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Payroll lets fly at superannuation

A survey jointly conducted by Superannuation Clearing Service specialist, SuperChoice and The Association for Payroll Specialists (TAPS) has found close to 60% of medium to large-sized businesses find their choice-of-fund process cumbersome and unsatisfactory due to the labor intensive tasks involved.

The survey targeted medium to large sized employers with formal payroll processes – the average company had over 1,000 employees.

The research comes at a time when the Rudd Government is focused on reducing employer costs and the ever consuming paperwork and administration tasks that are required to meet superannuation guarantee and choice obligations. With the Rudd Government's concern for evidence-based policy this research offers insights into the choice-of-fund reality straight from the horses mouth- that is, payroll professionals within corporates.

To assist the government, the survey identified key issues employers noted as most pressing to improve superannuation choice processes such as: (see attachment A).

- Standardising remittance & reporting formats for all choice transactions
- Acceptance of Electronic Funds Transfer (EFT) as a mandatory payment method
- Support prompt returns of rejected payments back to employers
- Ban employer registration requirement from super fund compliance mandate

The pain of choice-of-fund is evenly spread across all industry segments but not in the same way. As employee numbers increase costs per employee can reduce. The excessive cost is mainly attributed to the time spent managing different fund rules, data validation and correcting super fund returns. This requires most payroll departments to dedicate 2 days a month strictly to process choice.

Peter Philip, CEO of SuperChoice said, "We found medium to large-sized businesses are spending \$25 per employee annually to administer choice – this relates to both the human resource and non human costs of administering & delivering the payments. This can equate to tens of thousands of dollars annually per employer – with particularly high impacts for employers with very large numbers of employees and/or with high staff turnover".

Two thirds said they were struggling with essentially manual in-house processes, writing out multiple cheques & remittances to funds and experiencing high error rates and refunds.

Jason Low, General Manager of TAPs said "We realise there's an argument the human resource cost is a sunk cost, but tell that to the payroll managers who get in at 7am and stay back till 7pm to process cheques to fifty super funds with different requirements & formats"



The research also serves as a wake up call for clearing houses. While satisfaction levels for employers who used clearing was far higher than for those employers not using a clearing service, clearing services have room to improve, particularly in regards to delays with refunded payments

Other employer frustrations included the non standardised requirements of super funds, particularly the outdated requirement for employer registration and the widespread lack of adoption of EFT amongst superannuation funds. Many surveyed asked why a superannuation fund won't accept EFT, then shouldn't the employer have the right to reject that employee's choice?

"We were greatly encouraged by the fact employers using clearing services more than halved their cost and time associated with superannuation choice administration. We think this time & cost saving can go a long way further as scale & efficiency increase", said Mr Philip

SuperChoice believes the employer take up of Clearing House Services, currently 35%, will increase dramatically to 50% over the next 2 years as organisations become more aware of these benefits.

Mr Low indicated there are some straightforward things for the government to work on almost immediately.

"The idea that a large number of super funds want employers to register with them because one employee chooses the fund is a very significant time-waster for payroll. If the government really wants to cut red-tape for business, this needs to go" said Mr Low.

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About SuperChoice

SuperChoice provides clearing services for more than 42,000 employers paying nearly \$6 billion annually on behalf of nearly 1.4 million members via super funds as diverse as AMP, AAS (including notable industry funds as REST & CARE), ING, Mercer (including notable industry funds as Australian Super), AXA, Asgard wealth solutions, CBA, IOOF, IBM (Russell), Equity Trustees and FuturePlus.

About TAPS (The Association for Payroll Specialists)

Established in 1990, TAPS is Australia's only Association representing of 6,500 payroll professionals. As the voice of the payroll community their membership base includes every sector of the economy, from small and medium sized enterprises to major corporations and government departments. They provide education, resources and other specialised benefits necessary to acknowledge, assist and keep payroll people up to date with Australia's unique payroll environment. The Association is totally independent and unbiased, removed from any Government department or industry body.