

EXPOSURE DRAFT

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Inserts for
**Treasury Laws Amendment (Measures
for a later sitting) Bill 2021: Retirement
income covenant**

Commencement information		
Column 1	Column 2	Column 3
Provisions	Commencement	Date/Details
1. Schedule 1	The day after this Act receives the Royal Assent.	
2.		
3.		

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Schedule 1—Retirement income covenant

Superannuation Industry (Supervision) Act 1993

1 After subsection 52(8)

Insert:

Retirement income covenants

- (8A) The covenants referred to in subsection (1) include the following covenants by each trustee of the entity:
- (a) to formulate, review regularly and give effect to a retirement income strategy that meets the requirements in section 52AA;
 - (b) to take reasonable steps to gather the information necessary to inform the formulation and review of the strategy;
 - (c) to record the strategy in writing;
 - (d) to record in the document in which the strategy is recorded:
 - (i) each determination made by the trustee for the purposes of the strategy, and the reasons for the determination; and
 - (ii) each other decision made by the trustee in formulating, reviewing or giving effect to the strategy that the trustee considers to be significant, and the reasons for the decision; and
 - (iii) the steps taken to gather the information that informed the formulation of the strategy, and the reasons for taking those steps;
 - (e) to make a summary of the strategy publicly available on the website of the entity.

2 After section 52

Insert:

52AA Retirement income strategy requirements—registrable superannuation entities

- (1) A retirement income strategy formulated for an entity by a trustee for the purposes of subsection 52(8A) must meet the requirements in this section.

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- 1 (2) The strategy must be for the benefit of beneficiaries of the entity
2 who are retired or who are approaching retirement and must
3 address how the trustee will assist those beneficiaries to achieve
4 and balance the following objectives:
5 (a) to maximise expected retirement income over the period of
6 retirement;
7 (b) to manage expected risks to the sustainability and stability of
8 retirement income over the period of retirement of the
9 following kinds:
10 (i) longevity risks;
11 (ii) investment risks;
12 (iii) inflation risks;
13 (iv) any other risks to the sustainability and stability of the
14 retirement income;
15 (c) to have flexible access to expected funds over the period of
16 retirement.

17 *Determining the class of beneficiaries who are retired or who are*
18 *approaching retirement*

- 19 (3) The trustee must determine the class of beneficiaries of the entity
20 who are retired or who are approaching retirement for the purposes
21 of the strategy. The class may be determined excluding
22 beneficiaries who:
23 (a) only hold a defined benefit interest in the entity; and
24 (b) are not eligible to commute that benefit (whether during the
25 period of retirement or otherwise).
- 26 (4) The strategy may divide the class of beneficiaries into sub-classes
27 and make different provision in respect of those sub-classes.

28 *Determining meaning of retirement income and period of*
29 *retirement*

- 30 (5) The trustee must determine the meaning of retirement income for
31 the purposes of the strategy, which:
32 (a) must include income, net of tax, received during the period of
33 retirement of the following kinds:
34 (i) income paid from, or supported by, a superannuation
35 interest in the entity;
36 (ii) income from an age pension under the *Social Security*
37 *Act 1991*; and

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1 (b) may include income from any other source if the trustee
2 determines that it is appropriate to include income from that
3 source.

4 (6) The trustee must determine the meaning of period of retirement for
5 the purposes of the strategy.

6 **3 Application of this Schedule**

7 (1) The amendments of the *Superannuation Industry (Supervision) Act*
8 *1993* made by this Schedule apply, on and after the commencement of
9 this Schedule, in relation to a registrable superannuation entity
10 (including a registrable superannuation entity in existence before that
11 commencement).

12 (2) Despite subitem (1), a trustee of the entity is not required to have
13 formulated a retirement income strategy or published a summary of a
14 retirement income strategy before 1 July 2022.