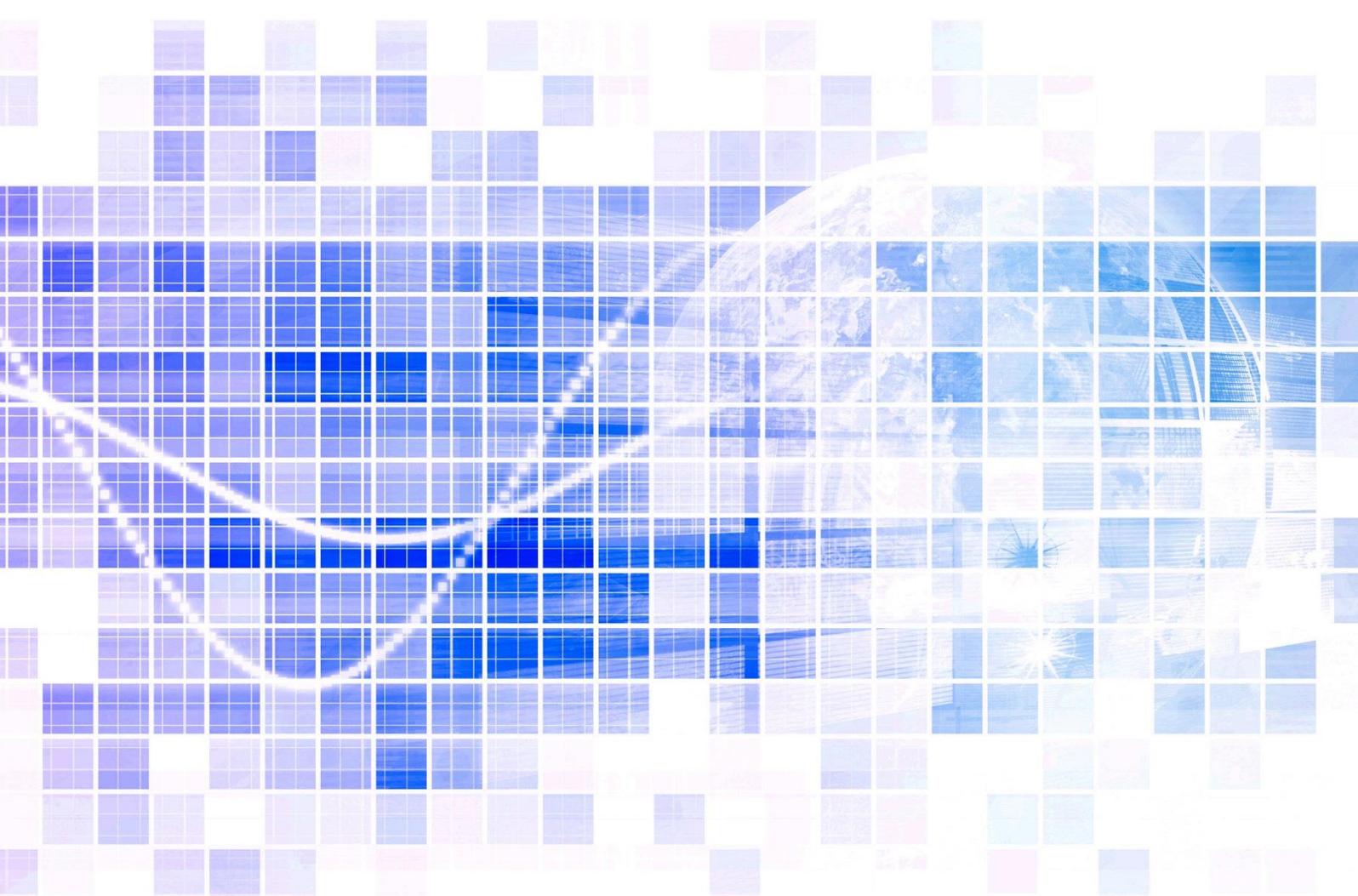




SuperStream

'Stronger Super' Reforms



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Australian Government 'Stronger Super' Reforms - SuperStream

What is SuperStream?

Following the introduction of MySuper, 'SuperStream' is the name given by the Super System Review to its package of measures designed to enhance the 'back office' of superannuation.

The Superannuation Review identified significant costs imposed by existing administrative processes. These included the excessive costs and complexity arising from manual processing of both money transfers and data, the lack of standardised formats, and poor and incomplete data.

The SuperStream package of reforms includes measures to:

- improve the quality of data in the system;
- implement the new data and e-commerce Standards for superannuation transactions;
- allow the use of tax file numbers (TFNs) as the primary locator of member accounts;
- facilitate account consolidation and improve the treatment of contributions made without sufficient member details;
- encourage the use of technology to improve processing efficiency; and
- improve the way fund-to-fund rollovers are processed and the way contributions are made.

Who needs to implement SuperStream?

SuperStream is aimed at improving the efficiency of the superannuation system and is mandatory for all employers, APRA-regulated super funds and certain self-managed super funds (SMSFs)*.

[* The one exemption to the new SuperStream system is where an SMSF is a related party to the employer. A 'related' party employer relationship exists, for example, where a husband and wife (the only employees) are running their own business and superannuation guarantee contributions are paid to an SMSF of which they are a member.]

All superannuation funds, including SMSFs, must receive contributions electronically in accordance with this Standard.

Why is SuperStream being introduced?

SuperStream aims to improve the efficiency of Australia's superannuation system and provides a new Standard for employers when making super contributions. It requires an employer to send contributions electronically in a Standard format with linked data and payments.

The main purpose of SuperStream is to ensure employer contributions are paid in a consistent, timely and efficient manner to a member's account. The change also removes many of the complexities employers currently face as a result of funds being able to set up different arrangements for accepting contributions, due to the lack of common standard.

How does SuperStream work?

The Data and Payment Standard Legislative Instrument data and payment Standard legislation was passed in June 2012, establishing a framework to implement SuperStream for processing superannuation rollovers and contributions.

The **Data and Payment Standards - Electronic contributions, member registrations and maintenance ('Standards')** legislative changes aim to provide consistent, reliable electronic method of performing super transactions such as rollovers between APRA regulated funds and the submission of contribution amounts by employers.

Under SuperStream, employers must make super contributions on behalf of their employees by submitting data and payments electronically in accordance with the SuperStream Standards.

How do the SuperStream Standards apply?

The Standard involves the sending and receiving of contributions electronically in a prescribed format, with linked data and payments. A minimum data set is prescribed, as are the electronic payment options which can be used. In certain circumstances, employers can agree to use alternate channels where they are offered by an APRA-regulated fund.

The Standards specify that when an employer makes any superannuation contribution on behalf of employees, those payments and associated data must be sent electronically and in an approved format. The SuperStream Standards have five aspects:

1. A Standard set of business terms and definitions (the 'definitional taxonomy');
2. A Standard set of data message formats (the 'reporting taxonomy' set out in relevant message guides);
3. A messaging services Standard which sets out requirements for message packaging, transport, security and receipting of messages;
4. A Standard format for electronic payments; and
5. Enabling services (referred to as 'validation services').

How is the SuperStream legislation being implemented?

From **1 July 2014**, employers, Australian Prudential Regulation Authority (APRA) regulated funds and trustees of SMSFs have certain obligations they must meet under the SuperStream Standard for contributions. However Transition-in arrangements have been put in place to allow an orderly and staged implementation of the new requirements.

Medium to large employers (20 or more employees) – and SMSFs receiving contributions from these employers. From 1 July 2014:

- employers with 20 or more employees started using the SuperStream Standard to send contribution data and payments electronically; and
- all super funds (including SMSFs) must receive any employer contributions sent to their fund in accordance with the SuperStream Standard.

Transition - progressively from 1 July 2014 - 30 June 2015: medium to large-sized employers are required to transition to the Standard for sending contributions, member registration and maintenance to funds.

Small employers (19 or less employees) – and SMSFs receiving contributions from these employers. From 1 July 2015, employers with 19 or fewer employees will also be required to send contributions data and payment electronically.

Transition - progressively from 1 July 2015 -30 June 2016: small employers are required to transition to the Standard for sending contributions, member registration and maintenance to funds. The ATO will provide flexibility until 30 June 2016 for businesses to complete the transition-in, provided these businesses have put in place firm implementation plans, including a proposed start date.

For employers, implementing the Standard may include having acceptable alternative arrangements in place with an APRA-regulated super fund. These arrangements form part of the transition-in plans and are permitted until 30 June 2017. In these cases the default fund will inform the employer of these options, if they are available.

Compliance with SuperStream

The ATO is responsible for ensuring employers and SMSF trustees comply with their obligations under the Standard, while APRA is responsible for ensuring the compliance of APRA-regulated superannuation funds. There is flexibility for employers who continue to pay contributions with existing processes until they fully implement SuperStream. The ATO is emphasising education and support for both employers and the SMSF industry during the introduction of SuperStream but will gradually shift its focus toward active compliance checks from **mid-2015** onwards.

The imposition and remission of any penalties will occur in line with established principles that the ATO applies in relation to other administrative penalties – this includes that entities should generally not be penalised where they have made an “honest and genuine” attempt to comply.

Who does SuperStream impact?

GPS Wealth Ltd – as an employer of less than 20 persons.

Advisers and Accountants (under vs over 20 employees) – both as a small business/employer themselves, and with clients who have superannuation arrangements and with trustee client. In particular SMSF professionals need to ensure their trustee clients are well prepared for SuperStream and understand the changes being made to the way superannuation contributions are managed (see below).

What are the options for employers/business in meeting SuperStream?

Employers have options for meeting SuperStream – either using software that conforms to SuperStream; or using a service provider who can meet SuperStream on their behalf.

Options may include:

- upgrading their payroll software;
- using an outsourced payroll function or other service provider;
- using a commercial clearing house or the free Small Business Superannuation Clearing House (19 or fewer employees); and
- The default fund may also have its own electronic channel that can be used during the transitional period up to 30 June 2016. This fund can provide businesses with details about how to comply with the SuperStream using their preferred facilities.

Do employers need to collect additional information to make contributions using SuperStream?

Yes, to support contributions being made using the SuperStream Standard, employers will need to collect the following information:

- Unique superannuation identifier (USI) for APRA-regulated funds
- ABN for SMSF funds
- bank account details
- electronic service address.

1. What do SMSF clients need for SuperStream?

SMSF clients may have options for meeting their SuperStream obligations, however each option involves providing their employer with:

- their SMSF's Australian Business Number (ABN);
- their SMSF's bank BSB and account number for receipt of contribution payments; and
- an electronic service address for receipt of a contribution data message.

Depending on how clients manage their SMSF, they may choose to engage a service provider such as an SMSF administrator or software provider. Clients will however, need to ensure their SMSF bank account is able to receive electronic contribution payments and their SMSF can receive a contribution message with information about these payments in the SuperStream format. To receive contribution messages electronically they will need to obtain an electronic service delivery address. A register of SMSF message service providers is available on the ATO website.

Adviser can assist their SMSF clients in working with their employers, by:

- Talking to their clients about their obligations and the Advisers role in the process;
- Getting an electronic service address from an SMSF messaging provider to receive contribution remittance information. Some SMSF providers offer a bulk registration process;
- Providing the electronic service address to their clients; and
- Making sure their clients provide their SMSF details at least 60 days before their employer's planned start date – ABN, an electronic service address (the destination for the contribution message) and bank details (account into which the payment is made)

What do Trustee clients need for SuperStream?

Trustees need to set up an electronic service address - the destination for the contribution message - which can be obtained from a relevant service provider.

This allows them to access this information via a login or email, depending on the service. Signing up to a service provider only takes a matter of minutes, is a once-off event and typically these services are available at low or no cost. The ATO has a register of service providers on its website.

Alternatively, most administration software packages will be able to receive SuperStream-compliant messages and integrate with incoming bank account data automatically for their clients.

Depending on their role, professionals may be able to view contribution information from employers in the software and report it out or pass it on to clients in various forms, such as emails or online reports.

Where an Adviser is assisting the trustee to get ready, they will need to inform their clients of the details to provide their employer: their fund ABN, bank details and, importantly, the electronic service address – and they should do this prior to their employer's implementation of SuperStream.

What are the benefits of SuperStream?

SuperStream will:

- provide better information about the amount and timing of superannuation payments to employees; and
- provide notification from funds to members on whether contributions have or have not been received

The Government reforms introduced through SuperStream and Securing Super will improve the productivity of the superannuation system:

- The adoption of data Standards will result in more automated and timely processing of transactions, improved efficiency, an easier system for employers to use, fewer lost accounts and more timely flow of money to members' accounts;
- Reducing the number of multiple member accounts will reduce administration fees and insurance premiums on multiple accounts paid per member and maximise retirement benefits;
- Through the Government's Securing Super initiatives, employees will be able to better monitor their contributions; and
- The SuperStream Advisory Council will provide a structured forum for stakeholders to advise Government on issues on the implementation and maintenance of the protocols and data and service Standards.

Under SuperStream, large costs caused by manual processing of both money transfers and data in superannuation will be significantly reduced, by encouraging electronic transmission of linked financial and member data and using Standardised formats.

Improved data quality and search processes should lead to a reduction in the number of inactive or lost member accounts in the system. The use of member TFNs as the primary identifier is critical to this process, as it will provide the superannuation industry with a member identifier that can be used to improve fund administration.

Through the Government's Securing Super initiatives, employers and employees will be given more information about their superannuation payments (including superannuation guarantee payments and salary sacrificed payments).

How will SuperStream benefit Employers?

The changes have a range of potential benefits for employers, including:

- help increase employers' compliance with superannuation obligations;

- the opportunity to use a single channel when dealing with super funds, regardless of how many funds their employees contribute to;
- consistent and simplified way of meeting their superannuation guarantee obligations, irrespective of type of fund;
- better integration to employer payroll systems;
- consistent and lower cost payment methods;
- less time spent dealing with employee data issues and fund queries;
- greater automation and reduced cost of processing contributions and payments; and
- more timely flow of information and money in meeting their superannuation obligations.

How will SuperStream benefit Employees?

The changes also have a range of potential benefits for employees, including:

- help in a more timely recovery of superannuation guarantee charge from employers;
- assist in minimising the timeframe between a superannuation guarantee shortfall arising and the employee becoming aware of the unpaid superannuation guarantee;
- provide employees with timely information that allows them to readily follow-up with the employer or the ATO where there has been non-payment of superannuation; and
- encourage employees to be better engaged with their superannuation.

How will SuperStream benefit SMSFs?

There are a number of additional benefits for SMSFs, including:

- providing a more timely and reliable flow of contribution payments and data; and
- improving electronic record-keeping for tax and audit purposes.

How will SuperStream benefit Trustees?

The benefits to superannuation fund trustees include:

- access to a robust identification method;
- lower fund administration costs; and
- identification and possible elimination of duplicate member accounts.

How will SuperStream benefit Fund members?

Fund members will also benefit from the extended use of member TFNs through:

- the potential for reduced multiple accounts which will mean members no longer need to pay administration fees on multiple accounts; and
- the potential for fewer lost superannuation accounts.

A member's right not to quote a TFN will be respected. Appropriate safeguards will be in place to ensure funds only use TFNs for legislated purposes, and that a member's privacy is protected.

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References:

ATO SuperStream data and payment standard

<https://www.ato.gov.au/Super/SuperStream/>

'Getting your SMSF clients SuperStream-ready' – Philip Hind, ATO's national program manager, data standards and e-commerce (SuperStream), SMSF Adviser 29 October 2014

'SuperStream: need to know' - Philip Hind, ATO's national program manager, data standards and e-commerce (SuperStream), SMH 13 June 2014

APPENDIX

Superannuation Data and Payment Standards (Contribution Transitional Arrangements (Amendment) 2014

The above legislated amendment, amends the transition-in arrangements and introduces greater flexibility in the implementation of SuperStream contributions. A summary follows:

1. APRA funds have been given additional flexibility and have up to 1 July 2015 to comply with the SuperStream Standard. This flexibility means that APRA funds can either
 - begin to receive compliant contributions on or before 3 November 2014 **or**,
 - select an alternative start date to comply from by notifying the ATO of this date and providing an implementation plan to the ATO by no later than 30 September 2014. This alternative start date can be any date up to 1 July 2015.
2. The sending and receiving of error and outcome response messages does not begin until **2 February 2015**.
3. The overall contribution transition-in period has been extended by 12 months to **30 June 2017**, allowing funds and employers to continue using existing electronic channels during this period provided they meet certain requirements.
4. To extend flexibility for employers and SMSFs in complying with SuperStream, the changes are supported by the Commissioner's compliance approach as set out in the ATO's SuperStream compliance statement. This provides flexibility up until 1 July 2015 for large and medium employers and SMSFs to complete their implementation.
5. Small employers have flexibility for a further year - up until 1 July 2016 - to complete their implementation of SuperStream.

Intra-fund Consolidation?

The Government has also introduced Intra-fund Consolidation legislation which is aimed at reducing the number of superannuation accounts that members hold within the same Fund. This should also reduce the multiple sets of fees members will pay that can eat into their super savings.

In line with the requirements under this legislation, the trustee will identify if members hold multiple superannuation accounts within a superannuation fund, and merge these multiple accounts if the trustee reasonably believes that it is in their best interest to do so.

The trustee will review member's accounts on an annual basis and where applicable, accounts will be consolidated unless the member chooses not to have the accounts merged.

There will be no cost to members for consolidating their accounts through Intra-fund Consolidation; there will be also be no change to their existing investments or insurances.