Superannuation reforms for employers

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Be on top of changes coming in the second half of 2021

This year we're seeing significant changes to super with the implementation of the government's *Your Future, Your Super* reforms first announced in the October 2020 Federal Budget. The changes are designed to increase super funds' accountability and transparency and give Australians greater control over their super. In addition, the *More Flexible Superannuation* reforms make a number of changes to certain age and contribution limits.

Here's an overview of the reforms, and other changes to super coming in the second half of 2021.

New SG rate – from 1 July 2021

The Super Guarantee (SG) rate increased from 9.5% to 10% on 1 July 2021 and will continue to increase until it reaches 12% on 1 July 2025.

Date	SG rate
1 July 2021	10%
1 July 2022	10.5%
1 July 2023	11%
1 July 2024	11.5%
1 July 2025	12%

Super stapling –1 November 2021

— SG to be paid to the stapled account for new employees from 1 November 2021

— Employers will need to contact the ATO to determine a new employee's stapled account

— Failure to contribute SG contributions to the stapled account will result in the employer being required to pay the SG charge to the ATO

— Employees are still able to choose their fund and the Standard Choice form is likely to be revised

One of the most anticipated initiatives in the *Your Future, Your Super* legislation is a 'stapling' mechanism, designed to reduce the number of Australians with multiple super accounts. From 1 November 2021, when people change jobs they will automatically be 'stapled' to a super fund, resulting in fewer new super accounts. Under current proposals, this is likely to be where the last contribution was paid.

The new stapling rules mean employers will need to contribute to a new employee's stapled super account, rather than the employer's default fund, if the employee does not nominate a fund of their choice.

Initially this will be a manual process with employers contacting the ATO to determine a new employee's stapled account. But there are plans for the stapled account search to be online from 2022/2023. Failure to contribute SG contributions to the stapled account will result in employers being required to pay the SG charge to the ATO.

Of course, workers can still choose a new or different super fund. If you have negotiated lower fees or pay fees and/or insurance premiums on behalf of your employees in your default fund, you may want to take steps to ensure new employees are aware of these benefits.

If the Standard Choice form is amended as a result of the new rules, we will update our website when the new version is available.

Underperforming funds – all MySuper products to be assessed from 1 July 2021

— New annual performance test for all MySuper products

— Trustee of underperforming MySuper products must notify members

— Superannuation products that fail the test for two consecutive years will be blocked from accepting new members

— Employers will have additional time to submit contributions which are rejected because a fund is blocked

The Australian Prudential Regulation Authority (APRA) is introducing an annual performance test which will measure all default super products – MySuper products – against a calculated benchmark portfolio. It is proposed that MySuper products whose returns are more than 0.5% p.a. below the benchmark for the assessment period will be labelled underperformers. It is also proposed that APRA will notify trustees of the outcome of APRA's assessment for the 2020/2021 financial year by 31 August 2021, and trustees will need to notify members within 28 days if the MySuper product has been assessed as underperforming.

Super products that fail the test in two consecutive years will then be blocked from accepting new members. If an employer has their SG rejected because of this, they will have an extra 28 days to make the contributions to a fund that is able to accept them.

YourSuper comparison tool –1 July 2021

— New tool run by the ATO will allow members to compare super fund performance and fees

The results of the annual performance tests will feed into a new public comparison tool run by the Australian Tax Office (ATO).

The online tool, *YourSuper*, enables people to compare funds' fees and performance to help them choose a quality fund that will meet their needs. Initially the *YourSuper* tool will be limited to MySuper funds, with the intention of broadening the range of funds later.

Best financial interests duty – effective 1 July 2021

The *Your Future, Your Super* reforms also introduce a 'best financial interests' duty requiring superannuation trustees to act in the best financial interests of their members when carrying out the various duties of running a super fund.

In some cases this may impact how funds spend their money, as it includes stricter requirements on funds to disclose how they manage money and to ensure their spending is motivated by their members' best interests. In particular, the government is looking to reduce discretionary spending on things like advertising, sponsorships and corporate entertainment.

Changes to personal advice fee arrangements – from 1 July 2021

From 1 July 2021, financial advisers are required to renew client approvals for ongoing advice annually. Previously most arrangements entered into after 1 July 2013 were required to be reviewed every two years. Existing arrangements will need to transition to the new rules before 1 July 2022.

The renewal period begins on the same day each year. For new arrangements entered into after 1 July 2021, this is the anniversary of when the client entered into the agreement. For existing ongoing fee arrangements, the day that the financial adviser provides the client with a fee disclosure statement during the transition period, is the anniversary day for that arrangement in each subsequent year. The fee disclosure statement will contain information relating to the previous year and outline fees and services for the upcoming year.

Ongoing arrangements must be renewed by the client in writing within 120 days of the anniversary date. If the client does not agree to the fee and service proposal for the forthcoming year within this time frame, the ongoing arrangement will end 30 days after the end of the renewal period.

For new non-ongoing fee arrangements from 1 July 2021, we will need a copy of the member's written consent before we can deduct the ongoing advice fees from their account. Advice fees under an ongoing fee arrangement cannot be deducted from MySuper products.

Other changes in brief

— **Bring forward rules for non-concessional contributions extended to age 67**
Members aged 65 to 67 are now able to take advantage of the bring forward rules for non-concessional contributions, allowing members to make up to $330,000 of non-concessional contributions in a year – provided the member is under 67 at the start of that financial year and meets the total super balance requirements.

— **Recontribution of COVID-19 payments**
From 1 July 2021, members will be allowed to recontribute payments they received under the COVID-19 early release scheme and elect to have that amount excluded from their non-concessional contribution cap. The member will need to submit an approved form, which we will include on our website once it is available from the ATO.

— **Removal of the excess concessional contributions charge**
Previously, an individual who exceeded their concessional contributions cap for a financial year was subject to an additional fee, known as an excess concessional contributions charge, on top of the extra tax they paid when the excess contributions was included in their assessable income. The government has removed this additional charge for financial years starting on or after 1 July 2021.

— **Changes to rates and thresholds – effective from 1 July 2021**

	From 1 July 2021
Super guarantee (SG) rate	10%
Maximum super contribution base	$58,920 per quarter
Concessional contribution cap	$27,500
Non-concessional contribution cap	$110,000
Low rate cap	$225,000
General transfer balance cap	$1,700,000
Co-contribution lower income threshold	$41,112
Co-contribution higher income threshold	$56,112
Untaxed plan cap	$1,615,000
Defined benefit income cap	$106,250
CGT cap	$1,615,000

Need to know more?

If you have any questions on these changes, please contact your financial adviser or call us on **1800 636 081** between 9am and 5pm (AEST) Monday to Friday. We'll be happy to help.