

*super*  
**MATTERS**  
*Spring 2011*

What's going on in  
financial markets?  
Intrust Super tackles \$18 billion  
in lost accounts  
Could you be liable?



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## A message from the CEO

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Welcome to our September edition of SuperMatters. It's been a turbulent start to the new financial year, with debt concerns in the US and Europe causing sharemarkets to experience their largest falls since the global financial crisis. In this issue, we look at what's going on in financial markets and how we're minimising the impact on our members' super.

We also look at the increasingly important issue of employee insurance claims. Did you know that by letting your SG contributions fall overdue, you could be opening yourself up to insurance liability claims from your employees? In our article 'Could you be liable?', we explore this issue and discuss ways to ensure you're not caught out.

Also in this issue, we discuss our latest online innovation, the Online Super Transfer Form, which makes it easier for members to find and then consolidate their lost super accounts.

If there are any topics you'd like to know more about, send them through to me at [bofarrell@intrust.com.au](mailto:bofarrell@intrust.com.au) and we'll endeavour to cover them in future editions. At Intrust Super, we are at your service.



**Chief Executive Officer**



## What's going on in financial markets?

Sharemarkets around the world have endured a rollercoaster ride in August amid growing investor fears about a slowing global economy and Europe's ongoing debt crisis. The Australian market has not been immune and we have also experienced significant losses. Some market commentators have signalled that the United States economy may be heading for a double-dip recession, and these comments alone have created momentum towards the market losses. Even after a second major rescue package for Greece and the recent agreement to raise the debt ceiling in the United States, investors are concerned that world leaders have not done enough to address fragile underlying economic growth, while Europe's debt problems have now moved onto the much bigger economies of Italy and Spain.



## What does this mean for our members' super?

Intrust Super and our investment managers are closely monitoring the situation across all markets. The environment has been challenging, but we remain confident in our investment strategy and risk management processes.

In particular:

- Intrust Super's Balanced investment option is highly diversified with a healthy exposure to bonds and cash, helping to minimise any impacts on our members' investments.
- Our unhedged exposure to global equities has also helped to cushion returns, with the Australian dollar declining by a similar amount to sharemarket falls, thereby reducing the impact of losses from falling sharemarkets.
- Our risk policies limit us to only dealing with highly regarded institutions, and we also spread the risk between these institutions to ensure risk is not confined to any single manager.

## What's the outlook for the future?

Due to prevailing uncertainty in the global economy, we expect to see continuing market volatility in the near future. While Australia is not immune to global events, we are one of the few developed markets that are well positioned to withstand market weakness.

At Intrust Super, we take a long-term approach to managing our members' superannuation. While the markets are challenging, there are also many opportunities, and our focus is on managing the short-term risks while leveraging any longer term opportunities to benefit our members.



## Intrust Super tackles \$18 billion in lost accounts

In yet another example of how we find innovative ways to service our members, we have developed an online tool to help our members find their lost super and then consolidate all of their accounts in one easy online step.

This replaces the existing industry-wide practice where fund members must search for funds using one system and then laboriously fill out different forms for each account.

This stops many members from consolidating their super, with a recent survey finding that 46% of Australian super fund members have lost superannuation money totalling approximately \$18.8 billion\*. The survey also found that almost 16% of people with unclaimed super know they have the money in these accounts, but feel it's too much hassle to track it down. This is a major problem because it may increase their fees and ultimately reduce the amount of money they have to retire on.

Our Online Super Transfer Form simplifies this process by only requiring members to enter their details once, no matter how many funds they want to transfer in.

The tool, which we believe is the first of its kind in the industry, is yet another online innovation that aims to simplify super for our members. It follows the recently launched Super360°, which provides our members with a free Statement of Advice covering topics such as boosting their super balance, insurance, investment choice and salary sacrifice options.

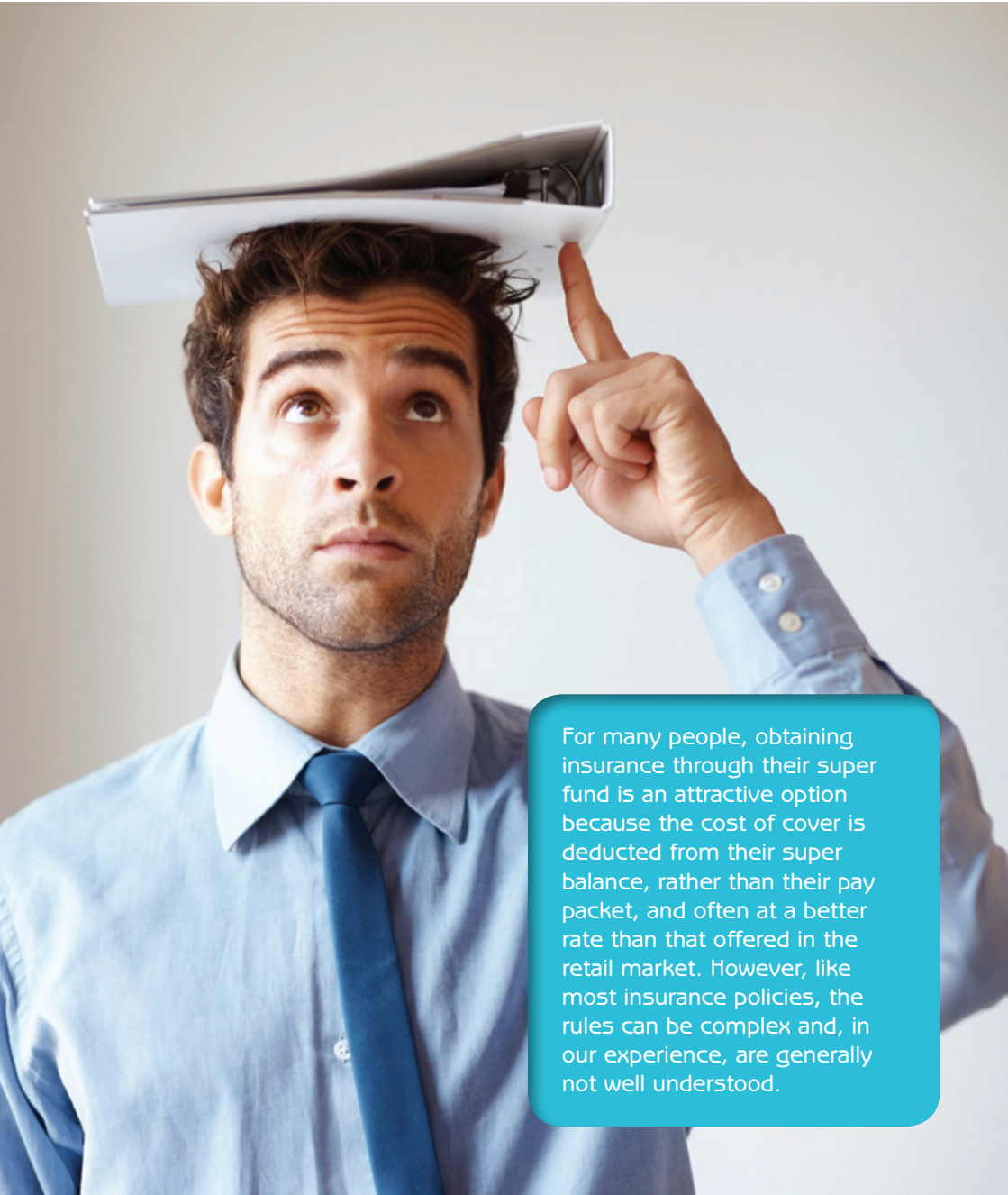
You can access our Online Super Transfer Form on our website at [www.intrust.com.au](http://www.intrust.com.au).

\* Westpac National Survey, June 2011



## Could you be liable?

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For many people, obtaining insurance through their super fund is an attractive option because the cost of cover is deducted from their super balance, rather than their pay packet, and often at a better rate than that offered in the retail market. However, like most insurance policies, the rules can be complex and, in our experience, are generally not well understood.

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In fact, if you're an employer, you may be surprised to learn that by letting your superannuation guarantee (SG) contribution payments fall overdue, not only could you be liable to pay the Super Guarantee Charge, but you could also be opening yourself up to insurance liability claims from your employees.

That's because even if your employee gets default insurance cover through their superannuation fund, in some cases their cover only starts when the fund receives the first SG contribution for that member. That means that if one of your employees suffers a debilitating injury or illness or dies before their initial contribution is paid, the insurer could be within their rights to deny that claim, leaving you potentially liable.

We've seen a couple of cases related to this issue recently. In one case, an employer hadn't paid SG contributions for six months, leaving their injured employee without income protection. Usually, income protection insurance only continues as long as the employer continues to pay SG contributions into the employee's account. This case highlights the importance of employers meeting their SG obligations. Not only is it the law, but not doing so could have serious consequences in terms of insurance liability claims.

In another case, a member's life insurance was left up in the air when she died before her employer paid her initial SG contribution. In that case, the insurance claim was upheld as the contribution was subsequently paid to that member's fund within the time required by the insurance policy (in that case, 180

days). Again, this highlights the importance of meeting your SG contributions within the required time periods.

### **Don't get caught out!**

While these types of cases don't occur often, they can and do happen, so it's important that you do everything you can to avoid getting caught out. First and foremost, you must fulfill your SG obligations for all of your employees and pay your SG contributions on time. To make this easier for our employers, we provide a fully secure site, EmployerAccess, which allows employers to submit their contribution information and payments online. EmployerAccess also makes it easy to add new employees, change employee details and remove employees who have left, and provides a full contribution history for the entire business and for each employee.

In the event that contributions are overdue, it's important that employers can show where they intended those contributions to go. By doing so, the fund's insurer may look more favourably on any insurance claims. This could be as simple as being able to show that SG contributions for other employees have been paid into that fund. However, to be safe, it's a good idea to clearly document your choice of default superannuation fund for your employees by signing a Default Letter of Intent form. It's also important that you keep a record of your employees' Standard Choice forms, if any. By doing so, you'll be in a better position should any issues arise.

# Employee Tax File Numbers

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*Pass on your  
employee's Tax  
File Numbers*

Intrust Super is encouraging employers to submit employee Tax File Numbers (TFN).

This prevents the Australian Taxation Office (ATO) from taxing their compulsory 9% employer contribution at a crippling 46.5% instead of the standard rate of 15%.

If an employer is paying more than \$1,000p.a. into their employees' super account but has not supplied their TFN to the super fund and the ATO, then all contributions will be taxed at a whopping rate of 46.5% instead of the standard rate of 15%.

For example, if a worker on an annual salary of \$35,000 does not provide their TFN, they could pay around \$1,000p.a. more in tax.

By not supplying employee TFNs it can also mean that staff members might miss out on their \$1,000 entitlement from the Federal Government's Co-contribution scheme.



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