



Informing members of legislative changes and fund news | **May 2006**



**MEAT INDUSTRY EMPLOYEES'  
SUPERANNUATION FUND**

## Changing jobs – is your new employer registered with MIESF

Changing employers and industries doesn't mean you have to leave the Fund.

Under the Choice of Fund legislation, MIESF is able to accept contributions from your new employer even if they are not in the meat industry. They will however need to be registered with us as a participating employer. It's as simple as completing a form.

So if you change employers and they aren't registered with us get them to contact the Fund Office and we'll send them a Participating Employer Form.



**Welcome to the Autumn 2006 edition of the MIESF Newsletter.**

**In this issue we look at:**

- Changing jobs – is your new employer registered with MIESF?
- The Fund being granted it's RSE licence
- The MIESF death cover
- The ups and downs of investing
- After tax or salary sacrifice contributions? Your options

**WIN a \$100 shopping voucher – complete the enclosed survey to go in the draw to win!**

### Twenty five years old and still going strong

For 25 years the Fund has been supporting members, and their families, in the meat and associated industries. Over those years we've achieved some impressive milestones:

- Membership exceeding 30,000
- Australia wide coverage in more than 800 workplaces – open to employers and employees from any industry
- Over \$400 million in assets
- Average effective net rate of return over the 25 years was around 10% p.a. – and no years of negative returns
- Death Cover – \$100,000 for all active members regardless of age
- Death Cover charge – \$3.00 per week
- Administration charge – \$1.00 per week

### The Fund has been granted their RSE licence

From 1 July 2006, all superannuation trustees must hold a Registrable Superannuation Entity (RSE) licence in order to continue operating.

The Trustee began the licence application process at the end of 2004, and APRA (the Australian Prudential Regulation Authority) spent a week in the Fund Office in January this year reviewing the application and associated documents.

On 24th March 2006, MIESF's Trustee was granted their licence (number L0001434).

This is good news for members. You can be confident that APRA is satisfied that the Trustee is able to perform its duties and comply with the licence's laws and conditions.

### A fair cover for all members

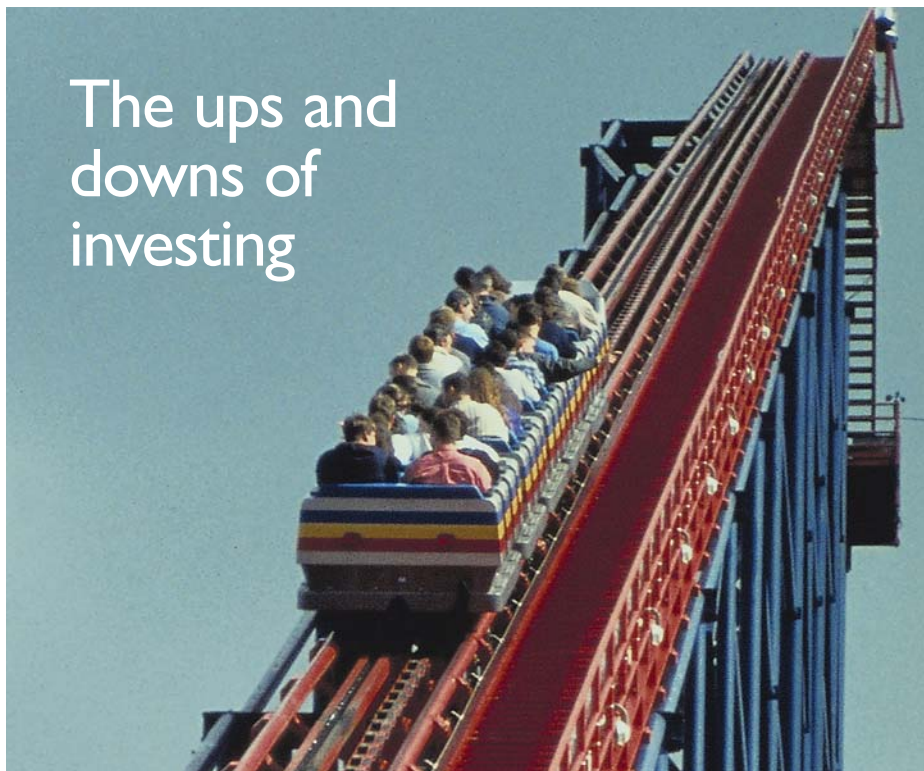
Other super funds provide units or fixed dollar amounts of death cover, which are based on your age, and the cost of the cover increases or decreases also depending upon your age.

MIESF offers all members the same level of death cover - \$100,000. This cover is provided regardless of your age and does not reduce as you get older. And the fee you pay for this cover is the same for everyone; a low \$3.00 per week.

### Receiving a benefit from MIESF

MIESF makes **benefit payments every two weeks**. So once a claim has been approved it's not long before it is processed. And remember, MIESF can pay directly into your bank account or forward you a cheque – the choice is yours.

# The ups and downs of investing



The Australian and overseas share markets have both performed well this year. Some superannuation funds with an investment policy that includes high share weightings will also do very well. MIESF's investment policy and objectives take into consideration the needs of members and as a result has a lower exposure to shares.

The Fund's overall investment objective is to:

- ensure the security of your retirement money and to **provide a reasonable rate of return** above bank rates of interest over the medium and long-term **without taking undue financial risk.**

In order to achieve this balance, the Fund invests in a number of different asset classes including Australian and overseas shares, property, bonds and cash.

The overall allocation to shares is limited to 30% Australian and 15% Overseas. These limits are designed to protect the fund against losses. Many other funds have a higher exposure to shares.

What this can mean is that, in years where the share market is performing well, the Fund may achieve lower returns than other industry funds. The opposite also applies: when the share market is not doing so well, MIESF is more likely to achieve higher investment returns than funds with a higher investment in shares and property.

The Trustee believes that a higher level of shares and property exposes members' retirement savings to a higher level of risk than they would feel comfortable with and does not support the Fund's overall objective.

Over the longer term the Fund has demonstrated that it can achieve an above-average result. Over the last 5 years (to 30 June) we have returned 8.2% p.a. which now positions us in the top 10% of industry superannuation funds. Over the history of the Fund we have returned an average of 10% p.a. and have **never lost members' money.**

\* Source: Superfunds March 2006

## Stop Press – May Budget a bonus for retirees!

The Federal Budget announced on 9 May included a number of proposed changes to superannuation, including:

- The removal of the super benefits tax for people aged over age 60 (from a taxed fund) – currently taxed at up to 15.0%
- Super will be able to be taken as a lump sum, pension or a series of part-payments
- Abolition of compulsory cashing of super for people over age 65 regardless of their work status
- The abolition of the Reasonable Benefit Limit on super benefits – which reduced the tax effectiveness of large benefits

- Employees can contribute to super up to age 75 – an extension of the current arrangements
- An annual contribution limit of \$50,000 per member – a simplification of the current rules

In addition, the Treasurer has proposed a reduction in the income tax rates and an increase in the tax thresholds (as shown below).

The tax changes mean a tax cut of around \$10.00 per week for most workers.

**It is important to note that these are proposed changes. There is a three-month consultation period and submissions are due to Treasury by 9 August 2006.**

Current tax rate %	Current tax threshold 2005-06 \$	Current tax rate %	Proposed tax thresholds 2006-07 \$
0	0 – 6,000	0	0 – 6,000
15	6001 – 21,600	15	6001 – 25,000
30	21,601 – 63,000	30	25,001 – 75,000
42	63,001 – 95,000	40	75,001 – 150,000
47	95,000 +	45	150,000 +

Source: The Age 10 May 2006

## After-tax contributions or salary sacrifice contributions – your choice

Whether to make contributions from either your before- or after-tax salary doesn't need to be a difficult decision but you need to know the facts.

This article explains how you may benefit from the Government's Co-contribution Scheme if you make after tax contributions and compares it with contributions made via salary sacrifice.

### The Government Co-contribution

If you earn less than \$28,000 a year, make personal contributions to super, and satisfy the eligibility conditions, the Government will put in \$1.50 for every dollar you contribute, up to a maximum amount of \$1,500. If your assessable income is between \$28,001 and \$58,000 the amount the Government contributes is phased out to be nil at \$58,000.

The table below gives an example of the amount of Co-contribution payable at various income ranges and personal contribution levels.

		From 1 July 2004, if your personal voluntary contribution# is			
Annual Contribution		\$1,000	\$800	\$500	\$200
Weekly Contribution		\$19.23	\$15.38	\$9.62	\$3.85
Your annual income* is	Which equals a weekly income* of	The Government's contribution will be			
Under \$28,000	Under \$538.36	\$1,500	\$1,200	\$750	\$300
\$30,000	\$576.92	\$1,400	\$1,200	\$750	\$300
\$32,000	\$615.38	\$1,300	\$1,200	\$750	\$300
\$34,000	\$653.85	\$1,200	\$1,200	\$750	\$300
\$36,000	\$692.31	\$1,100	\$1,100	\$750	\$300
\$38,000	\$730.77	\$1,000	\$1,000	\$750	\$300
\$40,000	\$769.23	\$900	\$900	\$750	\$300
\$42,000	\$807.69	\$800	\$800	\$750	\$300
\$44,000	\$846.15	\$700	\$700	\$700	\$300
\$46,000	\$884.62	\$600	\$600	\$600	\$300
\$48,000	\$923.08	\$500	\$500	\$500	\$300
\$50,000	\$961.54	\$400	\$400	\$400	\$300
\$52,000	\$1,000.00	\$300	\$300	\$300	\$300
\$54,000	\$1,038.46	\$200	\$200	\$200	\$200
\$56,000	\$1,076.92	\$100	\$100	\$100	\$100
\$58,000 or more	\$1,115.38 or more	\$0	\$0	\$0	\$0

\* Income refers to total income from all sources during the year

# Excludes salary sacrifice amounts



### You don't need to apply

If you are eligible, all you need to do is make personal superannuation contributions to your super fund and lodge an income tax return.

The Tax Office will use the information on your income tax return and contribution information from the super fund to work out whether you are eligible. If you are, the Tax Office will calculate the amount you are entitled to and send it to the fund to be deposited in your super account.

*Continued overleaf*

## What about salary sacrifice contributions?

It is important to note that salary sacrifice contributions are not personal contributions for the purpose of calculating the Government's Co-contribution. The following table gives an example of the effect of salary sacrifice contributions and personal contributions on your take home pay and contribution to super. This table is for illustrative purposes only and you should consider your personal circumstances before making any decisions.

	After Tax Personal Contribution	Before Tax Salary Sacrifice	After Tax Personal Contribution	Before Tax Salary Sacrifice	After Tax Personal Contribution	Before Tax Salary Sacrifice
Income	\$30,000	\$30,000	\$40,000	\$40,000	\$50,000	\$50,000
Salary sacrifice contribution	–	\$1,000	–	\$1,000	–	\$1,000
Taxable income	\$30,000	\$29,000	\$40,000	\$39,000	\$50,000	\$49,000
Income tax payable	\$4,860	\$4,560	\$7,860	\$7,560	\$10,860	\$10,560
Personal Contribution	\$1,000	–	\$1,000	–	\$1,000	–
Net take home pay	\$24,140	\$24,440	\$31,140	\$31,440	\$38,140	\$38,440
Government Co-contribution	\$1,400	–	\$900	–	\$400	–
Net contribution to super	\$2,400	\$850	\$1,900	\$850	\$1,400	\$850
Take Home Pay + Super contribution	\$26,540	\$25,290	\$33,040	\$32,290	\$39,540	\$39,290

1. This table applies only for the 2005-06 financial year.
2. The income tax payable has been calculated using the tax rates for the 2005-06 financial year and does not include the 1.5% Medicare Levy.
3. The calculations do not take into account any other income.
4. Salary Sacrifice contributions are paid by the employer and are taxed at 15%. Therefore, a \$1,000 contribution will result in a net contribution of \$850. The calculations assume that the Contribution Surcharge Tax does not apply.
5. For the purpose of the calculation of the Government Co-contributions is based on the income shown and does not allow for any income from other sources.
6. Under a Salary Sacrifice arrangement the net contribution to super is subject to Lump Sum Benefit Tax, which, under current rules, will generally be either 0.0% or 16.5%.
7. This table is intended to provide information and not advice. You can see how the co-contribution and before and after-tax contributions are applied but this table cannot replace advice from a licenced financial adviser.

## For more information

Before making any decisions you should obtain a copy of MIESF's Product Disclosure Statement (PDS) which sets out the features, benefits, costs and risks associated with the Fund and is designed to assist you make a decision in relation to your superannuation with MIESF.

## Further information

If you would like more information about MIESF, contact:

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*Issued May 2006 by Meat Industry Employees' Superannuation Fund Pty Ltd (ABN 58 005 793 199) (AFSL 239953) (RSE L0001434) as Trustee of the Meat Industry Employees' Superannuation Fund.*