Government of **Western Australia**
Department of **Treasury**

State Superannuation Act 2000 Section 33(2)

Treasurer's Guidelines for Government Employees Superannuation Board

Compliance with Stronger Super

DECEMBER 2016

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1 Background

1.1 Section 33 of the State Superannuation Act 2000 provides for the issue of written guidelines. In particular, section 33(2)(b) provides as follows:

"33. Treasurer's approvals and guidelines

(2) The Treasurer may after consulting the Board, issue written guidelines to be followed by the Board in relation to:

(b) the provision by the Board of, or the facilitation by the Board of the provision of, products and services under section 6(1)(e)."

Scope

1.2 These Guidelines relate to the Commonwealth's Stronger Super legislation package and how it applies to GESB. In particular the guidelines set out the requirements for:

(a) MySuper Products that are offered by GESB; and

(b) Super Stream.

1.3 These Guidelines do not address those elements of the Stronger Super legislation that relate to prudential standards.

Definitions

1.4 'Act' means the *State Superannuation Act 2000*, as amended from time to time.

1.5 'Board' means the Government Employees Superannuation Board.

1.6 "Corporations Act" means the *Corporations Act 2001* as amended.

1.7 'MySuper Products' means the products that the Board, in consultation with the Treasurer, determines will be classed as MySuper Products.

1.8 'MySuper Schemes' means GESB Super and West State Super.

1.9 'Regulations' means the State Superannuation Regulations 2001.

1.10 'SISA' means the *Superannuation Industry (Supervision) Act 1993* as amended.

1.11 'State Policy' means State Policy on Super Stream Data Standards.

1.12 'Treasurer's approval' (or 'approval of the Treasurer') means approval given under section 33 (1) of the Act.

1.13 'Treasurer's guidelines' means the guidelines set out in this document, being guidelines issued by the Treasurer under section 33(2) of the Act.

1.14 'WSS' means the West State Super Scheme.

2 Guidelines relating to MySuper

2.1 Excerpt from the Heads of Government Agreement (HoGA)

MySuper

It is important to ensure simple and cost effective superannuation products are available for fund members, including as default products for those members who do not wish to be actively involved in choosing their superannuation arrangements. These products are called 'MySuper' products.

Specific rules are imposed on trustees of funds offering MySuper products to reflect that members of MySuper products rely on the trustee to act in their best financial interests. The requirements for MySuper products will be contained in the SIS legislation and the Corporations legislation.

Trustees of exempted public sector schemes wishing to label their default products as MySuper are not required to be authorised by the Australian Prudential Regulation Authority (APRA) to offer a MySuper product; however, they would otherwise be expected to comply with the principles of other MySuper requirements.

2.2 The Board will offer one MySuper Product for each of the MySuper Schemes.

2.3 In compliance with the principles of the HoGA set out above and subject to clause 2.4 the MySuper Products offered by the Board must at all times meet the product provisions of the SISA (notably Part 2C Sections 29TC, 29V to 29VE and 29VN, Part 7 Section 68AA and Part 11A) and the relevant provisions of the Corporations Act with respect to MySuper Products.

2.4 The following modifications apply for all GESB MySuper Schemes

(a) Superannuation Guarantee contributions to the GESB MySuper Schemes can only be made by eligible WA public sector employers - as specified in the *State Superannuation Regulations 2001*

(b) A member of a GESB MySuper Product cannot be a member of another GESB MySuper Product, nor hold a separate (non MySuper) category of membership in any of the GESB MySuper Schemes.

(c) A member of a GESB MySuper product is limited to holding one investment plan.

2.5 The following modifications apply for WSS:

(a) The WSS MySuper Product may continue to offer a guaranteed benefit component and partial disability benefit

(b) The WSS MySuper Product dashboard must reflect the unique features of the WSS.

MySuper Product Dashboard

2.6 A product dashboard for each of the MySuper Products must be prepared and displayed in a way that members can compare products.

2.7 The product dashboard will contain the same information as required by the Corporations Act and Regulations (in particular Section 1017BA) for other entities offering a MySuper product, subject to the modifications set out in Appendix A of the Guidelines.

3 Guidelines relating to SuperStream

3.1 SuperStream is a comprehensive package of reforms by the Commonwealth Government designed to enhance the 'back office' of superannuation. The Super Stream reforms include measures to:

(a) Implement the new data and e-commerce standards for superannuation transactions.

(b) Allow the use of tax file numbers as the primary locator of member accounts.

(c) Facilitate account consolidation and improve the treatment of contributions made without sufficient member details.

3.2 In compliance with the principles of the HoGA set out above the Board will implement and comply with the Super Stream reforms as if it were subject to the SISA Part 3 Operating Standards, SIS Regulations and other Commonwealth legislation pertaining to the Super Stream reforms to the extent to which the State Policy, Act and Regulations allow.

4 Reporting

4.1 The Board will provide to the Treasurer on a regular basis, but at least annually, a written report confirming that:

(a) the MySuper Products offered by the Board complied with these guidelines over the period of the report and are expected to continue to comply; and

(b) the target return and risk investment profile of the MySuper Products has been reviewed at least annually, and to detail any changes during the period of the report (if applicable).

The report will include a copy of the current product dashboard for each of the MySuper Products.

4.2 The Board will include a statement in the GESB annual report of its commitment to the principles of HoGA and its compliance with the Guidelines.

5 Revision of these Guidelines

5.1 The Treasurer may review the Guidelines annually but will undertake a review at least once every three years.

5.2 The Board may request amendments to the Guidelines.

6 Effective Date

6.1 The Guidelines will be effective from the date of the Treasurer's Approval.

DR MIKE NAHAN MLA
TREASURER

DATE 20/12/2016

Appendix A: Dashboard modification

The MySuper Product dashboard disclosures will be modified to accommodate the following attributes:

- The WSS MySuper Product must disclose the investment returns are before tax and provide members with access to details of WSS's taxation arrangements.
- The WSS and GESB Super MySuper Products must disclose that they are regulated by the State and not the Commonwealth.
- The WSS and GESB Super MySuper Products must provide members with access to details of the State guarantee for benefit payments.

The following information must be provided with the dashboard for the **WSS MySuper Product**, with hyperlinks to more information where relevant.

West State Super - unique features

Your West State Super account is known as a market linked accumulation scheme. This makes it similar to most other super funds, including GESB Super. However, one of the things that make it unique is that it's an untaxed scheme.

It's important that you know about the tax considerations that apply to your West State Super account. Here are some more details and information about the features of this scheme.

It's an untaxed scheme

Untaxed does not mean 'no tax', so it can be useful to think of it as deferred tax.

In a taxed fund, a 15% tax is applied to employer and salary-sacrifice contributions, and a tax of up to 15% applies to investment earnings. In an untaxed fund, such as West State Super, these contributions and earnings are taxed at 15% when the benefit is paid to the member or transferred to a taxed fund.

Learn more about the tax components for West State Super.

Your investment earnings are reported before tax

Having your super invested in an untaxed scheme means that you earn pre-tax investment returns on the full amount of your contributions over the life of your super account.

Most other super funds pay tax and report the returns after investment expenses and tax are taken out. Your West State Super account is different, as your returns are reported after only the investment expenses have been taken out – tax has not been paid yet. This makes it hard to compare the reported investment returns of your West State Super account with most other super funds.

Contribution caps are different compared to taxed funds

With most super funds, concessional (before-tax) contributions made through an employer or by salary sacrifice count towards an annual cap. Any contributions made in excess of this cap are taxable at the member's marginal tax rate.

Your West State Super account can receive these kinds of contributions without any annual caps applying. Instead a lifetime limit is applied to the amount of your benefit that is concessionally taxed. The limit for 2016/17 is $1.415 million.

Note: From 1 July 2017 it is proposed that the annual concessional contributions made to West State Super will be counted in determining your eligibility to make further concessional contributions to a taxed fund.

For more details on your West State Super's untaxed plan cap, see the Tax and super brochure.

Learn more about your West State Super's untaxed plan cap.

Any tax advantages of West State Super depend on the type of contributions and other factors

Your West State Super account may result in financial advantage for your concessional (before-tax) contributions when compared to a taxed fund. This means you may receive a higher benefit over time from your employer or salary sacrifice contributions.

On the other hand, the tax arrangements for this type of scheme may result in tax disadvantages for your non-concessional (after-tax) contributions when compared to a taxed fund.

The overall impact on your final benefit will depend on a number of factors, including the type of contributions you make, how your contributions are invested and the length of time your contributions have been invested in your West State Super account.

You can't receive a low income super contribution (LISC)

The LISC is a Commonwealth government payment of up to $500 per financial year, calculated at 15% of the concessional (before-tax) contributions for individuals on adjusted taxable incomes of up to $37,000. Note: From 1 July 2017, it is proposed that this arrangement be replaced by a similar benefit to be known as the Low Income Superannuation Tax Offset (LISTO).

As contributions to your West State Super account don't get taxed, any before-tax contributions made into your account are not eligible for this government contribution.

You might be able to access your super if you become disabled

With your West State Super account, you might be able to access you super benefit if you become partially and permanently disabled. This option isn't available with most other super funds.

For more information on partial and permanent disablement benefits, please refer to page 23 of the Insurance and your super brochure.

Additional statutory insurance may apply

Your level of your Death and TPD benefit may be adjusted if all of the conditions below apply to you:

- You're a covered risk benefits member (as defined in the *State Superannuation Regulations 2001 (WA))*
- You're an eligible statutory West State Super member
- You're under 60 and have not opted out of your Death or TPD cover.

We will pay a top up if your entitlement under the State Superannuation legislation exceeds the amount payable by the Insurer.

For more information on statutory insurance, please call your Member Services Centre on 13 43 72.
Learn more about your West State Super insurance arrangements.

You might have a Minimum Benefit Guarantee

Before July 2001 West State Super accounts were credited with an annual earnings rate of CPI plus 2%. From 1 July 2001, member investment choice was introduced and West State Super became a market-linked scheme.

If your West State Super account had a balance before 1 July 2001, you have a Minimum Benefit Guarantee. This means that any future benefit will be paid at whichever amount is higher, out of:

- Your account balance at 30 June 2001 plus subsequent contributions and investment earnings
- Your account balance at 30 June 2001 compounded annually at CPI plus 2% less certain types of payments

If this applies to you, you might benefit from the guarantee if you have stopped receiving employer contributions or making personal contributions to your West State Super account.

For more information about the Minimum Benefit Guarantee, please call your Member Services Centre on 13 43 72.

West State Super is closed to new members

If you choose to close your account by cashing in or transferring your entire balance, you can't **re-join** the scheme at a later date. If you already have a West State Super account and leave the WA public sector, we can only accept employer contributions if you return to work in the WA public sector and your account is still open.

Find out more about West State Super

- West State Super investments
- West State Super insurance
- West State Super fees and other costs
- West State Super and tax
- West State Super important documents

Or for full details of West State Super, please read the West State Super Product Information Booklet.