

Market and Benchmark Insight Report for Australia – 2020

Competitive employee benefit norms for mid-market employers in Australia

Introduction

CA Financial Services has been assisting employers with the construction and management of their employee benefits for 37 years. We understand the importance of helping employees feel connected to your organization and the investments you make in their future. As licensed Financial Planners, we take pride in the very personal approach we take to help your people understand and tailor benefits to their needs.

This document considers:

- The Australian Benefits Landscape – Benefits Menu, Mandatory Requirements and Employment Law
- Typical Benefit Design and Cost
- Adviser Remuneration

We are proud to be an Asinta Partner, and hope this document is of use to you.

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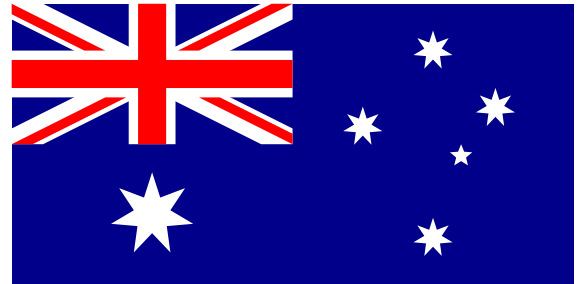
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1. Australian Benefits Landscape

Employee benefits are important in Australia because they help recruit and retain talent, show the business cares for its people, and help demonstrate the employer's brand. They vary substantially, based on five key dynamics:

- Sector – Private or Public
- Industry Type
- Salary Level
- Location
- Competition for talent



1.1 Public Sector Employees

Workers in the public sector are often members of trade unions and have a very generous range of employee benefits that typically include:

- Defined Benefit Pension Plans
- Life Assurance (typically through a Superannuation plan)
- Group Salary Continuance (GSC) – via the Superannuation plan or direct insurer
- Sick Pay – typically accumulating sick leave entitlements

If you are dealing with employees who are transferring from the public sector, we suggest the employee speak with one of our Financial Planners to work through the various considerations.

1.2 Industry Type

Benefits vary widely according to industry type. For example, we see generous benefits in the financial services, high-tech, and professional services sector. However, in the retail and hospitality sectors, benefits are far lower. We can provide sector specific benchmarking and advise on appropriate benefit design.

1.3 Salary Levels

Salary levels will impact benefit provisions. In lower paid industries, you may find only senior managers provided with supplemental employee benefits. However, if you have employees with substantial salaries or sophisticated share purchase/option plans, they may have additional tax and planning consequences as well as limitations applied to pension contributions.

1.4 Location

The location of employees can influence benefit provision and salaries. Costs will be higher in remote locations, especially where logistics play a major role. Mining is a good example of this.

1.4 Competition for Talent

Where there is a shortage of talent within a certain sector, job role or within Australia more broadly (sometimes due to global isolation), there may be a greater need to provide robust employee benefits.





2. Australia Benefits Menu

The ranges of benefits that are typically available to employees in Australia are shown in this table.

2.1 Mandatory Benefits

Benefit	Comments
Superannuation (Pension)	<p>This is a mandatory benefit in Australia subject to legislative requirements. Employers must follow the 'Choice of Fund' legislation or auto enroll eligible employees into a complying superannuation scheme.</p> <p>The legislated minimum is currently 9.5% up to a maximum quarterly salary of \$55,270 (i.e., contribution of \$21,002.60 p.a.). Employees can then elect to salary sacrifice pre-tax dollars into the fund (up to yearly limits).</p> <p>The numbers shown above are minimum requirements. Most employers base their contribution strategy on industry norms and benchmarking data, which can vary from sector to sector.</p> <p>When designing your Australian superannuation scheme, great care needs to be taken in three areas:</p> <ul style="list-style-type: none"> • Contributions – how do they benchmark in your sector? • Supplier – selecting the best supplier based on service and costs is important. This will largely depend on member numbers. • Insurance included – default employer plans have a basic minimum of life and disability lump sum cover, but larger employers typically look towards higher levels of cover. This provides the benefit of scale such as auto cover and cheaper premiums.
Holiday Pay	<p>Mandatory – All full- and part-time employees are legally entitled to 20 paid holidays per year. This does not apply to casual employees however who are more typically paid by the hour or on flexible work contracts. This is in addition to the public holidays. It is now more and more common for employers to allow staff to 'buy' or 'salary sacrifice' extra days.</p>
Long Service Leave	<p>Reasonable and unique to Australia, there is a legislated 8.67 weeks of paid leave in addition to the annual leave payable on the completion of 10 years' service. This entitlement starts to accrue from five years and many businesses will have this registered as a 'liability' in their balance sheet.</p>
Maternity / Paternity Pay	<p>Although there are no legislated paid parental leave requirements for the employer, today companies offer paid parental leave. There is, however, a government parental leave payment (for those eligible), which can be paid through the employer. Full rules can be found at: humanservices.gov.au</p>
Sick Pay	<p>There are no official Statutory Sick Pay benefits – however, most employers voluntarily offer between five and ten days per year. This is sometimes inclusive or exclusive of the typical bereavement leave (commonly up to five days).</p>

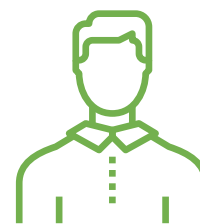


2.2 Wider Benefit Provision

In addition to the mandatory benefits previously shown, employers will often provide a range of benefits to help recruit and retain employees. The most common benefits are shown below:

Benefit	Comments
Company Cars	Small numbers of employees are provided with company financed cars and/or fuel, or a car allowance. Salary packaging through a 'Novated Lease' is reasonably common amongst professional services, IT, or industries where salary levels are typically higher.
Childcare places and subsidies	An increasing number of large, professional services companies are looking to offer childcare placements and or daycare facilities.
Voluntary Benefits	Larger employers often provide employees with a range of 'voluntary benefits' which are often provided at discounted prices through the employer or a third party benefits provider.
Flexible Benefits	It is increasingly popular to provide flexible benefits where employees select benefits from a menu. CA Financial Services can help build and manage the right mix of benefits to offer your employees depending on demographics, age, location, etc.
Share Save Plans	Share save plans are common with employers who want to encourage staff participation in company shared ownership. This benefit has seen major tax reform in recent years and requires the expertise of contractual law and accounting professionals. CA Financial Services has a solid history in helping businesses manage this with employees to effectively eliminate the administrative burden and possible financial impact of such plans.
Gymnasiums	Very large employers at times provide 'gym on site' facilities whereas smaller employers may offer gym subsidies or access to a gym with lower corporate rates.
Workplace Canteens	Canteens are common with larger employers who have high time expectations from their employees or are in remote locations.

When providing any benefit in Australia, it is important to understand and comply with 'Fair Work Australia Act' legislation. This includes significant measures for treating all staff equally irrespective of gender and/or disability. A greater number of employers are now looking to go beyond these minimum standards when it comes to diversity in the workplace.





3. Insured Benefits – Design and Typical Costs

These are the most popular insured employee benefits in Australia and typical levels of coverage.

Benefit	Comment/Cost	Lower Quartiles Approach	Medium Quartile Approach	Upper Quartile Approach
Group Superannuation Plan	<p>It is a requirement to have a Default Group Superannuation plan in place for those who do not have their own personal fund i.e., Visa holders, or graduates</p> <p>Larger employers will spend some time (usually with an advisor) in selecting the appropriate provider and using economies of scale to obtain better fees, lower insurance premiums and additional features. Age, income levels, and industry will play a roll.</p> <p>There is not typically a cost to the company unless providing contributions above the standard 9.5%.</p>	<p>Industry standard default fund with minimum insurance levels.</p> <p>Most Australian employees with us use 'Choice of Fund' legislation to select their own.</p>	<p>Industry standard default fund with medium quartile insurance levels and some features.</p> <p>Most Australian employees with us use 'Choice of Fund' legislation to select their own.</p>	<p>Tendered, market leading Super Fund with high levels of flexible insurance and diverse investment options. These funds will come with education, basic advice and a variety of features.</p>
Life and Disability Lump Sum Insurance	<p>This is the most common non-mandatory benefit in Australia with minimum levels within a Default Group Superannuation plan. It is also easy to obtain and administer.</p> <p>Premiums are typically around 0.5% to 0.8% of salary and vary according to ages, occupations, locations and size of employer. The minimum number of insured lives is 20, however CA Financial has the capacity to assist with plans at lower staff levels.</p>	<p>10% of salary x years to 65 (this creates a bell curve insurance model typically).</p>	<p>3x basic salary</p> <p>Most common benefit level with professional and IT sector and an approach often taken by US owned companies.</p>	<p>4x basic salary</p> <p>Although not common, UK based businesses or those with smaller talent pools will go to this level.</p>
Group Salary Continuance (Long Term Disability)	<p>This is often provided to selected professions and higher-grade employees.</p> <p>It is typically based on 75% of salary plus 10% of the superannuation benefit.</p> <p>Waiting periods are typically 90 days although occasionally a 30 day waiting period is used. The benefit period goes to age 65. It is becoming more common for business to go with a 2 or 5 year benefit period as premiums have climbed in recent years.</p> <p>Premium costs are typically between 0.8% and 1.2% of payroll. Plan minimums are set at 20 employees, however CA Financial has the capacity to assist with plans at lower staff levels. Also, there has been a shift towards shorter benefit periods as costs increase. For example, employers are now fully paying for five years salary continuance plans rather than comprehensive plans that pay to age 65.</p>	<p>75% of salary ONLY with 90 day wait and a 2-year benefit period.</p>	<p>75% of salary plus Super benefit with a 30, 60 or 90 day wait and a 5-year benefit period.</p>	<p>All employees covered on a comprehensive, multiple feature plan of 75% salary plus 10% superannuation benefit with a 90-day wait and payment to age 65 (sometimes with full pay up to the 90 days.)</p>

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Insured Benefits – Design and Typical Costs continued:

Benefit	Comment/cost	Lower Quartiles Approach	Medium Quartile Approach	Upper Quartile Approach
Medical Insurance	<p>This is not traditionally a common employee benefit, but the introduction of more tax and lower government rebates has seen significant growth in this sector. Costs vary based on census data and benefit design. Typical annual premium ranges are:</p> <p>Single cover from \$1,300 (basic) to \$4,000 (comprehensive with extras and low deductible)</p> <p>Family cover from \$2,700 (basic) to \$9,200 (comprehensive with extras and low deductible)</p> <p>Note: These prices are estimates and are subject to change.</p> <p>Medical insurance is a Fringe Benefit Tax (FBT) item in Australia and needs to be 'grossed up' for a true cost perspective.</p> <p>The typical excess (deductible) is \$250-\$500 per person per annum.</p>	No cover provided.	Dollar subsidy provided for the take up of the company group plan. The employee will determine the level of cover and features selected.	All staff and dependants covered at employer's expense.
Employee Assistance Programmes (EAP)	<p>Most larger Australian companies will provide access to an EAP.</p> <p>EAPs can be bought on a stand-alone basis or provided as a 'pay as you use' type arrangement.</p> <p>Higher quality policies include face-to-face counseling as well as a telephone helpline. Costs are typically less than \$50 per employee per annum.</p>	Provided	Provided	Provided

4. Setting Up Policies

Employers often ask us to comment on how policies need to be set up in Australia and possible restrictions that could apply.

4.1 Life and Disability (TPD) Assurance

- Life insurance and lump sum disability can be stand alone or set up with a default superannuation plan or special type of superannuation trust. Setting up the correct trust is vital for minimizing tax charges. CA Financial Services will help you choose the appropriate formula for your industry as well as the structure the cover should be held under.
- If your policy has fewer than 15 employees covered, you need to take out personal, retail insurances with full underwriting. Premiums are dependent on the individual's age, occupation and health.



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- The Auto Acceptance Level (insurance level before medical underwriting applies) depends on group size. Schemes with fewer than 40 employees may have reduced Auto Acceptance Levels.
- All insurers require information that impacts premiums such as past or current claims, employees on long term disability, and employees who are critically ill.
- Cover normally ceases at 65. However, you may be able to extend life insurance coverage (product dependent), but rates may be higher.
- Beware of global policies not set up in Australia as they can be inappropriate for Australian employees or come with additional taxes.

4.2 Group Salary Continuance (GSC)

- GSC is easier to set up than Life/Disability lump sum Insurances as no Fringe Benefits Tax (FBT) applies.
- Cover will not apply to any employee not active at work when the policy commences.
- Claimants typically remain employed with the insured sum coming to the business each month and then paid normally through the payroll system. This is until the employee is no longer employed. Then the insurer will pay directly to the claimant.
- GSC requires a minimum of 15 hours of gainful employment on a full- or part-time basis.
- Typical waiting periods for group plans is 90 days. Less than this is unusual.
- GSC normally insures base salary plus superannuation, but can cover commissions and bonuses on an average 3-year basis.

4.3 Health Insurance

- Standalone group plans typically require 50+ employees. However, there are some pooling products in the marketplace that allow for group insurance as low as five employees.
- There is less differentiation and price competition for plans with fewer than 100 employees.
- There are a number of considerations in terms of cover levels and government rebates. Therefore, employers need to carefully consider their various employee populations and possible variances between lower paid and higher paid employees.
- Premiums are based on factors including:
 - Claims history
 - Eligibility
 - Scheme size
 - Employee contributions (if any)
 - Locations
 - Employee age profile
- Most healthcare providers in Australia have designated wellness programs and useful tools that often run in conjunction with CA Financial's health education services.
- A Fringe Benefit Tax (FBT) applies to this benefit so consideration of payment levels and methods is usually required.





5. Onboarding and Policy Administration

Onboarding

In the US, great attention is given to the onboarding process and the choices employees have to make. In Australia benefit set up has some automation, but there are a number of components and options new employees should consider so their benefit choices meet their needs.

Employee communication

We provide the following benefit communication presentations and materials:

- Staff presentations
- Benefit communication packs including joiner packs
- Benefit videos
- Individual sessions to ensure thorough implementation and tailoring. This may come at an additional cost depending on the type and size of an employer's benefit offering.

Policy Administration

As advisers, we provide full policy administration support. This includes any queries raised, ensuring policies are up-to-date, and answering any questions about claims.

We also provide access to product tools and online portals where appropriate. These platforms give you access to member data and assist with ongoing reviews and changes (depending on the product provider).

6. Adviser Remuneration

We base our costs on the requirements of the client and the time spent providing that service. Commissions are payable on most insurance policies (not pensions), however we are open to discussing fees or commission options.

When looking at fees, we consider:

- Time required to set up any new policies
- If life insurance policies are in need of updating or correcting
- The total number of policies we'll manage
- Meeting requirements (face to face in Australia or over the phone)
- Member communication services and member engagement levels (one-to-one option)
- Size of policies (expected claims volumes)
- Any other requested services

We will provide a full-service specification along with our Terms of Engagement.

7. CA Financial Services Australia Team

Please contact Mark Rapley if you have an inquiry.



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