

Fund Choice – The Complete Guide for Members of Combined Fund

Sometime before 29 July, your employer will offer you Choice of Superannuation Fund. **Two main points to note:**

- (1) **You are not required to ever make a choice. If you are happy with your current superannuation arrangements, do nothing.**
- (2) **Even if you want to choose another fund, take your time. There is no time limit on when you can make a Fund Choice.**

"Everyone in the industry wants consumers to make informed choices and that means they should take their time." Craig Dunn, Managing Director, AMP Financial Services, Australian Financial Review 15 February 2005

Don't I already have Fund Choice?

For several years, Combined Fund has allowed its members to choose any mix of 8 investment options (soon to be 9). This is known as **Investment Choice**.

So, what is Fund Choice?

Fund Choice allows you to choose a superannuation fund for your employer's future compulsory 9% Superannuation Guarantee contributions.

The Government's rules for Fund Choice **do not** cover:

- your voluntary after-tax or Salary Sacrifice contributions; or
- any employer contributions in excess of 9% of salary.

However, it is generally expected that, if you choose an alternative fund for the 9% contributions, your employer will pay any other contributions to that fund as well.

Does Fund Choice apply to my existing retirement savings?

Fund Choice does not apply to your current account balance in Combined Fund or to amounts you may have in any other superannuation or roll-over funds.

Separate Portability legislation provides that you can ask for your account balance to be transferred to another fund once your fund account has had no contributions paid into it for six months.

Who gets Fund Choice?

Basically, everyone except:

- those employed under:
 - Workplace and Certified agreements (EBAs);
 - Victorian employment agreements;
 - State Industrial Awards;
- most Public Servants; and
- members of some Defined Benefit funds.

Your employer will be able to advise you if you are not eligible for Fund Choice.

"If everyone does a good job as far as choice of fund is concerned, we should see people in the funds that suit them best, rather than shifting funds for the sake of it or because of a group of advisers' preferences." Graeme Colley, Superannuation Manager, Super Concepts, Australian Financial Review 10 March 2005

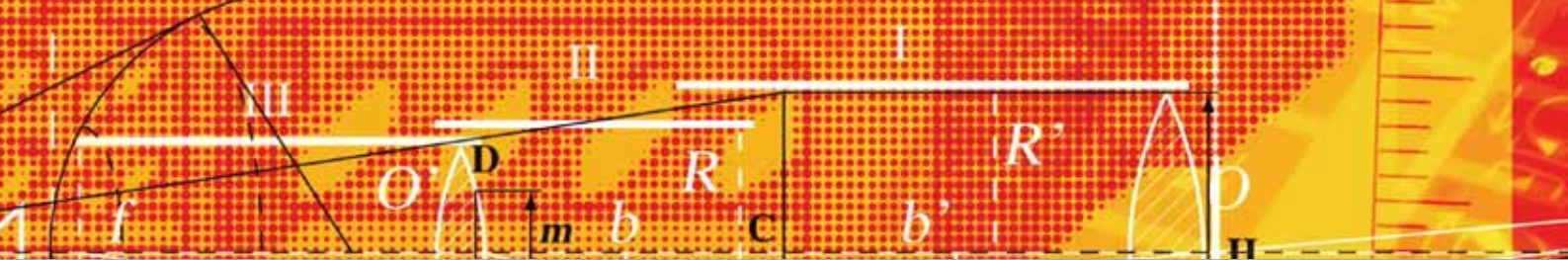
Can I choose any fund?

No. There are lots of superannuation funds which you cannot join simply because you are not eligible to join them.

Generally, you are only able to join a Public Offer Fund (ie a fund which is open to the general public). Public Offer Funds include:

- some Industry Funds which have elected to become public offer funds;
- Retail Funds offered (usually by financial planners) through banks, life insurance companies and other financial institutions;
- Retirement Savings Accounts. These are offered by banks but are generally regarded as inappropriate for long-term superannuation savings due to the conservative nature of their investments;
- Self-managed Superannuation Funds (also known as DIY Funds).

Some superannuation funds may allow you to join them if your employer agrees to be a Participating Employer in that fund. However, if your employer is not prepared to sign a Participating Employer agreement, you will not be able to choose that fund.



"The biggest risk appears to be advisers mis-selling people into self-managed super fund arrangements where the client involved doesn't have the skills, time or adequate savings to make this viable." Philippa Smith, CEO Association of Superannuation Funds of Australia, Money Management 2 February 2005

How does Choice work?

Government regulations require your employer to provide you with a Standard Choice Form by 29 July 2005. A specimen form is enclosed with this newsletter. Part A is the top half of the form and should have already been completed by your employer.

1. I WANT TO STAY WITH COMBINED FUND

- If Part A of the form is completed with Combined Fund's details in Question 2, then you don't have to do anything. You can just file the form or throw it away. If you do this, your employer will continue to contribute to Combined Fund.
- If the form is completed with another fund's details in Question 2 and Combined Fund's details in Question 3, then send us the form. We'll complete Part B for you and return it with the necessary information attached. You then sign it and give it to your employer. Future contributions will be paid to Combined Fund.
- If the form is completed with no reference to Combined Fund, send it to us and, as above, we'll complete Part B so that future contributions can be paid to Combined Fund.

"It should be strongly emphasised that, for employees, there is no obligation to do anything. Indeed, the default fund selected by the employer could very well be the most suitable for the very reasons the employer selected the fund in the first instance." Susan Orchard, Institute of Chartered Accountants, Investor Weekly April 2005

2. I WANT TO CHOOSE ANOTHER FUND

If you have decided that you want future contributions paid to an alternative fund, there are several steps which you must take:

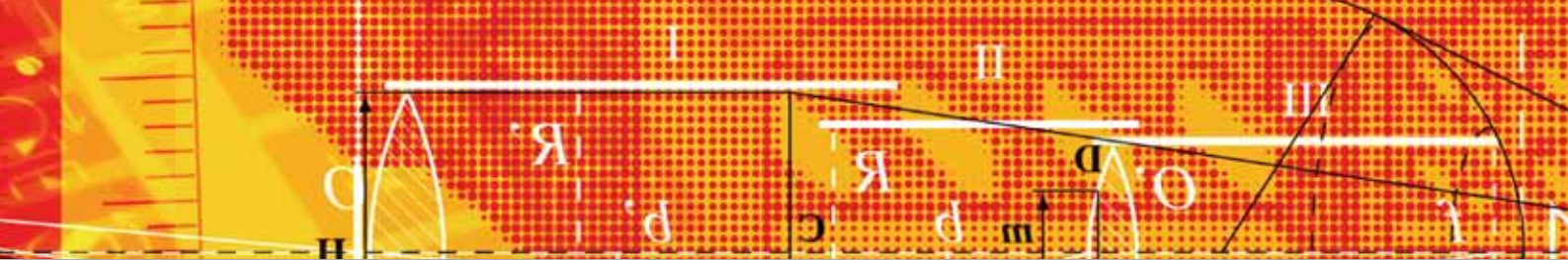
- first ensure that you are eligible to join the other fund;
- complete an application to join that fund. You are required to provide your membership number on Part B of the Standard Choice Form. A number won't be issued until you have joined the other fund;
- obtain the following from the other fund:
 - Full name and Australian Business Number (ABN);
 - Superannuation Product Identification Number (SPIN) of the Fund;
 - a letter of Compliance from the Fund;
 - if it is a self managed fund, you must provide a Notice of Registration or a Notice of Complying Fund Status from the Tax Office;
 - written evidence from that fund that it will accept contributions from your employer and how and where those contributions are paid;
- Complete Part B of the Standard Choice Form and give it to your employer with the above documents.

Unless you provide all of this information with your completed form, your employer can refuse to accept your choice of fund.

If your chosen fund will not allow you to join unless your employer signs up as a Participating Employer, your employer can refuse to accept your choice of fund.

If your employer accepts your choice of fund, contributions to that fund must commence within 2 months of the employer receiving your completed form and relevant documents.

The employer is not obliged to accept any other fund choice from you during the next 12 months.



NB: Completion of the Standard Choice Form is simply your request to your employer to contribute to another fund. Separate Portability legislation governs your existing account balance in the Combined Fund.

On 8 June 2005, the Government announced its intention to change the Portability legislation to provide for Fund Choice to also apply to account balances.

However, until that legislation is changed, if you wish to also have your account balance in Combined Fund transferred to another fund, you must write to the Trustee of the Combined Fund requesting the transfer and enclosing the same proof of compliance that you gave to your employer.

The other fund may provide you with a Transfer Authority Form for completion. Upon receipt of that request, the Trustee of Combined Fund will issue a Discharge Form for you to complete and return.

Six months after the last contribution has been paid to your Combined Fund account and, assuming all of the above documentation has been submitted, Combined Fund will transfer your account balance to your chosen fund. A Withdrawal Fee of \$67 will be deducted from the amount to be transferred.

During those 6 months, your insurance cover in Combined Fund will be maintained unless you have advised us to cancel it. Premiums for this insurance cover will be deducted from your account in Combined Fund.

Warning

If you choose to leave Combined Fund, do not cancel your insurance cover until you have received written confirmation of replacement cover from the other fund (assuming such cover is available to you).

The worst thing you can do is lose your valuable cover and then find that you can't arrange replacement cover elsewhere. For example, a recent survey of DIY Funds showed that only 24% of members have arranged life insurance through their fund (*Australian Financial Review 16 April 2005*).

"I'm very sceptical that DIY will help people get better outcomes!"

Mark Delaney, CEO, Superannuation Trust of Australia, Australian Financial Review 15 February 2005

Other things to watch for

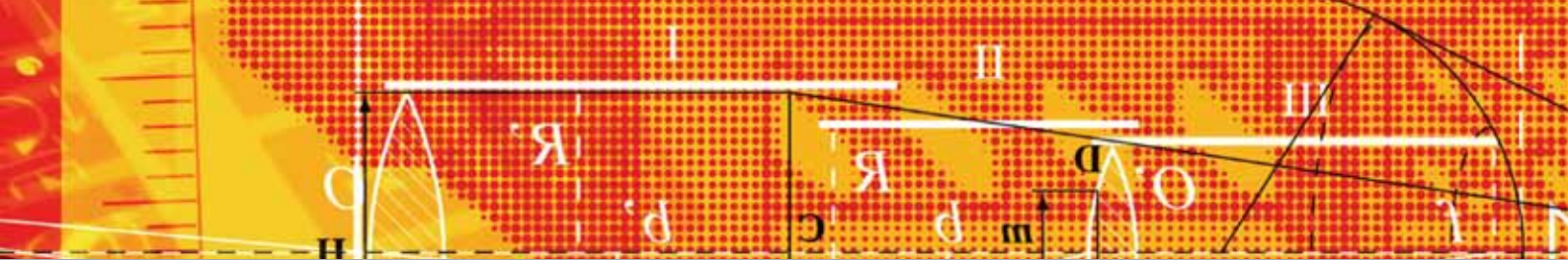
- Some superannuation funds will automatically preserve your non-preserved benefits upon transfer. You should seek confirmation that this will not happen before joining a fund.
- If you have pre-1983 service, ensure that your Eligible Service Date is accurately recorded by your new fund. If not, you could pay a lot more tax at retirement.
- Look out for contribution fees or entry fees on roll-over. There are so many funds which don't charge such fees that you shouldn't be caught by one that does.

"If an adviser is recommending you switch to a fund with higher fees and charges, ask what additional benefits you would gain." Daryl Dixon, Investment Adviser, Author and Commentator, The Age 10 April 2005

- Avoid short-term comparisons of investment returns. Anything less than 5 years is a poor indicator of investment capability. For example, of the 15 investment funds in the top 25% of Australian share funds for 2000, only three were still in the top 25% by the end of 2004 (*InTech Survey of Wholesale Australian Share Funds*).

"There is no reliable relationship between super fund fees and their investment returns."

Alex Dunning, Director of Research, Rainmaker Information, The Age 26 February 2005



- Does your chosen fund offer short **and** long term disability income insurance? Many don't offer either and most that do will only provide a 2-year benefit.

Combined Fund offers **both** a 2-year benefit and a benefit to age 65.

- Think about how many investment options you really need. If most of the options involve selecting a specific investment manager, how will you know which to choose?

If the options are so complex that you need the advice of a financial planner to choose your investment spread, will the cost of that advice be justified by the return on those investments? Will the return be any greater?

- Remember – most of the funds that you will be eligible to join will require you to join as an individual – not as part of a group. This often means higher fees and insurance premiums.

“In general, wholesale funds offer relatively good value. Fees and insurance premiums are quite low and the investment structures are sound. . . The same general comments cannot be made about retail funds.” Warren Chant, Chant West Superannuation Consultancy, Business Review Weekly 2 March 2005

The Golden Rule of Fund Choice

Take your time. Fund Choice simply allows you to choose another fund if **you wish to** and **whenever you want to** after 1 July 2005.

The best option is probably to stay where you are.

Two things to think about:

- ▶ Am I happy with the benefits provided by Combined Fund?
- ▶ What do I expect to achieve by moving?

If you don't know, have a look at our checklist on the next page.

Combined Fund provides the three main features that people look for in a superannuation fund and a fourth that many funds don't provide.

1. plenty of contribution, insurance and investment flexibility;
2. low fees;
3. an excellent long-term history of investment returns; plus
4. when you ring us, you talk to the person who is actually working on your account – not some short-term call centre operator.

“Don't be influenced by persuasive advertising and marketing campaigns as they do not prove the fund in question has the ability to manage money in a prudent manner.”

“There is as much chance of making a mistake by moving to a new fund as there is in staying with the existing fund – as long as it is compliant and performing well.”

“Rather than switching superannuation funds, it would be more useful to review the investment strategy you have in your existing fund to determine if it is the best possible strategy for your needs. If not, then perhaps a change of strategy within the same fund might be all that is necessary.” Louise Biti, Superannuation Committee Chair, Financial Planning Association,

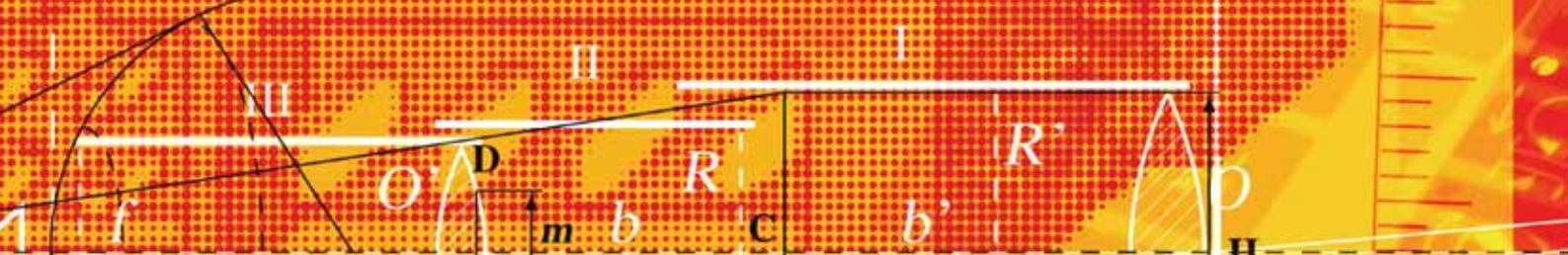
The Financial Standard 13 April 2005

Choosing a Superannuation Fund – Investor Checklist

The following questions should be considered when choosing a superannuation fund to meet your specific needs.

FLEXIBILITY AND CONTROL	COMBINED FUND
<input type="checkbox"/> Can I make pre-tax (salary sacrifice) and after-tax contributions?	Yes
<input type="checkbox"/> Can I change or stop my contributions at any time without penalty?	Yes
<input type="checkbox"/> Can I contribute on behalf of my spouse?	Yes
<input type="checkbox"/> Can I increase or decrease my insurance cover at any time? (subject to proof of good health for an increase I choose to make)	Yes
<input type="checkbox"/> Can I arrange salary continuance cover for 2 years or to age 65?	Yes
<input type="checkbox"/> Can I tailor my investment arrangements to suit my requirements?	Yes (any mix of 8 options – soon to be 9)
<input type="checkbox"/> Can I switch my investments at any time?	Yes
<input type="checkbox"/> Is there a cost for switching?	No
<input type="checkbox"/> Can I roll-over benefits from other funds with no entry cost?	Yes
<input type="checkbox"/> If I do, will my non-preserved benefits still be accessible?	Yes
<input type="checkbox"/> If I leave service, can I remain in the Fund until I retire?	Yes – Personal Benefit Division
<input type="checkbox"/> Can I remain in the Fund after I retire?	Yes – Pension Division
<input type="checkbox"/> Can I ring a toll-free number and speak to a person who actually works on my Fund account (rather than a call centre)?	Yes – 1800 200 801
<input type="checkbox"/> Do I have access to my benefit details via website?	Yes – www.combinedfund.com.au
COMPETITIVENESS	
Do any of the following fees apply and how much are they?	
<input type="checkbox"/> Member Fee	No
<input type="checkbox"/> Contribution Fee	No
<input type="checkbox"/> Transfer-in fee (for transfers or roll-overs from other funds)	No
<input type="checkbox"/> Trustee Fee	No
<input type="checkbox"/> Insurance Administration Fee	No
<input type="checkbox"/> Account-keeping Fee	No
<input type="checkbox"/> Administration Fee	\$1 per week
<input type="checkbox"/> Expense Recovery (deducted from investment returns to determine your crediting rate)	0.556% for 2004 (2005 expected to be lower)
<input type="checkbox"/> Investment Manager Fee (deducted by investment managers before determining investment returns)	0.25% – 1.12% (depending on your chosen investment options)
<input type="checkbox"/> Transfer out/exit fee (if you transfer to another fund or make a cash withdrawal)	\$67
RETURNS	
<input type="checkbox"/> Have the Fund's investments performed well over the past 5 years?	<ul style="list-style-type: none"> • 6th best performing Growth Fund.* • Best performing Australian Shares Fund.* • 2nd best performing International Shares Fund.* • 6th best performing Capital Stable Fund.*

*Based on SuperRatings Survey of over 50 of Australia's largest superannuation funds - 5 years to 31 December 2004



Member Investment Options – Unit Prices

The following are the respective Unit Prices and returns for each Investment Option as at 31 May 2005:

	Unit Price	Returns – Increase (Decrease)	
		31/5/2005	5 months to 31/5/2005
Australian Shares	2.02706	0.58%	11.44%
International Shares	0.91071	(0.07%)	(4.76%)
Fixed Interest	1.38357	3.47%	6.25%
Property	1.74351	2.84%	10.06%
Balanced	1.51207	0.99%	5.72%
Capital Stable	1.42429	2.37%	6.06%
Ethical Shares	1.36761	1.35%	3.63%
Cash	1.28924	1.77%	4.10%

See our website www.combinedfund.com.au for more details.

A New Investment Option

With effect from 1 July 2005, a 9th investment option has been added to your investment choices - the Growth Option.

The split of investments for this new option will be 80/20 ie 80% will be directed to Growth assets (shares and property) and 20% will go to Defensive assets (absolute return funds, fixed interest and cash).

Whilst the investment split for the Balanced Option (the most often chosen investment option for Combined Fund), has been as high as 80/20 in the last two years to take advantage of sharemarket growth, the Trustee Board wanted to revert to a longer term 70/30 split for that Balanced Option.

Introducing the new Growth Option gives members the choice to move to an investment spread with a higher long-term allocation to shares and property.

Therefore, the investment spread for most members of the Fund will now return to the 70/30 split in the Balanced Option but those who wish to move to the new Growth Option will be able to switch at any time and at no cost.

Competition

The last two winners of our "Pick the Index" competitions were Keith Richardson (Leibler Yavneh College) who was closest to the S&P/ASX300 Index as at 30 November 2004 (3940.2) and Gordon Cowling (Gippsland Grammar) who was closest to the Index as at 28 February 2005 (4177.6).

To predict the index as at 31 August 2005, complete the details below and fax this page before 31 July 2005 to the Fund Administrator on (03) 9640 0787.

Combined Fund S&P/ASX300 Index Competition

Name: _____

Employer: _____

Phone: _____

My estimate of the S&P/ASX 300 Index as at 31 August 2005 is:

The winner will receive a voucher for an all-inclusive "Dinner for Two" at a 5 star Restaurant of their choice and a one year subscription to Personal Investment Magazine.

Combined Fund

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