

Attachment: Relevance of the Productivity Commission Review of Efficiency and Competitiveness of the Australian Superannuation System to the 2020-21-Budget Superannuation Reforms

Measure	Overview	RIS like process coverage and PC recommendation
Your superannuation follows you	An existing superannuation account will be 'stapled' to a member to avoid the creation of a new account when that person changes their employment. Further enhancements will enable payroll software developers to build systems to simplify the process of selecting a superannuation product for both employees and employers through automated provision of information to employers.	<ul style="list-style-type: none"> <li>• Consistent with proposed reforms of the PC Report (rec 1).</li> <li>• Both reforms use the "staple to the member" approach to implement the single default reform.</li> </ul> <p><u>Recommendation 1:</u> Default superannuation accounts should only be created for members who are new to the workforce or do not already have a superannuation account (and who do not nominate a fund of their own). To facilitate this, the Australian Government and the ATO should continue work towards establishing a centralised online service for members, employers and the Government that builds on the existing functionality of myGov and Single Touch Payroll. The service should:</p> <ul style="list-style-type: none"> <li>• allow members to register online their choice to open, close or consolidate accounts when they are submitting their Tax File Number on starting a new job.</li> <li>• facilitate the carryover of existing member accounts when members change jobs</li> <li>• collect information about member choices (including on whether they are electing to open a MySuper account) for the Government.</li> </ul> <p>There should be universal participation in this process by employees and employers. It should be fully in place by no later than the end of December 2021.</p>
Empowering members	The Australian Taxation Office will develop systems so that new employees will be able to easily select a superannuation product from a table of MySuper products through the YourSuper portal.	<ul style="list-style-type: none"> <li>• Consistent with proposed reforms of the PC Report (recs 2 and 7).</li> <li>• Both reforms provide employees with a list of MySuper products and create a central platform for viewing information about MySuper products' fees and returns.</li> </ul> <p><u>Recommendation 2:</u></p> <ul style="list-style-type: none"> <li>• A single 'best in show' shortlist of up to 10 superannuation products should be presented to all members who are new to the workforce (or do not have a superannuation account), from which they can choose a product. Clear and comparable information on the key features of each shortlisted product should also be presented. The shortlist should also be easily accessible to all members at any time, including when starting a new job.</li> <li>• Members should not be prevented from choosing any other fund (including an SMSF). Terms in enterprise and workplace agreements that restrict member choice should be invalidated.</li> <li>• Any member who does not have an existing account and who fails to make a choice of fund within 60 days should be defaulted to one of the products on the shortlist, selected via sequential allocation.</li> </ul>

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		<ul style="list-style-type: none"> <li>The ATO should embed the shortlist and accompanying information into the centralised online service.</li> <li>The first ‘best in show’ shortlist should be in place by no later than the end of June 2021.</li> </ul> <p><u>Recommendation 7:</u> The Australian Government should require the ATO to provide a link to the relevant (single page) product dashboard(s) on a member’s existing account(s) via its centralised online service. Links to each single-page product dashboards for the ‘best in show’ products should also be presented on the centralised online service.</p>
Holding funds to account for underperformance	Beginning on 1 July 2021 APRA will conduct performance tests on the net investment returns of MySuper products, with products that have underperformed over two consecutive annual tests prohibited from receiving new members until a further annual test shows they are no longer underperforming. Beginning on 1 July 2022, non-MySuper accumulation products where the decisions of the trustee determine member investment holdings will also be assessed.	<ul style="list-style-type: none"> <li>Consistent with proposed reforms of the PC Report (rec 4).</li> <li>This measure will be facilitated through amendments to the existing requirements that the fund provide an annual update to members on performance with the addition of assessment against objective benchmarks.</li> </ul> <p><u>Recommendation 4:</u> The Australian Government should legislate to require all APRA-regulated superannuation funds to undertake annual outcomes tests for their MySuper and choice offerings. These outcomes tests should include:</p> <ul style="list-style-type: none"> <li>a requirement for funds to obtain independent verification, to an audit-level standard, of their outcomes test determination, at least every three years (starting with the first test).</li> <li>clear benchmarking requirements for all MySuper and choice investment options.</li> </ul>
Increasing trustee accountability	Improve accountability of superannuation funds by clearly articulating that trustees’ best interests’ duty only relates to financial interests and putting the onus on trustees to demonstrate how certain expenditure meets this threshold.	<ul style="list-style-type: none"> <li>Consistent with proposed reforms of the PC Report (rec 22).</li> <li>The Government has decided to pursue legislative change, informed by findings of the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry which drew attention to trustee conduct inconsistent with what might reasonably be expected if they were acting in members’ interests.</li> </ul> <p><u>Recommendation 22:</u> The Australian Government should pursue a clearer articulation of what it means for a trustee to act in members’ best interests under the Superannuation Industry (Supervision) Act 1993 (Cth). The definition should reflect the twin principles that a trustee should act in a manner consistent with what an informed member might reasonably expect and that this must be manifest in member outcomes. In clarifying the definition, the Government should decide whether to pursue legislative change, greater regulatory guidance, and/or proactive testing of the law by regulators. It should be informed by the findings of the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry.</p>