



## Protecting Your Super - Summary of proposed regulations

The following provides a summary of proposed regulations to support the *Protecting Your Super Package*, announced as part of the 2018-19 Budget.

Issue	Brief explanation
<b>Fee protections</b> <i>Calculating the fee cap</i>	<p>The exposure draft Bill allows regulations to prescribe the days on which trustees will be required to assess the balance of the account, and thus the account's eligibility for the fee cap. It is expected that the regulations will prescribe the balance test days as the 'unclaimed money days' (30 June and 31 December) under the <i>Superannuation (Unclaimed Money and Lost Members) Act 1999</i>.</p> <p>The exposure draft Bill allows regulations to prescribe for the purposes of the cap how the account balance amount is calculated. It is expected that the account balance will reflect the value of the member's interest in the account at the balance test day, noting that the balance of the account would not reflect any earnings, fees or charges that have not yet been credited to, or debited from, the account.</p>
<b>Fee protections</b> <i>Disclosure notifications</i>	<p>It is expected that amendments to the <i>Corporations Regulations 2001</i> will be made to ensure the cap and exit fee changes are reflected in fee and cost disclosure.</p> <p>The regulations will include:</p> <ul style="list-style-type: none"><li>• reporting requirements for the disclosure of fees charged to low balance accounts in Product Disclosure Statements, including the addition of fee examples for a representative member with a \$6,000 account balance; and</li><li>• ongoing disclosure requirements for periodic statements that ensure trustees report to members when their account is or has been subject to the cap and the maximum fees that they could be charged.</li></ul>

<p><b>Insurance for superannuation members of inactive accounts</b></p>	<p>To ensure that members who have insurance cover before the changes take effect are able to elect to maintain their insurance cover, the exposure draft Bill contains a notification obligation on trustees for low balance accounts and inactive accounts (see Schedule 2 Part 2 – Application and transitional provisions).</p>
<p><b>Notification obligations from 1 July 2019</b></p>	<p>In addition, it is expected that regulations will be made to impose an ongoing notification obligation on trustees for members with inactive accounts after 1 July 2019.</p>
	<p>Section 1017DA of the <i>Corporations Act 2001</i> allows regulations to prescribe additional notification obligations on trustees for their members about the member’s benefits in the fund. It will be this power that is used to impose notification obligations.</p>
	<p>It is expected that regulations will require a trustee to notify a member where there have been no contributions or rollovers into the fund for 6 and 9 months, including a period of inactivity immediately before 1 July 2019.</p>
	<p>The notice must outline the consequences of the continued inactivity. That is, unless the member opts in to maintain insurance cover, the cover will no longer be provided after the later of 13 months of inactivity or the expiry of a period of cover for which the member has paid.</p>
	<p>The notice must also outline what steps the member can take if the member wants to continue their insurance cover.</p>
	<p>Specifically:</p> <ul style="list-style-type: none"> <li>• make a contribution before the expiry of the 13 month period; or</li> <li>• give a direction in writing to the trustee to maintain the insurance coverage.</li> </ul>
	<p>This notice to the member can be given in the mail, by email or any other method in which documents from the fund are generally provided to the relevant member.</p>
	<p>After 13 months of inactivity the trustee will need to notify the member that insurance premiums will no longer be deducted and that insurance cover will cease from the point in time when the member’s right to the cover has expired.</p>
<p><b>Insurance for superannuation members</b></p>	<p>The <i>Superannuation Guarantee (Administration) Regulations 1993</i> require that MySuper members are provided with a minimum level of death cover based on age.</p>
<p><b>Consequential amendments</b></p>	<p>The regulations also specify a minimum premium for this death cover (again based on age and subject to reasonable conditions as the trustee determines).</p> <p>An amendment will be required to exempt trustees from meeting these requirements in respect of members with balances under \$6,000, members with inactive accounts and new members under 25.</p>

**Reunification of superannuation balances – the Commissioner of Taxation’s power to proactively consolidate accounts**

***Rules for identifying accounts where there is more than one ‘active’ account***

Amendments will be made to the *Superannuation (Unclaimed Money and Lost Member) Regulations 1999* to set out ‘rules’ for the Commissioner of Taxation to follow when a person has more than one active account.

The exposure draft Bill recognises that superannuation providers hold ‘products’ (MySuper or choice) on behalf of a person and can hold more than one product or kind of product on behalf of a member. The exposure draft bill allows the regulations to deal with these circumstances.

It is expected these rules will broadly mirror the logic in the *Superannuation (Government Co-contribution for Low Income Earners) Regulations 2004*.

The regulations are expected to provide that the Commissioner will rollover amounts for crediting by a superannuation provider in the following order of priority:

- to the active account that has received a rollover from the ATO during the financial year;
- the active account that has received the greatest amount of contributions in the most recent financial year;
- the active account with the highest balance in the most recent financial year;
- the most recently opened active account; or
- if none of the scenarios above apply, the most suitable active account as determined by the Commissioner.