

WELCOME

Welcome to **People Risk**, the Willis Employee Benefits Newsletter. Willis Employee Benefits is wholly owned by Willis Australasia, and is an arm of Willis that seeks to bring solutions to its clients around the mitigation of its People Risks.

This newsletter is aimed at those people within organisations who are decision makers in regard to the benefits that are offered to its employees. We are seeking to put before you vital information on a range of employee benefit issues and keep you up to date on relevant legislative changes and trends in these areas.

In the current economic times, it is more important than ever to keep abreast of these changes and understand how and why they may affect your people.

We trust that you enjoy this edition and find the following articles both helpful and informative for your business.

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IMAGINE THIS...

Imagine for a moment this unfortunate situation: **A key individual in your business (perhaps the CEO, CFO, Sales Manager or a highly specialised technical worker) suffers a trauma, becomes disabled, or dies.**

Would the operations of your business be significantly impacted? Would the profitability of the business suffer? Would difficulty be experienced in finding the time and money to recruit and train a replacement employee? It's a scary thought!

Luckily, there is a solution. Key Person Insurance can help to protect your organisation against the loss of individuals who matter most.

Learn more about Key Person Insurance in the next issue of People Risk Newsletter, or call Marc Ventura from Willis Employee Benefits on +61 3 8681 9701 to discuss the specific needs of your organisation.



DID YOU KNOW?

Australia's National employment statistics are commonly referred to in the media. Have you ever wondered how they are measured?

The statistics are estimates of our civilian labour force collected by the Australian Bureau of Statistics.

The Labour Force Survey from which they come is based on a sample of private dwellings (currently about 22,800 houses, flats, etc.) and a sample of non-private dwellings (hotels, motels, etc.), and covers about 0.24% of the population of Australia.

Households selected for the Labour Force Survey are interviewed each month for eight months, with one-eighth of the sample being replaced each month.

Source:
www.abs.gov.au

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WHAT CAN HR OFFER A BUSINESS IN ECONOMIC DOWNTURNS?

2009 is shaping up to be one of the toughest years in business in living memory. Conventional wisdom indicates there will be no signs of recovery until at least the last quarter of 2009.

In such an environment, that is so alien to many in the workforce who have been the beneficiaries of an unprecedented run of buoyant times, what is it that HR can do to add value to the business ?

The first area may involve the need for a change of traditional mindset. While HR typically is involved at a strategic level, in downturns HR needs to play a more pragmatic role and be able to help drive operational efficiencies within the business.

In practical terms this can involve activities such as strengthening leadership skills, providing processes and assistance for moving decisively on under performers, identifying people related costs and advising how to reduce these costs (with minimal impact on revenue).

Another area where HR can add value is through constructively challenging the ways things are done. A good example of this relates to staff cuts. Across the board, cuts are usually counter productive and lead to a reduction in morale on the people who are left. It is in these times that viable alternatives should be canvassed, such as limiting or freezing pay increases, reducing working hours, cutting bonuses (depending on contractual obligations) and encouraging the taking of accrued annual or long service leave (subject to legislation and any covering award/s) or other types of leave (eg unpaid, study), all of which can help in reducing what is commonly the largest expense in a business.



A third area where HR can bring value to the table is talent management. The key here is to focus on the short to middle term future rather than the current economic cycle. Determine what learning and development needs can be implemented for the business' key people, in order that the organisation will reap the maximum benefit when a recovery occurs in the economy.

Lastly, HR can ensure, especially in environments where redundancy programs are occurring, that proper attention is given to the personnel remaining. This can extend to organising regular communication forums for staff in key areas of interest, such as the company's strategies for dealing with the economic challenges, as well as the advantages of the company's employee benefit program.



EXPERIENCE. OUTCOMES. EXCELLENCE.

Willis Workplace Risk is the leading provider of strategic Workplace Risk services to Australian businesses. We specialise in three core areas of Workplace Risk include:

- Workers' Compensation Insurance
- Self Insurance (including Comcare)
- Safety

Our services are directed toward achieving beneficial results for our clients across three broad areas:

- Protecting the Corporation and its Executives
- Achieving sustained Financial advantages
- Streamlining the administration of risk and insurance

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SUPERANNUATION

KEEPING UP WITH THE CHANGES

1. RECENT CHANGES

Same-sex relationships

The Government has now passed legislation to effectively end discrimination against same-sex relationships across 68 different Commonwealth laws. Of most importance from a financial aspect are the changes in relation to superannuation death benefits and social security.

Temporary residents' superannuation

The Government has now passed changes to temporary residents' superannuation. The main changes in this area are:

- Increasing the withholding rate on the "taxed" and "untaxed" components of a Departing Australia Superannuation Payment (DASP) from 30% and 40%, to 35% and 45% respectively.
- Superannuation of a temporary resident will effectively become unclaimed monies and payable to the Tax Office:
 - once the individual ceases to hold a temporary visa;
 - the individual has departed Australia;
 - at least six months has passed; and,
 - they have not claimed their superannuation.
- Departed temporary residents who have unclaimed superannuation paid to the Tax Office will be able to claim back their money at any time, by applying to the Tax Office for the amount to be paid to them, or transferred to a super fund in certain limited circumstances.

2. CHANGES OCCURRING OR EXPECTED IN THE NEXT 6 MONTHS

Change to income definitions for the Government co-contribution

A consultation paper was released on 7 November 2008 discussing the new

income definitions as announced in the 2008 Federal Budget. The consultation paper proposes that salary sacrifice superannuation contributions be included in the income definition when calculating entitlements to the Government superannuation co-contribution.

Whilst this change will potentially reduce or eliminate the Government co-contribution for some employees, a superannuation salary sacrifice arrangement is generally still a tax effective strategy for many individuals.

Also affected are the income definitions used for tax offsets, Medicare surcharge, social security benefits and family assistance benefits. These proposed changes are discussed in the appropriate sections below. We will provide updates on all these proposed changes once the outcomes from the consultation are known.

Proposed changes to the Super Guarantee late payment offset

A bill has been introduced into Parliament which, when passed, should encourage employers who are liable for a superannuation guarantee charge to make the relevant payment on a more timely basis.

In broad terms, there will be a tightening of the period within which an employer can make a superannuation contribution for an employee and use that contribution to offset any superannuation guarantee charge. There will also be a change in the general interest charge formula, with the result being that the earlier the employer pays the late superannuation guarantee contribution involved, the lower the general interest charge applying. This change is proposed to come into effect from the date the Bill receives Royal Assent

3. OTHER ISSUES ON THE HORIZON

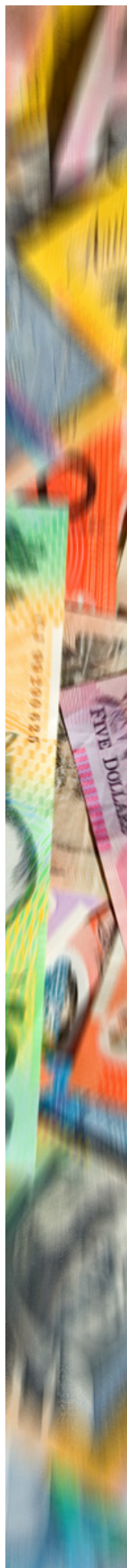
Super contribution clearing house

A two-part discussion paper was recently released regarding a proposed optional clearing house facility for superannuation contributions and the lost superannuation members' framework. Submissions and comments closed on 19 December 2008.

In simple terms, it is envisaged that the optional clearing house facility will help reduce red tape and compliance costs by allowing employers to pay their contributions to a single location. This will be free for employers with less than 20 staff. The clearing house will also manage employers' obligations under Superannuation Choice.

The paper also canvasses possible initiatives to improve the operation of the lost members' framework, including potentially utilizing a rolling together mechanism of lost accounts.

This article is presented to you with kind permission from AMP Superannuation Limited.



WORKHEALTH



WHAT IS WORKHEALTH?

WorkHealth (a division of WorkSafe) aims to support Victorian workplaces in offering voluntary programs to promote worker health and wellbeing, and to give up to 2.6 million workers across the state the opportunity to participate.

The statewide initiative will involve Government, health professionals and health and safety experts working together to provide employers and workers with services that specifically address chronic disease and associated risk factors. It will also actively engage employers, workers and their representatives to provide tailored solutions that meet the varying needs of Victorian workplaces.

WHAT'S ON OFFER TO EMPLOYERS?

If you are an employer who pays a Victorian WorkSafe premium or an approved self insurer (including employers who are registered in a jurisdiction other than Victoria, but have a WorkSafe Injury Insurance policy) you may apply for:

- Workplace based worker health checks; or
- Workplace health promotion grants for workplaces that already have a program.

Small to medium employers (<\$10M payroll in Victoria) may be able to access free health checks or up to \$60 per worker for health promotion grants. Large employers (>\$10M payroll in Victoria) are required to contribute \$30 per worker towards the costs of a health check or health promotion grants. The focus of health assessments is physical activity, diet, smoking and alcohol with a specific focus on type 2 Diabetes and cardiovascular disease.

WorkHealth will be recruiting a network of “endorsed service providers” to undertake the service delivery component of the health checks. Under their service delivery model employers are required to directly engage an ESP. WorkHealth will then reimburse the employer as per agreed terms and conditions.

WorkHealth presents a fantastic opportunity for Victorian businesses to improve the morale of their people at a time where job stress and uncertainty is high.

For further information about WorkHealth, please call Willis Employee Benefits:

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OUTSOURCED YOUR COMPANY'S SUPERANNUATION DEFAULT FUND? THERE IS STILL AN OPERATIONAL RISK WITHIN YOUR BUSINESS!

Making sure your employer ‘default’ superannuation fund is compliant is the joint responsibility of Finance Directors, HR Managers and payroll staff alike. Employers who fail to meet their compliance obligations face the possibility of considerable financial penalties from the ATO.

Some of the common areas where non-compliance occurs include:

Superannuation Guarantee obligations

- Are you paying the right amount of superannuation, paying on time and to the right fund?

Tax File Number (TFN) responsibilities

- Are you providing your employee's TFN to their superannuation fund within the appropriate time allowed?

Document all salary sacrifice arrangements

- Do your salary sacrifice arrangements satisfy all of the requirements of the ATO?

Choice of Fund

- Do you provide all new ‘eligible employees’ with a standard choice form within the appropriate time allowed?
- Do you action an employee's choice within the appropriate time allowed?
- Do you document your actions?

For a thorough audit of your existing arrangements & assistance in identifying areas where you could be disadvantaged, please contact Willis Employee Benefits:

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INTERNATIONAL MATTERS

PROTECTING YOUR EXPATS

DO YOU HAVE EXPATRIATE STAFF IN AUSTRALIA? ARE YOU CERTAIN YOU HAVE THEM ADEQUATELY COVERED?

Our National Health Act legislation is a labyrinth of conflicting and confusing rules and regulations, full of financial traps for expatriate staff and the companies that employ them. The risks of “not getting it right” in relation to Medicare eligibility, continuity of health fund membership, Lifetime Health Cover (LHC), and the Medicare Levy Surcharge (MLS) can result in costly penalties for both the expatriate employee and for the employer.

GUARANTEED CONTINUITY OF COVER

Up to 1 July 2008 Guaranteed Continuity of Cover was provided by Australian Health Management Group (ahm) through an arrangement utilised by all Australian expatriate insurers. This arrangement was cancelled effective 1 July 2008.

Fortunately, **Willis Employee Benefits Expatriate Risks** have an arrangement with BUPA Australia Group to provide Guaranteed Continuity of cover on permanent return to Australia. **To learn more about this option, please contact us on 08 8224 4717.**

MEDICARE LEVY SURCHARGE (MLS) EXEMPTION

Under Australian Taxation Law, anyone who is eligible for Medicare and lodges a tax return in Australia and does not qualify for Non Resident status and is not appropriately insured, is subject to the Medicare Levy Surcharge (MLS). This is a surcharge of 1% of gross income levied by the Tax Department after assessment of an individual’s tax return at the end of each financial year.

This levy therefore is separate to the Medicare Levy and applies to an employee’s gross income including exempt income earned overseas. It is currently applicable to incomes over \$70,000 per annum (for a single person) and over \$140,000 per annum (for a couple/family). These limits may change in the future.

Possible (MLS) Tax penalty if not appropriately insured	
Australian income e.g. rental property	\$ 35,000
Exempt income earned overseas	\$350,000
Total income for (MLS) purposes	\$385,000
Tax Payable	\$ 3,850

Expatriate health policies do not qualify as appropriate policies under the Medicare Levy surcharge definition hence do not offer a Medicare Levy surcharge exemption.

Expatriate employees who lodge a tax return in Australia, and who are subject to the MLS tax are able to endorse the expatriate policy through the inclusion of an MLS exemption table to eliminate the MLS surcharge for less than the cost of the surcharge.

With this endorsement employees will be issued with a “Private Health Insurance Statement” to accompany their tax return.

Your expatriate employees are able to enrol into a registered hospital table specifically designed to cover all legislative requirements.

Indicative Willis Employee Benefits Premiums for this Facility

Medicare Levy Surcharge (MLS) eliminator		
Premium including 30% tax rebate	Single	\$423.36 per annum
	Couple /Family	\$846.72 per annum

For further information, please call Willis Employee Benefits:

Berry Treffers
National Manager -
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t: +61 8 8224 4717

GROUP SALARY CONTINUANCE INSURANCE: INSIDE OR OUTSIDE OF SUPERANNUATION ?



In previous times, the question of whether you should structure your group salary continuance (GSC) cover inside or outside of superannuation was relatively easy, due to the significant differences in the tax treatment.

Prior to the change in the taxation laws, all long term GSC contracts with a benefit period greater than 2 years were not tax deductible to the superannuation fund or employer if arranged within a superannuation fund. As such the general rule was - long term GSC outside super, short term GSC inside super.

Following the change in the tax law however, the tax treatment inside and outside super is now the same, regardless of the benefit term. The insurance premiums are fully deductible to the employer in all instances, and the benefit payments are taxed as regular income in the hands of the recipient or member. As a result, the decision of whether or not you should arrange your GSC cover inside or outside superannuation, now involves issues such as choice of fund and providing a package of benefits for members.

Where GSC benefits are arranged outside of super, arrangements need to be made for the administration of the policy. A broker or administration services provider

can be utilised for this purpose. Many an employer has attempted to administer a GSC policy themselves, adding this chore to the position description of their HR staff. However, this decision can prove problematic. Group insurance is a specialist area and specific knowledge and skills are required to manage it effectively. Particularly with regard to managing claims, this job can also be extremely time consuming. As such, arranging your GSC cover within super can be more cost effective and the administration will be done by your superannuation administration provider.

The problem with having your GSC policy arranged within superannuation arises when 'choice of fund' is thrown into the mix. Now that many employees can choose the fund to which their superannuation guarantee contributions are made, an employer's work force can now belong to a large number of different superannuation funds. If your GSC contract is arranged through your 'default fund', any employee who is not a member of the default fund does not get the insurance cover. A number of employers feel concerned about the equity issues surrounding this. If one employee is covered and the one next to him is not because he chose a different superannuation fund, is this fair?

As with most things, the choice of whether to structure your GSC arrangements inside or outside superannuation is a complex one, and different outcomes will suit different employers and super funds. One thing is for certain, this is an area where employer's need to tread carefully and get expert guidance.

This article is presented to you with kind permission from ING Australia Limited.

For Group Risk queries, please call Christine Tona at Willis Employee Benefits on +61 3 8681 9776.

WILLIS EMPLOYEE BENEFITS: AN INTEGRATED SERVICE

Willis Employee Benefits seeks to be a company's partner in its employee benefits program, no matter what the particular need of the company may be.

While our core services remain extremely popular areas that employers wish to discuss, there is a range of partnership services that employers are also investigating currently, in their quest to be perceived as an "Employer of Choice". Willis can provide expert assistance in these areas to help employers create an integrated, tailored employee benefits program for their employees.

Contact David Rowell, National Practice Manager of Willis Employee Benefits, to discuss your needs - t: +61 3 8681 9869

Our Core Services:

- Employer Corporate Superannuation Solutions
- Group Insurance (Life / TPD and Salary Continuance)
- Key Person and Business Succession Insurance
- Personal Insurance

Our Partnership Services:

- Employee Health and Wellbeing Programs
- Corporate Health Insurance Schemes
- Novated leasing and Salary Packaging
- Corporate / Personal Training and Coaching
- Financial Planning
- Mortgage Broking & Debt Advice



MEET OUR TEAM

Nigel Groome is National Development Manager for Willis Employee Benefits. He has 25 years experience in the financial services industry both in an institutional and advisory capacity. For the last 5 years, Nigel has specialised in corporate superannuation and corporate group insurance.

Contact Nigel on +61 3 9285 4043.