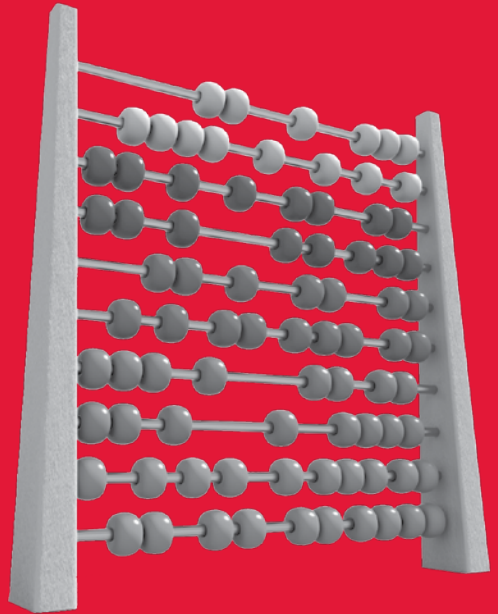


## Modern awards

How does this affect my business' super?

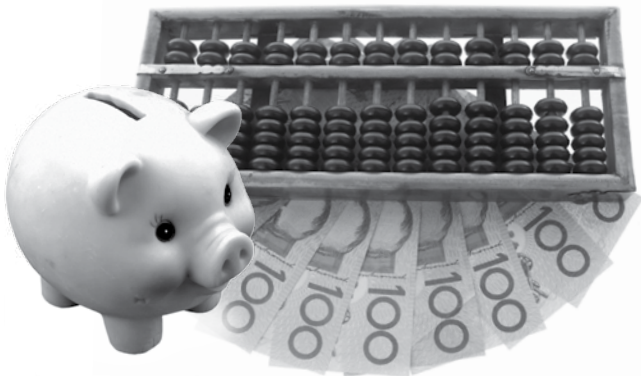


A raft of changes are underway in Australia's industrial relations system, one of which is the modernisation of awards, which may have an impact on your business' superannuation arrangements.



## What are modern awards?

Modern awards will replace all existing awards from 1 January 2010, after a process of review and rationalisation by the Australian Industrial Relations Commission (AIRC). Modern awards will supplement the National Employment Standards, and will cover employers and employees in the national workplace relations system. They will be industry or occupation-based, and will apply to all employers and employees who perform work covered by a particular award.



## What employment issues do modern awards address?

The aim of the award modernisation process was to create a comprehensive set of modern awards along industry or occupational lines, to address essential matters including:

- **superannuation**
- minimum wages
- the type of work to be performed
- overtime and penalty rates
- salaried arrangements (where appropriate)
- allowances
- leave and leave loading
- consultation and other matters including conditions of employment for outworkers and industry-specific redundancy schemes.

### How will modern awards affect super?

The implementation of these new modern awards on 1 January 2010, means that **some** employers will be required to redirect super contributions for employees covered by particular awards into super funds specifically determined by the AIRC for these awards.

The key to determining if your business' super arrangements will be affected is your default super plan's commencement date:

**Where your business' default super plan commenced before 12 September 2008**

Your super arrangements are not affected.

**Where your business' default super plan commenced on or after 12 September 2008**

Your super arrangements may be affected, if you have employees covered by a modern award.

## What are the exceptions/my options?

Even where it looks likely or certain that your business' super arrangements will be affected by a modern award, there are a number of exceptions to the requirement to pay into the award-nominated fund:

- Where the affected employee(s) provide(s) you with a completed Choice form, electing to continue

receiving employer contributions into their existing default fund.

This is likely to be the simplest way to avoid the additional administrative burden modern awards may have on your super arrangements.

- Where you enter into a workplace agreement with the affected employee(s) before 1 January 2010, naming the Asgard Employee

Super Account as the default fund. This will replace the application of the modern award while new agreements can still be made.

- Where you successfully apply to the AIRC for an exemption from the application of the award, though this may be a complex process and may not be a very practical solution for employers.

## What are the potential effects of modern awards on my business' default plan?

Redirecting super contributions for employees covered by modern awards into super funds specifically named by the AIRC for these awards may result in the following for your business:

1. Additional administration and paperwork for your payroll function
2. A decreased Automatic Acceptance Limit (AAL) (and potentially loss of AAL) which is the level of insurance cover which can be offered automatically (through your formula design before questionnaires and medicals become necessary)
3. Higher administration fee for plans which are priced on a tiered scale and currently benefit from discounted fees due to economies of scale.

## How can Asgard help me address the impacts to my business?

Asgard has prepared the following tools to help you communicate with affected employees:

- A template letter you can send or email to affected employees outlining why you may need to stop contributing into the Asgard Employee Super Account and what it means for them
- A flyer summarising the features and benefits of the Asgard Employee Super Account
- A pre-populated Super Choice form for affected employees who choose to continue contributing to Asgard.

Affected employees should be provided with an ATO Standard Choice form that allows them to complete the Employee's section with their chosen fund details so you are not at risk of advising your employees. However, if your employee has advised you that they wish to remain in the Asgard plan, you can provide them a pre-populated Super Choice form that includes details of the Asgard Employee Super Account.

You can access copies of the above materials at our website, [www.asgard.com.au/modernawards](http://www.asgard.com.au/modernawards).



## Potential effects of modern awards on affected employees

If your employee wants you to continue to contribute to their existing super fund, they must exercise choice of fund. Otherwise, they may be subject to the following disadvantages:

### **Multiple accounts, increased administration and paperwork**

- Multiple super accounts
- Multiple sets of fees
- Multiple sets of insurance premiums

In addition, employees would need to revisit some of important administration tasks they may have already completed in the current fund, such as nominating beneficiaries and selecting their investment strategy.

### **Potential loss or reduction of insurance cover**

Changing to a new super fund may also disadvantage some employees with health issues which have arisen since their insurance started in the current default fund as these could be considered pre-existing medical conditions. Moving to a new super fund could result in an increase in premiums, reduced cover or loss of cover.

In addition, a decrease in the total members of the fund may result in a decreased Automatic Acceptance Limit (AAL) which is the level of insurance cover which can be offered automatically (through the formula design of the employer) before questionnaires and medicals become necessary.

### **Potential increase in administration fees**

Administration fees in super are often discounted to take advantage of economies of scale. As a result, a significant decrease in the number of members in your plan may result in a higher administration fee for remaining members.

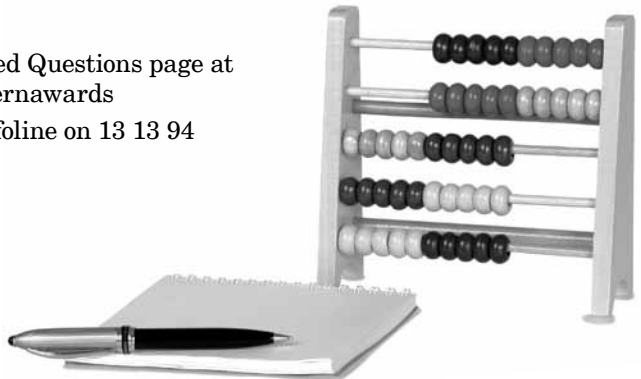
## What should employers do between now and 1 January 2010?


1. Review the release of modern awards at [www.airc.gov.au](http://www.airc.gov.au) (the last will be released by December 2009).
2. Provide affected employees a Choice form if they wish to exercise choice in order to remain in your business' default fund. Visit [www.asgard.com.au](http://www.asgard.com.au) for downloadable flyers and product summaries.
3. Consider your options, such as entering into a workplace agreement (if applicable) with affected employees which names the Asgard Employee Super Account as the default super fund.
4. Contact the Fair Work Infoline on 13 13 94 to obtain clarification of your employees' particular award(s).

Remember, you can provide affected employees with information to help them make an educated decision, however it is not recommended that you advise employees about what to do with their super.

### More information?

- Read our Frequently Asked Questions page at [www.asgard.com.au/modernawards](http://www.asgard.com.au/modernawards)
- Contact the Fair Work Infoline on 13 13 94
- Visit [www.airc.gov.au](http://www.airc.gov.au)





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