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| **EXPOSURE DRAFT** |

Inserts for

Treasury Laws Amendment (Measures for a later sitting) Bill 2021: Retirement income covenant

| Commencement information | | |
| --- | --- | --- |
| Column 1 | Column 2 | Column 3 |
| Provisions | Commencement | Date/Details |
| 1. Schedule 1 | The day after this Act receives the Royal Assent. |  |
| 2. |  |  |
| 3. |  |  |

Schedule 1—Retirement income covenant

Superannuation Industry (Supervision) Act 1993

1 After subsection 52(8)

Insert:

Retirement income covenants

(8A) The covenants referred to in subsection (1) include the following covenants by each trustee of the entity:

(a) to formulate, review regularly and give effect to a retirement income strategy that meets the requirements in section 52AA;

(b) to take reasonable steps to gather the information necessary to inform the formulation and review of the strategy;

(c) to record the strategy in writing;

(d) to record in the document in which the strategy is recorded:

(i) each determination made by the trustee for the purposes of the strategy, and the reasons for the determination; and

(ii) each other decision made by the trustee in formulating*,* reviewing or giving effect to the strategy that the trustee considers to be significant, and the reasons for the decision; and

(iii) the steps taken to gather the information that informed the formulation of the strategy, and the reasons for taking those steps;

(e) to make a summary of the strategy publicly available on the website of the entity.

2 After section 52

Insert:

52AA Retirement income strategy requirements—registrable superannuation entities

(1) A retirement income strategy formulated for an entity by a trustee for the purposes of subsection 52(8A) must meet the requirements in this section.

(2) The strategy must be for the benefit of beneficiaries of the entity who are retired or who are approaching retirement and must address how the trustee will assist those beneficiaries to achieve and balance the following objectives:

(a) to maximise expected retirement income over the period of retirement;

(b) to manage expected risks to the sustainability and stability of retirement income over the period of retirement of the following kinds:

(i) longevity risks;

(ii) investment risks;

(iii) inflation risks;

(iv) any other risks to the sustainability and stability of the retirement income;

(c) to have flexible access to expected funds over the period of retirement.

Determining the class of beneficiaries who are retired or who are approaching retirement

(3) The trustee must determine the class of beneficiaries of the entity who are retired or who are approaching retirement for the purposes of the strategy. The class may be determined excluding beneficiaries who:

(a) only hold a defined benefit interest in the entity; and

(b) are not eligible to commute that benefit (whether during the period of retirement or otherwise).

(4) The strategy may divide the class of beneficiaries into sub‑classes and make different provision in respect of those sub‑classes.

Determining meaning of retirement income and period of retirement

(5) The trustee must determine the meaning of retirement income for the purposes of the strategy, which:

(a) must include income, net of tax, received during the period of retirement of the following kinds:

(i) income paid from, or supported by, a superannuation interest in the entity;

(ii) income from an age pension under the *Social Security Act 1991*; and

(b) may include income from any other source if the trustee determines that it is appropriate to include income from that source.

(6) The trustee must determine the meaning of period of retirement for the purposes of the strategy.

3 Application of this Schedule

(1) The amendments of the *Superannuation Industry (Supervision) Act 1993* made by this Schedule apply, on and after the commencement of this Schedule, in relation to a registrable superannuation entity (including a registrable superannuation entity in existence before that commencement).

(2) Despite subitem (1), a trustee of the entity is not required to have formulated a retirement income strategy or published a summary of a retirement income strategy before 1 July 2022.