How Superannuation Works Factsheet

Fire & Emergency Services
Superannuation Fund

What is super?

- Superannuation – or super, as it's commonly known – is a way for you to save for your retirement. You can think of super as an asset – like a home or an investment property you may own – because it holds value that should grow over time. In fact, super could well be one of the biggest assets you will ever have.
- Over time, contributions paid to your super will provide an amount of money you can use when you retire from the workforce.
- An employer usually has to contribute at least 10% of your ordinary times earnings each year into your super under Commonwealth Superannuation Guarantee (SG) legislation. Depending on your category of super membership, your employer may contribute more than this. 'Ordinary times earnings' is defined by the Australian Taxation Office and generally means your normal salary or wages.
- This super money is managed by the trustee of a super fund who is closely supervised by Commonwealth Government regulators to ensure that your entitlements remain safe and secure during your fund membership period.

Super funds look after your money

A super fund invests your money in investment markets to generate investment returns that could be positive or negative depending upon how the investment markets perform. The aim is to help you retire with more money than you would have otherwise had. The way that your final super balance is calculated depends on the type of super product that you have.

Accumulation style of super

Defined contribution or accumulation style of super funds are the most common type of super funds in Australia. If you have an accumulation super account in this type of super fund your contributions (and those of your employer) will be invested based on your investment choice from the investment options available. Your final balance will depend on the investment returns achieved in those investment choices (which may be positive or negative at any point in time depending on the investment markets) and the fees and costs that you pay the trustee for those investment choices.

You are usually able to choose where your money is invested from a specified list of investment options made available by the super fund as most funds have a range of investment options on offer. Most super funds also have a default investment option where your super is invested if you don't make an investment choice. The default investment option in the Fire and Emergency Services Superannuation Fund is the Smoothed investment option.

Defined Benefit style of super

Both defined benefit members and the employer of these members are generally required to contribute a specified percentage of the member's annual salary to defined benefit super funds.

If you have a defined benefit style of super the amount of money you get when you retire is generally determined by a formula based on a fund membership multiple (the number of years you have been a fund member multiplied by an annual percentage benefit accrual factor) and your final average salary (usually your average salary over the previous three years prior to your retirement). Defined benefit members are not subjected to the volatility of the investment markets in the same way as accumulation account members, as with defined benefit members, it is the employer who bears the investment risk of markets not providing positive investment returns.

There are very few defined benefit funds left operating in Australia as there has been an industry trend in recent years towards converting this style of fund to an accumulation style of fund.

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Board ABN 55 476 454 384 Fund ABN 43 198 502 058

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Insurance and super

Most super funds also provide members with access to death, disablement and income protection insurance cover through insurance policies the super fund takes out with an insurance company. The benefit of having insurance cover within the super fund is that it is generally much cheaper than taking out your own insurance policy.

Withdrawing your super money

There are limitations on withdrawals from super funds. Generally you can only withdraw your super when you reach your preservation age and have permanently retired from your employment. Your preservation age depends upon your date of birth and is prescribed by Commonwealth rules. There are limited circumstances when your account can be paid out early, such as if you die or if you become totally and permanently disabled.

What happens to my super if I die?

If you die before receiving all or part of your super, the trustee of your super fund will pay your super entitlements to the person or persons you had chosen as your nominated beneficiary subject to them meeting certain conditions at that time. Super paid after a person's death is called a 'super death benefit'.

If there are no binding death benefit nominations made by you at the time of your death the trustee of the super fund will decide how and to whom the super death benefit will be paid. Depending on the trust deed, governing rules and regulation of superannuation, the trustee may pay the super death benefit to your estate, in which case the executor or administrator of your estate will deal with it according to your wishes if you have made a Will or alternatively according to State or Territory law if you haven't made a Will.

However, your super does not generally form part of the assets of your deceased estate and the trustee of your super fund will decide in most cases who receives your super entitlements having regard to your circumstances at the date of your death.

If you had previously made a binding death benefit nomination in your super fund, the trustee of the super fund is bound to follow the beneficiary directions you had given in that nomination if it was a valid nomination at the time of your death. Only certain persons such as your spouse, children or anyone who is a financial dependant can be nominated as a beneficiary in a binding death benefit nomination.

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