

CORPORATE SUPER ASSOCIATION

The Hon Peter Dutton MP
Minister for Revenue and the Assistant Treasurer
The Treasury
Langton Crescent
PARKES ACT 2600

By e-mail to Peter.Dutton.MP @ aph.gov.au; dcaruso@treasury.gov.au

10 August 2007

Dear Minister

SUPERANNUATION CONTRIBUTION CAPS - EMPLOYER ISSUES DEFINED BENEFIT FUND SUPPORT

We refer to the meeting on 5 July 2007 between yourself, your adviser Mr Daniel Caruso, and representatives of our Association Mr Mark Cerche and Ms Elizabeth Goddard. At that meeting, we referred to the apparent difficulties which have arisen in the interpretation of the regulations relating to the calculation of the notional value of support provided in defined benefit funds, for the purposes of measuring employer superannuation support against the new contributions caps that apply from 1 July 2007.

You will recall that this issue is of particular relevance to our Association, given that it represents some thirty major not-for-profit corporate superannuation funds and their corporate sponsors. Funds that provide defined benefits form a major element of our membership base.

We are now receiving increasingly urgent appeals from our membership and their employer-sponsors regarding the difficulties their actuarial advisers have in arriving at definitive valuations for employer support. Technical details on the topic have been raised between the Institute of Actuaries and the Treasury. We understand that the parties acknowledge that there are issues to be resolved. The Institute of Actuaries contends that there is sufficient uncertainty in the framing of the Regulations that a wide spectrum of values could be placed on notional support for specified groups of members. This uncertainty gives rise to potential sources of liability for actuaries.

The matter that is of gravest concern to our organization and the sponsoring employers is that it has been suggested by Treasury that it may take six months to a year to resolve the issues. Our difficulty with this time line is that our employers cannot operate in this environment of uncertainty in relation to legislation that has current application.

The valuation of the defined benefit support is a crucial piece of information which has been required in order to determine the residual opportunity for employer superannuation support, including salary sacrifice, for employees.

CORPORATE SUPERANNUATION ASSOCIATION Inc. ABN 467 615 800 25
Level 6, Suite 6, 470 Collins Street, Melbourne, Victoria 3000, Australia
Telephone: 03 9620 5155 Fax: 03 9620 5122 Email: corsuper@netspace.net.au

CORPORATE SUPER ASSOCIATION

Our employers needed to be able to determine the superannuation and salary sacrifice arrangements for their employees before the commencement of the financial year, in order to instigate effective salary sacrifice for monthly salaries. Interim arrangements have been put in place which are administratively cumbersome because of the tension between the need for prospective salary sacrifice and the limitations of the contribution limits. These arrangements may result in excessive contributions being made or in lost opportunities for individuals late in their careers.

As the year progresses we encounter further difficulties in relation to annual bonuses. Senior staff will often use an annual bonus as a primary opportunity to salary sacrifice to boost retirement savings. If because of uncertainty these arrangements cannot be made, further opportunities will be wasted. The next few months are general a crucial point for nomination of prospective amounts for sacrifice in this way.

We are appealing to you to provide a faster resolution as this is a matter of serious concern to our employers whose senior staff are the people most seriously affected.

Please let me know if you require further information from our organisation.

Yours sincerely



Elizabeth Goddard
Head of Research
Corporate Superannuation Association