



# **Senate Select Committee on Superannuation and Financial Services**

## **Main Inquiry Reference (c)**

**Submission No. 33**

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Select Committee on Superannuation and Financial Services  
Parliament House  
Canberra ACT 2600

Tuesday April 25, 2000

Dear Madam,

I am responding to your letter dated April 7, 2000 and appreciate the opportunity to reply to the allegations made regarding our company by the AMWU.

1. Yes this company has an arrangement with Hesta our Super Fund to pay SG on an annual basis. As far as this causing the Life Assurance policy which the AMWU claim to be a part of the superannuation plan to lapse is not an obligation of an employer to provide the funds for such. It is my understanding that the Super Guarantee relates to superannuation only. Not superannuation and life assurance. Taking out life assurance is an option that the employee may or may not select when filling out the application form. Life Assurance is not provided if not selected by the employee.
2. Our election to pay SG payments annually was based solely on the availability of administration resources to reconcile and remit the contribution on a monthly basis. We use accrual accounting whereby superannuation is calculated weekly and accrued. This company has always complied with the SG and has not had difficulty meeting that commitment as indicated by the union. Our difficulty as with most small businesses is providing the necessary administration resources required to comply to all the various government bodies. That is group tax, PPS, work cover and superannuation.
3. In light of the AMWU's concern with regard to life assurance cover it concerns me that the premiums are being deducted from the super guarantee contributions thus eroding the superannuation payments. I think that employees who have elected to be covered by the optional life assurance offer should be responsible to pay the contributions for such into the fund. The contributions for life assurance should not be deducted from the super guarantee payments.

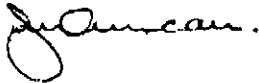
It is my experience with the AMWU that there is far greater chance of a small business who pays its super guarantee contributions annually or more frequently becoming insolvent with the destructive intervention of a union. A business such as ours that has been operating for two years on a steady controlled growth path has complied with all official departments within the required deadlines. The union presence in our business puts the future ability to do this at risk.

Until the interference by the AMWU the staff had no problem with payments being made annually. Of the eleven staff employed by this company it is only the five union members who have since February 23, 2000 found our annual payment a problem. When I discussed the reason with the team leader I was told "because if something happened to her on the way home she would not be covered." When I pointed out that the payments related to superannuation only and did not cover the life premiums she did not believe me because the AMWU had told her they did. I believe that the rules for SG should be changed to prevent charges other than fund administration being deducted from the SG payments. If an employee takes out the optional life assurance they should be responsible for making the payment to cover the premium. It is my opinion that the Life Assurance Companies by linking themselves to a superannuation fund are tapping into the SG contributions.

When an employee leaves a company and their super is not rolled-over or they do not take the fund with them, if the life assurance cover is not cancelled the premiums will continue to be deducted from the account. Thus eroding away the SG contributions until the account balance is zero. Where you have industries that have a high turnover and poor portability of funds this would not be an exception.

The SG should cover superannuation only and prevent life assurance payments being financed by these contributions.

Yours faithfully,



**Jacqueline Duncan**  
**Financial Accountant**