



Law &amp; Policy Group

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# Australia: Pension reform regulations proposed

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Proposed exposure draft regulations (Your Future, Your Super Regulations) include measures to address underperforming pension funds and improve the pension outcomes of members — the consultation on the changes closed on 25 May. The final regulations are slated to begin on 1 Jul 2021, but cannot be finalized until parliament passes Treasury Laws Amendment (Your Future, Your Super) Bill 2021 — this could be in late June 2021.

## Highlights

- Super products will be subject to an annual investment performance test (“test”). For 2020/21, the test period will be seven years, increasing to eight in later years. Members must be notified if a product fails the test, and would be given the option to choose a different “well performing product” from the YourSuper comparison tool.
- Administration fees would be included in the test, and funds would be tested based on the net return, not the net investment return. The net return would include representative member administration fees and costs for members with a fund balance of AU\$50,000 or more. Products would fail the test if the annual net return over the test period underperforms the Benchmark Return by more than 0.5% per annum over the same period.
- Inclusion of Australian infrastructure and unlisted property in the specific asset classes used to calculate the Benchmark Return used in the performance test.
- The YourSuper comparison tool would be issued by the Australian Taxation Office starting on 1 Jul 2021. The tool would rank products by net returns and total annual fees, and products that failed the performance test would be listed separately.
- The proposed regulations specify the information that must be included with Annual Member Meeting notices.
- The proposed regulations define stapled funds and provide tiebreaker rules for determining the stapled fund for employees with multiple existing funds. However, employers would find it difficult to comply with the stapled fund provisions from the proposed commencement date of 1 Jul 2021, due to the adjustment of hiring processes and the revision of certain documentation.
- The measures prohibiting funds from offering inducements to employers would be strengthened.

## Related resources

### Non-Mercer resource

- [Your Future, Your Super regulations and associated measures](#) (Australian government, 28 Apr 2021)

### Mercer Law & Policy resource

- [Australia proposes superannuation pension reforms](#) (2 Mar 2021)

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