ANZ Corporate Super Employer eUpdate

November 2006

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Are your employees migrating super from the UK?

It is now easier for your employees to transfer their super out of the UK. This applies to individuals who are UK migrants, Australians living in the UK, or Australians who have returned to live in Australia who have previously worked in the UK.

Changes to UK law, which took effect in April 2006 mean that any super funds transferred out of the UK are subject to a tax of up to 55% unless the receiving super fund is a 'Qualifying Recognised Overseas Pension Scheme' (QROPS).

The good news for members of ANZ Corporate Super is that ANZ Corporate Super has recently been granted QROPS status.

How can super be transferred out of UK funds?

Members need to send us a written request, stating that they would like to transfer super from their UK based fund to ANZ Corporate Super. They can also send a written request to their UK based fund requesting to transfer their super into their ANZ Corporate Super account. However, please note, regardless of a fund's QROPS status, overseas transfers can still take several months to finalise.

Can my employees access their super once it has been transferred out of the UK?

All transferred super will be 'preserved' until an individual meets a condition of release.

Could future legislative changes affect transfers?

The Australian Government has proposed changes from 1 July 2007 to the taxation of superannuation benefits received from age 60. If legislated, these changes may mean Australian superannuation funds become ineligible to maintain Qualifying Recognised Overseas Pension Scheme (QROPS) status and therefore unable to receive transfers of benefits from UK pension funds. We are awaiting clarification of this position from UK authorities.

We recommend that before your employees initiate a transfer of their UK pension benefits they consult with their ANZ Financial Planner or financial adviser and/or a specialist in this field **and consider all of the possible taxation consequences of a transfer**.

Payslip reporting under WorkChoices regulations – six month extension announced

The Workplace Relations Regulations 2006 provide a single set of record-keeping and payslip requirements for employers across Australia who are covered by WorkChoices legislation. These regulations came into effect earlier this year. The Minister for Workplace Relations recently announced a further extension until 26 March 2007 on the employer record keeping and reporting requirements. This means from 26 March 2007, penalties for not complying will apply.

Payslips must now include:

› the name of the employer

› the name of the worker

› the worker's classification under the award or agreement

› the date of payment

› the period of payment (eg 24/3/06 to 30/3/06)

› the gross and net amount of payment

› any allowances, bonuses, incentive-based payments or other separately identifiable entitlement paid

› for workers paid an hourly rate – the ordinary hourly rate of pay and number of hours worked at that rate and the amount of payment at that rate

› for workers not paid an hourly rate – the remuneration at the time expressed as an hourly rate

› details on any overtime or penalty rates paid (eg weekend work), or loadings (eg shift work)

› any deductions made from the worker's pay, including:

  – the amount and purpose of each deduction (including superannuation)

  – the name or number of the fund or account into which the deductions were paid.

› Employers who are required to make superannuation contributions for the benefit of workers should include the following details on the worker's pay slip:

  – the amount of each superannuation contribution the worker makes

  – the amount of each superannuation contribution the employer makes during the pay period

  – the name of the superannuation fund into which the superannuation contributions are made.

These requirements are designed to ensure that a guaranteed standard of wages and conditions are provided to employees covered by WorkChoices. All employers covered by WorkChoices are required to keep written records in English for seven years, which must be made available for inspection if required. The Office of Workplace Services will monitor workplaces and give advice to employers and employees under WorkChoices, including in relation to time and wage records.

For further information, visit www.workchoices.gov.au or www.ows.gov.au

2006 Federal Budget proposals update

In the Federal Budget announced in May this year, the Government proposed many changes to simplify and streamline super. After several months of consultation with the industry, some clarity has been provided on the below proposals.

Super contributions

Limits on post-tax (undeducted) contributions

Subject to an applicable work test, an individual can contribute up to $1 million of post-tax contributions to their super between 10 May 2006 and 30 June 2007. The cap will apply to all post-tax contributions made on behalf of an individual.

The previously announced $150,000 annual limit on post-tax contributions will commence from 1 July 2007. For those aged under 65, contributions over the next two years can be brought forward to allow a maximum contribution of $450,000 in any one financial year.

The government has proposed two instances where contributions above the cap will be permitted:

› Where proceeds are from the disposal of assets that qualify for the small business capital gains tax (CGT) exemptions, up to a lifetime limit of $1 million (indexed). This will also apply to assets that would have qualified if they were not pre-CGT assets or if disposed after the permanent disablement of the owner.

› Settlements for injuries resulting in permanent disablement.

The Government has also stated that any contributions in excess of the cap will be taxed at the top marginal rate (plus the Medicare levy).

Transfers from overseas superannuation funds

Generally, if an individual has been an Australian resident for at least 6 months and they transfer benefits from an overseas super fund, earnings on their overseas super benefits since they became an Australian tax resident will be included in their assessable income. They can elect to transfer the associated taxation implications to their super fund instead. Prior to transferring these benefits, your employees should consult their ANZ Financial Planner, financial adviser or a tax adviser.

Payment of Benefits to individuals under 60 years of age

Generally, lump sums will now have two components from 1 July 2007 – exempt and taxable. The exempt component can be withdrawn tax free. Up to $140,000 can be received from the taxable component without paying tax.

Superannuation pension payments to individuals under age 60 will continue to be taxable.

Employer Payments

The government has confirmed that a limit of $140,000 will apply in relation to the taxable component of an individual's ETP. Individuals aged 55 and over will be taxed at 15%* up to this limit and those aged under 55 will be taxed at 30%*. Amounts in excess of the limit will be taxed at the top marginal tax rate*.

Where an employer ETP is specified in an employment contract as at 9 May 2006 and payment is made prior to 1 July 2012, transitional taxation arrangements will apply. A tax rate of 15%* will apply on the first $140,000 (30%* if the individual is under age 55), 30%* up to $1,000,000 and the top marginal rate* for amounts over $1,000,000.

*The Medicare levy may also apply

Why it's now more important for individuals to provide their Tax File Number (TFN) to their super fund

The Government has announced that from 1 July 2007, where a TFN has not been supplied to a super fund, contributions will be taxed at the top marginal tax rate (plus Medicare levy) where taxable contributions for that member exceed $1,000 in a year. Your employee's Annual Statement will indicate if we have received a TFN from them.

The Government has proposed a series of initiatives to educate the public and encourage them to quote their TFN to their super fund including:

- a Government funded education campaign
- allowing individuals up to 30 June 2008 to quote their TFN before the tax applies
- a refund on tax withheld for up to 4 years
- allowing quotation of TFN for employment purposes to be treated as being for superannuation purposes, meaning you can provide us with an employee's TFN
- removing the $1,000 threshold for accounts started after 1 July 2007

Why is it beneficial for your employees to provide us with their TFN?

If your employees decide **not** to provide us with their TFN:

- they may pay more tax on benefits than they have to (although they may get this back at the end of the financial year in their income tax assessment)
- it may be difficult to locate or consolidate their super benefits in the future
- it may be difficult for the Australian Taxation Office to match their co-contribution to their ANZ Corporate Super account.

Your employees can give their super an early Christmas present and live like a star

Don't forget, your employees can make a personal contribution to their super, or you can contribute into their account via BPAY until 31 December 2006 for their chance to win a trip of a lifetime to star-studded Los Angeles just in time for Christmas!

For full terms and conditions, visit ‹www.ing.com.au/mail/BPAYTC.pdf

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An introduction to diversified funds

In volatile investment markets investors often seek guidance. However, if an investor invests in a diversified fund managed by a Fund Manager that meets their long-term investment objectives and the Fund Manager employs an active tactical asset allocation process, the investor can leave all the difficult investment decisions to the investment professionals.

A diversified fund is generally invested across a broad range of assets according to the objectives and risk/return profile of the specific fund. Greater weighting is normally given to conservative or growth assets depending on the risk profile of the fund. A balanced or growth fund will have more of its assets invested in growth assets such as shares and property, while a conservative fund will have more of its assets invested in defensive assets such as bonds and cash. The fixed long-term asset allocation in each diversified fund is usually referred to as the funds benchmark asset allocation.

However, at certain times, various asset sectors will show strong signs that they will outperform other sectors in the short to medium term. Alternatively, some asset sectors will show signs that they will under perform other sectors in the short to medium term. Altering the asset allocation of a portfolio in the short to medium term in order to take advantage of short to medium term market opportunities is known as tactical asset allocation.

Both our ING and OptiMix diversified funds employ tactical asset allocation strategies to move from relatively overvalued markets to relatively undervalued markets. The tables below present the actual benchmark asset allocation and ranges in which tactical changes can be made of the more popular 'default' options chosen by the Trustee:

OptiMix Balanced

			Actual Asset Allocation (%)	
Asset class	**Benchmark (%)**	**Range (%)**	**March 2006**	**August 2006**
Cash & Australian Fixed interest	18	9–30	12.62	20.10
Inflation linked bonds	4	0–9	1.91	2.49
International Fixed interest	8	2–18	8.75	7.91
Property securities	12	5–15	9.00	10.22
Australian shares	33	26–40	35.96	34.34
International shares	25	18–32	31.76	24.94

ING Managed Growth

			Actual Asset Allocation (%)	
Asset class	**Benchmark (%)**	**Range (%)**	**March 2006**	**August 2006**
Cash	5	0–30	1.3	9.4
Australian Fixed interest	15	0–30	10.9	11.2
International Fixed interest	10	0–20	7.0	7.2
Property securities	8	0–16	7.7	6.3
Global property	0	0–10	0.5	2.8
Australian shares	35	20–50	35.9	35.7
International shares	25	10–40	32.7	24.7
Alternative investments*	2	0–10	4.0`	2.7

The actual portfolio asset allocation presented above represent the underlying investment pools of the investment manager's investment capability.

What does this mean?

As you can see, the actual asset allocation of each diversified fund has changed from March to August 2006. The investment managers at ING and OptiMix actively manage and alter asset allocations between growth and defensive assets. They look at factors around the world such as economic growth, inflation and government policies and assess how these impact the performance of each asset class then adjust these funds to gain greater exposure to the asset classes expected to perform well at that time in the market cycle.

What is asset allocation?

The asset allocation displays the type of assets the investment fund invests in, and in what proportions. The benchmark is the neutral allocation for each asset class. The range indicates the anticipated minimum and maximum allocations for each asset class. Investment managers may vary a fund's asset allocation within the intended ranges in order to position the fund to benefit from prevailing market conditions.

Market Snapshot

Index performance as at 30 September 2006

Asset class	Risk/Return	3 month return %	1 year return %
Cash	Low	1.52	5.87
Australian Fixed Interest	Low-medium	1.99	4.78
International Fixed Interest	Medium-high	3.56	4.21
Listed Property	Mediumhigh	10.63	25.61
Australian Shares	High	2.94	16.01
International Shares	High	5.16	13.26

Past performance is no indication of future performance

Source: ING Investment Management Limited (INGIM)

Data: UBS Australian Bank Bill Index, UBS Australian Composite Bond (All Maturities) Index, S&P/ASX 200 Property Trusts Accumulation Index, Citigroup WGBI Ex-AUD Hedged, S&P/ASX 300 Accumulation Index (All Ords pre April 2000), MSCI World Ex Aust Index in $A (unhedged)

What do these figures mean for your ANZ Corporate Super plan?

Asset classes are the building blocks of super. Your ANZ Corporate Super plan is invested in one, some or even all the asset classes, depending on the investment fund you have chosen. The figures above reflect index performance. An index is a sample of stocks or securities selected to represent a particular financial market (or asset class). They're an important measure because they track and reflect the overall performance in that market.

For more information

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