

# Your Future, Your Super

## Changes to superannuation legislation from the Australian Government



*Your Future, Your Super* (YFYS) is legislation that the Australian Government has passed in Parliament on 17 June 2021, to make some permanent changes to the way our superannuation system works.

As one of Australia's largest industry super funds, Aware Super has been advocating on behalf of our members to reduce the potential negative impact of any super reforms on our members, their families, employers and community. We welcome reforms that help protect the retirement savings of our members, and are pleased there have been some important amendments made to this legislation.

### What you need to know...

It is expected the majority of changes will become law on 1 July 2021, with the exception of 'stapling' that will be delayed until 1 November 2021. There are three main components in the legislation:

#### Member stapling



- Tying members to their very first super fund for life.
- To reduce the number of people with multiple super accounts.
- Increase member engagement with their super and encourage choice.

#### Performance Test



- Comparing fund performance on an 'apples to apples' basis
- To ensure MySuper products perform well and are in members' best interest.
- Funds will be measured annually, with underperforming funds having to inform their members.

#### Best financial interests duty



- To ensure members' money is spent in ways that are in their best financial interest.

<sup>1</sup> Australian Government, *Your Future Your Super*, October 2020, <https://treasury.gov.au/publication/p2020-super>

### What's changed during the debate in Parliament?

Some of the important amendments to the legislation include:

- Removing the power for the Treasurer of the day to ban any investments even if they are in the members best interests.
- A delay to the introduction of stapling – that is tying a member to their very first fund for life – until 1 November 2021. This was originally due to commence on 1 July 2021.

# A snapshot of the legislation

## Member stapling – working Australians tied to one super fund for life

Today, in Australia, every time a person starts a new job, their employer has to offer them a choice of having their compulsory superannuation guarantee contributions (SG) deposited into the employer's default super fund, or in an alternative fund of the employee's choosing.

From 1 November 2021, the legislation will ensure that unless an employee actively chooses otherwise, the first fund they join when they start work will follow them throughout their working life, no matter the job or the industry they are working in or if the fund is a poor-performing fund. This is called 'member stapling' in the legislation.

This aims to reduce a person having duplicate super funds, that is more than one super fund and paying multiple fees, to ensure their retirement savings are not eroded unnecessarily.

It will be an employer's responsibility to search and check with the ATO if their new employee has a 'stapled' super fund and ensure that future SG contributions are paid into it.

## Insurance

One of the key offerings to our members through employers is insurance. Super funds that members may join when they get their first job may not provide the job-specific insurance they require. Members who are tied to the fund they joined when they started their first job, may not have access to the insurance they need to give them and their family peace of mind.

At Aware Super we want to ensure your staff have the right insurance for their occupation and the sector they work in to protect themselves and their families.

## What does this mean for employers?

- If a new starter does not choose their own super fund, employers will need to **manually** search for each new employee's super fund account via an ATO Portal, one at a time. Over time it is anticipated that this will move to an automated process.
- With the legislation coming into effect on 1 November 2021, there will be a short period of time for employers to prepare, understand and implement any new processes introduced by the ATO.
- Employers can help educate and inform their employees about the upcoming legislation changes to super to enable them to take action with their super if required. We are here to help you and your employees understand how these changes may impact you and your employees.

## Comparing fund performance

An annual performance test, conducted by APRA will be introduced, comparing super funds MySuper products. This comparison will include administration and investment fees, to help members compare between funds.

Underperforming super products that fail the performance test will have to write to their members and notify them that the product is not performing well.

If a super fund fails the test two years' running, they might not be able to accept any new members. However, this does not stop members already in this fund from being tied – or stapled – to it unless they actively choose to move to another fund.

From 1 July 2021, super fund members and employers will be able to directly compare their fund's performance, using a YourSuper comparison tool from the ATO. A fund's underperformance will be listed on the YourSuper tool until they improve. This tool will show a fund's investment fees and administration fees and performance and will be hosted by the ATO.

## What this means for employers?

- If an employee chooses to change their super fund, they will need to complete a choice form and submit to their HR/payroll team to action.
- Performance of your super fund could potentially impact a member's retirement savings. You can direct employees to review the ATO's YourSuper comparison tool from 1 July 2021.

## Best Financial Interests Duty

A key element of the legislation is the introduction of a new best financial interests duty. This duty includes the requirement for superannuation trustees to demonstrate that all expenditure is in a member's best financial interests, with the reverse onus of proof applied.

## We're here to help



While there are a number of details still to be released by the government, we've been working hard to support you and all our employers for the implementation of this legislation.

We're also here to help your employees understand what the legislation – *Your Future, Your Super* – is, and the potential impact this could have on their retirement savings.

We have a range of education, guidance and advice available to assist your employees take action with super.

## Contact us

Phone: 1300 118 632

Email: [employers@aware.com.au](mailto:employers@aware.com.au)

Visit: [aware.com.au](http://aware.com.au)

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