SCOA SEPTEMBER 2017 MEETING

On 14 September 3 Bills were introduced to the Parliament relating to superannuation**.**

These were:

Superannuation Laws Amendment (Strengthening Trustee Arrangements) 2017

Treasury Laws Amendments (Improving Accountability and Member Outcomes in Superannuation Measures No.1) 2017

Treasury Laws Amendments (Improving Accountability and Member Outcomes in Superannuation Measures No.2) 2017

It is my opinion that all the changes in the Bill are good changes for our members and superannuation fund members in general.

Superannuation Laws Amendment (Strengthening Trustee Arrangements) 2017

The Superannuation Laws Amendment (Strengthening Trustee Arrangements) 2017 provides for a change from equal representation on the Board of Trustees of superannuation funds to at least one third of the trustees of a superannuation fund being independent. The remaining two thirds could be all employer or all member representatives or any mixture of employer and member representatives. This Bill also amends the structure of the Commonwealth Superannuation Commission Board of Trustees.

My initial reaction was that this was a direct attack on union representatives on the Board of Trustees. However, after reading the Bill it appears to me to be more about protecting the superannuation fund from employers.

The Bill defines an independent in the negative. That is, it defines those that are not independent. For example, directors of companies and executives of companies related to the superannuation fund cannot be a trustee.

With regards to organisations representing the interest of members with the ability to nominate trustees a director or an executive officer of that organisation would not be independent.

The Bill also allows for regulations to be made to further define independents. So, if they have missed anything in the Bill they can make a regulation to fix it, very powerful regulation authority.

The Bill also amends the *Governance of Australian Government Superannuation Schemes Act 2011* to align the CSC Board with the proposal that a third of the CSC Board is independent.

As you are aware the CSC Board consists of 11 members, 5 selected by the Minister for Finance, 3 nominated by the ACTU and 2 nominated by the Chief of the Defence Force and an independent chairperson agreed to by the other 10 members. The Bill requires that the 5 selected by the Minister for Finance shall be independent from the CSC – not sure what that means. I think it means that senior executives of the Public Service are not independent. There is no change relating to the nomination of the 3 nominated by the ACTU or the 2 nominated by the Chief of the Defence Force.

According, the CSC Board will meet the new independent test by the 5 members selected by the Minister being independent. I think this is good news for us as there is really no change. In addition, the ACTU is still required` to consult SCOA in relation to their 3 nominees to the CSC Board.

Treasury Laws Amendments (Improving Accountability and Member Outcomes in Superannuation Measures No.1) 2017

The following are some of the measures contained in this Bill.

Authority to offer a MySuper product

An oversight on the MySuper product on offer and that there is an appropriate MySuper product available to members. APRA will have the authority to check up on the MySuper product and if it is not acceptable refuse to register it.

Director penalties

The Bill impose civil and criminal penalties on directors of Superannuation funds who fail to execute their responsibilities to act in the best interests of members, or who use their position to further their own interests to the detriment of members.

Portfolio holdings disclosure

Funds will be required to disclose their portfolio holdings. The CSC does this in their annual report.

Annual members' meetings

The Bill requires superannuation funds to hold annual members' meetings (AMMs). The meetings are to discuss the key aspects of the fund and provide members with a forum to ask questions about all areas of the fund's performance and operations.

The CSC at present does not do this. It will be interesting to see this, and weather it applies to pensioners.

APPRA Powers

The Bill gives APPRA increased powers to monitor directors or trustees of superannuation funds and includes enforcement powers to issue a direction to a superannuation fund where APRA has prudential concerns.

Treasury Laws Amendments (Improving Accountability and Member Outcomes in Superannuation Measures No.2) 2017

Choice of fund for workplace determinations and enterprise agreements

The Bill amends the Superannuation Guarantee (Administration) Act 1992 (SGAA) to ensure employees under workplace determinations or enterprise agreements have an opportunity to choose the superannuation fund for their compulsory employer contributions. This means the enterprise agreements can no longer restrict employees to a certain superannuation funds. It gives them a choice to go with the superannuation fund provided by the enterprise agreement or choose another superannuation fund. They are not compelled to go with an industry fund.

Salary sacrifice integrity

The Bill amends the SGAA to improve the integrity of the superannuation system by ensuring that an individual's salary sacrifice contributions cannot be used to reduce an employer's minimum superannuation guarantee (SG) contributions.

Some employers have been using salary sacrifice superannuation contributions to offset the 9.5% SG contributions. The amendment means that any salary sacrifice is not included in the SG contribution.

Transfer balance Cap

I would like to make a brief comment on the transfer balance cap as it affects those with CSS or PSS pensions. The transfer balance cap applied on 1 July 2017.

The Commonwealth Superannuation Corporation advised in their pension advice letters the person's annual gross pension amount to be used to calculate the person's Transfer Balance Credit amount.

If the person's has an allocated or account based pension then the annual gross pension amount as advised by the CSC times 16 is added to the person's account balance of the allocated or account based pension to arrive at the Transfer Balance Credit. If the credit is more than $1.6 million then the person is in trouble and will be force to commute an amount of the allocated or account based pension to bring the Transfer Balance Credit to $1.6 million.

If the person has a CSS or PSS pension of more than $100,000 then they would not be allowed any allocated or account based pension and the 10% tax offset would only apply to the first $100,000 of the pension and any pension above $100,000 would be taxed at marginal rates, which is 37% plus the Medicare levy giving 39%.