

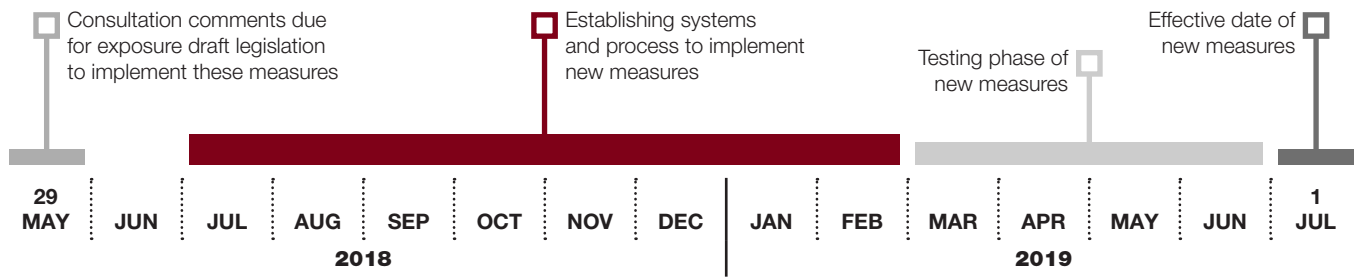
# FY19 Federal budget key changes impacting operations

*The 2018/2019 Federal budget proposes a number of key changes impacting superannuation operations effective 1 July 2019. Below we have outlined the timeline, milestones and the impact of key changes which Registrable Superannuation Entities (RSE's) will need to consider. This publication should be read in conjunction with PwC's Federal Budget Insights 2018 paper located at <https://www.pwc.com.au/publications/federal-budget-2017.html>*

The table below summarises the key proposed FY19 budget changes and what RSE licensees will need to consider.

Proposed key changes	Key questions and considerations
<ul style="list-style-type: none"> <li>Inactive superannuation accounts below \$6,000 will be transferred to the Australian Taxation Office (ATO).</li> <li>The ATO will also expand its data matching processes to reunite these inactive balances with active balances of affected members.</li> </ul>	<ul style="list-style-type: none"> <li>Clarify the definition of inactive and identification processes for inactive accounts including communication strategy.</li> <li>Design and implement on-going monitoring procedures.</li> <li>Update reporting procedures to meet ATO reporting requirements.</li> <li>Changes to ERF practices and communications.</li> </ul>
<p>Exemption from the work test for voluntary contributions to superannuation for people aged 65–74 years with superannuation balances below \$300,000, in the first year that they do not meet the work test requirements.</p>	<p>Total superannuation balances will need to be assessed for eligibility at the beginning of the financial year following the year that the member last met the work test. RSEs will need to consider how they will obtain this information.</p> <ul style="list-style-type: none"> <li>Ongoing communication strategy to members 65–74, in particular prior to passing the work test.</li> <li>Clarify approach to members over 65 who don't meet the work test in a current year but meet the work test requirements in subsequent years.</li> </ul>
<p>Insurance must be opt-in, rather than default for members:</p> <ul style="list-style-type: none"> <li>with balances under \$6,000;</li> <li>members under the age of 25; and</li> <li>members whose accounts have not received a contribution in 13 months and are inactive.</li> </ul>	<ul style="list-style-type: none"> <li>Ensure member data integrity and unallocated contribution monitoring practices to prevent breach of the new measures.</li> <li>Define inactive members, as some accounts may be set up only for specific purposes such as insurance.</li> <li>Agree and implement member communication strategies to ensure affected members are aware of insurance cover decisions, for example RSE's may choose to communicate to members under the age of 25 in higher risk professions.</li> <li>Review and update PDS's to reflect changes in insurance.</li> </ul>
<ul style="list-style-type: none"> <li>Three per cent cap on passive fees charged by superannuation funds on accounts with balances of less than \$6,000.</li> <li>Banning exit fees on all superannuation accounts.</li> </ul>	<ul style="list-style-type: none"> <li>Define and identify all passive fees embedded in the RSE's products.</li> <li>Consider how to identify passive fees embedded in unit prices. Consideration of impact to RG97 fees costs disclosures.</li> <li>Define the scope of the exit fee prohibition, the application of the fee cap (specifically, whether it applies to the member's total account balance or to each product/investment option individually).</li> <li>Review and update PDS's to reflect changes in products.</li> <li>Work with administrators to ensure fee changes are reflected in the administration system correctly.</li> <li>Consider the impact of measures to annual budgets.</li> </ul>
<p>Individuals whose income exceeds \$263,157 and have multiple employers will be able to nominate that their wages from certain employers are not subject to superannuation guarantee from 1 July 2018.</p>	<ul style="list-style-type: none"> <li>This provides RSE's the opportunity to educate members with respect to this change, through pro-actively identifying members who are likely to be impacted.</li> </ul>

## Timeline of key events\*



\* Subject to the legislation passing into law

## What questions you should ask as you plan for the changes?

- Are we and our service providers ready to implement the proposed changes within the proposed timeframe?
- Do we have any gaps that would prevent us from meeting these requirements?
- Do we need additional resources to implement these changes including resources available at service providers?
- What will be the cost of implementing these changes? Implementation design, execution of development and ongoing operational costs.
- How will the Trustee Directors be updated on the progress of changes being implemented?
- How will we educate our employees and service providers to ensure they implement these changes effectively and efficiently?

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