



CHOICE LEGISLATION

The Superannuation *Legislation Amendment (Choice of Superannuation Funds) Act 2004* will come into effect from July 1 2005.

How choice of fund will work

Employers will have until July 29 2005 to provide each employee with a Standard Choice Form (SCF). New employees must be given the SCF within 28 days of starting work and an employee may request the SCF at any time as long as 12 months have passed since the last request. The SCF will:

- Advise employees they can make a choice.
- Identify the default fund if no choice is made.

Why are unions concerned about choice?

- Potential mis-selling by financial planners seeking to earn a commission.

Banks and retail super funds generally sell their products on a commission basis. Commissions come out of workers' super accounts and can have a huge impact on their balance. Advisers receiving commissions are unlikely to recommend industry funds because industry funds typically don't pay commissions.

- Inadequate fee disclosure.

Super funds will only be required to disclose the fees charged in the first year. This may lead to some providers offering honeymoon rates in the first year and then charging higher fees in subsequent years.

- Choice of fund may allow employers to choose the "default fund" that contributions are paid into.

If employees are not covered by an award or agreement specifying a fund and they do not make a choice, then the employer will control where their super contributions are paid. Employees could find themselves in more expensive and/or lower-performing funds.

For More Information:

Call 1300 362 223

or log on to

www.actu.asn.au/super

Super Fact Sheet

- A general lack of interest and knowledge about super among employees.

There are 2.7 million Australians (one third of the workforce) with over \$7 billion of unclaimed super. Many employees also have multiple accounts and are therefore paying multiple sets of fees and missing out on the compounding benefits of consolidating their super.

Exemptions

Choice of fund is expected to affect 40% of workers. Choice currently does not apply to:

- Employees covered by state awards, certified agreements or AWAs that specify a fund where contributions are to be paid.
- Members of Commonwealth public sector funds.
- Members of defined benefit funds.

What can unions do?

To properly protect members, unions must take action. They should:

- Include relevant superannuation clauses in certified agreements and state awards.
- Support industry fund strategies for non-union workplaces.
- Organise information sessions for workers with industry fund representatives.

For further assistance contact your super fund or call the ACTU Super Hotline on 1300 362 223.

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