

OSF
Our Super Fund

update 'Simpler Super'



Regardless of your age or stage of life or career, chances are the Government's 'Simpler Super' reforms are likely to have an impact on you and your super from 1 July 2007.

We encourage all OSF members to find out more about the changes inside this booklet.

Issued by Commonwealth Bank Officers Superannuation Corporation Pty Limited, ABN 76 074 519 798, AFSL 246418, RSEL L0003087, as Trustee for the Officers' Superannuation Fund (OSF), ABN 24 248 426 878, RSER R1056877.

Officers' Superannuation **Fund**

What's inside...

In the May 2006 Federal Budget, the Government proposed plans to remove and/or simplify many of the current tax arrangements and restrictions that apply to superannuation. These 'Simpler Super' proposals were enacted as law in March 2007.

This booklet gives you an overview of the key changes to superannuation under the Simpler Super reforms, including:

- Higher tax rates if the OSF doesn't have your tax file number
- New pre- and post-tax contribution limits
- How tax on super benefits has changed
- An opportunity to make an after-tax contribution to your super of up to \$1 million before new limits apply
- Potential tax advantages of consolidating your super if you have a Pre-July 1983 component.

Questions?

	Division B, C, D, E and F Members	Division CB, CC, CD, CE, CF, CH, CK, CM, CN and CO Members
Phone	1800 023 928 8.30am—5.00pm (Sydney time), Monday—Friday	1300 363 016 8.30am—5.00pm (Melbourne time), Monday—Friday
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Intranet (in-service members only)	From CommNet : go to Our People > Staff Super > Our Super Fund (http://commnet.cba/staffsuper/funds/index.shtm) From Cmore : click on the 'Staff Super' link under 'Sites' (http://commnet.cba/staffsuper/staffsuper_newsletter_cmores/osf_cmores_index.shtm)	
Internet (Division F members only)	www.osfsuper.com.au Online account access for Division F members via FirstNet and Division F forms only	

You can download OSF forms, as well as Product Disclosure Statements and Member Booklets, from the OSF intranet or internet sites or you can contact OSF Member Services for copies.

TIP! The Government's Simpler Super website provides more detailed information on the key changes, including answers to some frequently asked questions. Visit <http://simplersuper.treasury.gov.au/>

Important note: You should read the Product Disclosure Statement or Member Booklet for your division carefully before making any decisions about your super. You may want to consider seeking professional advice from a licensed financial adviser before making any decisions that may affect your financial future. (Note: The Trustee does not provide personal financial advice.)

Ensure your super fund has your Tax File Number **before 1 July** to avoid excess tax on your super

KEY POINTS

If the OSF doesn't have your Tax File Number (TFN) before 1 July 2007:

- Your concessional contributions from the 2007/08 financial year may be taxed at up to the highest marginal tax rate if they exceed \$1,000¹ in a year.
- The OSF will not be able to accept any non-concessional contributions from you.

What this might mean for you

- Concessional contributions are generally taxed at 15%, so you may pay up to three times more tax on these contributions if we don't have your TFN.
- Being unable to make non-concessional contributions may impact the rate of growth of your super. This is particularly important if you are a defined benefit member whose benefit accrual depends on your personal contribution rate.

Note: If additional tax is withheld from your concessional contributions, it may be refunded if you subsequently provide a valid TFN to your fund within a four year period.

What can you do?

Check your latest Benefit Statement to see if the OSF has your TFN recorded. If not, you can provide it in the following ways:

- *Members of Division F:* online via FirstNet at www.osfsuper.com.au, by phone or by completing a *Change of Details* form
- *Members of Divisions B, C, D and E:* by phone or by completing a *TFN Notification* form
- *Members of Divisions CB to CO:* by completing a *TFN Notification* form.

See page 2 for details of how to contact OSF Member Services or download forms.

Key terms on this page

- 'Concessional contributions' (also known as taxed or deductible contributions) include your employer's compulsory super contributions and any salary sacrifice (ie. pre-tax) contributions you make to your super. These contributions are taxed when made to your super fund.
- 'Non-concessional contributions' (also known as personal, untaxed or undeducted contributions) are contributions you make to your super from your after-tax salary. These contributions are not taxed when made to your super fund.
- 'Highest marginal tax rate' is currently 46.5% (including Medicare levy).

¹- This threshold does not apply to accounts opened on or after 1 July 2007.

Know your limits if you make *after-tax contributions* to your super

KEY POINTS

- From 1 July 2007:
 - Non-concessional contributions will be capped at \$150,000² per year. No tax will apply to contributions up to this cap.
 - You can make non-concessional contributions above the \$150,000 cap but amounts over the cap will be taxed at the highest marginal tax rate.
- If you're under age 65, you can bring forward two years of non-concessional contributions and make a larger contribution of up to \$450,000, but you would be unable to make any further non-concessional contributions for the next two years.
- You can make concessional contributions in addition to non-concessional contributions (see page 5).

What this might mean for you

- Any Government Co-contribution will not be included in the non-concessional cap (see OSF Fact Sheet 5 for more on the Co-contribution).
- The rules of your OSF division may include restrictions or conditions on making non-concessional contributions – please refer to your Product Disclosure Statement or Member Booklet.
- To find out more about how non-concessional contributions may help you maximise your super, see OSF Fact Sheet 3.

What can you do?

- You can begin making or change your non-concessional contributions, or take advantage of the transitional \$1 million contribution cap (see box at right), by completing an *Additional Contribution* or *Change of Contribution Rate* form.

See page 2 for details of where to download forms, fact sheets, product disclosure statement and member booklets.

Million dollar opportunity!

- If you're planning a large contribution to your super (eg. by selling an investment property, shares or a small business), you may want to act fast to take advantage of a one-off opportunity until 30 June 2007 to make a non-concessional contribution to your super of up to \$1 million. The \$1 million cap applies to non-concessional contributions made between 10 May 2006 and 30 June 2007.
- If you made non-concessional contributions over \$1 million before 7 December 2006, you can apply to withdraw the amount above the cap before 30 June 2007 without penalty. Contributions over the \$1 million transitional cap made on or after 7 December 2006 will be subject to tax at the highest marginal tax rate on the excess.

Key terms on this page

- 'Non-concessional contributions' (also known as personal, untaxed or undeducted contributions) are contributions you make to your super from your after-tax salary. These contributions are not taxed when made to your super fund.
- 'Highest marginal tax rate' is currently 46.5% (including Medicare levy).

2- The \$150,000 cap will remain at three times the level of the concessional contributions cap and will increase as the concessional cap is indexed.

Salary sacrificing to your super?

Be aware of **new contribution limits**

TAKE NOTE!

- A transitional period will apply between 2007/08 and 2011/12 to allow people who are nearing retirement to make larger contributions to their super.
- If you're already aged 50 or over, a cap of \$100,000 per year (instead of \$50,000) will apply for the whole five-year transitional period.
- If you turn 50 between 1 July 2007 and 30 June 2012, the \$100,000 cap will apply for the financial year in which you turn 50 and subsequent financial years up to (and including) 2011/12.

KEY POINTS

- From 1 July 2007, concessional contributions will be capped at \$50,000³ per person per year. Contributions up to this capped amount will be taxed at 15%.
- You can make concessional contributions above the \$50,000 cap but you will be taxed on contributions over the cap at the highest marginal tax rate.
- Concessional contributions above the \$50,000 cap will also count towards the non-concessional contribution cap (see page 4). As a transitional measure, concessional contributions above your age-based limit from 10 May 2006 to 30 June 2007 will count towards the transitional \$1 million cap on non-concessional contributions (effective 10 May 2006).
- You can make non-concessional contributions in addition to concessional contributions (see page 4).

What this might mean for you

- If your combined employer and salary sacrifice super contributions exceed the \$50,000 cap (or \$100,000 cap—see box above) (regardless of how many employers you have), you may have to pay up to three times more tax on contributions above the cap.
- The Australian Taxation Office will monitor your concessional contributions and will notify you if they exceed the cap for the financial year.
- The concessional contribution cap replaces the current age-based contribution limits.

Your next steps

- *Division F members:* Check your payslip or a recent OSF Benefit Statement to see your current concessional contributions and be aware of any additional tax that may apply under the new rules.
- *Defined benefit members:* The way the concessional contribution cap will work in relation to defined benefits is not yet finalised. We'll provide more information to members as the government regulations are published.

Key terms on this page

- 'Concessional contributions' (also known as taxed or deductible contributions) include your employer's compulsory super contributions and any salary sacrifice (ie. pre-tax) contributions you may make to your super. These contributions are taxed when made to your super fund.
- 'Highest marginal tax rate' is currently 46.5% (including Medicare levy).

3- The \$50,000 cap will be indexed to Average Weekly Ordinary Time Earnings (AWOTE) but indexation will only occur once an increase reaches \$5,000 (and \$5,000 increments thereafter).

If you accumulated super before 1983, there may be tax advantages in *consolidating your super*

KEY POINTS

- If you have a pre-July 1983 component to your super and you have more than one super fund, there may be tax advantages in rolling your super into one account before 30 June 2007.
- These potential tax advantages may only apply if you are planning to cash your super before age 60, as all benefits will be tax-free if cashed at or after age 60 from 1 July 2007.

What this might mean for you

- Your pre-July 1983 and post-June 1983 components will be calculated and 'fixed' at 30 June 2007, in readiness for the new tax treatment rules from 1 July 2007.
- These components are calculated using your 'eligible service period' (ESP), which begins on the date you began working for the employer who made the pre-July 1983 contributions. By consolidating your super into one account, the period of membership or employment with the old employer is counted when determining the total ESP within the new fund.
- Effectively, some of your post-June 1983 component (from the new employer) could be reclassified as pre-July 1983 and therefore receive more favourable tax treatment if you cash your super before age 60.

	Tax treatment of lump sum payments	
	Until 30 June 2007	From 1 July 2007
Pre-July 1983 component	5% of component taxed at your marginal tax rate	100% of component tax-free
Post-June 1983 component	<p><i>Under age 55:</i> 100% of component taxed at 21.5%</p> <p><i>Age 55 and over:</i> tax-free up to low rate threshold of \$135,590; taxed at 16.5% thereafter</p>	<p><i>Under age 55:</i> 100% of component taxed at 21.5%</p> <p><i>Age 55-59:</i> Tax-free up to low rate threshold of \$140,000; taxed at 16.5% thereafter</p> <p><i>Age 60 and over:</i> Tax-free</p>

*Tax rates include 1.5% Medicare levy.

What can you do?

You can rollover super into your OSF account in the following ways:

- *Members of Division F:* complete a *Consolidate your Super* form⁴
- *Members of Divisions B, C, D and E and Divisions CB to CO (former CGSSS divisions):* complete a *Transfer-in* form⁴. (Note: Transfers-in are subject to Trustee approval.)

See page 2 for details of where to download forms.

Key terms on this page

- 'Roll over' or 'transfer-in' means the transfer of super directly from one super fund to another.

4- Your other fund may prefer that you use their form. If so, you may need the following information about the OSF: ABN 24 248 426 878, SPIN OSF001AU, SFN 134 394 943. Cheques should be payable to 'Commonwealth Bank Officers Superannuation Corporation Pty Limited'.

Super benefits will be **tax-free** at or after age 60!

What this might mean for you

- If you are thinking about retiring soon, you should consider the tax effects of retiring before and after 1 July 2007.
- After age 60 your super benefits will be tax-free, therefore you may want to consider whether investing in super is a good choice for you.
- If you're under age 60 and currently receive a pension, your payments will continue to be taxed under the current arrangements, although tax will be lower in some cases. If you're aged 60 or over, your pension payments will be tax-free from 1 July 2007 (or the date that you turn 60 thereafter).
- Because reasonable benefit limits and tax on super benefits after age 60 will be abolished from 1 July 2007, contribution splitting may not offer as many tax advantages. However, you may still want to consider this option for various reasons (see OSF Fact Sheet 10 for more on contribution splitting).

See page 2 for details of where to download fact sheets.

KEY POINTS

From 1 July 2007:

- Lump sum and pension benefits paid from a taxed source to retirees aged 60 or over will be tax-free.
- Tax will still apply to super benefits paid before age 60 but under simplified rules (see table below).
- Reasonable benefit limits (RBLs) will be abolished.
- Any partial payment of a lump sum or pension super benefit will generally be considered to include both exempt and taxable components in the same proportion as the total benefit.

If you cash your super when you are:	Your benefits will be taxed as follows:	
	Taxed component	Exempt component
Age 60 or over	Tax-free	Tax-free
Age 55-59 ⁵	Tax-free up to the low rate threshold of \$140,000; 16.5% thereafter	Tax-free
Under age 55	21.5%	Tax-free

*Tax rates include 1.5% Medicare levy.

Key terms on this page

- A 'taxed source' is a super fund, approved deposit fund or Retirement Savings Account that pays tax under the standard super tax provisions. The OSF is a taxed source.
- The 'exempt component' will be made up of pre-July 1983, CGT exempt, post-June 1994 invalidity and concessional components, plus undeducted (post-tax) contributions.
- The 'taxed component' will be made up of the post-June 1983 and non-qualifying components.

5- If you are aged 55 to 59, the full superannuation pension rebate of 15% will apply to a pension paid from a taxed source.

Other ‘Simpler Super’ changes...

No forced payment of benefits

- Effective 10 May 2006, there is no forced payment of super—your benefits can remain in the super system for any length of time until your death.

No more RBLs

- From 1 July 2007, Reasonable Benefit Limits (RBLs) will be abolished. (Note: RBLs currently limit the amount of concessional-tax super you can receive over your lifetime.)

Simplified pension rules

- If you have an Allocated Pension, from 1 July 2007 there will be no maximum annual payment. A minimum annual pension payment will still apply.
- If you’re aged 60 or over, any pension payments after 1 July 2007 will be tax-free.
- If you’re an existing pensioner, you will keep the current ‘deductible amount’ on your pension until you reach age 60, after which your benefits become tax-free.
- If you’re aged 55 to 59, the full superannuation pension rebate of 15% will apply to all pensions paid from a taxed fund.
- The pension assets test taper rate will be halved from 20 September 2007. If you buy a complying pension on or after

this date, your Age Pension will only be reduced by \$1.50 per fortnight (rather than \$3) for every \$1,000 of assets you have above the relevant thresholds. Effectively, you can hold more assets and still be eligible for the Age Pension. (Note: The Age Pension income test will remain unchanged.)

Rolling over Employer ETPs to super

- From 1 July 2007, super benefits paid from age 60 will be tax-free therefore you will no longer be able to contribute Employment Termination Payments (ETPs) (ie. payments from your employer when you leave employment) to your super, subject to transitional arrangements for certain employment entitlements in place before 10 May 2006.

No change to preservation rules

- There will be no change to preservation rules, ie. when you can withdraw your benefits. You can only access your super once you reach your preservation age and permanently retire or satisfy another condition allowed by law. See OSF Fact Sheet 2 for more information on preservation. (See page 2 for details of where to download fact sheets.)

Disclaimer

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