EMPLOYER GUIDE: ACCUMULATION SCHEME

September 2022

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ACTIVE SUPER

CONTENTS

Types of members

The Accumulation Scheme has three types of members:

1. Full member: Employees of scheduled employers which are meeting their SG obligation by making compulsory employer contributions to the Accumulation Scheme. This group includes former contributory members of the Executive Scheme which closed in 2013.
2. Optional member: An optional member account may be held by an employee of a scheduled employer who is also a member of another Active Super Division (e.g., the Retirement Scheme) in order to make or receive additional contributions or rollovers from other funds and/or take up voluntary insurance with Active Super, but not to receive compulsory employer contributions. This group also includes optional members of the former Executive Scheme.
3. Member of the Public Offer Division: Includes members who have ceased employment with a scheduled employer and want to retain their contributory membership of Active Super with a non-scheduled employer. The Public Offer Division can generally accept contributions from any Australian employer and its employees.

New members

When signing up a new employee into Active Super, you use our EmployerPay system, Gen2. It is not compulsory for the employee of an Active Super employer to complete an application form to join the Accumulation Scheme. However, you should provide each new Accumulation Scheme member with an Active Super induction pack; the task of enrolling an employee to the Accumulation Scheme is usually carried out by the employer.

Please forward all details of new members to Active Super either before or at the same time as the first payment of compulsory contributions is made. This allows the Active Super administrator to establish a new account, allocate the contributions and contact the new member as soon as possible.

Also, please ensure that you identify any new casual employees on your new employee listing. This will alert us to the potential of there being prolonged periods in which no contributions would be received and help prevent those members' from being inappropriately flagged as 'inactive'.

It is also important to provide contact details (phone and email) for new members as this is a critical part of the welcome process and will assist with ongoing communication between Active Super and our members.

Employers are also required to provide Active Super with the Tax File Number (TFN) of any new member.

The Active Super induction pack

When enrolling new employees into the Accumulation Scheme, in addition to providing the new member information specified, please provide new members with an Active Super induction pack.

The pack contains general information on Active Super and the benefits of membership. The pack also includes a Transfer-in Authority form to allow any super held with other funds to be consolidated in the new Accumulation Scheme account.

If you need a supply of the Active Super induction packs, please contact your Active Super client relationship manager.

Tax file numbers

If you are in possession of an employee's TFN, you are required by law to pass it to their super fund within 14 days of receiving their TFN declaration form.

If Active Super does not hold a valid TFN for a member, the following may apply:

- Extra tax is likely to be payable on any concessional contributions made by the member.
- Active Super cannot accept non-concessional contributions from the member.
- The member may miss out on any government co-contribution payments they may have otherwise been entitled to.

Superannuation Guarantee (SG) contributions

Under the SG legislation most employees are entitled to a minimum level of employer superannuation contributions, known as SG contributions.

The amount an employer is required to contribute is based on a percentage of Ordinary Time Earnings, as defined by the Australian Tax Office.

The historical SG rates and proposed future increases are shown below:

DATE	SG RATE
1 July 1992 to 31 December 1992	4%
1 January 1993 to 30 June 1995	5%
1 July 1995 to 30 June 1998	6%
1 July 1998 to 30 June 2000	7%
1 July 2000 to 30 June 2002	8%
1 July 2002 to 30 June 2013	9%
1 July 2013 to 30 June 2014	9.25%
1 July 2014 to 30 June 2021	9.5%
1 July 2021 to 30 June 2022	10%

1 July 2022 to 30 June 2023	10.5%
1 July 2023 to 30 June 2024	11%
1 July 2024 to 30 June 2025	11.5%
1 July 2025 onwards	12%

From 2013, employers are required to make SG contributions for eligible employees aged 70 and above. Please refer these members to our Member Care team if they are considering making personal contributions to Active Super.

Ordinary time earnings (OTE)

OTE is generally defined as the amount employees earn for their normal hours of work, including amounts such as paid leave, shift loading and some allowances.

OTE generally does not include amounts earned outside of an employee's normal hours of work. Payments such as those for overtime or untaken leave paid as a lump sum are not considered to be OTE.

An employer cannot use an earnings base other than OTE to calculate SG contributions. For example, you cannot use an industrial award, existing employer agreement, a super fund's trust deed or a law of the Commonwealth, state or territories.

Other concessional contributions

In addition to SG contributions, employers may make other concessional contributions for members. Generally, these would be either:

- further compulsory contributions under an industrial agreement or award (commonly referred to as award contributions), or
- optional member contributions made under a salary sacrifice arrangement.

Please refer members needing more information about the benefits of making salary sacrifice contributions to make your super count.

Concessional contributions cap

All pre-tax contributions paid on behalf of employees, including member salary sacrifice contributions, are classified as concessional contributions.

Most concessional contributions are subject to a contributions tax deduction of 15% when Active Super receives them. For this reason, it is important that all concessional contributions are clearly identified as such when they are remitted.

Concessional contributions made for employees earning $250,000 or more per annum may be taxed at 30% for some or all of the contribution, but any additional tax will be recovered by the ATO after the end of the financial year.

Active Super, like all other super funds, is required to report the total amount of concessional contributions received per member for each financial year, as there is a limit ('cap') on the amount of concessional contributions an individual can make each year.

The standard concessional cap is $27,500 per annum and applies to all members.
Unused concessional cap carry forward: Members with a total superannuation balance of less than $500,000 on 30 June of the previous financial year, may be entitled to contribute more than the general concessional contributions cap by utilising unused amounts of concessional contributions from previous years' concessional caps.

The first year a member was entitled to carry forward unused amounts was the 2019–20 financial year. Unused amounts are available for a maximum of five years, after which they will expire.

The concessional cap applies across all super funds held by an individual, not just those held with Active Super. At the end of each financial year, any concessional contributions identified by the ATO as in excess of that member's concessional cap may be withdrawn by the member and will be taxed at the member's marginal rate, to mirror the tax treatment those funds would have received under Pay As You Go (PAYG) arrangements. An interest payment may also apply, in recognition of the fact that the tax on excess contributions is being collected later than the PAYG tax would have been.

Please refer members needing more information on concessional contributions and the concessional cap to the Accumulation Scheme *How super works* fact sheet, available at activesuper.com.au/PDS or from our Member Care team.

Member personal (post-tax) contributions

Employees may elect to make their own personal contributions to the Accumulation Scheme from post-tax salary. These are classified as non-concessional contributions and are subject to a cap (please refer below).

PAYG tax has been applied to these contributions prior to being remitted to Active Super. Therefore, they are not subject to further tax once they are received by the Fund.

Non-concessional contributions cap

A cap is imposed on the total amount of non-concessional contributions that a member can make in each financial year. It is set at four times the concessional cap and will increase only if/when the standard concessional cap is increased.

Active Super is required to report the total amount of non-concessional contributions received per member in each financial year.

Please note that:

- the annual cap is currently $110,000 per annum
- non-concessional contributions in excess of the cap will be taxed to the member at the highest marginal rate, plus Medicare levy
- contributions made by a member on behalf of their spouse will be counted towards the recipient's cap
- members cannot make non-concessional contributions to Active Super if their TFN has not been provided to the Fund
- members who are under 75 years old may be able to make non-concessional contributions of up to three times the annual non-concessional contributions cap in a single year. If eligible, when a member makes contributions which are greater than the annual cap, they automatically gain access to future years' caps. This is known as the 'bring-forward' option.

From 1 July 2017 a member's total superannuation balance at the end of the previous financial year will determine:

- the non-concessional contributions cap they can bring forward and
- whether they have a two-year or three-year bring-forward period

Please refer members requiring more information about non-concessional contributions and the non-concessional cap to the Accumulation Scheme *How super works* Fact Sheet, available at activesuper.com.au/PDS or from our Member Care team.

Spouse contributions

An Active Super member may make post-tax contributions to the Accumulation Scheme on behalf of their spouse. The spouse does not need to be an existing member of Active Super nor the employee of an Active Super employer.

Contributions made on behalf of a member's spouse must be contributed to an Accumulation Scheme account held in the spouse's name and be clearly identified as such. As with a member's own post-tax contributions, spouse contributions are classified as non-concessional contributions and are subject to a cap. A fund cannot accept contributions for a spouse who has reached the age of 75.

Please refer members requiring more information about spouse contributions to the Accumulation Scheme *How super works* fact sheet, available at activesuper.com.au/PDS or from our Member Care team.

Government co-contributions

The Commonwealth Government makes co-contributions to the Accumulation Scheme account of an eligible member based on the amount of personal (post-tax) contributions that member has made in a financial year.

The government will contribute up to 50c for every $1.00 contributed, up to a maximum of $500 where the contributor's annual income is less than $42,016.

The co-contribution amount phases out as the member's income increases and no longer applies where the member's annual income is $57,016 (this is known as the 'higher income threshold') or more.

The minimum co-contribution amount paid by the Government is $20.00.
Co-contributions are not subject to contributions tax when received by a super fund, but they do not count towards the member's non-concessional cap.

For full details, members requiring more information about co-contributions should be referred to the Accumulation Scheme *How super works* fact sheet and *Make your super count* booklet, available at activesuper.com.au/PDS or from Member Care.

Reportable employer contributions

Employers are required to include reportable employer contributions on PAYG payment summaries for their employees.
Reportable employer contributions refer to any member pre-tax (salary sacrifice) contributions made in the financial year to which the PAYG payment summary relates. SG contributions, award contributions or any other pre-tax contributions which the employer has elected to make for its employees are not considered to be reportable employer contributions and should not be included.

If you have any queries as to what should or should not be included as reportable employer contributions, please contact the ATO directly.

Casual employees and employees on leave without pay

It is important that Active Super is advised of any casual employees and those who have undertaken an extended period of leave without pay (e.g. maternity leave).

Generally, if an Accumulation Scheme account has not received contributions for a period of three months, it is assumed that the member has ceased employment and the account is transferred to the Accumulation Scheme Public Offer Division as an inactive account.

If Active Super is made aware that employees have taken extended leave without pay, or that they are casually employed, we can prevent the account from being transferred to the Public Offer division.

Terminating employees

Members terminating employment with their Active Super employer may be entitled to be paid some or all of their Accumulation Scheme benefit, subject to the Superannuation Industry (Supervision) Act (SIS) preservation rules.

They may also choose to transfer to the Public Offer Division or rollover their benefit to another super fund.

To assist with the timely processing of a benefit payment or rollover, please advise us of the employee's termination (via the EmployerPay system, Gen2 or a completed *Employment Termination Advice* form) as soon as possible after employment has ceased.

Ensuring that all final contributions have been remitted promptly greatly assists with the timely processing of benefits. However, please advise us of any outstanding contributions when you notify the Fund of the termination.

If employment has ceased due to invalidity, the employer may be required to complete the Employer Statement section of a member's *Application for an Invalidity Benefit Payment* form.

Please direct members needing further information about the payment of benefits and the SIS Preservation Rules to the Accumulation Scheme *How super works* fact sheet. Further information about the tax payable on benefits can be found on the *How super is taxed* fact sheet. Both fact sheets are available at activesuper.com.au/PDS or from our Member Care team.

Further information about the Accumulation Scheme

Further information about the Accumulation Scheme, including fees, investment options and benefits can be found in the PDS available at activesuper.com.au/PDS

Additional material, incorporated by reference into the PDS, is available in the form of PDS fact sheets.

These are as follows:

1. About the Active Super Accumulation Scheme
2. How super works
3. Benefits of investing with the Active Super Accumulation Scheme
4. Risks of super
5. How we invest your money
6. Fees and costs
7. How super is taxed
8. Insurance in your super
9. How to open an account

Executive Scheme

The Executive Scheme (Division E) was an accumulation-style scheme, open to local government employees confirmed as executive officers. Members of other Active Super divisions were able to transfer their contributory membership of that division to the Executive Scheme.

The Executive Scheme closed effective 30 June 2013 and its members were transferred to the Accumulation Scheme.

Transfer to the Accumulation Scheme as an executive officer

Members of the Retirement Scheme and Defined Benefit Scheme who are confirmed as executive officers can elect to transfer their contributory membership to the Accumulation Scheme.

An executive officer includes any of the following:

- A chief executive officer (under public sector specifications)
- A senior executive officer (under public sector specifications)
- An officer nominated under Section 11A of the Statutory and Other Officers Remuneration Act 1975 (NSW) or
- A person who is nominated by their local government employer and who satisfies the following requirements:

a. occupies a senior position, and is receiving a salary equivalent to or greater than the executive band of the Local Government (State)Award
b. is on a fixed term contract of employment.

In order to transfer their contributory membership of the Retirement Scheme or Defined Benefit Scheme, employees must elect to join the Accumulation Scheme within two months of becoming an executive officer.

In order to effect the transfer, the following forms are required:

- A *Certificate of executive status* form, completed by the employer, to confirm that the employee is eligible
- An *Accumulation Scheme application for membership* form, completed by the employee
- A *Retirement Scheme or Defined Benefit Scheme Election to transfer/defer accrued benefits* form.

Please direct any executive officers who are members of the Retirement Scheme or Defined Benefit Scheme and are considering joining the Accumulation Scheme to contact our Member Care team.