

The 2018-19 Commonwealth Budget contains **more than meets the eye** when it comes to the pensions and superannuation system.

Before looking at what was announced, it's worth briefly reflecting on a few anticipated announcements which weren't included.

There was **no policy announcement** in relation to the future **SG increases**, extending SG to **dependent contractors** in the gig economy, removing the **\$450 minimum SG** threshold, or in relation to **victims of domestic violence** having early access to superannuation benefits. Policies in these areas may still be announced independently.

**CIPRs** have come closer to market, with several enabling measures proposed. There is a strong focus on enhancing ATO **SG enforcement powers**, and measures directed and **protecting low account balances** from erosion by fees and premiums, and measures intended to promote a better **standard of living in retirement**.

And if the superannuation related policies fail to excite, there was confirmation of a free trade agreement with Peru, a \$10,000 limit of all cash payments, reduction in taxes for craft brewers and distillers, and removal of the luxury car tax on re-imported cars following refurbishment overseas!

## Pensions & Superannuation Budget Policies



### Comprehensive Income Products in Retirement

1 July 2019

Trust Deed & Fund Rules

Product Disclosure

Strategic Planning

The amendment of the *Superannuation Industry (Supervision) Act 1993* to **introduce a retirement covenant that will require superannuation trustees to formulate a retirement income strategy for superannuation fund members.**

The Government will also amend the *Corporations Act 2001* to introduce a requirement for providers of retirement income products to report simplified, standardised metrics in product disclosure to assist customer decision making.

*This change would need to be legislated, and would be likely to be subject to industry consultation.*

*Superannuation trustees should assess the impact of such a change on the operation of the Trust Deed and Fund Rules, and on regular strategic and business planning activities.*



## Lost Account Reunion

1 July 2019

Administration Process

Regulatory Reporting

Transfer of **all inactive superannuation accounts** where the **balances are below \$6,000** to the ATO. Matching and proactive payment of funds currently held by the ATO.

*This change may impact the member flows of superannuation funds, which should be considered in considering member outcomes related expectations and business planning.*

*The change may also make it easier for members to be automatically be transferred into active funds, making it strategically important for superannuation trustees to retain member activity.*

*There will be a need to implement these changes in administration and ATO reporting procedures.*



## Passive & Exit Fee Ban

1 July 2019

Trust Deed & Fund Rules

Administration Systems

Product Disclosure

A **three per cent annual cap** will be mandated on passive fees charged by superannuation funds on accounts with balances below \$6,000 and will **ban exit fees** on all superannuation accounts.

*This change will require legislation, and would have a significant impact across the design of many superannuation products.*

*Superannuation Fund Trustees should complete an impact assessment, including looking at whether there needs to be any corresponding changes to contracted fees payable to service providers.*

*This change may require changes to governing rules, administration systems, product disclosure and other member communications.*



## Insurance & Low Balances

1 July 2019

Trust Deed & Fund Rules

Administration Systems

Product Disclosure

Member Communication

Insurance in superannuation products to be on **opt-in basis** for:

- members with **low balances** of less than \$6,000;
- members **under the age of 25 years**; and
- members whose accounts have **not received a contribution in 13 months** and are inactive.

Affected members will have a period of 14 months to decide whether they will opt-in to their existing cover or allow it to switch off.

Consultation on ways in which the current policy settings could be improved to better balance the priorities of retirement savings and insurance cover within super.

*These proposed changes will require legislation, but the significant nature of the changes makes impact assessment important. Changes may impact to product design, flowing through to governing rules, administration systems and member disclosure and communications.*

*Trustees may also need to assess the impact on any arrangements in place with life insurer for insured benefits.*



## Supervisory Levy Increases

1 July 2019

Fund Budgeting

Superannuation funds will have to **budget for additional levies** (\$31.9 million over four years in total) from 2018-19 by increasing the *Financial Institutions Supervisory Levies*, to recover the cost of superannuation activities undertaken by the ATO.

*The budgeting and business planning activities of superannuation funds should make allowances for increases in supervisory levies, referring to the detail of how the levies will be calculated.*



## Work Test Exemption for Recent Retirees

1 July 2019

Administration Systems

Administration Process

Financial Advice

An **exemption from the work test** for voluntary contributions to superannuation, for **people aged 65-74** with superannuation **balances below \$300,000**, in the first year that they do not meet the work test requirements.

The work test exemption will give recent retirees additional flexibility to get their financial affairs in order in the transition to retirement.

Currently, the work test restricts the ability to make voluntary superannuation contributions for those aged 65-74 to individuals who self-report as working a minimum of 40 hours in any 30-day period in the financial year.

*This measure will require that superannuation trustees and administrators review system and process configuration to allow for such transaction without satisfying the work test.*

*Customer service information, and compliance and assurance monitoring should also be revised to ensure that the change is accommodated once the policy is legislated.*



## Personal Contribution Deduction Compliance

1 July 2019

Member Service & Advice

Member Communications

Additional ATO funding to improve the integrity of the 'notice of intent' (NOI) processes for **claiming personal superannuation contribution tax deductions**.

Currently, some individuals receive deductions on their personal superannuation contributions but do not submit a NOI, despite being required to do so. This results in their superannuation funds not applying the appropriate 15 per cent tax to their contribution. As the contribution has been deducted from the individual's income, no tax is paid on it at all.

The additional funding will enable the ATO to develop a new compliance model, and to undertake additional compliance and debt collection activities. The ATO will modify income tax returns to alert individuals to the NOI requirements with a tick box to confirm they have complied.

*Superannuation Trustees may wish to consider reviewing administrative processes and member data to ensure that a notice of intent has been provided where expected or predicted.*



## SMSF Size Increase

1 July 2019

Strategic Planning

An increase the maximum number of allowable members in new and existing self-managed superannuation funds and small APRA funds from four to six. This will provide greater flexibility for joint management of retirement savings, in particular for large families.

There was also an announcement prior to the budget that transfer-in requests would be able to be initiated by SMSFs, however this isn't specifically detailed in the budget papers.

*While SMSF Trustees may consider whether the increase in maximum size may allow additional family members to join (where appropriate), larger superannuation funds may wish to consider the impact on member flows.*



## SMSF Audit Frequency

1 July 2019

Compliance Assurance

The annual audit requirement to a **three-yearly requirement for self-managed superannuation funds** (SMSFs) with a history of good record-keeping and compliance, for SMSF trustees that have a history of three consecutive years of clear audit reports and that have lodged the fund's annual returns in a timely manner.

*SMSF Trustees will need to ensure that appropriate assurance and controls are in place in between audits, particularly where the three-year period is intended to be adopted.*



## Accidental Concessional Contribution Cap Breaches

1 July 2018

Administration Systems

Compliance Assurance

Individuals whose **income exceeds \$263,157 and have multiple employers** will be allowed to nominate that their wages from certain employers are not subject to the superannuation guarantee (SG).

The measure will allow eligible individuals to avoid **unintentionally breaching the \$25,000 annual concessional contributions cap** as a result of multiple compulsory SG contributions. Breaching the cap otherwise results in these individuals being liable to pay excess contributions tax, as well as a shortfall interest charge.

*Superannuation fund trustees and administrators may need to consider whether certain employment records should be flagged as SG exempt, to enable other system processes and assurance to provide for the exemption.*



## Older Worker Skills Checkpoint

1 September 2018

Member Service & Advice

Establishment of the **Skills Checkpoint for Older Workers program**, which will support employees aged 45-70 to remain in the workforce.

5,000 employees each year would be entitled to receive customised **career advice on transitioning into new roles**, or their pathways to a new career, including referrals to relevant training options.

*The member service function of large superannuation funds would benefit to stay abreast of the availability of the program for older member who may benefit from it.*



## Standard of Living in Retirement

1 July 2019

Administration Systems

Member Service & Advice

Member Communications

Measures that will enhance the standard of living of older Australians, comprising:

- increase in the **Pension Work Bonus** from \$250 to \$300 per fortnight to earn up to \$7,800 each year without impacting their pension. It will also be expanded to allow self-employed retirees to earn up to \$300 per fortnight without impacting their pension;
- amend the **pension means test rules** to encourage the development and take-up of **lifetime retirement income products** that can help retirees manage the risk of outliving their savings; and
- expand the **Pension Loans Scheme** to everyone over Age Pension age and to increase the maximum fortnightly income stream to 150 per cent of the Age Pension rate. This will enable Australians to use the **equity in their homes to increase their incomes**.

*While these policies do not directly impact the operations and management of superannuation funds, the changes are relevant for strategic planning, customer service and possibly for financial advice.*



## Data Sharing & Release

1 July 2018

Administration Systems

Strategic Planning

Implementation of **new data governance arrangements** in line with the recommendations of the *Productivity Commission's 2017 Report on Data Availability and Use*.

A **data sharing and release framework**, underpinned by legislation, will be developed and administered by a newly established National Data Commissioner (NDC). The NDC will be responsible for:

- developing guidance on data sharing arrangements;
- monitoring and addressing risks and ethical considerations on data use; and
- managing the process for high value datasets.

*The implementation of the Productivity Commission's recommendations into data availability and use may have a significant impact of the way members, trustees, and third parties share data.*

*Superannuation trustees should stay informed of developments that may relate to superannuation and pension data.*





## Consumer Data Right

1 July 2018

Administration Systems

Strategic Planning

Establishment of a **national consumer data right** (CDR) that will allow consumers and small to medium enterprises to **access and transfer their data between service providers** in designated sectors. This measure will include:

- funding for the Australian Competition and Consumer Commission to assist in determining the costs and benefits of designating sectors that will be subject to the CDR, and to develop and implement rules to govern the data right and the content of data standards;
- funding for the Office of the Australian Information Commissioner to assess the privacy impact of designating sectors subject to the CDR, and to ensure consistency of rule-making with the Privacy Act; and
- funding for the Commonwealth Scientific and Industrial Research Organisation (CSIRO) in its role as the data standards setter.

*The Consumer Data Right will be manifest as Open Banking is implemented over the next year. Superannuation trustees may wish to consider improvements to member services and outcomes which may be promoted through integrating member data from other sources such as Open Banking.*

*Attention should also be directed towards ensuring that arrangements can accommodate a prospective extension of Open Banking to include Open Super.*

## More Questions or Need Support?

*QMV partners with superannuation fund trustees and administrators to adapt to changes in the legal and regulatory environment.*

*If you have any questions or need assistance, you can contact me directly at [jsteffanoni@qmv-solutions.com](mailto:jsteffanoni@qmv-solutions.com)*

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