New super administration requirements set to change employer onboarding significantly

The Federal Government's Your Future, Your Super package introduces some new rules aimed at improving the superannuation system for all Australians.

Superannuation fund 'stapling'

Previously, many workers joined their employer's default super fund when they started a new job. This has led to many Australians having multiple super fund accounts due to changing employers, which sees them paying multiple fees, insurance premiums and other costs unnecessarily.

The Your Future, Your Super reforms aim to reduce the creation of duplicate accounts when workers start new jobs. Under the new rules, which took effect on 1 November 2021, new employees must be 'stapled' to their existing super fund, unless they choose a different fund. First-time entrants to the workforce will be 'stapled' to the first super fund they join. This may be a fund they have explicitly chosen, or the default fund used by their first employer.

An employee that has been stapled to a super account will take this account with them, from job to job, unless they actively choose a different super fund. In essence, workers will be encouraged to have only one fund at a time for the purposes of receiving their employer's compulsory superannuation contributions.

Employers must check with the ATO to see if a new employee has an existing stapled account to pay their super into. If the new employee doesn't, and they don't wish to nominate a fund to be stapled to, the employer can join that employee into the employer's existing default fund.

How this change could affect you

The stapling requirements will mean changes to how employers set up super payments for new employees.

Step 1

If your employee chooses an eligible fund, you must pay the employee's SG contributions to that fund.

Step 2

If a new employee does not choose a fund, you will need to check on the ATO portal and identify if a stapled eligible fund exists for that employee. If one does exist, you must pay the employee's SG contributions to that fund.

Step 3

If the employee does not choose a fund and the ATO cannot identify a stapled eligible fund for that person, then you will pay the SG contributions into your organisation's default MySuper fund.

New annual performance test

Another measure central to the legislation is the introduction of an annual performance test for super funds.

The test measures the net investment returns of MySuper products against benchmarks.

Funds that underperform the benchmark needed to inform their members of their underperformance by 1 October 2021. Funds that underperform the benchmark for two consecutive years will be barred from taking on new members and will be required to refer their existing members to a new YourSuper comparison tool (see below) designed to help them select a better performing fund.

Hostplus recently received confirmation from the Australian Prudential Regulatory Authority (APRA) that the Fund has passed the regulator's MySuper performance test. The pass mark from APRA is another indicator that the Hostplus MySuper Balanced option is achieving its long-term investment outcomes.

New 'YourSuper' comparison tool

On 1 July the Government introduced a new YourSuper comparison tool, to allow individuals to compare key data on MySuper products.

Improved accountability and transparency

The changes have also introduced a new Best Financial Interests Duty (BFID) that requires all super fund trustees to perform their duties and exercise their powers in the best financial interests of fund members.

While super fund trustees are already legally obliged to act in their fund's members' best interests, the new BFID requirements will ensure all super funds' expenditure is in the best financial interests of members.

It will also require funds to disclose their expenditure and portfolio holdings in their annual reports and at annual member meetings.

We're here to help you understand and meet your super obligations

Hostplus will develop factsheets and FAQs to assist employers to understand and exercise their obligations, to answer questions, and help educate their existing and new employees.

In the meantime, if you have any questions about Your Future, Your Super, contact us.