

Commentary: Product Disclosure Statement for Superannuation Funds

Policy issues and background information

Introduction

1. The Government has committed to Product Disclosure Statements (PDSs) for superannuation funds that are substantially shorter (no longer than six A4 pages of content, and any additional pages containing a title and table of contents) and simpler than current PDSs. The Government will amend the Corporations Regulations 2001 (the Corporations Regulations) to provide a specific disclosure regime for superannuation funds.
2. Regulations (the Regulations) prescribing the new superannuation PDS and related matters have been drafted and are being released for public consultation. This commentary provides an explanation of the Regulations.
3. Your comments on the draft regulations and related example PDS are sought by 26 February 2010.

Background

Operation of existing law

4. A superannuation interest is prescribed as a financial product in the *Corporations Act 2001* (the Act) and is therefore subject to the general disclosure rules of the Act. The Act contains a number of general requirements regarding matters that must be disclosed in PDSs (and there are additional rules set out in the Corporations Regulations for specific products, including for superannuation).
5. While sub-section 1013C(3) of the Act states that ‘the information included in the PDS must be worded in a clear, concise and effective manner’, there is no limit on the length of PDSs.
6. The general PDS regime is contained in Part 7.9 of the Act. The main content provisions are in Subdivision C of Division 2 of that Part. The current regime is principles-based and requires disclosure of key information relevant to the financial product such as significant benefits and risks, fees and costs and other significant features and characteristics. The principles-based nature of the regime is one of the drivers of over-lengthy PDSs, as issuers have responded to the lack of detail in the law by including information that could be considered relevant when in doubt.

Related measures

7. A short 4 page PDS has been prescribed for First Home Saver Accounts (FHSAs) and a similar document is currently being developed for margin loans. The provisions prescribing the FHSA PDS are contained in the Corporations Amendment Regulations 2008 (No.4) and Corporations Amendment Regulations 2008 (No.5). Draft Regulations for a special margin loan PDS were released for public consultation in September 2009 and will be finalised in early 2010. Draft regulations for a managed investment scheme PDS are also being developed and are being released for public consultation concurrently with these regulations.

Other relevant background

8. Shortened and simplified financial product disclosure was an election commitment of the Government. To implement this commitment the Financial Services Working Group (the Working Group) was jointly established by the then Minister for Superannuation and Corporate Law and the Minister for Finance and Deregulation in February 2008. Following the shift of responsibility for financial services, including disclosure matters, within the Treasury portfolio, the partnership is now being progressed by the Minister for Financial Services, Superannuation and Corporate Law and the Minister for Finance and Deregulation.
9. An example superannuation PDS has been developed by the Working Group, in cooperation with industry and other stakeholders. It is noted that the explanatory material to these Regulations will include an example PDS that has been developed by the Working Group in consultation with industry and that is intended to provide stakeholders with an example as to how the requirements set out in these regulations (the Regulations) could be satisfied. The example PDS has been consumer tested and incorporates feedback from that process.

Tailoring of current PDS rules for superannuation PDSs

10. The current rules governing the content of PDSs will be tailored for superannuation PDSs.
11. In general, unless otherwise specified in these instructions, the current rules will apply to superannuation PDSs, including:
 - rules establishing the person responsible for preparing a PDS;
 - rules on the timing and manner of giving a PDS, as well as who is responsible for giving the document; and
 - rules establishing liability for defective PDSs, as well as misleading and deceptive conduct in relation to PDSs.
12. In order to achieve the objective of disclosing key information in a short document, a number of the general content requirements are carved out and replaced with provisions specific to the superannuation PDS. The existing provisions that are being carved out are set out in detail in the Regulations.

Approach to PDS is prescriptive

13. The superannuation PDS must contain a summary of all of the key information that a client needs to know before deciding to purchase a superannuation product. Generally, to ensure that the PDS is a summary of key information, and to help ensure comparability amongst products offered by different providers, the approach taken by the Working Group has been to specify the type of content set out in the PDS by specifying a number of headings, topics and, in exceptional circumstances, prescribed text.
14. Current PDSs are generally criticised for being too long. To ensure that this problem does not affect superannuation PDSs, the maximum length of the PDS will be prescribed. However, PDSs will obviously be allowed to be shorter (e.g. in relation to simple superannuation products).
15. The content requirements will generally reflect the general PDS content requirements set out in Part 7.9 of the Act, but will be more specific and targeted at superannuation products. As mentioned above, some existing general PDS requirements will have to be carved out to accommodate this approach.

Incorporation of information by reference

16. The superannuation PDS may refer to other material located outside the PDS document itself. This information may either be:
 - incorporated by reference using the incorporation by reference (IBR) provisions for superannuation PDSs (see below). In this case the incorporated material is deemed to be part of the PDS and the full range of PDS liability and enforcement provisions of the Act apply; or
 - otherwise referred to, in which case the referred material does not form part of the PDS. It is therefore not subject to the PDS enforcement regime, but is subject to other provisions such as those relating to misleading and deceptive conduct in the Act and the *Australian Securities and Investments Act 2001* (ASIC Act).
17. Information that is made subject to IBR includes information that is subject to constant change, as for example a market-linked index or interest rate. In order to avoid the need to constantly update the PDS, such information may be incorporated by reference.
18. Other incorporated information may be lengthy and detailed in nature, as for example the entire range of fees and costs associated with a product. While it is considered necessary to include this information legally as part of the PDS, if the six-page PDS is to be kept to a summary of key information needed to make an investment decision, some details need to be located outside the actual document. IBR is the solution to achieve this outcome.
19. Information that must or may be incorporated by reference is prescribed in the Regulations. Other information located outside the PDS may be freely referred to and is subject to general rules such as those against misleading and deceptive conduct in the Act and the ASIC Act.
20. A number of provisions regulating the use of the IBR tool are included in the Regulations. It is noted that the Corporations Regulations contain a number of provisions allowing incorporation by reference (in particular regulations 7.9.15DA, 7.9.15DB and 7.9.15DC). These provisions will not apply to superannuation PDSs, which will have their own IBR regime as prescribed in these Regulations. The draft regulations for the margin loan PDS also include a set of IBR provisions that are similar to those that will be prescribed for the superannuation PDS.

Application and transitional arrangements

21. Appropriate application and transitional arrangements will be made at a later date which will take into account the need to give stakeholders sufficient time to comply with the new requirements.

Draft Regulations

Regulation 1 – Name of Regulations

22. This amendment provides the exact name of the regulations.

Regulation 2 – Commencement

23. This provision will state when the Regulations will commence.

Regulation 3 – Amendment of Corporations Regulations 2001

24. This provision says that Schedule 1 of these Regulations amends the *Corporations Regulations 2001* (the Corporations Regulations).

Schedule 1 – Amendments

Amendment [1] – Subregulation 1.0.02(1)

25. The amendment adds a definition of minor fee for a superannuation product, (in addition to the definition of a minor fee for a margin loan that was added for the purposes of the special margin loan PDS that was exposed in September 2009). The concept of a minor fee is used in prescribing certain contents of the superannuation PDS (see Amendment [10], item 8). The definition says that these are fees which are not applied in the ordinary course of operating a superannuation account and are less than \$10.

Amendment [2] – Subregulation 7.7.08A (1A)

26. Regulation 7.7.08 prescribes the conditions under which a PDS may be combined with a Financial Services Guide (FSG). This amendment clarifies that the regulation does not apply to a superannuation product to which these Regulations apply. The reason is that the Government wants to ensure that the consumer is provided with a short and simple PDS, and combining the PDS with other documents would not be consistent with this objective.

Amendment [3] – Paragraph 7.9.09(1)(e)

27. This provision applies existing Division 4 – ‘Content of Product Disclosure Statements’ of Part 7.9 of the Corporations Regulations to superannuation products that are subject to the new simplified PDS requirements (relevant superannuation product). A number of provisions relating to the PDS for these funds will be inserted into this Division.

Amendment [4] – Part 7.9, Division 4, after Subdivision 4.2B

28. This provision inserts a new subdivision 4.2C into Division 4 of Part 7.9 of the Corporations Regulations with the title ‘Content of Product Disclosure Statement for superannuation products’.

Regulation 7.9.11K - Application of Subdivision

29. This regulation clarifies that the new subdivision applies to a person who is required to prepare a superannuation product PDS, and to the superannuation product PDS itself.

Regulation 7.9.11L – Provisions of Part 7.7 of Act that do not apply in relation to superannuation products

30. Section 942DA in the Act states that an FSG may be combined with a PDS. This regulation clarifies that this provision does not apply to a superannuation PDS, for the same reasons as mentioned under Amendment [2] above.

Regulation 7.9.11M - Provisions of Part 7.7 of Act that do not apply in relation to superannuation products

31. The superannuation PDS has been designed in a manner that allows information that changes frequently or regularly to be incorporated by reference. It is therefore considered that super PDSs will only have to be amended rarely, and only if there are major changes to the product. Given that the PDS is a very short document, in such

cases it is considered appropriate that a new PDS should be issued, instead of a Supplementary PDS. This item therefore amends the Supplementary PDS provisions of the Act, which are contained in Subdivision D of Division 2 of Part 7.9 of the Act, so that they do not apply to superannuation PDSs.

Regulation 7.9.11N - Modification of Act – superannuation products

32. This regulation states that Part 7.9 of the Act, which mainly contains the PDS requirements, is modified with respect to a relevant superannuation product as prescribed in the new Part 5B of Schedule 10A of the Corporations Regulations. New Part 5B of Schedule 10A is prescribed later on in these Regulations.

Regulation 7.9.11O - Form and content of Product Disclosure Statement for superannuation products

33. Paragraphs 1013C(1)(a) and (b) as modified in item 5B.2(1) of these Regulations allow the form and content requirements for a relevant superannuation product PDS to be prescribed by regulation. This regulation states that the content and form requirements for the relevant superannuation product PDS are contained in the regulations in new Schedule 10D of the Corporations Regulations. Schedule 10D is prescribed later on in these Regulations.

Regulation 7.9.11P Requirements for references to incorporated information for superannuation products

34. This regulation sets out a number of high-level requirements applying to information in a relevant superannuation product PDS that is incorporated by reference, as permitted under the new section 1013C(2B) contained in subitem 5B.2 of Part 5B in Schedule 10A of these Regulations.
35. The regulation states that incorporation by reference may only be used when expressly allowed under these Regulations.
36. The regulation requires that if a matter is incorporated by reference it must be in writing, be clearly distinguishable from other matters that are not incorporated and be publicly available.
37. The reason for the requirement to distinguish incorporated information from other information is to clearly separate incorporated and non-incorporated information, as the two are subject to different liability and enforcement regimes. It is considered that mixing up the two types of information could lead to confusion and disputes, especially where some of the information was defective.
38. The requirement to make the incorporated material publicly available reflects the requirement of existing subregulation 7.9.15DA(1)(a).
39. A reference to incorporated material must provide a concise description of what is contained in the material. For example, where a provider incorporates detailed information about insurance cover available through a superannuation product, a short reference such as: ‘for more information about XYZ Super’s insurance cover and the premiums, see [location details]’ would have to be provided. The issuer must also ensure that the reference is clearly distinguishable from the other information in the PDS.
40. This regulation also requires each version of the incorporated information to be separately identified by including the date on which it was prepared in a prominent position on the document. It is noted that the PDS document itself will have to be dated as required by existing section 1013G of the Act.
41. If material is incorporated by reference, it must be reasonably quickly and easily accessible to a person relying on the PDS. This means that a person must be able to locate the material without great difficulty.

42. If a URL is provided, this should link to the material with as few steps as possible. For example, linking directly to the material, or via a prominent link on a splash page, would be considered to be reasonably accessible. If a URL links only to the home page of a provider's website, and a person needs to navigate a number of links on the site to locate the material, this would not be considered to be reasonably accessible. It is noted that a telephone number for requesting hard copies must be provided once in the PDS, as stated in Amendment [10], Item 2, subitem 3(b).
43. The regulation finally provides that whenever the physical PDS is given to a client, all the incorporated information is deemed to have been given at the same time. This clause addresses concerns from industry stakeholders that they would otherwise be liable to claims that important information had not been provided. The PDS will contain a prominent warning telling readers that important information is incorporated into the document, and that they should consult this information before making a final investment decision. Additionally, the PDS will contain clearly distinguishable references to the incorporated material and will concisely describe the matter which is being incorporated.

Regulation 7.9.11Q Retention of copies of Product Disclosure Statement for superannuation product

44. This regulation requires that each PDS version must be retained by the responsible person for a period of 7 years. This is consistent with existing record-keeping requirements for PDSs. The regulation also applies this requirement to incorporated information located outside the PDS document and provides guidance on how to determine the start of the 7 year period in various situations.

Regulation 7.9.11R Requirement to provide copy of Product Disclosure Statement for superannuation product free of charge

45. Not all persons may have access to a computer or the internet. This regulation therefore requires that responsible persons must provide a free hard copy of the PDS, including incorporated information, upon request and within 5 business days.

Amendments [5] and [6] – Regulation 7.9.15DA

46. Regulation 7.9.15DA contains the existing incorporation by reference provisions that apply to a PDS. Since these Regulations introduce a separate incorporation by reference regime for superannuation PDSs, there is no need for the existing requirements to apply. These amendments therefore ensure that the existing requirements in regulation 7.9.15DA do not apply to superannuation PDSs.

Amendment [7] Regulation 7.9.15DB

47. Regulation 7.9.15DB contains the existing record-keeping requirements for the incorporation by reference provisions in regulation 7.9.15DA. Given that there are specific record-keeping requirements that apply to information incorporated by reference into superannuation PDSs, there is no further need for this requirement. This amendment therefore ensures that regulation 7.9.15DB does not apply to superannuation PDSs.

Amendment [8] Regulation 7.9.15DC

48. Regulation 7.9.15DC clarifies how the lodgement requirements in section 1015B of the Act apply to PDSs containing information incorporated by reference. The amendments clarify that this regulation does not apply to superannuation PDSs.

Amendment [9] Schedule 10A, after Part 5A

49. This item introduces a new Part 5B into Schedule 10A of the Corporations Regulations. The new Part contains a number of amendments to the Act relating to superannuation PDSs.

Item 5B.1 Section 1011B

50. This amendment inserts a definition of ***Regulations*** as referring to the *Corporations Regulations 2001*.

Item 5B.2 Subsections 1013C (1) and (2)

51. This item modifies subsections 1013C (1) and (2) of the Act by replacing the current content of these two subsections with a number of new subsections.
52. New subsection (1) states that the contents and form of a superannuation PDS are prescribed in regulations. The detailed regulations are provided in Schedule 10D of the Corporations Regulations (see below), as provided in regulation 7.9.11O (see above).
53. New subsections (2), (2A) and (2B) prescribe certain matters in relation to the new superannuation IBR regime. They state that a superannuation PDS may incorporate information by reference, that all information incorporated by reference is considered to be part of the PDS, and that the regulations may prescribe further requirements applying to incorporating information by reference into a superannuation PDS.
54. Information incorporated by reference into a superannuation PDS is therefore subject to the legal regime that applies to PDSs. This is an important provision as it decides the extent and nature of the legal liability attaching to the incorporated information. For instance, the PDS enforcement provisions will apply to this information, allowing among other things, for consumers to claim for losses or damages where the information proves to be defective.
55. New subsections (2C) and (2D) allow other information to be referred to without being formally incorporated. Therefore, the PDS liability regime will not attach to referenced information which is not formally part of the PDS. Such information will be subject to requirements such as those against misleading and deceptive conduct in the Act and the ASIC Act.

Items 5B.3 and 5A.4 Sections 1013D and 1013E

56. These items ensure that sections 1013D and 1013E do not apply to a superannuation PDS. They are superfluous because the regulations in Schedule 10D (see below) prescribe the form and contents of a superannuation PDS.

Item 5B.5 Subsection 1013L

57. Section 1013L allows a PDS to consist of one or more documents. This item amends this section to state that a superannuation PDS may consist of more than one document, but only if the documents consist of the prescribed PDS document and copies of incorporated information that form part of the PDS.

Item 5B.6 Subsection 1015D (3)

58. This subsection states that a PDS must be kept for 7 years. It is superfluous because these Regulations contain detailed record-keeping provisions (see draft regulation 7.9.11Q). This provision therefore disapplies subsection 1015D(3) in relation to a superannuation PDS.

Amendment [10] After Schedule 10C

59. This amendment inserts a new Schedule 10D into the Corporations Regulations containing the detailed regulations prescribing the form and content of a superannuation PDS.

Item 1 - Length and font size for Product Disclosure Statement for superannuation product

60. This provision ensures that the superannuation PDS does not exceed a maximum page limit, while providing for alternative formats which deliver the equivalent content. Requirements relating to font sizes are also included to ensure that the PDS is readable.
61. The total length of the PDS (not including a title page, table of contents and any information incorporated by reference) must not exceed
- (a) 6 A4 pages of content; or
 - (b) 12 A5 pages of content; or
 - (c) 18 DL pages of content; or
 - (d) if in any other format, as long as would fit into 6 A4 pages.
62. The font size must not be less than:
- (a) for body text—9 points;
 - (b) for the company's name, address, ABN and/or ACN and AFSL—8 points.

Item 2 - Minimum content of Product Disclosure Statement for superannuation product

63. This item states that the superannuation PDS must be made up of a number of sections which must be numbered, ordered and titled as prescribed in the Regulations.
64. The section relating to insurance cover provided through the superannuation product may be omitted if the product does not offer such cover and relevant sections renumbered accordingly.
65. It is prescribed that the PDS must include a table of contents using the headings provided. The main reason for prescribing headings is to ensure comparability. Allowing issuers to vary the headings may unnecessarily confuse consumers.
66. Depending on the product's target market and distribution channels, not all potential customers may have access to the internet. In such cases, simply providing a URL would mean that the incorporated material would not be considered to be reasonably accessible. A requirement is therefore included to provide a telephone number in the PDS which can be used to request a hard copy of the PDS, including incorporated information.
67. The PDS must also contain a statement telling the reader that it contains references to important information, and that consumers should consider that information before making a final decision to invest in the product.
68. A warning must also be included that the information provided is general information only and does not take account of the client's personal financial situation or needs. A recommendation must be added to obtain financial advice tailored to the client's personal circumstances. It is further prescribed that this statement must be displayed in a prominent style and position at or near the beginning of the document.

69. The PDS may also include other sections and information at the discretion of the responsible person, but these must fit within the prescribed page length. Other sections, if included, should be located at the end of the prescribed sections.
70. We note that the inclusion of this provision allows issuers to meet any other statutory requirements, such as APRA's requirement for super fund trustees to disclose that investment in the fund is not a deposit where the trustee has a bank in its corporate group.

Item 3- Contents of section 1 (About [name of superannuation entity])

71. This section is intended to provide a short summary of what superannuation is, emphasising certain aspects including that it is primarily a means of saving for retirement, that there are limitations on withdrawals before retirement, and that there are significant tax and other benefits provided by government.
72. Summary information regarding the superannuation entity and its products must also be included.

Item 4 Contents of section 2 (How super works)

73. This section must provide a summary of how superannuation works. If the fund allows contributions to be made by or in respect to the member the summary must include important summary information on the following topics:
- How contributions are made and the different types of contributions available to an investor (e.g. employer contributions, voluntary contributions, government co-contributions);
 - Choice of fund information, i.e. the consumer can choose into which fund their employer should direct the employer contributions; and
 - What the fund does with the funds contributed by members.
74. If the product is not a defined benefit product (i.e, it is an accumulation product), the summary must explain what happens if the consumer does not make an investment choice, i.e. into which investment option within the fund contributions will be directed in such circumstances.
75. If the product is a defined benefit product, the summary must provide information about the nature of the product.
76. If the product is a superannuation interest that is in the growth phase (within the meaning given by the *SIS Regulations 1994*), the summary must provide information on when members can withdraw their funds.
77. If the product is a pension product, it must provide key information in relation to key matters including on how a pension may be commenced, what limitations could apply, how and when withdrawals can be made, commutation rules and how and when a pension may be changed or stopped.
78. Some superannuation products include both an accumulation and a pension variant, in which case the information set out above for both accumulation and pension products must be provided.
79. The IBR mechanism may be used to provide a link incorporating additional important information on the matters outlined above.

Item 5 Contents of section 3 (Benefits of super)

80. This section should start with a summary of the key generic benefits of super, including the benefits of long-term savings, how it assists in meeting retirement objectives, the effect of compound earnings, tax savings provided by the government,

the co-contribution scheme offered by the Government, and the option to take out insurance through a superannuation account (if applicable).

81. The issuer must also provide a summary of the fund that is covered by the Statement, including its significant features and benefits.
82. The issuer must use the IBR mechanism to incorporate by reference summary information about the extent to which labour standards or environmental, social or ethical considerations are taken into account in the investment activity relating to the super fund.
83. The issuer may use the IBR mechanism to incorporate additional significant benefits of super and other significant features and characteristics of the super fund.

Item 6 Contents of section 4 (Risks of investing in super)

84. Section 4 should contain a statement saying that all investments carry risk; that different strategies may carry different levels of risk, depending on the assets that make up the strategy; and that assets with the highest long-term returns may also carry the highest level of short-term risk.
85. Section 4 must contain a description of the key risks of investing in super, including the risk that:
 - The value of investments will vary;
 - The level of returns will vary, and that future returns may differ from past returns;
 - Returns are not guaranteed and members may lose some of their money; and
 - Superannuation laws may change in future.
86. Special provisions are made for pension and defined benefit products, requiring them to include risk information relevant to these two types of products.
87. Section 4 must contain a statement that the appropriate level of risk for each member will vary depending on a range of factors including age, investment time frame, where other parts of the member's wealth are invested and the member's risk tolerance.
88. A statement should also be made in Section 4 that superannuation trustees and/or financial advisers (where applicable) can help with understanding risk and designing an appropriate investment strategy.
89. The issuer must use the IBR mechanism to incorporate by reference any further information it wishes to provide about significant risks.

Item 7 Contents of section 5 (How we invest your money)

90. Section 5 must contain a summary description of the investment options offered by the fund, and what happens if the member does not make a choice of where to invest, i.e. whether there is a default option. There must be a warning that the member must consider the likely investment return, risk and their investment timeframe when choosing which option to invest in.
91. The section must also set out information for at least one investment option, including the default option if there is one, and providing at least the following information for each option:
 - The name and a short description of the option, including which type of investors it is intended to be suitable for;
 - The asset mix the option invests in and the strategic allocation of the asset classes;

- The investment return objective of the fund, expressed in terms of a spread above the rate of inflation. A short explanation of this measure should be provided;
 - The minimum suggested time frame for holding the investment; and
 - A summary risk description.
92. If a fund does not have a default option, it must at least disclose the required information for a balanced option or an option similar to a balanced option. If the fund does not have a default or a balanced option, it must disclose the option with the largest amount of member funds under management. It is noted that the definition of a balanced option is taken from the enhanced fee regulations in the Corporations Regulations.
93. Special provisions are made for products that are fully or partly defined benefit products, requiring them to provide investment information that is relevant to that type of product.
94. The issuer must use the IBR mechanism to incorporate the information prescribed above in paragraph 91 for each investment option available in the fund in a similar format to that used in the PDS document.
95. ***Note: The Working Group has discussed industry concerns regarding the impact of SIS regulation 4.02(2) on the use of IBR with the Australian Prudential Regulation Authority. Amendments to this regulation are being considered.***
96. Information for members wanting to switch investments, as well as information about how the fund trustee can make changes to the investment options and their investments must be incorporated by reference (as below).
97. The issuer may use the IBR mechanism to incorporate by reference further information about investment options.

Item 8 Contents of section 6 (Fees and costs)

98. Section 6 must set out the main fees and costs for the default option, balanced option or other option selected using the rule provided in paragraph 93 above. The information must be presented in the manner prescribed in this regulation.
99. The section must start with a general warning about the potential impact of fees and costs on the final balance for a member, illustrated with a concise example.
100. This must be followed by a table summarising the main fees and costs for the default (or other) option set out in the following manner:
- The table must be accompanied by the warning that it does *not* include *all* the fees and costs of the relevant investment option or of the product generally.
 - The table must be organised into two columns, the first one setting out what the fees and costs are, and the second one setting out the fees and costs for that category.
 - The first row of the table must contain the fees and costs paid when money is contributed to the fund.
 - The second row must contain the fees and costs paid while the money stays in the fund, including any fees and costs payable for switching investment options. This row should also mention whether any performance fees are payable, but does not have to provide details of how the fees are calculated.

- The third row must contain the fees and costs payable when money moves out of the fund.
101. The fees and costs shown in the table must be the maximum payable by a member. A statement may be provided that this is the case, and that members may in reality be paying less.
 102. A statement must be provided that the information in the table can be used to compare fees and costs between different funds.
 103. A short general statement must be provided explaining that fees and costs can be paid directly out of the member's account or deducted from investment earnings.
 104. This must be followed by a worked example for the investment option used in this section which must be calculated in accordance with a number of detailed assumptions included in the Regulations. The worked example is based on an investment in a superannuation fund which is held for 10 years, to which further regular contributions are made, and for which an assumed rate of return is provided.
 105. A statement must be included that the worked example can be used to compare this fund with other superannuation funds. It must also be stated that the actual fees and costs paid by a member will be different from those provided in the example.
 106. The worked example is not required for a defined benefit superannuation interest.
 107. The issuer must use the IBR mechanism to incorporate information on fees and costs for all investment options calculated and presented as prescribed in Schedule 10 of the Corporations Regulations 2001.
 108. A reference to ASIC's calculator on FIDO must be provided, with an explanation that these can be used to calculate the impact of fees and costs on account balances. A reference to the fund trustee's own calculator on its website (if available) may also be provided.
 109. The section must contain a warning that additional fees may be paid to a financial adviser if applicable, and a reference to the Statement of Advice must be provided where details of these fees can be obtained.
 110. If the issuer wishes to provide further information in relation to fees and costs, this information must be incorporated by reference.

Item 9 Contents of section 7 (How super is taxed)

111. Section 7 must contain a summary of key tax information relating to superannuation funds. It must include how tax amounts are paid and the main taxes payable for contributions, fund earnings and withdrawals.
112. It must also include a warning to provide the member's tax file number (TFN), a statement of the consequences if it is not provided and a warning of the tax consequences of exceeding the contribution caps, where this is relevant to a product.
113. The issuer may use the IBR mechanism to incorporate by reference important information about taxation in relation to contributions, investment earnings and withdrawals not disclosed in the PDS document itself. Additionally, a reference to a government website providing the relevant information may be included.
114. ***Note: The Working Group is aware of industry's concerns regarding SIS Act Part 25A and whether the disclosure obligations relating to TFN privacy can be met by IBR and is consulting with the Australian Prudential Regulation Authority on this matter.***

Item 10 Contents of section 8 (Insurance in your super)

115. This section must summarise the main types of insurance cover that members can obtain through the superannuation fund, how to apply, what costs may be incurred and

who is responsible for paying for the costs. If no insurance is offered at all by the issuer, this section can be omitted.

116. If default insurance cover is provided, a statement must be included telling members the cost of the cover, who is responsible for paying the costs, whether they can opt out of the default arrangement, how they can opt out if applicable, whether they can change their cover, and how they can do this if applicable. A further warning should be included to the effect that unless members cancel their default cover, the cost thereof will be deducted from their account or from their contributions (whichever is applicable).
117. The issuer must use the IBR mechanism to incorporate by reference further important information about insurance not disclosed in the PDS document itself. This should include detailed information on types and amounts of cover, premiums, eligibility, how to change or cancel cover, conditions and exclusions and any other important information in relation to insurance. This should be accompanied with a mandated stark warning that "consumers should read the information incorporated by reference before deciding whether the insurance is appropriate for them". Other additional information about insurance relating to superannuation products may be incorporated by reference.
118. Special provisions are made for products that are fully or partly defined benefit products, requiring them to provide information about insurance that is relevant to that type of product.

Item 11 Contents of section 9 (How to open an account)

119. This section must provide information on how to open an account, if appropriate. It must also include a statement about the cooling-off period that applies to the fund and how to make a complaint.
120. The IBR mechanism must be used to provide further key information relating to cooling-off periods, complaints processes and dispute resolution.