealth legislation requires that all member contributions (e.g. salary sacrifice, post tax) be sent to LGS no later than the 28th day of the month following the month in which they are deducted from member's salaries.

#### 3. Contribution file needs to be sent at the same time as the contribution payment

Contributions are only allocated to a member's account when we have received both the money for the contribution and the file or paperwork. This means if you send the money today, but don't send the file or paperwork for two weeks, the money will be allocated to the member's account effective the date the file or paperwork is received, because we require both pieces of information before we can process the contribution.

#### 4. New members

In line with the LGS rules, we are not permitted to create a new member account without having received a contribution for the account. Please advise of any new members when providing their initial contribution rather

than providing the new member advice prior to sending the contribution.

You can provide the new member details in the contribution file or separately, but if you have a separate new member file, please send it at the same time as your contribution file. Please ensure that you include the new employee's full given names and surname, date of birth, address, date they commenced employment and their Tax File Number.

## Requests for information

Please respond to requests for further information or clarification as promptly as possible. Delays in supplying this information can have an impact on member benefits such as the late allocation of contributions to member accounts or delays in the processing of payment applications. If staff are absent or on leave it would be desirable if you could let us know if alternative staff could help so that the matter can be cleared up as quickly as possible.

## Requests for Contribution Refunds

The circumstances under which we can refund contributions are restricted by the Superannuation Industry (Supervision) Act 1993. The Australian Taxation Office has also published guidance as to the circumstances in which excess contributions to superannuation may be refunded.

This means that we cannot make refunds in all circumstances. However, we may refund contributions where an employer advises us that they have made an administrative error, for example, where the contribution is for an incorrect amount or is applied to the wrong account. In these circumstances, according to APRA, it cannot be said that the amount has vested in the member under the Scheme's governing rules, nor can it be said that the benefits belong to the member.

We cannot make a refund where a member knowingly pays contributions to their superannuation but later discovers that they have made excessive contributions and request their employer to adjust the contributions.

You should not include a negative contribution in your Accumulation Scheme contribution file if you have made an error and require a refund for the contribution. Instead, please email [employerservices@lgsuper.com.au](mailto:employerservices@lgsuper.com.au) advising us of the details and requesting the refund.

## Directed termination payment statements

A directed termination payment is a transitional employment termination payment an employee may ask their employer to make to a complying superannuation fund, complying approved deposit fund (ADF), retirement savings accounts (RSA) or annuity provider.

Transitional arrangements may apply to employment termination payments made between 1 July 2007 and 30 June 2012, if the employee was entitled as at 9 May 2006 to such a payment specified under:

- a written contract
- an Australian or foreign law (or an instrument under such a law)
- a workplace agreement under the Workplace Relations Act 1996.

If the employee is entitled and asks you to make a directed termination payment, you must comply with their request. The employee will need to complete a transitional termination payment pre-payment statement (NAT 70812) which you should provide to them.

You should then complete the directed termination payment statement (NAT 71766). This statement, when completed, provides your employee and their super fund or annuity provider with the amounts of each component of the payment.

These statements can be downloaded from the ATO website:

Download [Transitional termination payment pre-payment statement](#) (NAT 70812)

Download [Directed termination payment statement](#) (NAT 70766)

Please ensure that you complete all sections of the form:

- Section A - Superannuation Fund details - please **specify the scheme** e.g. LG Accumulation Scheme, LG

#### Rollover Plan

- Section B - Employee details - if you don't know the member number for the specified scheme please leave blank
- Section C - Payment details
- Section D - Employer details

This form should be forwarded with a cheque made out to the superannuation fund or if you have EFT'd the payment, advice of when the payment was made.

## How can we improve our service to you?

We would like to use your feedback to enhance our service to you. Tell us how you think we can improve our service to you and the most positive suggestion for an enhancement each quarter will win a prize!

Your suggestions or feedback can relate to any aspect of our services such as the website, contributions, administration, Employer Services, Client Relationship Managers and Member Services.

The result each quarter will be posted on the employer section of the website and will be featured in this newsletter.

[Send us your suggestions for improvement!](#)

## The best suggestion in the September Quarter

The best suggestion in the September quarter was from Russell Park of Kiama Council who made the following submission:

*I would like to suggest that the board alert employees up to 5 years in advance of approaching the \$500k threshold so that they can take a more long term strategic approach to their contributions. I also believe that after a member reaches a pre-determined account balance (say \$500k) that member gets one on one specialised attention from a financial planner. While I understand financial advice is always available on request, I think the board needs to be more pro-active in providing that service. With the ageing population there appears to be an increase in competition for financial planning services and while we are in the box seat, given employees are LG super members, we need to be more aggressive in ensuring that money remains within the fund.*

LGS is currently reviewing its services and one area it is focussing on is the tailoring of services and advice to members. While it is too early to report on any changes in this area we would like to thank Mr Park for his suggestion and assure you that we will keep you informed about any developments.

Mr Park has won two gold class movie vouchers for his suggestion.

## Remember LGS is now a fully public offer super fund

LGS is now a full public offer superannuation fund. 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](#).

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**.

## Departing employees

If an employee leaves your employment, they can:

- Remain a member of LGS
- Nominate to have their new employer contribute into their LGS account
- Continue to make personal contributions
- Rollover money from other complying superannuation funds into their account.

Staying with LGS will mean that members can have their super consolidated in one account and continue to receive all the benefits they currently enjoy, such as cost-effective fees and charges, financial planning advice and insurance cover (if they held it at the time of leaving employment).

Please remember to provide departing employees with copies of the Leaving your employer? brochures. It enables an exiting employee to ask us for assistance when considering what to do with their super and includes a Choice form to make it easier for them to provide instructions to their new employer.

## Contract/packaged staff salary update

The article that follows this one *How do you calculate Superable Salary in the Retirement Scheme for packaged or contract employees* was first published in our January newsletter and since then we have had a number of employer requests for clarification about the transitional arrangements for those adversely affected by the new superable salary formula.

The introduction of the Assessed Annual Cost (AAC) led to a reduction of superable salary for some contract/packaged staff and a transitional arrangement was put in place so that these members might not be disadvantaged. Under the transitional arrangement, if the Superable Salary using the AAC method was lower than the previous method then the previously advised higher salary could be maintained. This maintenance of the higher salary should have been agreed with the staff member as, while it enhances the value of their super account, it may also mean higher costs for them in the present which they may not wish to bear.

If you have not already struck an agreement with your affected contract/packaged staff please ask them to confirm which of the higher or lower salaries they would prefer to be notified. If this means that the 31 December 2009 needs to be revised please let Employer Services know and they will correct the member's record. You should be aware that any revision will either lead to a credit or arrears amount for the member as contribution amounts will need to be recalculated based on the revised salary figure. If there is an arrears amount you will need to make arrangements with the member to collect the additional amount required.

Once this agreement has been reached, any member who has asked for the lower salary to be notified will not be eligible for the higher 2008 salary to be applied in the future or on exit. The transitional arrangements do not allow for the lower salary to be used while the member is contributing and the higher salary to be notified on termination of employment.

If any member of staff needs further information before they can make a decision they should call Member Services on **1300 369 901**.

If you require further information please contact Employer Services on 1800 636 441 or your Client Relationship Manager.

## How do you calculate Superable Salary in the Retirement Scheme for packaged or contract employees?

The Superable Salary for the Retirement Scheme for packaged or contract employees should be calculated as per the following formula:

Superable Salary = TRP / (1 + AAC Factor (as a Percentage))

Where:

**TRP** is the employee's Total Remuneration Package

**AAC Factor** is the Assessed Annual Cost (expressed as a percentage)

The formula used to calculate the AAC Factor is

$AAC = ACR \times F + B$

Where:

ACR is the Average Contribution Rate

F is the EFB notional oncost factor (currently 1.9)

B is the BB notional oncost factor (currently 2.5%)

Below is an example of how the AAC Factor would be calculated for a Retirement Scheme member with an ACR of 5.32% using the current notional oncost factors.

$$\begin{aligned}
 AAC &= (ACR \times F + B) \\
 &= 5.32 \times 1.9 + 2.5 \\
 &= 12.61\%*
 \end{aligned}$$

*\*always rounded to 2 decimal places.*

To assist employers calculate Superable Salary uniformly, the applicable AAC Factor for each member is calculated annually at December and supplied with the Salary Request to enable you to calculate Superable Salaries for 31/12 each year.

The AAC Factor has also been added to the monthly billing reports to assist you with calculating Superable Salary for Exits. Note that the AAC factor does not change each month, unless there is a backdated change to the Member's data affecting the factor.

*In recognition that historically other arrangements for calculating Superable Salary for Retirement Scheme members may have been in place, a transitional provision applies to ensure that members are not adversely affected by the enforcement of applying the AAC Factor for this calculation.*

Under the transitional arrangements, if the Superable Salary using a previous method is greater than the Superable Salary arrived at using the correct method, then the previously advised higher salary can continue to be used but it cannot increase (unless it is due to the correct formula producing a higher salary figure).

**Note that the changes to billing factors from 1 July 2009 do not impact the AAC Factor as it is calculated using the notional or long-term contribution rates, not the current billing rates.**

If you have any questions about this, please contact Employer Services on **1800 636 441**.

## Contribution caps reminder

The cap on the amount of Concessional (or pre-tax) contributions members can make to super is \$25,000 a year (indexed). 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) is \$50,000 a year although the Government has announced that this transitional cap will be extended beyond 2012 for those over 50 who have a superannuation account balance of less than \$500,000.

The annual cap on Non-Concessional or after-tax contributions is \$150,000 per annum for the 2010/11 financial year and is calculated as six times the level of the (indexed) Concessional contributions cap.

Employers should be aware that employees salary sacrificing may be at risk of exceeding the new contribution caps and of incurring excess contributions tax. Excess Concessional contributions are currently taxed at 31.5% in addition to the standard 15% contributions tax and there are further penalties if a member also exceeds the Non-Concessional cap.

It is not the employer's responsibility to police member contributions but to help your staff avoid any nasty surprises **it's important to be conscious of the caps when setting up or adjusting salary sacrifice arrangements for your staff.**

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. It is ultimately 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.

If a member requires information about the amounts that they have contributed or are unsure about how the caps work please refer them to Member Services who can be contacted on **1300 369 901**. If they require financial advice about the caps they can speak to a FuturePlus financial planner at no additional cost to them by calling **1300 883 788**.

## 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](mailto:employerservices@lgsuper.com.au)

## Quarterly investment returns

**September quarter 2010 returns for the Contributor Financed Benefit - Retirement Scheme**

Strategy	Returns
High Growth*	4.2%
Growth*	3.5%
Balanced Growth	3.8%
Balanced	3.1%
Conservative	2.7%
Cash	1.4%

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

### September quarter 2010 returns for the Accumulation Scheme

Strategy	Returns
High Growth	3.8%
Balanced Growth	3.3%
Balanced	2.9%
Conservative	2.3%
Cash	1.2%

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.
- If an employer makes an SG contribution to a superannuation fund which is late the employer may be able to 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](http://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](mailto:employeronline@lgsuper.com.au)

### All Other E-mails

[employerservices@lgsuper.com.au](mailto: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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