Aon Hewitt

Superannuation Pulse Survey Australia

November 2012

Empower Results™

Contents

Executive summary

Superannuation in Australia (more commonly known as 'super') is a retirement savings mechanism that locks up a proportion of employees' current income until they reach preservation age ie the age at which superannuation can be accessed, usually between age 55 and 60. It is a legislated benefit with employers currently required to pay 9% of employees' ordinary time earnings (OTE) into a complying superannuation fund – the superannuation guarantee (SG).

Many superannuation funds also offer death and total and permanent disablement (TPD) insurance to their members, and some also offer salary continuance insurance.

From an employer perspective, superannuation is an expensive and highly regulated component of an employee benefits package. A number of significant superannuation reforms have been introduced and employers will need to determine how they are going to respond to these changes. Changes include:

- Increases to the minimum Superannuation Guarantee contribution from 9% currently to 12% by 2019. The first increase is effective from 1 July 2013;
- Changes to concessional contributions limits for employees over 50 years of age;
- Limits on non-concessional (post-tax) contributions; and
- The introduction of MySuper default funds in 2013.

The data in this report was collected from 161 organisations throughout October 2012. The objectives of this report are to provide a solid understanding of superannuation practices, some of the issues and concerns that exist around changes in legislation, and the likely response to these changes.

Key highlights

Current superannuation contribution levels

Just over a quarter (29%) of the organisations surveyed pay above the Superannuation Guarantee (SG) as a method of differentiating themselves. Due to mandated increases in the SG, few organisations (11%) are intending to stay ahead of the minimum and maintain an above-market position.

A large proportion of organisations (32%) are planning to absorb the increases – forgoing the above-market position they currently maintain.

Those planning to absorb the SG increases may wish to consider alternative ways they can differentiate themselves within the superannuation space. Examples where organisations could differentiate themselves include:

- Offering additional insurance options to employees (and extending cover to older employees)
- Subsidising part or all of the insurance premium costs and/or administration fees
- Offering additional flexibility within the default fund by allowing employees access to the death/disability insurance (where employees have chosen to contribute superannuation elsewhere)
- Providing employees with the opportunity to access financial advice – ensuring they are providing adequately for their future financial well-being
- Undertaking regular communication and education sessions to ensure employees are aware of benefits available within the superannuation fund and the investment options available.
- Review/increase the choice of investment options available

Remuneration cost impact

Organisations determining how to respond to the SG increases in 2013 and beyond will first need to consider the impact of their current remuneration approach.

Where organisations have structured remuneration from a Base Plus[1] approach, each incremental increase in SG will have a direct cost to the organisation. Under this type of remuneration structure, any change in benefit costs are carried by the organisation.

Alternatively, organisations can adopt a Remuneration Package[2] approach. In a packaged approach, the value of any benefits (such as superannuation) are subtracted from the overall package value to determine a resulting cash salary. Organisations who have adopted this approach can, **if desired**, pass on the increase in SG to employees without changing the overall remuneration package.

These concepts are depicted below to help demonstrate the impact of remuneration approach on the organisation and/or the individual.

Base Plus approach

Base salary + superannuation = remuneration cost (A + B = C)

Employee A - Organisation 1 **(A + B = C)**	**Base Salary** **(A)**	**Super contribution** **(B)**	**Remuneration cost** **(C)**
Superannuation at 9.0%	$80,000	$7,200	$87,200
Superannuation increases to 9.25%	$80,000	$7,400	$87,400
Increase in cost to organisation			$200

Figure 1

Remuneration Package approach

Remuneration Package/cost – superannuation = cash salary (C – B = A)

Employee B –Organisation 2 **(C – B = A)**	**Remuneration cost** **(C)**	**Super contribution** **(B)**	**Cash salary** **(A)**
Superannuation @ 9.0%	$87,200	($7,200)	$80,000
Superannuation increases to 9.25%	$87,200	($7,400)	$79,800
Increase in cost	$0		

Figure 2

Please note, this diagram aims to illustrate the difference between a Base Plus approach compared to a Remuneration Package approach, and does not take into account opportunity to utilise salary review budgets to manage any cost implications.

Within the Base Plus approach (Figure 1), the additional cost to Organisation 1 resulting from the increase in SG is $200 per annum. At Organisation 2 (Figure 2), there is no increase in cost to the organisation, the employee's cash salary is reduced as a result of the increase in SG.

[1] **Base Plus approach:** Where an organisation communicates the overall Base Salary and then the additional cost of any benefits provided are added to the Base Salary.

[2] **Remuneration Package approach:** Where an organisation communicates the overall remuneration package value (ie Fixed Remuneration or Total Package). Any benefits (including Superannuation) are then deducted from the overall package.

Organisation response

Just over one-third (34%) of organisations surveyed have adopted a Base Plus approach when determining and communicating remuneration, while almost half (44%) utilise a Remuneration Package approach. The remaining organisations (22%) are using a combination of both approaches, depending on employee type.

As a result of the SG changes, organisations currently using a Base Plus approach may wish to consider transitioning to a Remuneration Package approach in order to minimise the cost impact going forward. Our research shows that just under one in five organisations (19%) currently using a Base Plus methodology are considering changing their remuneration approach on this basis. Any changes considered will require careful review to assess any unintended consequences and may also require consultation and detailed communication with employee groups.

Not surprisingly, those using a Base Plus approach are more likely to set aside additional funds (40%) or absorb SG increases (13%) than those using a Remuneration Packaging approach to manage the increase in 2013. Whereas, organisations that have adopted a Remuneration Package approach are more likely to utilise existing remuneration budgets to fund the increase in SG (45%). A small number (17%) have indicated that they intend to pass on the cost to employees.

When it comes to future increases beyond 2013, many organisations are still considering how to respond with over half (58%) yet to determine their approach.

Changes to concessional contributions

Changes to concessional contributions including a limit on pre-tax employer contributions for employees over the age of 50 and a limit on non-concessional (post-tax) contributions may require organisations to review their current practice regarding capping SG contributions. Just under half (48%) of the organisations surveyed currently cap SG contributions for employees.

Opportunity also exists for a number of organisations to inform employees about the legislative changes to concessional contributions (only 4 out of 10 organisations have already informed impacted employees).

Additional **proposed** legislation to tax excess superannuation contributions for employees with an adjustable taxable income exceeding AUD300,000 per annum may also be introduced. If so, organisations may need to review current practices to minimise the taxation impact on these ‘high income’ earners. This may involve:

- Capping superannuation and remodelling remuneration packages
- Reviewing pre-tax salary sacrifice/voluntary contributions

Insurances

Death and total and permanent disablement (TPD) insurances provide a lump sum payment in the event of a person's death, terminal illness or total disablement that makes them unlikely to ever work again. It's most commonly available as a combined policy but death cover (and occasionally TPD cover) may be taken out separately.

The other type of insurance cover permitted to be provided by superannuation funds is temporary disablement insurance, also known as income protection or salary continuance insurance.

Funds have the option to provide temporary disablement benefits on an opt-out, compulsory or opt-in basis. Some funds may not offer these benefits and employers often provide employees with these benefits via a policy owned by the employee outside the superannuation environment.

Data collected within this report shows that:

- Nearly two-thirds (63%) of the organisations surveyed offer death insurance, with half (50%) of these employers paying the full premium
- Three out of five of the organisations surveyed (60%) offer TPD insurance, with 47% of employers paying the full premium
- Almost three-quarters (72%) offer salary continuance insurance, with 73% of these employers covering the premium
- One quarter (25%) of the organisations surveyed allow employees access to the death/TPD insurance in the default fund, regardless of whether superannuation guarantee contributions are directed to the employer's default superannuation fund.

People are living and working longer, with about 400,000 people aged 65 or over currently employed in Australia. With the pension eligibility age set to increase to 67, and numerous policy and financial factors resulting in people staying in the workforce longer, death, TPD and salary continuance cover for older workers will become increasingly important. Therefore, it may by worthwhile for some organisations to extend the age at which cover ceases to ensure all their employees are provided with a level of cover.

MySuper

Stronger Super refers to reforms introduced by the Government aimed at making the superannuation system stronger and more efficient. The reforms will occur through three distinct channels:

1. The creation of simpler default superannuation products called 'MySuper' which will be launched in 2013. Employers will have to decide which MySuper product will be their default superannuation fund. Default employer accumulation contributions must be made to MySuper from 1 January 2014.
2. The introduction of the SuperStream package of measures, aimed at making everyday transactions easier, cheaper and more efficient. Features include new requirements for reporting super contributions on employee payslips and also standardised e-payment of super contributions.
3. The overall strengthening of governance, integrity and regulation surrounding the superannuation system.

Employers will need to utilise effective transition and communication plans to manage the administration of these changes. Moreover, given the increased governance requirements, some stand alone corporate funds may be considering transition strategies to multi-employer master trusts.

As a result of the reforms, just over one in ten organisations (12%) already intend to commence a review to determine which MySuper to use as their new default fund. Around half (52%) are still deciding what to do.

Almost three-quarters (74%) are yet to consider an early transition strategy to transfer default super balances to MySuper.

The majority of organisations surveyed (71%) do not have a stand alone corporate superannuation fund. For those that do, most are working through a project plan to comply with the new legislative requirements and are choosing to retain a stand alone fund.

Superannuation Guarantee

Under the Superannuation Guarantee (SG) legislation, an employer must provide a minimum level of superannuation to their employees. The minimum accumulation contribution is based on a percentage of an employee's Ordinary Time Earnings (OTE) – currently 9%.

With the mandatory employer contribution increasing incrementally from 9% per annum currently, to 12% per annum from 1 July 2019 (see table below), organisations are considering varying approaches in relation to funding the increases. The first increase from 9% to 9.25% will come into effect from 1 July 2013.

Financial year	SG contribution
Current	9.00
2013 – 2014	9.25
2014 – 2015	9.50
2015 – 2016	10.0
2016 – 2017	10.5
2017 – 2018	11.0
2018 – 2019	11.5
2019 – 2020	12.0

Employer SG contributions may be capped once the employee's OTE reaches AUD183,000 per annum for 2012/13. At 9% of OTE this equates to a maximum statutory contribution of AUD16,470 per annum.

This section provides insight into how employers are intending to respond to the increases in the SG.

Key highlights

Current practice

- Just under three out of ten organisations (29%) are paying greater than the 9% SG contribution required by legislation
- Non-profit organisations are less likely to offer more than the minimum than other organisations (19% versus 31% respectively)
- The median employer super contribution offered by those paying above the minimum is 10%.

- The proportion receiving above the minimum SG contribution required by legislation and the amount received is consistent across the different employee groups.

- The majority of organisations have not yet determined a clear strategy for the SG increases beyond 2013. However, for those currently paying above the minimum SG rate, the philosophy regarding preserving the 'gap' is presented below:

Intended approach	% of respondents (n = 22)
Maintain the premium ie Increase super at the same rate as legislation to preserve the premium to market	14%
Preserve some gap but it will erode ie Increase super at a slower rate than legislative increases, but maintain some premium to the minimum requirement	10%
Gradually eliminate the gap ie Absorb the increases to eventually be paying super at the legislated rate	39%
Depends on the outcome of enterprise bargaining	8%
Undecided	21%
Other	8%

- Just over a third of the organisations surveyed (34%) use a Base Plus approach to communicate superannuation arrangements, just under half (44%) use a Remuneration Package approach and just under a quarter (22%) use a combination of both approaches for different employee groups.

  - Small organisations are more likely to use a Base Plus approach compared to medium/large organisations (45% vs 26% respectively)
  - Medium/large organisations are more likely to use a Remuneration Package approach or both approaches compared to small organisations (74% versus 55% respectively).

- The main reasons given by organisations for using a Remuneration Packaging approach include:

  - Common practice (51%)
  - Provides control over remuneration costs (47%)
  - Simple to use (45%).

- Organisations that use both approaches vary their approach for different employee groups. A Base Plus approach is more likely to be used for general staff (58%), whereas a Remuneration Packaging approach is more likely to be used with management (77%) and executives (94%).

Future intentions

Just under one in five (19%) are considering changing their remuneration approach. The method of funding the SG increase varies depending on the approach as outlined below:

Organisations that use a Base Plus approach

- Four out of ten organisations (40%) are planning to set aside additional funds to cover the increase in SG in 2013
- Just under four out of ten organisations (39%) are planning to fund the increase in SG in 2013 using existing budgets
- Around one in eight organisations (13%) are planning to absorb the increases to end up paying super at the minimum SG rate.

Organisations that use a Remuneration Package approach

- Just under half (45%) are planning to fund increases in SG in 2013 through existing remuneration review budgets
- Only 12% of organisations are planning to set aside additional funds to cover the increase in SG costs regardless of salary review budgets
- Around one in six (17%) are not planning to fund the increase in SG in 2013.

Organisations that use a combination of both approaches

- In terms of funding in 2013 under a Base Plus approach:
  - Just under three out of ten organisations (29%) are planning to fund the increase in SG using existing budgets
  - One in five (20%) are planning to set aside additional funds
  - One in five (20%) are planning to absorb the increase.
- In terms of funding under a Remuneration Package approach:
  - Just under three out of ten organisations (28%) are planning to fund the increase in SG using existing budgets
  - Around one in eight (12%) are not planning to fund the increase.

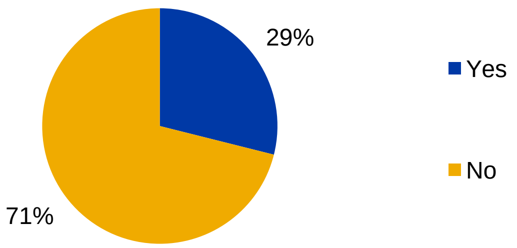
Looking further out - all organisations

- Over half (58%) of the organisations surveyed are yet to decide on how to fund the SG increases from 2014 to 2019. In some cases, this current uncertainty may be as a result of enterprise bargaining agreement negotiations yet to take place. Most of those that have decided will use the same approach as they used in 2013 (39%) and only a small number (3%) are planning to change their approach.
- Of those that currently pay greater than the minimum superannuation contribution, just under one in three (32%) are planning to absorb the increases to end up paying super at the minimum rate, just under a quarter (22%) are planning to increase super at the same pace or at a slower pace than the legislative increases and one on four (25%) are yet to decide.

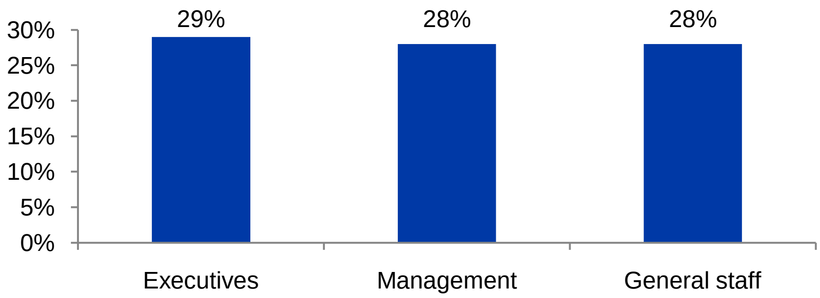
Detailed analysis

Organisations that currently provide super contributions above 9%

Participants were asked whether their organisation is paying employer contributions greater than the minimum 9% SG contributions currently required by legislation for any employees.



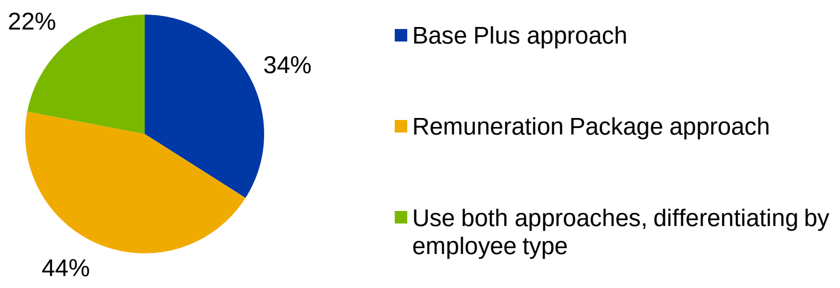
Employee groups that receive super contributions above 9%



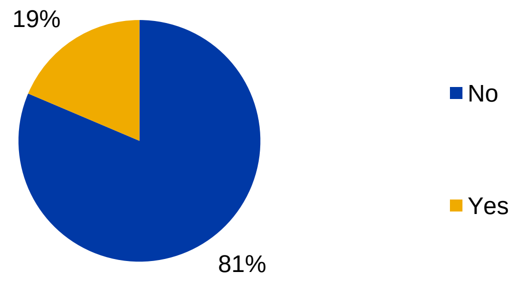
Employer contributions above the minimum 9%

	Lower Quartile	Median	Upper Quartile	Average
Executives	10.0%	10.0%	12.0%	11.1%
Management	10.0%	10.0%	12.0%	10.4%
General staff	10.0%	10.0%	12.0%	11.0%

Approach used to package remuneration and superannuation



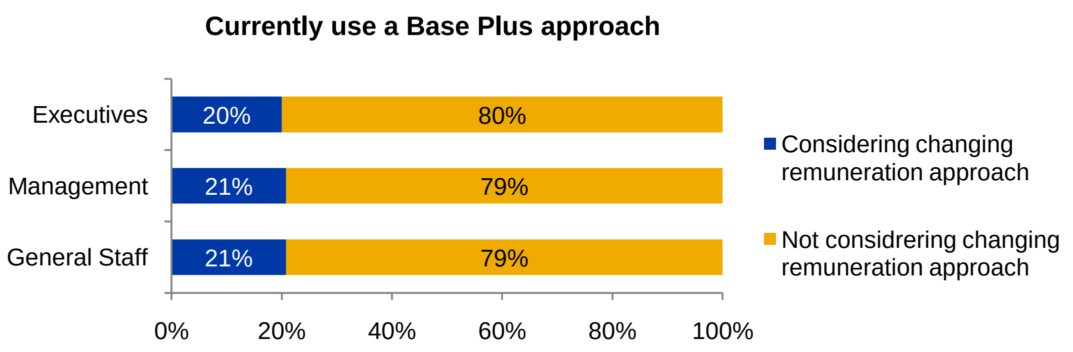
Considering changing remuneration approach due to SG increases



Organisations currently using a Base Plus approach

Considering changing remuneration approach

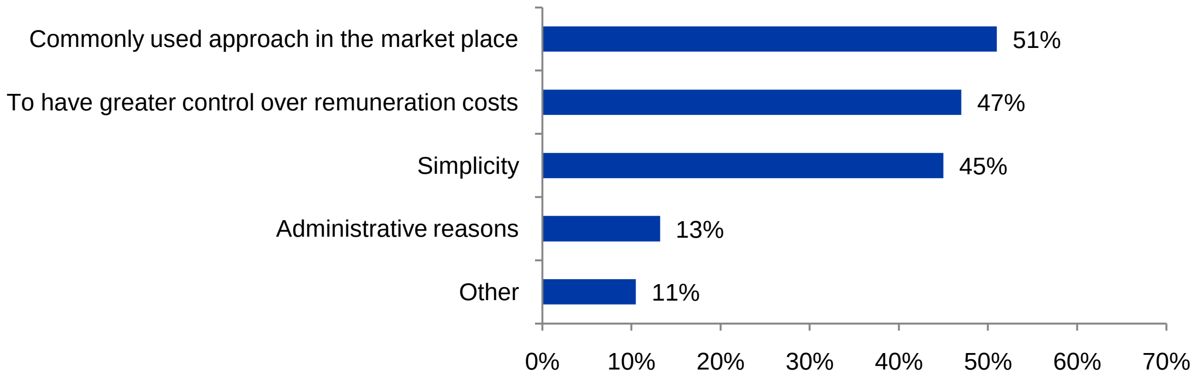
Participants who only use a Base Plus approach were asked whether they are considering changing their remuneration approach as a result of the SG increases, given the cost associated with using a Base Plus approach::



Organisations currently using a Remuneration Packaging approach

Reasons organisations use a Remuneration Package approach

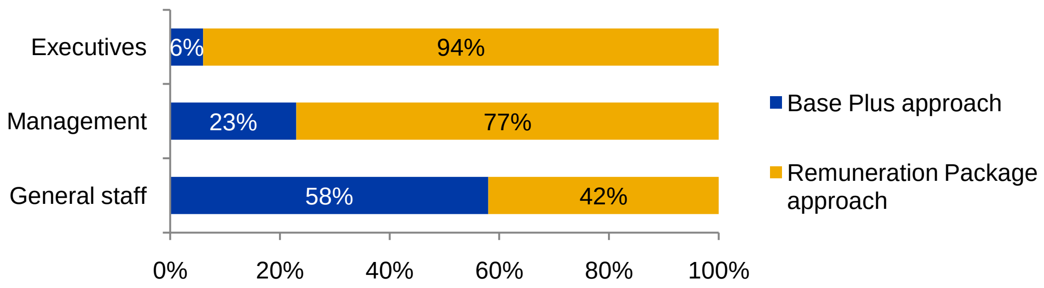
Participants who are currently using a Remuneration Package approach were asked to provide their reasons for adopting this method.



Organisations currently using a combination of approaches

Remuneration approach used with different employee groups

Participants who use a both approaches were asked which approach they use for each of the employee groups shown below.

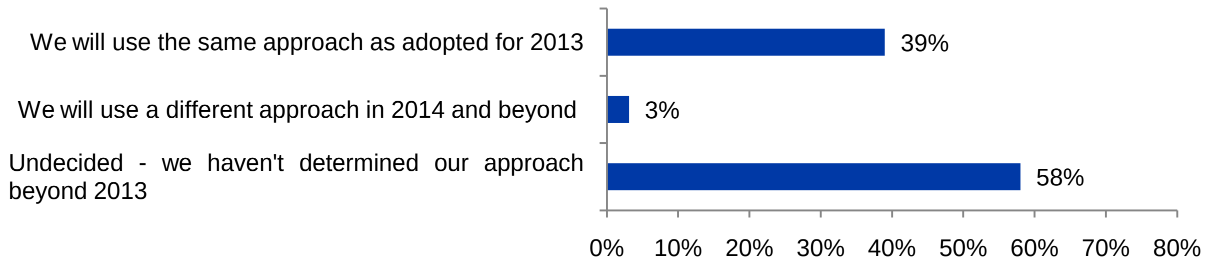


Source of funding for the SG increase occurring in 2013

Participants were asked how they are planning on funding the increase to superannuation in 2013. Results are shown dependent upon whether they use a Base Plus approach, Remuneration Package approach or both.

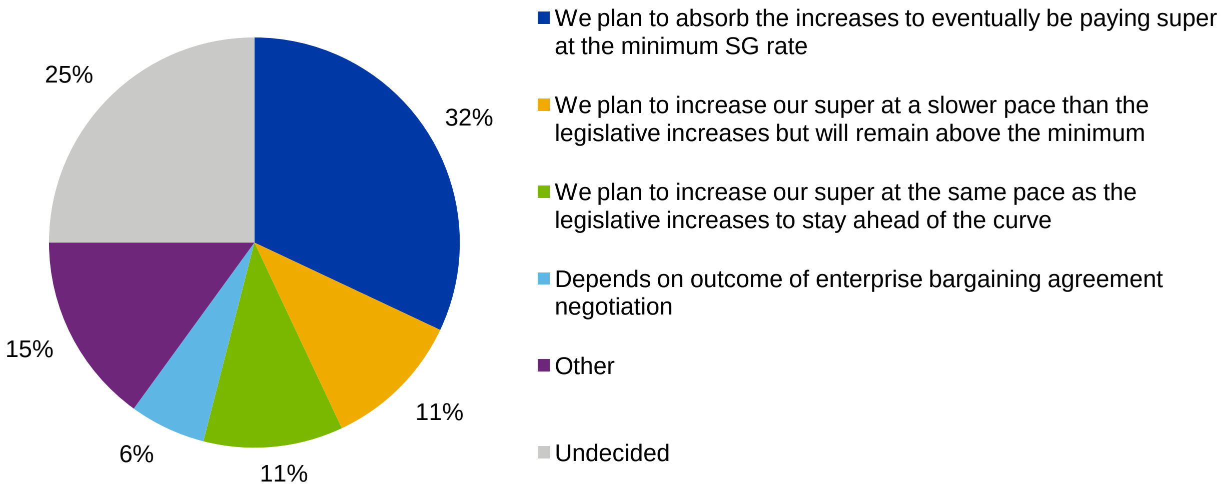
	Base Plus	Remuneration Packaging	Both approaches	
			Base Plus	Remuneration Packaging
Plan to set aside additional funds to cover the increase in SG in 2013	40%	12%	20%	12%
Plan to fund the increase in SG using existing remuneration review budgets	39%	45%	29%	28%
No plan to fund the increase in SG	0%	17%	0%	12%
Pay above minimum - no increase planned / will be absorbed	13%	5%	20%	6%
Other	2%	7%	9%	12%
Undecided	6%	14%	22%	30%

Plans for funding SG increases from 2014 - 2019



Organisations currently paying above the minimum 9% - future intentions

Organisations currently paying above the minimum 9% SG rate were asked what their future intentions are:



Concessional contributions

From 1 July 2012, the limit on pre-tax employee and employer contributions for individuals over age 50 reduced from AUD50,000 to AUD25,000 over each tax year (including fees and insurance premiums paid by the employer on behalf of the employee within the superannuation fund). Additional tax can apply to the individual where these contribution limits are exceeded. Employees have a one-time transitional arrangement for breaches up to AUD10,000 (where the excess contributions can be withdrawn and assessed at the marginal rate) and the limit is expected to be indexed annually from 1 July 2014.

It was expected that employees over 50 years of age with superannuation balances less than AUD500,000 would receive a higher limit in the future but a decision on this has been deferred by the government.

There is also an annual limit on non-concessional (post tax) contributions of AUD150,000 (or AUD450,000 over three years). This is relevant to employers as any excess contributions under the new concessional limits counts towards this amount.

It is also **proposed** that, where pre-tax employee and employer superannuation contributions result in an individual's adjustable taxable income exceeding AUD300,000 per annum, the tax on these excess superannuation contributions will double from 15% to 30%.

The application of the concessional contribution limit is more complicated for Defined Benefit members and should be communicated clearly.

Key highlights

Current practice

- Just under half of the organisations surveyed (48%) cap SG contributions for employees
  - Small organisations are less likely to cap contributions than medium or large organisations (36% versus 56% respectively)
  - Subsidiary organisations and non profits are also less likely to cap contributions than other organisations (33% versus 57% respectively)
- Just over four out of ten organisations (43%) have informed impacted employees about the legislative changes
  - Public companies are less likely to have informed employees about these legislative changes than other companies (28% versus 49% respectively)
- Three out of ten organisations do not currently cap SG contributions **and** have not informed impacted employees about the legislative changes

- Around one in three organisations (38%) provide monitoring of superannuation contributions against the concessional contribution limit either directly or through a fund administrator for employees

  - Private companies are less likely to monitor than other companies (24% versus 42% respectively)

- Just over a quarter of the organisations surveyed (26%) provide employees with facilities to seek independent advice regarding superannuation tax changes. Some also subsidise this cost

  - Large companies are more likely to offer facilities than medium or small companies (39% versus 21% and 14% respectively)

  In most cases, access to advice may be available via the appointed super provider.

Future intentions

- Most organisations (78%) are intending to inform employees to consider the amount of voluntary contributions they may choose to pay

  - Almost all of the organisations who have informed impacted employees about the legislative changes are also intending to inform employees to review the amount of voluntary pre-tax superannuation contributions they choose to pay (89%)
  - Most organisations that have not yet informed impacted employees about the legislative changes are intending to inform employees to review the amount of pre-tax super contributions they choose to pay (70%)
  - There are one in six organisations however that have not informed impacted employees about the legislative changes **and** are not planning to inform employees to review the amount of voluntary pre-tax superannuation contributions they may choose to pay
  - Most organisations that do not currently cap SG contributions are intending to inform employees to consider the amount of any voluntary pre-tax superannuation contributions that they may choose to pay (81%)
  - One in ten organisations do not currently cap SG contributions **and** are not intending to inform employees about the legislative changes.

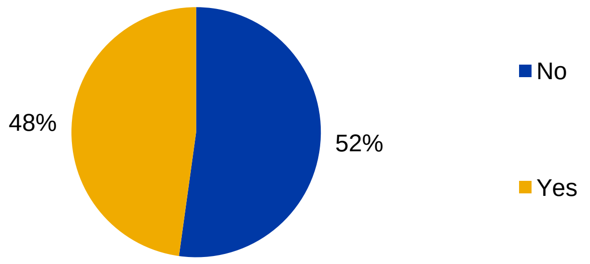
- Just under half of the organisations surveyed (49%) are planning to review superannuation within the Remuneration Packages of ‘high income’ employees to minimise the taxation impact

  - Just over half of the organisations that do not currently cap SG contributions are planning to review superannuation within Remuneration Packages for ‘high income’ earners (57%)
  - Just under a quarter of the organisations surveyed (22%) do not currently cap SG contributions **and** are not planning to review superannuation packages for ‘high income’ earners.

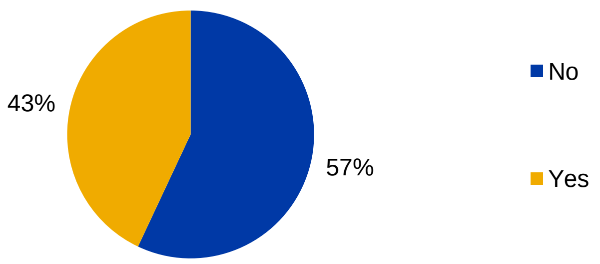
Detailed analysis

SG contribution capping for employees earning above AUD183,000 (2012/13)

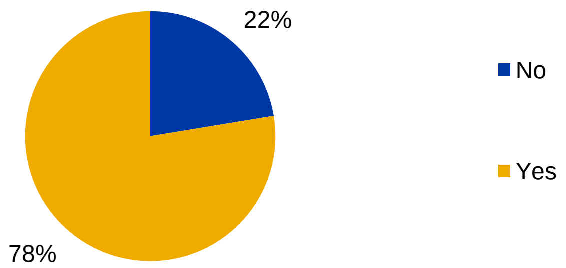
Participants were asked whether they currently cap contributions to superannuation for those earning above the SG maximum contribution base (OTE over AUD183,000) in 2012/13.



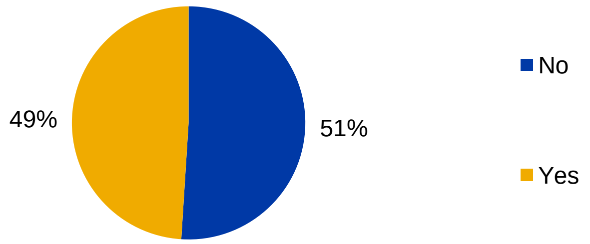
Intending to inform impacted employees about legislative and tax changes



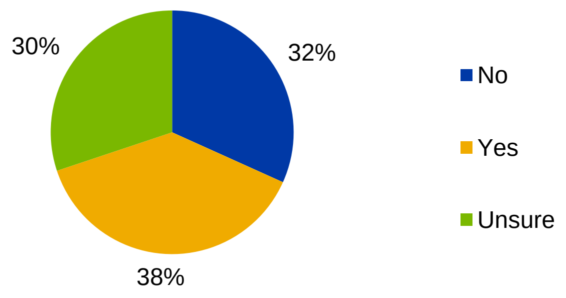
Intending to inform employees to review their voluntary pre-tax superannuation contributions



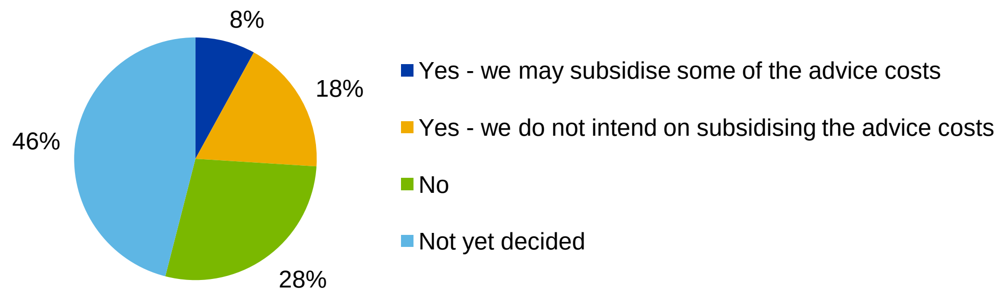
Planning to review superannuation within Remuneration Packages for 'high income' employees to minimise potential taxation impact



Organisation or fund administrator provides employees with monitoring of superannuation contributions against concessional contribution limit



Provide facility for employees to seek independent advice regarding superannuation tax changes



Superannuation funds

MySuper is a new, simple and cost-effective superannuation product that will replace existing default products. MySuper products will have a simple set of product features, a single investment strategy and a standard set of fees.

Employers must make contributions for employees who have not chosen their fund, to a fund offering a MySuper product in order to satisfy superannuation guarantee obligations. By 1 July 2017, funds will need to transfer the existing default balances of members to a MySuper product.

Default accumulation employer SG contributions **must** be made to MySuper from 2014. Different providers may have different offerings and charges.

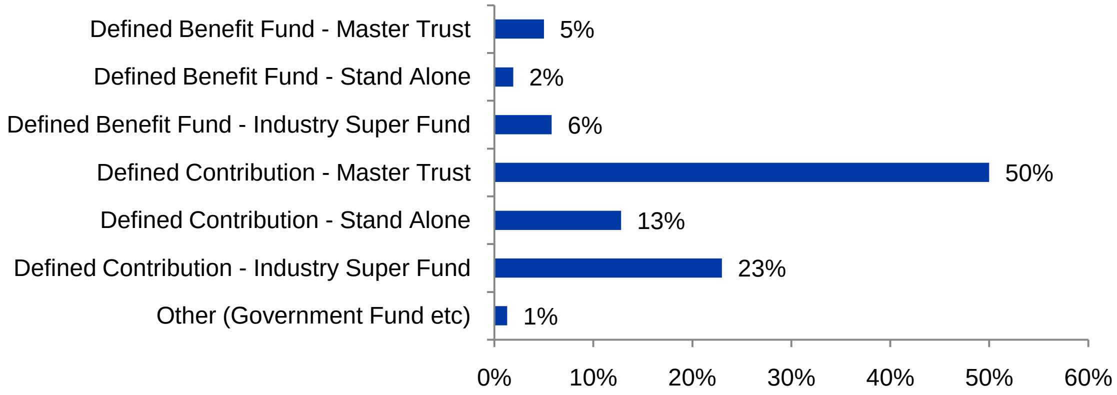
This section covers how employers are likely to respond to its introduction.

Key highlights

- The majority of organisations surveyed (86%) operate Defined Contribution funds:
  - Half of the organisations surveyed (50%) have a defined contribution master trust with just under a quarter (23%) leveraging Industry Super funds.
  - Large organisations are more likely to offer a defined contribution master trust than small/medium sized organisations (59% versus 41% respectively).
- Just over one in ten organisations (12%) already intend to commence a review to determine which MySuper to use as their new default fund. Around half (52%) are still deciding what to do.
  - Large organisations are more likely to do this than medium and small organisations (44% versus 36% versus 22% respectively).
  - Small organisations are more likely to have not decided compared to other organisations.
- Almost three-quarters (74%) are yet to consider an early transition strategy to transfer default super balances to MySuper.
- The majority of organisations surveyed (71%) do not have a stand alone corporate superannuation fund. For those that do, most are working through a project plan to comply with the new legislative requirements and are choosing to retain a stand alone fund.

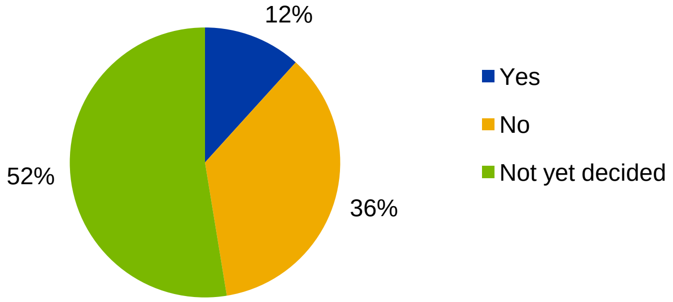
Detailed analysis

Types of default funds offered to new employees

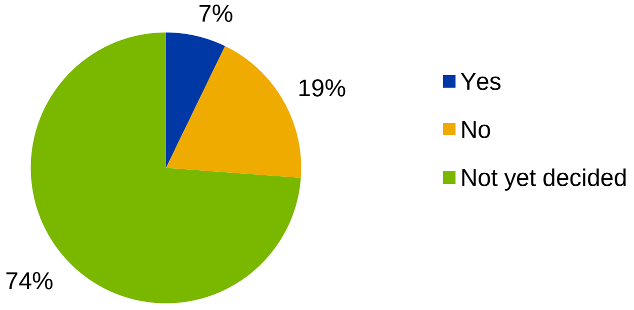


Employer intends to commence a review to determine which MySuper fund to use as new default fund

MySuper funds will be launched in 2013.

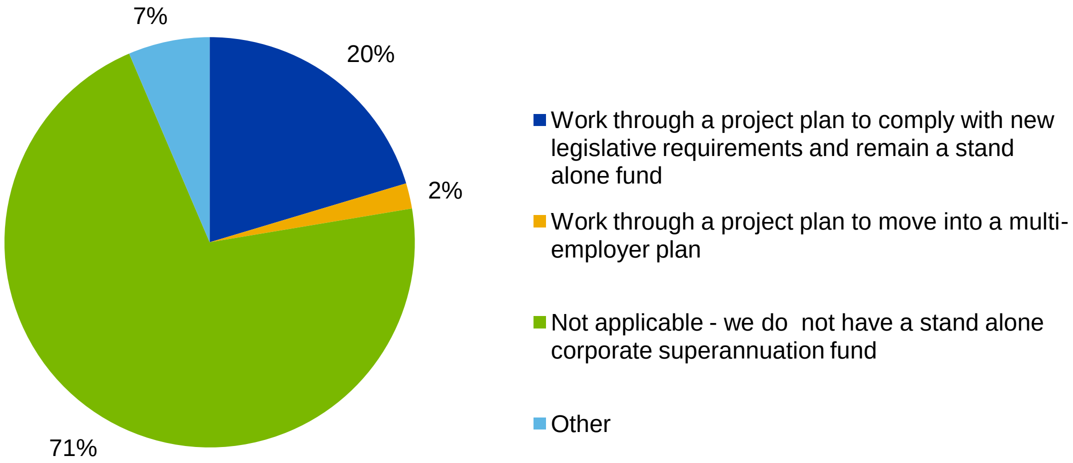


Intend to implement an early transition strategy to transfer default super balances to MySuper



Plans for stand alone corporate superannuation fund

Participants that currently offer a stand alone corporate superannuation fund were asked what they are intending to do.



Insurances

Death and total and permanent disablement (TPD) insurance provides a lump sum payment in the event of a person's death, terminal illness or total disablement that makes them unlikely to ever work again. It's most commonly available as a combined policy but death cover (and occasionally TPD cover) may be taken out separately.

Under Stronger Super legislation, Death and TPD insurance must be provided to all members on an opt-out basis within MySuper arrangements. This requirement may be waived in exceptional cases. For non-MySuper accounts, Death and TPD cover can be provided on any basis, or not at all.

The cost of the insurance is either met from additional employer contributions (above the SG) or deducted from a member's superannuation account. As a result of employees being able to nominate the fund to which the SG contributions are directed, these employees may not benefit from employer-funded death and TPD benefits within the default superannuation arrangement. In some cases however, the default superannuation fund has permitted cover to be provided to these employees by creating an 'insurance-only' category of membership for the employees who have selected another fund to receive their SG contributions.

The other type of insurance cover permitted to be provided by superannuation funds is temporary disablement insurance, also known as income protection or salary continuance insurance.

Funds have the option to provide temporary disablement benefits on an opt-out, compulsory or opt-in basis. Some funds may not offer these benefits and employers often provide employees with these benefits via a policy owned by the employer outside the superannuation environment.

It is important to note that where employer paid insurances are provided within the superannuation environment, the employer paid premiums and fees are assessed against the concessional contribution limit of the employee.

Key highlights

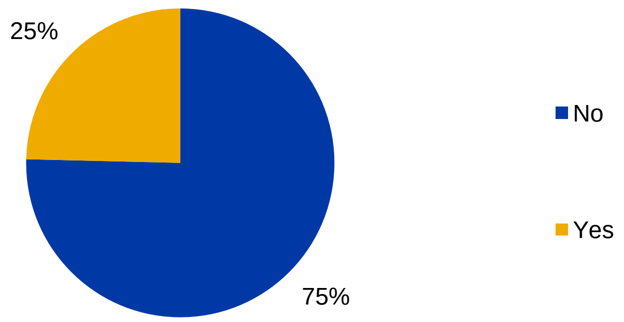
- Where employees can exercise choice to contribute to a superannuation fund other than the default fund, a quarter (25%) of the organisations surveyed allow employees access to the life/disability insurance in the default fund, regardless of whether superannuation guarantee contributions are directed to the employer's default superannuation fund
    - Small organisations are more likely to offer this flexibility than medium or large organisations (33% versus 23% and 17% respectively)
- Nearly two-thirds of the organisations surveyed (63%) offer death insurance, with 50% of employers paying the full premium for the default cover
    - Similarly, large organisations are more likely to offer death insurance than medium and small organisations (69% versus 48% versus 47% respectively)

- Three out of five of the organisations surveyed (60%) offer TPD insurance, with 47% of employers paying the full premium for the default cover
  - Large organisations are more likely to offer TPD insurance than medium and small organisations (63% versus 50% versus 44% respectively)
- Almost three quarters of the organisations surveyed (72%) offer salary continuance insurance, with most of these employers (73%) covering the full premium
  - Large organisations are more likely to offer salary continuance than medium and small organisations (82% versus 67% versus 55% respectively)
- When salary continuance is offered, just over six out of ten (61%) do so outside the default superannuation plan
  - Large organisations are more likely to offer salary continuance within the superannuation plan than medium and small organisations (46% versus 39% versus 29% respectively)
- The most popular method used for all three types of default insurance cover is using a multiple of base salary. For death and TPD insurance the most popular option is three times (3 x) salary and for salary continuance the most popular option is 75% of salary

Detailed analysis

Access to death/disability insurance in default fund

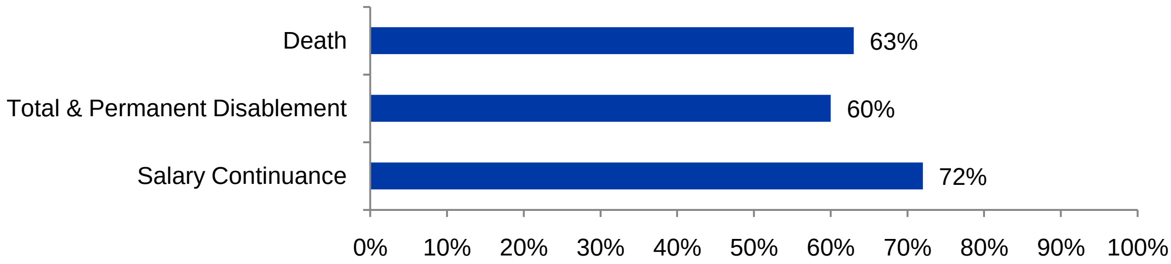
Participants were asked whether employees who exercise choice to contribute superannuation to a fund other than the default fund can still access life/disability insurance in the default fund:



By organisation size

Able to access death / disability insurance in the default fund	Small (<301 employees)	Medium (301 – 1000 employees)	Large (>1000 employees)
Yes	33%	23%	17%
No	67%	77%	83%

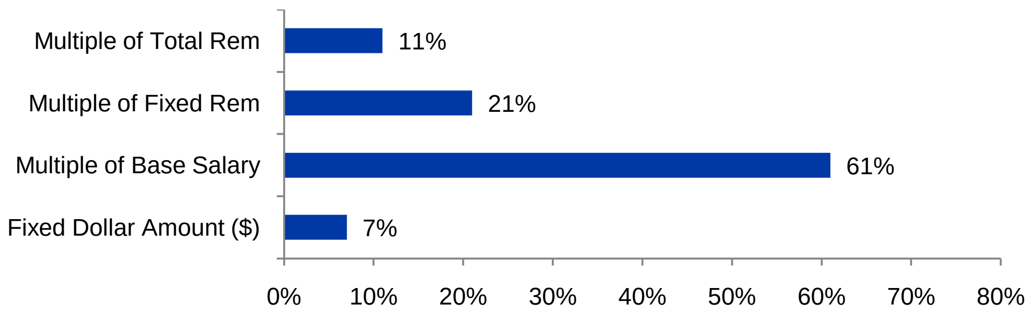
Types of insurance offered



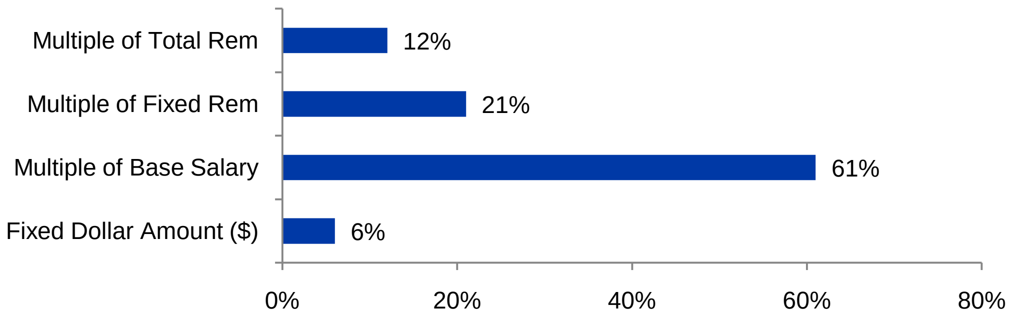
Insurance premium funding for default cover

	The employer pays the full premium	The employer subsidises part of the premium	The employee (fund member) pays the full premium
Death	50%	6%	44%
Total & Permanent Disablement	47%	4%	49%
Salary Continuance	73%	5%	22%

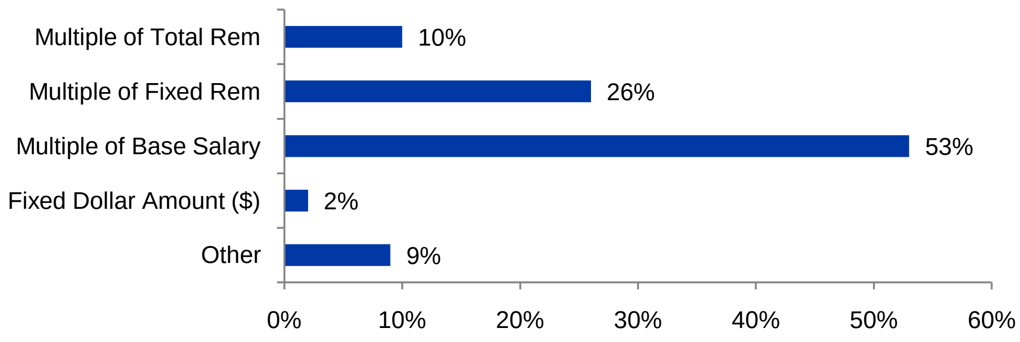
Death cover



TPD cover

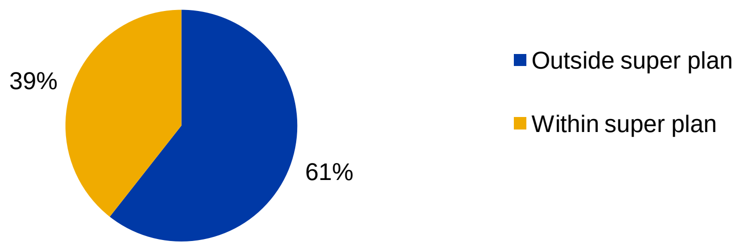


Salary continuance cover



Salary continuance provision

Participants who offer salary continuance cover were asked whether it is provided within the super plan or from a separate stand alone cover arrangement.



Participant information

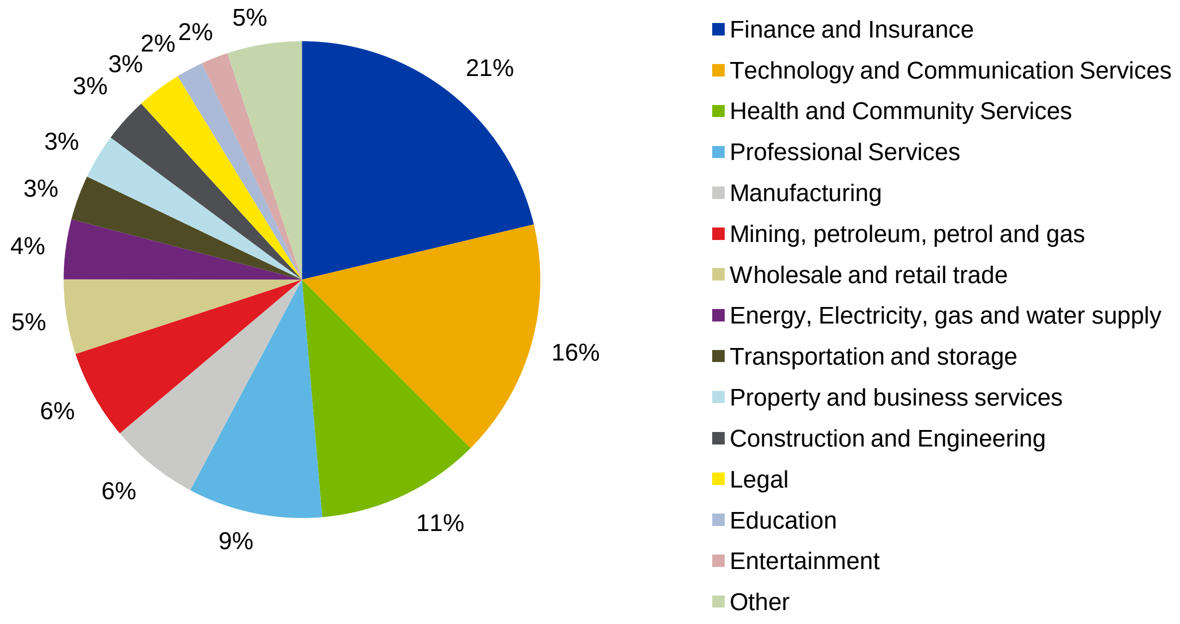
This report is based on responses from 161 organisations.

Business profile

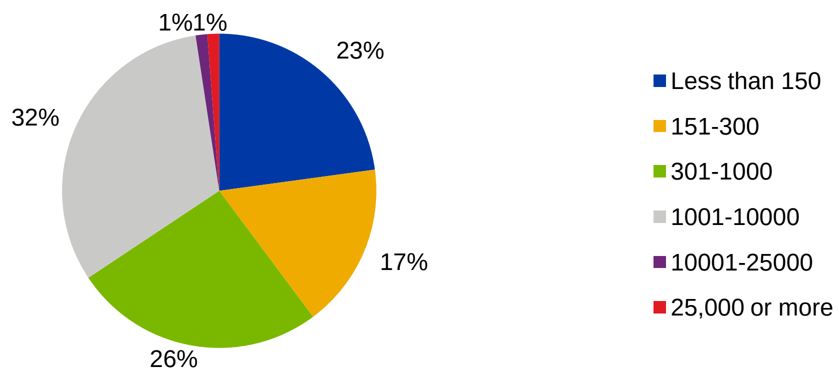
Ownership type

	% of organisations
Public organisation	30%
Subsidiary of publicly listed organisation	27%
Private organisation	23%
Non-profit organisation	10%
Partnership	5%
Mutual society	3%
Government department or agency	1%
Government business enterprise	1%

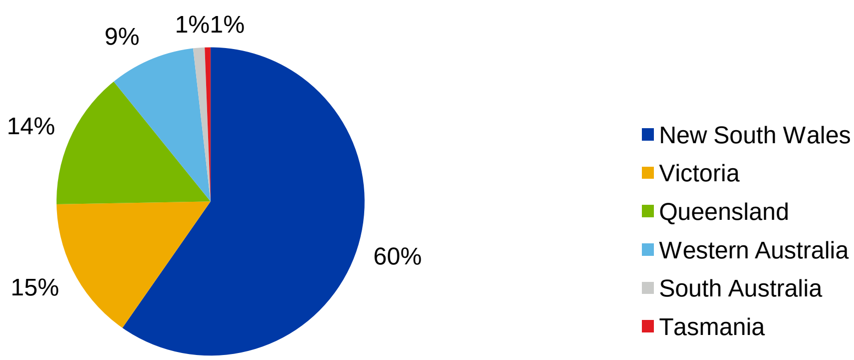
Industry



Number of full time equivalent staff (FTE)



Main location of employees



Definitions

Staff categories

Executives: Executives determine the policy and direction of the organisation or function area and direct its activities, usually through other managers. They control the selection of senior staff and the allocation of resources.

This category includes all executives responsible for function areas or reporting to the board, management committee or chief executive. Examples of jobs in this category include chief executive officer (CEO), general manager, division manager, principal marketing executive, chief financial officer (CFO) or human resources executive.

Management: The management category includes staff who coordinate and organise the activities of a discrete unit or service within the organisation, usually reporting to a senior executive. These staff establish operational and administrative procedures, formulate policy relevant to their areas and organise, lead and direct others to achieve their goals.

Examples of jobs in this category include customer service manager, credit manager, systems manager, compensation and benefits manager, sales manager.

General staff: All employees excluding Executives and Management defined above.

Approaches to remuneration

Base Plus approach: Where an organisation communicates the overall Base Salary and then the additional cost of any benefits provided are added to the Base Salary.

Remuneration Package approach: Where an organisation communicates the overall remuneration package value (ie Fixed Remuneration or Total Package). Any benefits (including Superannuation) are then deducted from the overall package.

Confidential and copyright

The information provided here reflects a high-level summary of the some of the main issues and as such does not contain complete details of the full legislation. As a result, Aon Hewitt accepts no liability for any loss incurred by anyone who relies on it. The recipient of this document is responsible for their use of it.

The information provided does not take account of new information released after November 2012.

Some requirements referred to are proposed to be legislated but are yet to be legislated.

Further information

If you require any further information, or would like to discuss any of the report content further, please contact one of our team:

Sydney
Rhonda Zoef
Tel: +61 2 9253 7057
Email: rhonda.zoef@aonhewitt.com

Melbourne
Tom Rogacki
Tel: +61 3 9211 3626
Email: tom.rogacki@aonhewitt.com

Brisbane
Simon Godfrey
Tel: +61 7 3223 7409
Email: simon.godfrey@aonhewitt.com

Perth/Adelaide
Gary Craik
Tel: +61 8 6317 4108
Email: gary.craik@aonhewitt.com