



Media release

June 2008

Plum: Time running out for employers to take action on Ordinary Time Earnings

Plum has taken the proactive step of contacting all its corporate clients in relation to the standardisation of the Superannuation Guarantee (SG) Earnings Base to Ordinary Time Earnings (OTE), due to take effect from 1 July 2008.

According to Managing Director Mike Fitzsimons Plum recognised early in 2007 the potentially labour intensive impact these legislative changes could have on corporate clients, and yet there was little industry or media coverage highlighting the change.

'There are so many circumstances where our corporate clients may have to adjust their current earnings base arrangements to ensure that they align to the new OTE definition. With very little coverage of these changes, we recognised that many of our corporate clients might not fully understand or appreciate the implications of the change,' Mr Fitzsimons said.

'If our corporate clients are not across all the implications of the change, their employees might be shortchanged on their superannuation contributions and a penalty could be imposed on the sponsoring employer.'

Some of the potential impacts on employers include:

- Payroll systems
- HR policies
- Remuneration and Benefit policies
- Finance budgets and corporate communications may need to be updated to cater for extra SG obligations

'In addition, employees could also be impacted by the change, and potentially could see a change in their SG contribution post 1 July 2008, and take home pay.

According to Mr Fitzsimons, while potentially getting an increase in their superannuation contributions sounds great, employees also needed to be aware that this could increase their amount of concessional contributions and potentially put them over the concessional contributions cap (Cap).

'The tax implications of an employee going over this Cap can be significant - for members on the highest marginal tax rate it could result in an effective tax rate of 93% on their super. Already our corporate clients have had a number of instances where an employee's annual bonus put them close to exceeding this Cap,' Mr Fitzsimons said

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'At Plum we already have a strategy in place to notify individuals when they reach 80% of the Cap limit, so these individuals are able to review their super contributions strategy for the remainder of the year.

'As a result of our strategy, our members are able to minimise their tax obligations if they so wish and our clients are prepared and able to meet their SG obligations.'

Plum's strategy involved putting together guiding principles around the SG changes and communicating these to corporate clients. Plum's Relationship Managers then followed up with one-on-one meetings, seminars and presentations, confirming the clients understood the changes and their preferred approach.

'This comprehensive strategy is just one of the many reasons Plum's corporate clients have confidence in our employer services approach and comprehensive communications program,' Mr Fitzsimons said.

'We believe that meeting our obligations as a superannuation administrator is not just about sending out those communications we are legally obliged to do so, but going the extra step and actively assisting our corporate clients to understand these issues in order to ensure they meet their superannuation obligations.'

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Further information:

For more information on Plum, photos or an interview with Plum's Managing Director Mike Fitzsimons please contact:

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About Plum

Plum Financial Services Limited ABN 35 081 812 731 AFSL 243356, a wholly owned subsidiary of MLC Limited, provides integrated superannuation solutions for medium to large Australian corporations. Purpose-built for the era of member investment choice, Plum's philosophy is about providing members with a meaningful education experience to help build their knowledge and understanding of superannuation so that they are empowered to manage their financial future. One of Australia's fastest growing corporate superannuation providers, Plum now administers approximately \$9 billion of committed assets for 82 clients and approximately 132,000 members. More information about Plum is available at www.plum.com.au.

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