

20 June 2008



Dear Employer,

**Superannuation Guarantee Obligations from 1 July 2008
Ordinary Time Earnings**

As you are aware from 1 July 2008 the calculation of Employers' minimum Superannuation Guarantee (SG) contributions must be based on a single earnings definition – 'Ordinary Times Earnings' (OTE) As this new definition may be different to your current definition of salary , this change may have financial implications. The purpose of this letter is to advise of the approach taken by Lutheran Super in respect to these changes and how they impact on the contribution and salary details you provide to Lutheran Super for your employees.

What is OTE?

Broadly speaking, OTE are generally what employees earn for their ordinary hours of work, including; over-award payments, commissions, allowances and paid leave. Taxation ruling SGR 94/4 and its addendum provide detail on the ATO's views of how OTE is determined. The summary table on pages 10 and 11 of SGR 94/4 provides a useful summary of whether different types of remuneration are generally included or excluded from OTE. It should be noted that these rulings do not have the force of law but are useful as they provide some guidance in the ATO's views. Also if the calculation of OTE exceeds the quarterly 'Maximum Contribution Base' (MCB) then OTE can be limited to the MCB, which is currently \$36,470 per quarter for the 2007/2008 year. We have attached for your information a copy of SGR 94/4.

Lutheran Super

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Trustee: LCA Nominees Pty Ltd | ACN 008 204 939 | AFSL No. 240571 | RSE Licence No. L0002103

Trustee Approach

The change in Employers' SG obligations to use OTE impacts on Lutheran Super in two ways. Firstly, in respect of the contributions paid by Employers to Lutheran Super. Secondly in respect of salary details provided by Employers to Lutheran Super used to determine members' Salary Continuance benefits. We advise of the Lutheran Super approach in both these areas.

Contributions

From 1 July 2008 the Employer will need to ensure that its contributions paid to Lutheran Super are at least sufficient to meet their new SG requirements based on OTE. We expect Employers have reviewed their payroll and pay policy to determine what items of remuneration are being paid to employees, whether those items are included or excluded from OTE and whether superannuation guarantee contributions are being paid on items of remuneration that form part of OTE.

The Trustee will assume that contributions paid by the Employer to Lutheran Super will meet their SG obligations based on OTE from 1 July 2008.

Salary details – Salary Continuance Benefits

Employers currently provide salary details to Lutheran Super which are used to calculate and insure members' Salary Continuance Benefits of 75% of salary. The requirement to use OTE relates only to the calculation of minimum SG contributions, it does not relate to the calculation of insured Salary Continuance Benefits. This means Lutheran Super can continue to provide members' salary continuance benefits on the current definition of salary, as provided by the Employer. The main advantage of this approach is that there is no change to members' Salary Continuance benefits.

Employers should continue to use the current salary definition when providing salary details for employees to Lutheran Super.

Summary

In summary the Trustee of Lutheran Super's position from 1 July 2008 is as follows:

Contributions	Employers to continue to calculate contributions, as they are currently, however they will also need to ensure their total employer contributions meet their new superannuation guarantee requirements based on Ordinary Times Earnings from 1 July 2008.
Salary – Insured Salary Continuance Benefit	Employers to continue to use the current salary definition when providing salary details for employees to Lutheran Super.

More Information

If you have any queries as to Lutheran Super's approach to Employers' SG requirements to use OTE from 1 July 2008 please do not hesitate to contact me on 08 8267 7338.

Yours sincerely,



Darren Royals
Executive Officer