



Energy Industries Superannuation Scheme

Supplementary Product Disclosure Statement

This is a Supplementary Product Disclosure Statement (SPDS) to the respective Product Disclosure Statements of the following Energy Industries Superannuation Schemes offered by Energy Industries Superannuation Scheme Pty Limited as Trustee of the:

Accumulation Scheme
Retirement Scheme
Defined Benefit Scheme
Executive Scheme
Electrical Contractors Division
Rollover and Allocated Pension Plans

This SPDS is to be read together with the latest Product Disclosure Statements of the above listed Schemes.

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ENERGY INDUSTRIES®
SUPERANNUATION SCHEME

Issue date: 21 May 2007

The material below is intended to provide current and prospective members of the listed Schemes on the cover of this SPDS with information relevant to their superannuation entitlements both current and prospective, as they relate to the Federal Budget Simplified Super changes.

The changes in brief from 1 July 2007

- All superannuation benefits paid from a taxed source (i.e. your Scheme), such as lump sums or income streams, will be tax free for people aged 60 and over.
- Reasonable Benefit Limits (RBLs) will be abolished.
- Age based limits on pre-tax contributions (concessional contributions) to super will be removed and new limits introduced.
- New contribution limits introduced for undeducted or after tax contributions (non-concessional contributions).
- Top tax rates will be applied if you don't provide your Tax File Number to the Scheme.
- Taxation of the super benefits of those aged under 60 has been simplified.
- There will be no forced payment of benefits out of a super fund after age 65.
- The rules relating to pensions have been simplified.
- Age Pension Asset Test Taper Rate will be changing from 20 September 2007.

Deductible or pre-tax contributions (now referred to as concessional contributions)

In the past, the size of concessional contributions you or your employer could make to your super at the concessional rate of 15% was limited by your age. Now there are no age based limits. In fact, you are now allowed to make concessional contributions to super until you turn 75. However, the Superannuation Guarantee only applies up until age 70.

From 1 July 2007, any concessional contributions you or your employer make up to \$50,000* a year will be taxed at 15%. Any amount over \$50,000 will be taxed at an additional 30% plus the Medicare levy.

If you are already 50 or turn 50 between 1 July 2007 and 30 June 2012, you may benefit from transitional arrangements which allow you to make concessional contributions of up to \$100,000 a year at the 15% tax rate each financial year until 2012.

Undeducted or after tax contributions (now referred to as non-concessional contributions)

From 1 July 2007, non-concessional contributions to super will be limited to \$150,000** a year if you are:

- 64 years old or younger; or
- 65 years to 74 years old and satisfy the work test (that you work for 40 hours during a consecutive 30 day period each year a contribution is made).

If you are younger than 65, you can also bring forward these contributions out to a limit of \$450,000 over three years. For example, a person under age 65 can make up to \$450,000 of contributions in the 2007-08 financial year, but would not then be able to make further non-concessional contributions until the 2010-11 financial year. Any contributions made within the limit will not attract tax when withdrawn from super. Contributions above the limit will be taxed at the top marginal tax rate plus the Medicare levy.

Note: where you have not provided your TFN to your Scheme, any non-concessional contributions you make after 1 July 2007 must be returned to you.

Non-concessional (personal) contributions

From 1 July 2007 superannuation funds will only be able to accept non-concessional contributions for a member if the TFN has been quoted. When the Scheme receives a non-concessional contribution on behalf of a member where the TFN has not been provided, the Scheme will have 30 days to return the contribution to the member.

Deadline 30 June 2007

If you are sitting on a big amount of cash or have just sold a business or investment property, there's an exciting window of opportunity that you can take advantage of before 30 June 2007. Thanks to transitional measures in place, you are permitted to make after tax contributions of up to \$1 million to your super before this date. Such a move will allow you to place your money in a vehicle where the tax on your investment earnings won't be greater than 15% (compared to up to the highest marginal tax rate in other vehicles) and where the benefits you finally draw down are tax free after you turn 60.

Important notice for personal contributions made between 10 May 2006 and 7 December 2006.

If for any reason you have breached the \$1 million transitional cap for personal contributions, you have to lodge an application for a transitional release authority with the ATO before 30 June 2007. Excess transitional personal contributions will be taxed at 46.5%.

Notification of Tax File Numbers (TFNs)

If you don't provide your TFN to the Scheme between now and 30 June 2008, all your concessional contributions will be taxed at the top marginal tax rate, plus the Medicare levy, if they exceed \$1,000. For accounts that begin after 1 July 2007, the \$1,000 threshold does not apply. Furthermore, your Scheme will not be able to accept any

* This amount is indexed to Average Weekly Ordinary Time Earnings (AWOTE) but will only increase in \$5,000 increments.

** This amount will be linked and capped at 3 times the concessional contribution limit.



non-concessional contributions from you if they don't have your TFN.

For this reason, it is crucial that you provide your TFN to the Scheme, either directly or through your employer, as soon as possible (if you haven't already done so). You can check your Member Benefit Statement to ensure that your TFN is correctly recorded.

What the reforms mean for retirees or those receiving retirement benefits

Age Pension changes

Changes to the Assets Test mean more people will qualify for the Age Pension.

From 20 September 2007, the Asset Test Taper Rate will be halved so that pension recipients only lose \$1.50 per fortnight (single and couple combined) for every \$1,000 of assets above the relevant threshold.

The Asset Test Exemption for purchased 'complying' income streams will be removed for income streams purchased on or after 20 September 2007. The income test, however, will not change.

Allocated Pensions (AP)

From 1 July 2007 all allocated pension payments and all lump sum withdrawals will be tax free for people aged 60 years and over. Pension payments to those aged 55 – 59 years will be taxable but will be eligible for a 15% offset with any exempt component being tax free.

New minimum pension income rules will make it possible for your allocated pension to last longer if you choose the minimum.

AP minimums until 30 June 2007*

Age	% of account balance
55-64	4.8 - 5.7
65-74	5.8 - 7.5
75-79	7.8 - 9.2
80-84	9.5 - 11.5
85-89	12 - 14.5
90-94	15.1 - 18.2
95+	18.9 at age 95

* For pensions commenced after 1 January 2006.

AP minimums from 1 July 2007

Age	% of account balance
55-64	4
65-74	5
75-79	6
80-84	7
85-89	9
90-94	11
95+	14

If you currently have an allocated pension in the Scheme, you will be able to elect the new, minimum pension income rates from 1 July 2007.

From 1 July 2007, transition to retirement pensions (also known as non-commutable allocated pensions, or NCAP) will allow up to 10% of the account balance (at the start of each year) to be received as a pension payment in any one year. Pensions that start before 1 July 2007 and comply with "transition to retirement" rules will be seen as satisfying the new requirements. Transition to retirement pensions will continue to be non-commutable until a condition of release is met.

NOTE: If you are currently receiving an allocated pension and under age 60, these recent changes may impact you if you are intending to commute your existing allocated pension either partially or in full. If you are intending to commute your allocated pension, it is important that you seek financial planning advice immediately. Our financial planners are available to you and can be contacted on **1300 369 901**.

Other income streams

A guaranteed lifetime pension provided on an arm's length basis that meets relevant existing requirements will also meet the new rules.

If your income stream is a 'complying' income stream, you will not be able to commute and transfer to a new pension. This is because complying income streams typically involve the long term investment of funds and allowing you to transfer your benefits out could create potential risks for other members as well as product providers.

What the reforms mean for Employer Eligible Termination Payments

Employer Eligible Termination Payments (to be known as 'Employment Termination Payments') will no longer be able to be rolled over into super.

Instead, Employment Termination Payments will consist of two components — a tax free component and a taxable component. The tax free component will consist of any post-June 1994 invalidity amount and the pre-July 1983 amount. The taxable component will be the post June 1983 amount or the remainder of the payment. This component will be taxed at 15% plus the Medicare levy for amounts up to a maximum of \$140,000 (for 2007-08) for recipients aged at their preservation age (age 55) and over, and at 30% plus the Medicare levy for those aged under preservation age (age 55). Amounts in excess of this will be taxed at the top marginal tax rate plus the Medicare levy. This \$140,000 cap is an annual limit and will be indexed annually but only adjusted in \$5,000 increments.

To qualify for this concessional tax treatment these payments must be made within one year of termination.

However, there are transitional arrangements for Employment Termination Payments that were specified in existing employment contracts as at 9 May 2006,



provided payment is made by 30 June 2012. Under these arrangements, if you cash in your payment, the taxable component will be taxed at 15% up to a maximum of \$140,000 (30% plus the Medicare levy if under preservation age), 30% plus the Medicare levy up to a maximum of \$1 million and the top marginal rate plus the Medicare levy for any further amounts. There are some pre-conditions so you should get more detailed information if you feel this may apply to you.

Further, if transitional arrangements apply to you, you will be able to rollover your Employment Termination Payments into super (again, provided payment is made by 30 June 2012). Amounts less than \$1 million will be treated as a taxable contribution but will not count towards the concessional contributions cap. The taxable component will be taxed at 15% in the superannuation scheme upon rollover.

If you don't meet the requirements for the transitional arrangements, you might want to discuss the possibilities available to you before the end of June 2007 with one of our financial planners. Contact us on **1300 369 901** and one of our friendly Member Service officers will work out with you whether you may need to see one of our financial planners.

The need for financial advice

Even though the Government's reforms have simplified some aspects of super, you should seek advice. See what you need to do in order to take advantage of the changes, depending on your personal circumstances. Please call Member Services on **1300 369 901** to book an appointment.

Glossary

Age Pension - The regular payment the Australian Government makes to retirees who have reached retirement age (65 for men, 63 for women) and who qualify by passing the Social Security Income Test and Assets Tests.

Allocated Pension - An income stream you purchase with your superannuation benefit that is designed to pay you a regular income after you retire. You can withdraw some or all of the amount at any time and choose the size and the frequency of your income payment (within certain limits). However, there is no guarantee that the account balance will last your lifetime.

Complying Income Stream - A pension generally where:

- Payments can only be adjusted by the lesser of 5% or the Consumer Price Index (CPI);
- There is no residual capital but a guaranteed period of payment; and
- There can be no commutation (except within the first six months).

Concessional contributions - These are contributions made from pre-tax income for which a tax deduction can be made. They include employer Superannuation Guarantee contributions, additional employer contributions and salary sacrifice contributions.

Employment Termination Payment - Is a lump sum payment made to a person in consequence of their termination of employment and can include amounts in respect of:

- Unused rostered days off;
- Amounts in lieu of notice;
- A gratuity or 'golden handshake';
- An employee's invalidity (permanent disability, other than compensation for personal injury); and
- Certain payments after the death of an employee.

A payment in respect of unused annual leave or unused long service leave is not an Employment Termination Payment. The tax treatment of such amounts is unchanged under the plan.

Non-commutable allocated pension - A pension, similar to an allocated pension, which can be accessed by Accumulation and Executive Scheme members who are at or over their preservation age and still employed. They cannot be commuted in cash except in limited circumstances. They revert to a normal allocated pension (i.e. can be commuted) when a condition of release is met.

Non-concessional contributions - These are contributions made from a person's after tax income. They include undeducted contributions or personal contributions you make to the Scheme after tax.

Preservation - Most superannuation is 'preserved', which means that you can't withdraw it in cash unless you meet a 'condition of release'. Your super is generally preserved until you retire (between age 55 and 60, depending on your date of birth) or turn 65.

Preservation age - The preservation age is 55 years for people born prior to 1 July 1960, and increases in yearly steps to age 60 for those born after 30 June 1964.

Reasonable Benefit Limits (RBLs) - The maximum superannuation benefit you can accumulate in your lifetime that is taxed at the lower (concessional) rate. Amounts withdrawn above an RBL will be taxed at the maximum rate of 46.5% (including the Medicare levy). RBLs will be abolished from 1 July 2007.



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