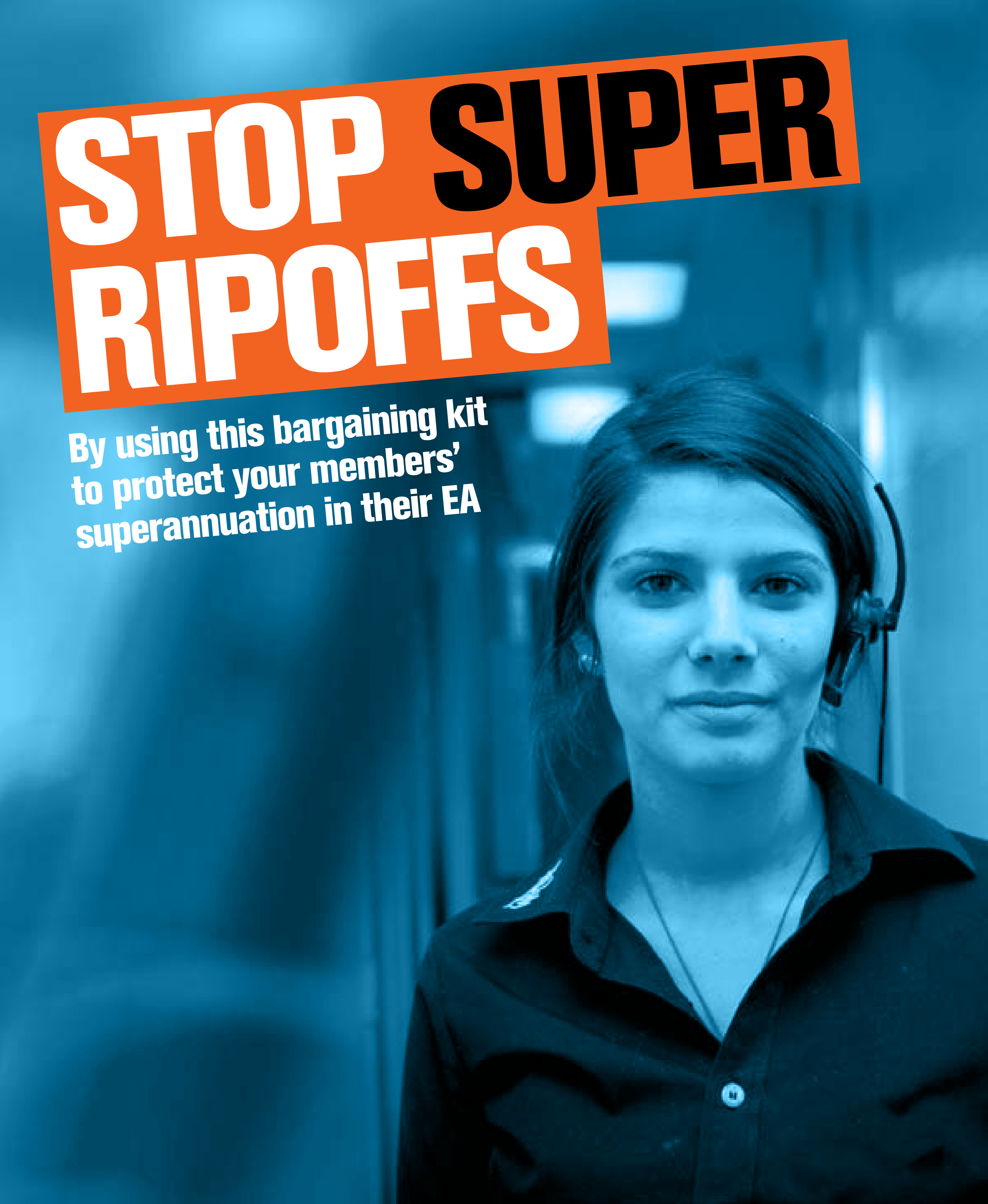
STOP SUPER RIPOFFS

By using this bargaining kit to protect your members' superannuation in their EA



STAND UP FOR SUPER! WITH YOUR UNION

ACTU
australian council of trade unions

Unions have a lot to be proud of when it comes to superannuation.

Not only did we invent it, but just this year we helped win a staged increase to 12% for all workers by 2019.

Super is core union business and should be at the centre of our bargaining agenda.

Too many working people, including many of our members, are still facing super ripoffs that are costing them dearly when they try to retire.

Sometimes by employers, sometimes by retail funds and sometimes because unions don't focus on super as a priority.

This booklet is designed to help unions stop the ripoffs and focus on bargaining for super.

Read it, and please make sure it is distributed and discussed by all organisers, industrial officers and other officials throughout your union.

Tim Lyons
ACTU Assistant Secretary

HOW UNION MEMBERS CAN AVOID SUPER RIPOFFS

Being in the right super fund could make a big difference to the money your members have for retirement. It could dramatically impact when they are able to retire and the lifestyle they have when older.

Ensuring your members are properly protected by a strong Superannuation Clause in their Enterprise Agreement will mean they can avoid losing out.

Remember, under the Fair Work laws, it's not enough to rely on the Award – unions need to make sure super is included in an Enterprise Agreement to stop the ripoffs.

RIPOFF No.1
No default fund or super clause in EA

Over 40% of Enterprise Agreements do not have a superannuation clause that names a default fund. This means employers are able to choose poorly performing and high-fee super funds to be the default for potentially millions of workers.

Superannuation is not fully dealt with by the Modern Award. There needs to be a strong super clause in union Enterprise Agreements. Without a comprehensive EA clause, important matters like how super is calculated, when it is paid, and arrangements for salary sacrifice contributions will be left up in the air.

RIPOFF No.2
High fees

The fees you pay on your super can greatly affect your final retirement payout. Just 1% extra in fees charged over 30 years could result in tens of thousands of dollars less in retirement benefits or up to 20% less.[1] Industry super funds have low fees, which means your members could be better off.

RIPOFF No.3
Low performance

For the last eight years, 49 of the top 50 performing funds were all-profit-to-member funds (which includes industry, corporate and public sector funds). By contrast, most of the retail funds measured were in the bottom half of funds by performance.[2]

RIPOFF No.4
Commissions

Retail super funds pay commissions to financial advisers, financial planners, insurance companies and sales agents. They rely on a network of hundreds of branches of the big banks and financial planners for their distribution.

Industry super funds do not pay commissions. This helps keep their fees down and their returns higher for members.

(1) Figures, assumptions and examples from https://www.moneysmart.gov.au/superannuation-and-retirement/how-super-works/super-fees

(2) Figures to June 30 2011. APRA Superannuation Fund-level Rates of Return (29/02/2012). Past performance is not a reliable indicator of future performance.

Consider your own objectives, financial situation and needs before making a decision about superannuation because they are not taken into account in this information.

RIPOFF No.5
Profits go to shareholders

The profits of the retail super funds go to their shareholders, not the members of the fund. And did you know that most of Australia's biggest retail super funds are also owned by the big banks? While it is not known how much the retail funds contribute to the profits of the big banks, you can bet the banks are always looking for more.

On the flipside, industry super funds are run only to benefit members. Whatever profit industry super funds make goes back to the members of the fund.

RIPOFF No.6
No democracy

Retail funds are run by boards of directors that are appointed by the shareholders. In many cases they are run by people appointed by their owners, the big banks. This means retail fund members have almost no say in the running of their fund. Retail funds have fewer women on their boards and they spend much more on executive pay.

Industry super funds however, have equal numbers of employee (union) and employer representatives on their trustee boards. Industry funds also enjoy almost three times the proportion of women directors on their boards compared to the average company. Having a diverse board and being in touch with the needs of members in the workplace helps industry super funds achieve better returns and lower fees.

TIMELINE FOR 12% SUPER

New laws passed by the Labor Government in March 2012 will result in a phased increase in the minimum Superannuation Guarantee (SG) contribution for all workers to 12% by 2019.

Through union bargaining, around 1.8 million workers already receive more than the current 9% minimum contribution.

Unions should bargain for more than the minimum SG where you can.

It is also important that unions do not 'trade-off' increases in the SG by accepting lower wage increases from employers in enterprise bargaining.

Superannuation Guarantee

Current	**9%**
1 July 2013	**9.25%**
1 July 2014	**9.5%**
1 July 2015	**10%**
1 July 2016	**10.5%**
1 July 2017	**11%**
1 July 2018	**11.5%**
1 July 2019	**12%**

NO WAGE TRADE-OFFS

STAND UP FOR SUPER! WITH YOUR UNION

MODEL SUPER CLAUSES FOR EAs

Here are the key clauses the ACTU recommends you include in your EAs. Use them to ensure your members get the superannuation entitlements and better retirements they deserve.

1. **Superannuation contributions will be made to [insert name of Industry Super Fund].**

2. **This clause applies to all employees covered by this agreement, regardless of their age and level of earnings.**

3. **All those employees who wish to make salary sacrifice contributions will be entitled to do so.**

4. **The employer will pay superannuation contributions, including salary sacrifice, on behalf of each employee at least monthly and in full to the nominated superannuation fund.**

5. **At least monthly, employees will receive information on their payslips that will enable them to confirm that all due superannuation contributions, including salary sacrifice, have been paid to the nominated superannuation fund.**

6. **Contributions will be paid as a percentage on all earnings (all wages, allowances, bonuses and similar). Salary sacrifice contributions shall not reduce the calculation and payment of contributions for the purposes of this clause.**

7. **The percentage of contribution will be the percentage fixed by the *Superannuation Guarantee (Administration) Act 1992* (as amended). Any increases to the percentage that occurs during the term of this agreement will not result in a reduction in any form of payment to employees.**

8. **The contributions provided for in this clause will be made in respect of all periods of paid leave, and all periods of leave taken as a result of a work-related injury or illness (provided that the employee is receiving workers' compensation or regular payments directly from the employer in accordance with statutory requirements and the employee remains employed by the employer).**

9. **Employees who take paid and unpaid parental leave will be entitled to a contribution while on leave that is equivalent to the average contribution paid to them during the 12 months immediately preceding the commencement of that leave. Any base salary increases payable under this agreement during the period of leave will be applied as a percentage to the contribution amount.**

NOTES AND MORE INFO ON THE MODEL CLAUSE:

1. On average, most industry super funds charge less and perform better than most retail funds. Enterprise Agreements should therefore name industry funds to receive super contributions. This model clause will result in all contributions being paid to a single industry fund.

   However, union members may want an agreement that enables choice in making contributions. If so, you may wish to use either:
   i) Superannuation contributions will be made to one of the following funds: [insert names of several Industry Super Funds]
   or
   ii) Superannuation contributions will be made to a fund of the employee's choice. Where an employee does not choose a fund, their contributions will be made to [Industry Super Fund].

   These versions allow employees to potentially choose between a number of funds that are appropriate to your workplace/industry from an agreed list. The second alternative also provides the protection of an industry fund for workers who do not elect to choose.

2. Employers are not required to contribute SG contributions for employees who are:
   - Paid less than $450 per month
   - Under age 18 and working 30 hours per week or less
   - Age 70 or older (this upper age limit may be removed by the Government)

   This clause ensures all employees covered by this agreement benefit from super, regardless of their age and level of earnings.

3. At present some employers do not offer a facility to their employees to make salary sacrifice contributions. Such contributions receive favorable tax treatment and help to increase the value of final retirement balances. All employees should therefore be entitled to make such contributions if they wish.

4. Employers are currently only required to pay SG contributions on a quarterly basis. To help promote full and timely payment, Agreements should require that all contributions are paid at least monthly.

5. There is no requirement for employers to report on each pay advice the amount of contributions actually paid to a fund the Government is considering introducing such a requirement. This clause will help ensure all due superannuation contributions, including salary sacrifice, are not being withheld.

6. Payments such as allowances and bonuses that are in addition to the legislated definition of Ordinary Time Earnings can increasingly comprise an important part of what some employees earn. Where possible, these should be included in how contributions are calculated.
   An alternative clause is:
   i) Contributions will be paid on ordinary time earnings as defined in the *Superannuation Guarantee (Administration) Act 1992* (as amended). Salary sacrifice contributions shall not reduce the calculation and payment of contributions for the purposes of this clause.

   At present the law allows employers to use the additional salary sacrifice contributions made voluntarily by employees to help fulfil the employer's SG obligations. This clause is intended to ensure that this will not happen.

7. The SG rate will increase in steps from 9 per cent to 12 per cent between 2013 and 2019. These increases in super should not be traded off by workers missing out on a decent wage increase or by suffering a reduction in any form of payment.

   Where unions seek to maintain or achieve an above-minimum super contribution, an alternative clause is:
   i) The percentage of contribution will be x% plus the percentage fixed by the *Superannuation Guarantee (Administration) Act 1992* (as amended).
   Any increases to the Superannuation Guarantee percentage that occur during the term of this agreement will not result in a reduction in any form of payment to employees.

8. The SG legislation does not count absences from work while being paid workers' compensation as part of Ordinary Time Earnings.

9. Employers are not presently required to make SG payments in respect of employees who take parental leave. This disadvantages women in particular, many of whom currently retire with superannuation balances that are, on average, 50 per cent of those of men. Employees who have children should not be penalised for doing so by having less super. This clause ensures that employees on parental leave will get a super contribution equivalent to the average amount they got the previous year.

DON'T GIVE EMPLOYERS THE POWER TO CHOOSE A LOW-PERFORMING RETAIL FUND. MAKE SURE INDUSTRY SUPER FUNDS ARE IN ALL EAs.

Bargaining tips

- Nominating an industry fund as the default in an EA does not need to cost the employer anything. Therefore, it is not reliant on productivity increases or trading off conditions.
- The employer is obliged, under good-faith bargaining rules, to disclose which fund they are using as the current super default fund and to supply a copy of the current Product Disclosure Statement (PDS) for that fund. Unions can use the PDS to do a comparison of the relevant industry fund against the competing retail fund. This will allow you to base your negotiations on independently verified facts. The comparison should highlight the areas where the industry super fund provides a better offer for both **employees** and the **employer**. For employees, this could include lower fees and/or better investment returns and options, insurance offerings, and education and advice.
- If the employer is concerned about **union** representatives on the Board of an industry super fund, you should point out there are equal numbers of **employer** representatives also on the Board.
- Remember, contact your industry super fund if you need advice or research to help with bargaining.

STAND UP FOR SUPER! WITH YOUR UNION

TIPS TO IMPROVE YOUR MEMBERS' RETIREMENT

Here are 5 simple but incredibly important actions that can make a real difference:

1. Maintain only one super account through your working life
2. Make additional contributions if you can
3. Choose an appropriate investment strategy in line with your risk profile
4. Protect yourself with adequate insurance
5. Don't 'set and forget' – get advice and plan your future retirement

1 Consolidating super

Having one fund means one set of fees and less paperwork. Combine multiple super accounts into a one single fund to grow super faster.

Industry super funds will track down lost super for members and can consolidate them into a single fund to maximise member benefits.

2 Topping up super

Salary Sacrifice can provide benefits to workers' super balances by minimising taxation implications. After-tax contributions can make a big difference to retirement savings. They represent an alternative to investing money outside super and possibly paying more tax.

Low and middle income earners earning up to $61,920 can take advantage of the government's superannuation co-contribution initiative. If you make extra personal super contributions to your super fund the government will then match them up to the value of $1,000 a year.

3 Asset selection/investment strategy

Industry super funds will work with members to determine the most appropriate investment options and asset selections, based on their risk profile, expected returns and investment timeframes.

4 Upgrading insurance

Most industry super funds provide basic insurance automatically. Members can top this up with increased cover at competitive rates – and the premium can be paid from the super account, not directly out of members' pockets.

5 Financial and retirement planning

Super represents a significant long-term investment that workers need to understand and review on an ongoing basis. Most industry super funds offer fee-for-service financial advice – with no strings attached – no commissions or hidden or ongoing fees.

For workers over 55 years, a Transition to Retirement super strategy can save on tax – and after 60 years of age, the benefits get even better. Industry super funds can explain and organise strategies that are income and tax-effective for the over-55s.

Refer members to industry super funds for financial advice and for more information - see back page for details.

Consider your own objectives, financial situation and needs before making a decision about superannuation because they are not taken into account in this information.

ACTU SUPER PARTNERSHIP

ACTU Member Connect works with key industry super funds and networks, trustees, fund managers, administrators and financial service providers through the ACTU Super Partnership Program. We thank the following organisations for their support:

ACTU member connect

agest.com.au

unclaimedsuper.com.au

australiansuper.com

caresuper.com.au

cbussuper.com.au

firststatesuper.com.au

hesta.com.au

hostplus.com.au

industrysuper.com

mediasuper.com.au

rest.com.au

twusuper.com.au

mebank.com.au

ifs.net.au

aist.asn.au

industryfundsmanagement.com.au

superpartners.com.au

For further information, including how to join the ACTU Superannuation Partnership Program, please contact Ian Wilson, General Manager, ACTU Member Connect on 03 9664 7333 or iwilson@actu.org.au

5 SIMPLE STEPS TO SECURE YOUR MEMBERS' FUTURE.

1. Adopt a model superannuation clause and educate union officials about super
2. Plan to include super in the upcoming EA campaigns
3. Get help with bargaining from an industry super fund
4. Inform your members about their super entitlements and retirement needs
5. Use super, financial advice and banking as extra benefits for members to aid union growth

For more information
www.standupforsuper.com.au
phone 1300 4 UNION
email super@actu.org.au

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