DBPA
DESERET BENEFIT PLAN FOR AUSTRALIA

Super News

June 2014

This edition of *Super News* updates you on the latest news about super and your Plan. In this issue, we let you know:

- How the Superannuation Guarantee (SG) increase to 9.5% of Ordinary Time Earnings from 1 July 2014 will affect your super; and
- That the Plan has appointed Zurich as its new Insurer. There are some significant improvements to the Plan's insurance arrangements as a result.

We also update you on changes to super announced in the recent Federal Budget.

Super meets SG requirement from 1 July 2014

The SG rate is the minimum amount of super the Government requires employers to pay on behalf of their employees. The SG rate is currently 9.25% of Ordinary Time Earnings and increases to 9.5% from 1 July 2014. Your benefits from the Plan will meet this new requirement.

LDS currently contributes 16% of total salaries to the Plan, plus an additional amount to meet the cost of administration and insurance. From 1 July 2014, an amount equal to 9.5% of your Ordinary Time Earnings is deducted from LDS's contributions and placed in your DB Employer Account.

If you retire **after age 55** with 5 years' membership, your retirement benefit is worked out using a defined benefit formula that reflects your years of service and will be a minimum of your DB Employer and DB Member Accounts. This means that your retirement benefit is paid to you instead of your DB Accounts.

However, if you leave full-time employment with LDS Australia **before age 55**, the defined benefit formula does not apply and you receive a leaving service benefit which is the balance of your accounts including your DB Employer and DB Member Account. The total of this benefit is determined by the level of contributions and the Plan's net investment earnings or the returns (which may be positive or negative) for your chosen option less tax and fees. The increase of the SG rate to 9.5% will increase your leaving service benefit.

Investment returns

The Plan's **Market Linked option** has earned 11.47% for the period from 1 July 2013 to 31 May 2014. This rate applies to the accounts of current employees, Spouse members and Retained Benefit members. An expense deduction from returns of 0.5% pa applies to Retained Benefit members. See the Plan's website for recent returns.

New Plan insurer

Following a review of insurance arrangements, the Trustees decided to move the Plan's insurance from the Deseret Mutual Insurance Company to a local Australian Insurer, Zurich Australia Limited in February 2014. The review was requested by Deseret Mutual Benefit Association who is responsible for the management and oversight of benefits provided within The Church of Jesus Christ of Latter-day Saints.

As a result of the appointment of the new insurer, there are some improvements for members including new benefits and features and some minor changes to policy conditions. There is no change to the way the amount of your benefit is calculated if you die or are totally disabled. LDS will continue to pay for the cost of the insurance. See below and on page 2 for more details of the changes.

Disablement pension to be indexed

If you qualify for a total disablement benefit, your annual pension will be increased based on the annual Consumer Price Index or 5% (whichever is lowest). This is a valuable improvement as previously, the pension was fixed at the same level for as long as it was paid.

New terminal illness benefit

You may qualify for advance payment of your death benefit if you are found to have a terminal illness. To qualify there must be a conclusive diagnosis by a specialist medical practitioner treating the condition, which is confirmed by a specialist medical practitioner nominated by the Insurer, that you have a remaining life expectancy of less than 12 months.

> *"There are some improvements to insurance for members including new benefits and features."*

Benefit on partial disability

A partial disability benefit is available which provides a proportional income benefit to a member who is totally disabled for at least 14 days but subsequently is able to work in a partial or reduced capacity. The benefit is proportionate to the loss of income due to the disability.

Simple 'totally disabled' definition

The definition to qualify as 'totally disabled' has been simplified. There is no longer a stricter definition of disablement to satisfy after you have been totally disabled for two years and 90 days. See the box below for the new definition.

What is meant by 'totally disabled'?

Unable to perform at least one important income producing duty of their regular occupation, is not working in any undertaking usually performed for wage/profit, and is under regular care and following the advice of a medical practitioner.

Coverage if you leave employment

If you leave LDS's employment, your Death or Disability insurance will continue for 60 days provided you are not leaving employment due to ill health, injury or retirement, or in receipt of a disability benefit. Cover will end before the 60 days if you commence a continuation option (see below) or reach age 65.

Option to continue insurance if you leave

If you leave employment before age 60 provided you are not leaving for health reasons or retiring, you have the option to take out a retail insurance policy with the insurer within 60 days of leaving employment without the need to provide evidence of good health (other than in relation to AIDS/HIV). You must satisfy some conditions to qualify for this:

- You must have commenced employment in an occupation acceptable to the insurer;
- You must not have claimed an insured benefit in the previous six months;
- You must be a permanent Australian resident; and
- You must satisfactorily complete an AIDS/HIV questionnaire.

Changes to policy conditions

The following new conditions are being required by Zurich:

- No health evidence is required for any member's existing level of cover. The insurer however has an automatic acceptance limit on the amount of cover it will provide in the future without requesting health evidence. This limit is $120,000 p.a. of insured salary. Any member whose cover exceeds this amount in the future may be required to provide health evidence to receive increased cover beyond this level.
- All increases in death cover will be subject to Zurich's acceptance of your health evidence.
- Disability income benefits are not payable for "uncomplicated pregnancy or childbirth".
- Cover will continue if you go overseas for up to three years however you must return to Australia within six months of making a claim.
- Cover during leave without pay or other leave is provided for up to two years without notification to Zurich.

Budget update

In the May Federal Budget, there were several changes related to superannuation and a number of planned changes to the Age Pension which may affect your retirement planning. Here is a summary of the key proposals. They are not legislated yet – we will keep you updated as more details become available.

Superannuation Guarantee increases beyond 9.5%

Proposed increases to the SG rate will be delayed. As shown on page 1, the SG rate is currently 9.25% of Ordinary Time Earnings and will increase to 9.5% from 1 July 2014. However, it is proposed that it will remain at 9.5% for four years until 30 June 2018, and then increase from 10.0% on 1 July 2018 by 0.5% p.a. each year until it reaches 12% in 2022/23.

Ability to withdraw excess non-concessional contributions

The Government has announced that if you exceed the non-concessional contribution cap, you will have the option to withdraw the excess amount (and associated investment earnings) and only pay tax at your marginal tax rate on any investment earnings on the excess amount. This will benefit anyone who accidentally exceeds the cap and gives you the opportunity to avoid paying the penalty tax. Currently the overall tax on these amounts can be as high as 93%. Details of this proposal are still to be finalised.

Other superannuation changes

These include:

- The new Paid Parental Leave Scheme will include superannuation payments.
- The First Home Saver Accounts scheme will be abolished. The Government contribution will cease from 1 July 2014, and the tax concessions and income and assets test exemptions will cease on 1 July 2015.
- The Temporary Budget Repair Levy of an extra 2% for those earning more than $180,000 p.a. will also apply to some superannuation taxes, for example if you withdraw a taxable lump sum superannuation benefit before age 60.

Changes to the Government Age Pension

The age at which you become eligible for the Government's Age Pension will increase progressively to age 70 by 1 July 2035. Under previously announced arrangements, the Age Pension age was scheduled to reach 67 by 1 July 2023.

Note that the Government's Age Pension is separate from the Deseret Plan retirement pension resulting from your super. No changes are proposed to the Deseret Plan retirement pension which will continue to be available on retirement from age 55. For more information on the Deseret Plan retirement pension options refer to the *Retirement Guide* in the "About the Plan" section of the website.

See the table below for the proposed new ages for the Government's Age Pension. If you were born before 1 July 1958 your pension eligibility age is unchanged.

No corresponding changes to superannuation preservation ages were announced (this is the age at which you can access your super, see the box to the right for more details).

Date of birth	Eligibility age for Age Pension
1 July 1952 to 31 December 1953	65.5
1 January 1954 to 30 June 1955	66
1 July 1955 to 31 December 1956	66.5
1 January 1957 to 30 June 1958	67
1 July 1958 to 31 December 1959	67.5
1 January 1960 to 30 June 1961	68
1 July 1961 to 31 December 1962	68.5
1 January 1963 to 30 June 1964	69
1 July 1964 to 31 December 1965	69.5
1 January 1966 and later	70

When can you access your super?

The age at which you can access your super is currently different to the age you can qualify for the Government's Age Pension. Some or all of your super must generally stay in the superannuation system until you reach your preservation age. Your preservation age depends on when you were born, as shown in the following table. No changes are currently proposed to these preservation ages.

Date of birth	Preservation age
Before 1 July 1960	55
1 July 1960 to 30 June 1961	56
1 July 1961 to 30 June 1962	57
1 July 1962 to 30 June 1963	58
1 July 1963 to 30 June 1964	59
From 1 July 1964	60

Generally, you must keep the "preserved" part of your superannuation in a fund (either in this Plan or another complying superannuation fund) until you reach age your preservation age and have permanently retired or satisfied another condition of release. Conditions of release include:

- You have reached your preservation age and the Trustees are satisfied that you intend never again to be gainfully employed on a full-time basis (i.e. work more than 10 hours per week); or
- You have reached age 60 and retired from work with your employer after reaching that age; or
- You have reached age 65; or
- You satisfy special conditions and are allowed to have your preserved benefits released earlier, for example, in the event of total and permanent disability, suffering a terminal medical condition, severe financial hardship or on compassionate grounds; or
- You leave Australia permanently if you are a temporary resident (excluding New Zealand residents) and satisfy certain conditions.

Once you reach your preservation age, you can also start to receive some of your super as a pension while transitioning to retirement. You can also choose to take the "unrestricted non-preserved" part of your super as cash, or save it with your preserved benefit.

Any benefits taken from super before age 60 may be subject to tax.

Contact the Plan Administrator on **1800 115 885** for information.

A variety of other measures were announced which will affect the amount and availability of the Age Pension and associated concessions:

- From 1 September 2017 the Age Pension (and pension related payments including the Disability Support Pension and Carer payments) will be indexed to increases in the Consumer Price Index (CPI), instead of the current arrangements under which they are linked to the greater of CPI, Total Male Average Weekly Earnings and the Pensioner and Beneficiary Cost of Living Index.
- You are only eligible for the Age Pension if you meet income and asset limits. The amount of income you receive and the value of any assets you own can have an effect on your eligibility for a pension. The eligibility thresholds for the asset and income tests for pensions (and pension related payments) will be maintained for three years from 1 July 2017 rather than being automatically indexed each 1 July.
- From 20 September 2017, the deeming thresholds (the amount of income you are allowed that is calculated at the lowest interest rate) for the income test will be reduced to $30,000 for singles and $50,000 for pensioner couples, which will tighten the income test. Deeming rules are used when calculating pension eligibility and assume your financial assets are earning a certain amount of income, regardless of the income they actually earn.
- The Seniors Health Card will be harder to qualify for, with any untaxed payments you receive from superannuation counting in the definition of income when determining eligibility from 1 January 2015.

New income levels for co-contributions

Thresholds to qualify for the Government's co-contribution of up to $500 have increased for 2014/15. This means if you are eligible, the Government will contribute 50 cents for every dollar you make of after-tax contributions to super if you earn less than $34,488 per year. The $500 maximum reduces by 3.33 cents for every dollar of income above $34,488, with no co-contribution payable once your income reaches $49,488. If you qualify for the co-contribution, the ATO automatically pays it to your account in the Plan after processing your annual tax return.

Contribution caps for 2014/15

Contribution caps are limits the Government sets on the amount of super contributions each year which can receive concessional tax rates. Some of these caps increased from 1 July 2014.

Age on 30 June 2014	Concessional contributions	Non-concessional contributions
Under 49	$30,000	$180,000*
49 or over	$35,000	$180,000*

* If you are under age 65, you can generally bring forward two years of caps to make total non-concessional contributions of up to $540,000 over three years from 1 July 2014.

More information

For specific questions about your benefits in the Plan, refer to the *About your super plan* member booklet. Copies can be downloaded from the Plan website or can be obtained by calling the Plan Helpline on **1800 115 885**.

You can also contact:

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Parramatta NSW 2124

Plan Helpline: **1800 115 885**
Email: **deseret.australia@towerswatson.com**
Website: **http://mysuper.towerswatson.com/deseret**

This newsletter contains general information only and does not take into account your particular objectives, financial circumstances or needs. Please note that neither the Trustees, the Plan Administrator, nor any representative of The Church of Jesus Christ of Latter-day Saints can provide you with taxation or superannuation advice. If you need help making a decision about your super, you should speak to a licensed financial adviser.

Information on seeking financial advice and tips on choosing a financial adviser are provided on the Australian Securities & Investments Commission's website, at www.moneysmart.gov.au. The Financial Planning Association of Australia's website at www.fpa.asn.au explains the services financial advisers offer and lists the contact details of licensed advisers.

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