FACT SHEET

The Superannuation Fund

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In Australia two basic types of funds are currently available - accumulation funds and defined benefit funds. They can also be categorised into account based and non-account based funds.

Accumulation Funds

Also known as Account Based funds, these are the most common type of superannuation funds and include personal superannuation funds and Retirement Savings Accounts (RSA). In an accumulation fund the end benefit is the return of contributions plus investment earnings less fees, charges, tax and insurance premiums. They are relatively simple to understand with the member usually able to determine the value of the benefit at any given time. However, the member bears all investment risk.

Defined Benefit Funds

Also known as non-account based funds are open only to employees of the provider. To date most public sector funds and some corporate superannuation funds have been defined benefit schemes. As governments and large companies seek to limit their future liabilities, defined benefit funds are becoming less common. With a defined benefit fund, the end benefit is determined by set criteria. The criteria usually take into account such variables as length of service, member contributions and salary level on retirement. These schemes can be quite complex to understand and the member bears little, if any, investment risk. Investment risk is carried by the employer or the fund.

MySuper

Employer contributions made for eligible employees who do not nominate a chosen superannuation fund are required to be contributed to an authorised 'MySuper' fund. MySuper funds are 'default' funds for employer benefits to be paid where the member has not or does not wish to choose a super fund.

MySuper funds are accumulation funds that offer a lower fee base while offering specified basic features. This is to avoid paying for services that may not be needed. MySuper funds may also offer investment options designed for life stages. For more information on MySuper funds visit the Australian Prudential Regulation Authoritry (APRA) website at www.apra.gov.au and the Australian Taxation Office (ATO) website at www.ato.gov.au.

Providers of Superannuation Funds

Superannuation funds or schemes are offered by a wide range of private and Government institutions, namely:

- public sector employers;
- private companies for their own employees;
- industry funds established under an industrial award or agreement (most are now public offer funds);
- banks and other financial institutions may offer RSA;
- life insurance companies (public offer);
- friendly societies (public offer);
- independent fund managers (public offer); and
- Self Managed Super Funds (SMSF).

The following table outlines the types of super funds available in Australia and some of the basic features they offer.

Types of Funds	Features	
Public Offer Funds (including retail funds)	• These regulated super funds are open to anyone. • Wholesale funds may be available	• Offer many investment options
Industry Funds	• Accumulation funds that were established for the benefit of employees covered by a particular agreement or industry award. • Offers many investment options	• Many Industry Funds are now Public Offer Funds.
Personal Superannuation Funds	• Accumulation funds available from life offices, independent investment companies, friendly societies and other financial institutions.	• Allow individuals to choose their own style of fund/provider.
Retirement Savings Accounts	• These are accumulation superannuation accounts. • The underlying assets largely comprise cash and fixed interest investments.	• Capital guaranteed by the provider. • It is intended for RSAs to cater for small irregular superannuation contributions and not be used as a long term investment vehicle.
Non-Public Offer Funds	• Membership is restricted. • Non-public offer funds are rare.	• Only available as a condition of employment with certain organisations.
Company Based Funds	• Membership is restricted.	• Either defined benefit or accumulation funds.
Public Sector Funds	• Membership is restricted to employees of relevant governments. • New employees usually join accumulation funds.	• Defined benefit funds are now mostly closed to new employees.
Self Managed Super Funds (SMSF)	• Maximum of four members. • All members must be trustees or directors of the trustee company. • Members must be Australian residents • SMSFs do not have access to the Superannuation Complaints Tribunal (SCT).	• SMSFs are regulated by the Australian Taxation Office (ATO). • Members cannot be employees of other members unless they are also relatives. • A Product Disclosure Statement (PDS) does not have to be issued by trustees.
Small APRA Funds (SAF)	• Maximum of four members to meet requirements. • A professional trustee is appointed by members from a list of APRA approved trustees. • Non-resident membership possible since the approved trustee is located in Australia. • The use of a professional trustee means SAFs must have access to the SCT.	• SAFs are regulated by the Australian Prudential Regulation Authority (APRA). • Members can be employees of other members. • Trustee must provide a PDS.