

Q&A Factsheet

Legislative changes to superannuation

- > Protecting Your Superannuation 2019
- > Putting Members' Interests First 2020

The Australian Government is focussed on ensuring that our superannuation system is world-class.

For this reason, a number of significant changes were implemented. Legislation has been introduced called the *Treasury Laws Amendment (Protecting Your Superannuation Package) Act 2019 (PYSP)* and *Treasury Laws Amendment (Putting Members' Interest First) Act 2019 (PMIF)*.

The reforms contain a range of measures designed to improve outcomes for superannuation fund members by reducing fees and costs. Legislation is impacting all superannuation funds. Some changes were already implemented in 2019. Additional and ongoing changes will take place in 2020

Putting Members' Interests first legislation (PMIF)

What is it?

The Australian government recently passed new legislation, titled the *Treasury Laws Amendment (Putting Members' Interest First) Act 2019 (PMIF)*, which was introduced to help young people and those with low account balances by removing insurance cover. The intention is to ensure that superannuation savings are protected from fees and insurance premiums.

When does PMIF take effect?

1 April 2020. smartMonday will be in touch with impacted members ahead of the change, including members with a balance of less than \$6,000 as at 1 November 2019 who are at risk of losing insurance cover from 1 April 2020.

Didn't this happen earlier in 2019?

This legislation is in addition to the *Protecting Your Super (PYS)* legislation introduced by the government on 1 July 2019, designed to protect member's super savings from fees and insurance premiums.

What's the difference between PMIF and PYS?

PMIF primarily relates to removal of insurance cover for members with low balances (below \$6,000). Under PMIF, new members from 1 April 2020 will also need to be aged over 25 for default insurance to apply. PYS changes relate mostly to fees and inactive accounts. It included the removal of all exit fees, limiting administration and investment fees on accounts below \$6,000 and cancellation of insurance for accounts that are inactive.

Both PMIF and PYS aim to ensure members are not adversely impacted by fees which have the potential to erode their account balance.

Who will be impacted by PMIF?

PMIF will potentially affect members who:

- recently joined smartMonday,
- currently have a low balance (less than \$6,000);
- join from 1 April 2020 who are under the age of 25.

From 1 April 2020, members will need to be over 25 years of age and have a balance of \$6,000 or more before any standard insurance cover commences.

Are there any exceptions?

Yes. smartMonday members with insurance cover that commenced prior to 1 April 2020 who have a balance of less than \$6,000 will have their insurance cancelled unless:

- their employer pays for their insurance cover in full
- they have made an active decision about insurance (that is, have changed their cover in some way such as to increase the level of cover held) prior to 1 April 2020
- they have previously communicated that they would like to keep their insurance
- are a defined benefit member¹

¹ If you are a defined benefit member it will be noted on your annual statement. Defined benefit members generally have long tenure as these type of funds closed to new members many years ago. Only a small number of members have a defined benefit account.

Will you tell me if I am impacted?

Yes. smartMonday will be in touch if you are impacted by these changes. Please make sure your contact details are up to date.

I made an election when PYS began. Does this impact PMIF?

Yes. If you elected to retain insurance due to the PYS legislation, your election will ensure your insurance is not cancelled under PMIF.

How do I know if I need insurance?

Having the right insurance is important in the event that something happens to you. It could help you or your loved ones financially in times of need. Insurance within superannuation may be a cost effective way to ensure you are protected. Our smartCoach team can help you understand more about your insurance needs. Please contact them on 1300 COACH 1 (1300 262 241) or via our website.

I want to keep my insurance cover. What do I do?

You will need to complete a form to retain your insurance cover. The form can be found [here](#). Unfortunately, we are not permitted to retain insurance cover via telephone requests.

Can I change my mind?

All members are able to increase or decrease their insurance cover at any time. Full details are available in your relevant Insurance Guide. It is important to understand that once insurance has been cancelled you may need to provide evidence of satisfactory health before cover can be reinstated. If you are in any doubt about the level of your ongoing insurance cover, but you wish to keep your cover in place, the best option is to complete an opt-in form to express this intention.



Example: Members impacted by the changes.

Nicola is 22 and is starting a new job. She has \$2,000 in her smartMonday superannuation account. Nicola learns that her employer pays for her insurance premiums as one of her employee benefits. Nicola is entitled to receive the standard minimum level of default cover even though her balance is low and she is under 25.

Brett is 39. He began a new job and his employer opened a smartMonday superannuation account for him on 1 April 2020. His employer has made a contribution to his account of \$500.

Brett is over 25 years old, however his balance is less than \$6,000. He will not receive insurance cover until his account balance is more than \$6,000.

Sylvia has not consolidated her superannuation and knows she has ³ accounts including a smartMonday account that has insurance cover. Although the total balance of the three is \$15,000, each account has a low balance of less than \$6,000. Regardless of Sylvia's age she will have all insurance cancelled on 1 April 2020.

Sylvia could consolidate her funds and ensure the \$15,000 is in one account. In this way the insurance cover will continue*. Sylvia looked into all her options and made sure consolidation was the right decision for her.

* To consider if consolidation is right for you, please contact our smartCoach team on 1300 262 241 or via [our website](#).

References

Superannuation: Assessing Efficiency and Competitiveness – Productivity Commission Inquiry Report, Dec 2018
Treasury Laws Amendment (Protecting Your Superannuation Package) Act 2019, Australian Government 2019

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