



# SuperStream

<b>Title:</b>	Member information eXchange (MiX) Design – External consultation		
<b>Venue:</b>	Sydney – Latitude East Meeting rooms L13 713 and 714		
<b>Event date:</b>	18 January 2017	<b>Start:</b> 9:30	<b>Finish:</b> 13:00

## ATTENDEES:

Tracie Crowden	SuperStream – MiX	Natasha Cox	ASP/ASFA
Ian Morgan	SuperStream – MiX	Heide Stewart	IOOF
Reno Ceccato	Service delivery	Kelly Kerr	BT Financial
Franca Ventrice	Service Delivery	Sam Finucan	Bravura Solutions
Shane Moore	SuperStream - Tech	Narelle Telfer	Mercer
Anna Pace	SPR – USM	Ian Gray	NAB
Peter Wong	EST	John Kennedy	CBA
Shahzad Malik	EST	George Strilakos	UniSuper
Belinda Black	New measures	Andrew Aristidou	UniSuper
Helen Morgan	New measures	Andrea Cooper	IRESS
James O’Halloran	Deputy Commissioner - Superannuation	Zain Dom	Link Group
		Stephen Milburn	SunSuper
		Tanya Langhorne	SunSuper
		Erica Hobson	Pillar
		Tina Cifelli	AMP
		David Delaney	ANZ
		Brett Hillier	Pillar
		Hans van Daatselaar	ASFA

## Agenda item 1 – Introductions & outcomes

Outlined the purpose of the session:

- > provide an update on all stages of the MiX project
- > discuss the possible design to incorporate the super reform changes
- > identify and discuss any design issues/concerns
- > highlight parts of the process that are still under review
- > next steps.

## Agenda item 2 – New measures, an overview

Belinda Black took the group through a brief overview of the super new measures:

## **Transfer balance cap (\$1.6 million)**

From 1 July 2017, a cap of \$1.6 million on the total amount that can be transferred into the tax-free retirement phase for account based pensions (discussed in more detail below).

## **Division 293 threshold (\$250,000) and end benefit cap**

Lowering the Division 293 income threshold from \$300,000 to \$250,000 from 1 July 2017.

## **Concessional cap reduction (\$25,000)**

Reduction of the annual concessional contributions cap from \$35,000 to \$25,000 (from 1 July 2017).

## **Lower non-concessional contribution cap (\$100,000)**

From 1 July 2017 the annual non-concessional (after tax) contribution cap will be lowered from \$180,000 to \$100,000. In addition, individuals' access to the bring forward provisions will be impacted by their total superannuation balance.

## **Carry-forward concessional contributions of unused caps over five years**

From 1 July 2018, individuals with a total superannuation balance under \$500,000 will be able to access any unused concessional contributions from the previous five years. (As this measure only commences from the 2018–19 year, individuals will not be able to access unused concessional contributions until the 2019–20 year.)

## **Streamlining release authorities**

Improving and streamlining the client experience for individuals who may breach different caps within the same financial year.

## **Innovative retirement income streams**

From 1 July 2017 the tax exemption on earning in the retirement phase has been extended to products such as deferred lifetime annuities and group self-annuitisation products.

## **Improving the integrity of retirement income streams (TRISs)**

From 1 July 2017, earnings from assets supporting a TRIS will be taxed at 15% (previously tax free). The 15% tax will apply to all TRISs, regardless of the commencement date.

## **Removal of anti-detriment payment**

From 1 July 2017, super funds will no longer be able to claim a deduction where a top-up payment has been made as part of a death benefit payment where the beneficiary is the dependant of the deceased. This applies where the deceased dies on or after 1 July 2017; funds may claim a deduction for an anti-detriment payment as part of a death benefit, if their member dies on or before 30 June 2017.

## **Personal super contributions deduction**

Removes the maximum earnings as an employee (10%) test, from the eligibility criteria for individuals to claim an income tax deduction for personal super contributions (other eligibility criteria remain unchanged).

## Spouse tax offset

Increases (from \$13,800 to \$40,000) the threshold an individual's spouse's assessable income must be under, for that individual to claim the spouse tax offset.

## Low income super tax offset contribution (LISTO)

Replaces the previous low income superannuation contribution (repealed 1 July 2017), and continues to provide support for low-income earners to ensure that (generally) they do not pay more tax on their super contributions than on their take-home pay.

Sam asked about the ability of third parties (funds/advisers) to access individuals' total super balances. Peter advised there will be a service in SuperMatch2 where authorised parties could view all a member's accounts (noting the data lag when viewing amounts reported by funds – both APRA and SMSF – annually). While third party access was desirable, member access (to a 'total super view') was the priority.

For more details on the new measures: <https://www.ato.gov.au/Individuals/Super/Super-changes/>

### Agenda item 3 – Transfer balance cap (TBC)

Helen provided the group with a detailed explanation of the TBC:

- > (generally) individuals will be able to transfer \$1.6 million into a pension account
- > the TBC is to be indexed (where an individual has only used a portion of their TBC, this too is indexed on a proportional basis)
- > once a member hits (or exceeds) their TBC, their cap will not be subject to indexation – even should they commute a portion of their pension at a later date
  - as time progresses and individuals use different portions of their TBC, the proportional (or lack of) indexation will result in each individual potentially having their own (unique) personal TBC.
- > any amount transferred in to, or out of, a pension account needs to be reported, and recorded against an individual's transfer balance account (TBA)
- > commutations (debits to an individual's TBA) will no longer count as minimum pension payments
- > existing pensions (commenced prior to 1 July 2017) with a balance over \$1.6 million, will need to bring their value down to below the TBC
- > there are certain exceptions or special rules, depending on the type of pension:
  - capped defined benefit income streams cannot be commuted
  - recipients of an (automatic) reversionary pension will have a period of 12 months (from the date the deceased died) before any TBC impacts
  - depending on their circumstances, members may be able to either take out any excess (above their TBC) as a lump sum, or roll it back into an accumulation account
- > for every day an individual is in excess (of their TBC), a 'notional earnings' component will be calculated; determination notices will outline:
  - amount of capital
  - + notional earnings
  - = amount to remove
- > members in excess of their TBC will be issued a determination notice, requesting an election as to their preferred course of action
  - note members aren't obligated to complete the election. The determination notice will outline the default fund we have identified, members need only make an election should they want the commutation authority to be issued to a different fund. (If they do nothing within 60 days, a commutation authority will be issued to the default fund.)
  - a resultant Commissioner's commutation authority will be issued to the member's fund(s), requesting the excess amount (plus a notional earning component) be released.

- while the determination notice will disclose the member's excess and notional earnings separately, the commutation authority will only identify the final amount to be released
- > a separate notional earnings amount (15%) will be calculated from the day the determination is issued until the amounts have been removed (and we're notified by the fund)
- > a member's TBA can have a negative balance:
  - a member transfers \$1.6 million into a pension
  - over time, a high return on the pension's assets results in the underlying value now at \$1.8 million
  - the member commutes their entire pension back to accumulation phase, resulting in a \$1.8 million debit, and a TBA balance of -\$0.2 million.
  - therefore it is possible a member could commence a pension worth more than \$1.6 million, and not be in breach of their TBC.
- > consequences for individuals exceeding their TBC will depend on the type(s) of income stream(s) they receive

George asked if there was a timeframe for funds to release the monies, and could an individual simply 'choose' to not release and pay higher tax? Helen advised individuals had 60 days to respond (to a determination notice), after which the ATO will issue a commutation authority to their fund. (Where an individual has multiple funds, generally this will be to the most recently reported non-defined benefit fund.)

There are two valid reasons for not complying with a commutation authority: the account is a capped defined benefit income stream, or the member is deceased. If the account has insufficient funds to cover the commutation authority, funds should commute what they can (reducing the balance to nil, and closing the account); the ATO will then calculate any remaining portion and issue a commutation authority to another fund (if appropriate).

Funds have no discretion if issued with a commutation authority, they must comply – even if advised by the member they're releasing money from a different fund.

It is anticipated that – until all release authorities move to a unified electronic solution – commutation authorities will be issued via the portal.

There are special rules around reversionary pensions, where the reversionary entitlement commences on the date of death, but the TBC credit, (for the beneficiary) will be applied 12 months later. This is also the case for reversionary pensions where the deceased's date of death was in the 12 month period prior to 30 June 2017, the beneficiary will have the balance of that 12 months before their TBC credit is applied.

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#### **Agenda item 4 – Update on the MiX Service**

The full MiX will now become a suite of services, with distinct interactions:

- > validate TFN
- > provision of details – allows funds to proactively seek details from the ATO, such as:
  - updated member contact details to prevent from becoming lost (eg after receiving one piece of returned unclaimed mail)
  - whether the member still has a deferred Division 293 debt outstanding
- > maintain member account – new/open, update and close account functions
- > retirement phase report

The details funds must provide, and the responses they receive, will vary depending on the specific service being used.

## Validate TFN

When validating a TFN, funds should provide the member's TFN (if they have it), and whatever member details they hold. The more details a fund provides the better the ATO's ability to match. The ATO's response will be limited to the 'matched' status of the member, and potentially a (corrected) TFN:

Where the fund provides	And we can	We provide a	Equates to
- correct TFN	match to the member	matched response	299TD
- incorrect TFN	match to the member	matched and corrected	299TA
- incorrect TFN	not match to the member	unmatched	Please resolve
- no TFN	match to the member	matched and corrected*	299TC
- no TFN	not match to the member	unmatched	

\* As long as the member's TFN has previously been 'quoted for super purposes'. If not, only a 'matched' response will be provided.

## Provision of details

Used by funds to proactively obtain updated contact details, in order to prevent members from becoming lost (such as upon receipt of one piece of returned unclaimed mail). Details returned to the fund include any updated addresses (including the date we obtained the address), phone numbers, and any email address. (Addresses belonging to the member's registered tax agent will be excluded from this service.)

This service will also allow funds to confirm whether a member with a previously reported deferred Division 293 debt, still has a debt outstanding. There was discussion around what or how this element would be reported back to funds; a member who has a deferred Div 293 debt will still have such an 'account' even once the debt has been paid. It was therefore discussed that any such detail would need to identify if the member still had an amount owing, rather than simply that they had a deferred debt account. The proposed option was for the ATO to return (Y/N) whether the member had 'a deferred Div 293 account with a balance greater than zero'.

Any response for this service will include a date of death where applicable.

This is an optional service; funds can choose not to build but will then be unable to proactively request member updates. Potentially this service could be expanded upon in the future.

## Maintain member account

This is the core of the expanded MiX service, building on the close account function of SuperTICK V3, and provides the avenue for funds to:

- > open new member accounts
- > update the attributes of existing accounts
- > close member accounts.

There are a number of different account attributes funds can update:

- > USI (for example an account moving between products within the one fund, with a different USI)
- > account identifier (for example where a change in software platforms results in a different account identifier format)
  - This is not the only way to update an account's USI or account identifier. Funds may choose to close the account (with the old USI/account identifier) and then open a new account with the updated details.
  - Note that where a fund closes one account and opens a new account, as these are two distinct accounts this would require the lodgement of two separate MCSs.

- > account type (accumulation, retirement, insurance only, closed)
- > account status (sub-classification of the specific account type)
- > types of contributions accepted
- > types of rollovers accepted (inward and outward)
- > lost status
- > various indicators (defined benefit, insurance, acceptance of personal super contribution deductions, grandfathering).

A positive message response (matched, or matched and corrected) will be implicit confirmation the message was acted upon (the account opened, or attributes updated). Conversely, an unmatched response will result in no action (eg no account being opened). As with SuperTICKV3, when closing an account no TFN will be sent to the fund.

When an account's lost status is changed to 'uncontactable' or 'inactive', any updated contact details (as per 'provision of details' above) will be issued to the fund.

**ACTION ITEM** ATO to investigate and provide more clarity around when a member is no longer lost. Is the mere obtaining of an updated address sufficient or does actual contact (with the member) need to be made. (Consider terms and conditions of the existing provision of address service.)

For accounts reported as closed, there was considerable discussion around what values (if any) should be populated at the other fields. We advised that once an account's status is closed, remaining values on the form are ostensibly irrelevant.

**ACTION ITEM** ATO to investigate if remaining fields can be made optional when closing an account

Any response for this service will include a date of death where applicable. Funds should investigate situations where they are opening a new account, and receive of data of death in the response.

## Retirement phase report

This is a brand new interaction designed specifically to meet the precise and intricate requirements of the super new measures (in particular, the \$1.6 million transfer balance cap).

This service would be transaction based; funds would complete this section only when an event occurred that impacted (or could impact) a member's transfer balance account. Funds would provide the account identification details (USI, account identifier, member name, member details), and the following details about the transaction (completing only those fields applicable):

- > for reversionary income streams, the date the deceased died
- > status of a deferred income stream (paying, deferred)
- > upon commencement of a super income stream, the date and value
- > when commuting an amount from an existing income stream
  - the date of the commutation
  - the amount being commuted
  - was the commutation as a result of a Commissioner commutation authority (Y/N)
  - was the commutation paid out as a lump sum (Y/N)
- > the special value of a capped defined benefit income stream
- > details of any structured settlement amount (only those received *during the year in which an income stream commences*)
- > the account balance

There was considerable discussion about this potential (and significant) change; whether it:

- > offered the right client experience (for funds and their members)
- > was a workable and practicable solution for reporting events impacting the TBC
- > fits the design intent of the MiX Service.

We will collate the feedback received and take this into consideration as we progress the TBC reporting solution.

## Agenda item 5 – Overview of the MiX Service Architecture

Peter Wong took the group through the following presentation on the MiX system design:



ATO MiX -  
External.pptx

Key points brought up during this discussion:

- > some funds will have an 'actual' real-time implementation, therefore there is a requirement that the ATO can correctly handle more than one notification for a single account on the same day.
- > EVTE is very limited in terms of the flexibility of testing scenarios, industry will need effective testing for MiX onboarding
- > the ATO's own system performance is crucial, will the ATO be ready? Internally we will be conducting capacity threshold testing, and managing the funds' cutover carefully – there won't be a 'big bang'. James O'Halloran recognised that testing is an area in which we can be more overt; advising our stakeholders with specifics of the types of internal testing we're conducting, and the characteristics of those tests.

## Agenda item 6 – Outstanding issues

We are progressing the technical documentation and are aiming to release this as soon as possible. The documentation will be a Business Implementation Guide (or BIG) and outlines the:

- > message structure tables
- > validation rules
- > error repository
- > conformance suite

These artefacts will issue as soon as possible, though it is unlikely this will be before March. We will continue to have regular consultation during this period.

Under the MiX service the audience will be expanded to all those required to lodge an MCS, this includes a number of entities previously outside the standard (and therefore without a USI). We are continuing to explore options to cater for these entities.

## General

We will continue to consult with industry as we progress the design of the information exchange service.

As always, we welcome any questions or feedback you might have, please send these to [SuperStreamStandards@ato.gov.au](mailto:SuperStreamStandards@ato.gov.au)