Australian Government
The Treasury

TSY/AU

Retirement Income Covenant Position Paper

Stage one of the Retirement Income Framework

May 2018

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Consultation Process

Request for feedback and comments

Treasury welcomes comments and feedback on the proposed principles. While submissions may be lodged electronically or by post, electronic lodgement is preferred. For accessibility reasons, please submit responses sent via email in a Word or RTF format. An additional PDF version may also be submitted.

All information (including name and address details) contained in submissions **will be made available to the public on the Treasury website unless you indicate that you would like all or part of your submission to remain in confidence**. Automatically generated confidentiality statements in emails are not sufficient for this purpose. If you would like only part of your submission to remain confidential, please provide this information clearly marked as such in a separate attachment.

Closing date for submissions: 15 June 2018

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Background

The retirement income framework

The retirement phase of the superannuation system is currently under-developed and needs to be better aligned with the overall objective of the superannuation system of providing income in retirement to substitute or supplement the Age Pension. The Government is addressing this through the development of a retirement income framework. The framework is intended to:

- enable individuals to increase their standard of living in retirement through increased availability and take-up of products that more efficiently manage longevity risk, and in doing so increase the efficiency of the superannuation system and better align the system with its objective; and

- enable trustees to provide individuals with an easier transition into retirement by offering retirement income products that balance competing objectives of high income, flexibility and risk management.

In December 2016, a discussion paper on Comprehensive Income Products for Retirement (CIPRs) was released for consultation[1]. Submissions closed on 7 July 2017. The Department of the Treasury (Treasury) received 57 written submissions on the discussion paper, and met with more than 100 organisations.

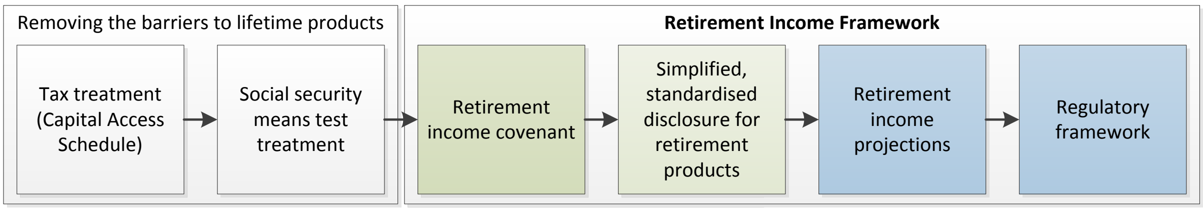
That consultation revealed that there is broad agreement on the importance of what the CIPRs policy is seeking to achieve, but divergent views on the best way to achieve the objectives.

In addition, some stakeholders stressed the importance of finalising the social security treatment of pooled lifetime income products first. The Government announced the treatment of the social security means test rules for new and existing pooled lifetime income products in the 2018-19 Budget.

Having taken steps to remove barriers to the introduction of pooled lifetime income products, the Government plans to prioritise progress on the development of a retirement income covenant.

The Government has also announced it will progress the development of simplified, standardised metrics in product disclosure to help consumers make decisions about the most appropriate retirement income product for them. Other elements of the framework will be developed progressively:

- reframing superannuation balances in terms of the retirement income stream they can provide, by facilitating trustees to provide retirement income projections during the accumulation phase; and
- a regulatory framework to support the other elements of the retirement income framework including definitions, any necessary safe harbours, requirements for managing legacy products and other details.



[1] Treasury, *Development of the framework for Comprehensive Income Products for Retirement*, Canberra, 2016.

Retirement income covenant

On 19 February 2018 the Minister for Revenue and Financial Services, the Hon Kelly O'Dwyer MP, announced the establishment of a consumer and industry advisory group to assist in the development of a framework for CIPRs.

The central task of the advisory group was to provide advice to Treasury on possible options and scope of a retirement income covenant in the *Superannuation Industry (Supervision) Act 1993* (SIS Act). The group strongly supported the idea of a retirement income covenant and provided advice on the proposed framework. This feedback has helped shape the proposed approach set out in this paper.

As part of the Government's More Choices for a Longer Life Package in the 2018-19 Budget, the Government has committed to introducing a retirement income covenant as a critical first stage to the Government's proposed retirement income framework. This will codify the requirements and obligations for superannuation trustees to improve retirement outcomes for individuals.

Existing covenants in the SIS Act include obligations to formulate, review regularly and give effect to investment, risk management and insurance strategies; but not a retirement income strategy.

Introducing a retirement income covenant will require trustees to consider the retirement income needs and preferences of their members. It will ensure that Australian retirees have greater choice in how they take their superannuation benefits in retirement. This should allow retirees to more effectively choose a retirement product that aligns with their preferences, improving outcomes in retirement. The proposed obligations for inclusion in the covenant are outlined in the section 'Covenant principles'.

The covenant will be supported by regulations to provide additional guidance and outline in more detail how trustees will be required to fulfil their obligations. Appropriate enforcement will also be part of the framework. The 'Supporting principles' section outlines the principles and guidelines that would be included in regulations (and possibly prudential standards). Implementation of these regulations may require adjustments to existing regulations and instruments.

Finally, additional principles have been identified that may be appropriate for inclusion in the retirement income framework, but which are not being fully developed at this time. These principles will form part of the regulatory framework to be progressed at a later date.

The covenant and supporting principles would apply to trustees of all types of funds except Australian eligible rollover funds (ERFs) and defined benefit (DB) schemes that offer a DB lifetime pension. The Government considers that it would not be appropriate to require trustees of these fund types to develop a retirement income strategy because ERFs do not have any members in retirement and a DB lifetime pension already reflects an implicit retirement income strategy.

While all members of the advisory group provided valuable input and insights which have helped inform this position paper, the positions expressed in this paper are those of the Government.

The retirement income framework, including the covenant, will be implemented with an appropriate transition period to allow sufficient time for industry to adjust. The Government proposes to legislate the covenant by 1 July 2019 but to delay commencement until 1 July 2020. This timing would allow the market for pooled lifetime income products to develop in response to the changes to the Age Pension means test arrangements announced as part of the 2018-19 Budget and for other elements of the framework to be settled.

Covenant principles

1. Retirement income strategy

Trustees should assist members to meet their retirement income objectives throughout retirement by developing a retirement income strategy for members.

The Government will introduce a retirement income covenant in the SIS Act. The covenant will operate alongside existing covenants in the SIS Act such as investment and insurance covenants, and will outline a fundamental obligation of trustees. It would require trustees to formulate, review regularly and give effect to a retirement income strategy to assist members to meet their retirement income objectives.

Requiring all superannuation trustees to develop a retirement income strategy will help to ensure appropriate, high-quality products are developed and offered to retirees. This should expand individuals' choice of retirement income products and improve their standard of living in retirement.

The covenant would outline specific factors trustees need to take into account when developing a retirement income strategy. Importantly, the strategy should focus on the collective needs of members. While the covenant does not discourage the development of tailored retirement income solutions for individual members, the strategy should primarily focus on delivering retirement income solutions that are appropriate for members as a whole or for large cohorts of members. Specifically, trustees would need to consider the following factors when designing their retirement income strategy, with the strategy optimising the retirement outcome for members (given trade-offs between the factors):

- maximising income for life for members;
- the potential life spans of members and the costs and benefits of managing longevity risk for members as a whole;
- managing risks that affect the stability of income, including inflation;
- providing members with access to capital;
- member needs and preferences for the factors above;
- the costs and benefits to members of developing a CIPR in-house compared with offering a CIPR developed and managed by a third party or a combination of both in-house and a third party;
- expected member eligibility for the Age Pension; and
- whether and how cognitive decline may affect outcomes.

The inclusion of these factors would ensure consistency by trustees and improve member outcomes by requiring all trustees to consider a minimum number of common factors. If required, further guidance for trustees would be provided through regulation.

The factors specifically require trustees to focus on considering and optimising the competing objectives in retirement of delivering high income, risk management and flexibility, taking into account collective member preferences. The optimal strategy may involve trustees offering products managed or provided by third parties if this is the most cost-effective approach.

Trustees should also consider how the potential cognitive decline of members may influence the member's ability to make optimal decisions regarding the drawdown of income during retirement.

Development of a retirement income strategy would be the only principle that would apply to self-managed superannuation funds.

2. Engagement

Trustees should assist members to meet their retirement income objectives by providing guidance to help members understand and make choices about the retirement income products offered by the fund.

The Government would require trustees to provide guidance (which may or may not be financial advice) or intra-fund advice tools to help members navigate between the retirement income products offered by the fund. The tools should assist members in making the most appropriate choice, given their needs and preferences. There is no expectation that trustees would need to provide financial advice and hold an Australian Financial Services Licence (AFSL) to comply with this requirement. If trustees choose to provide financial advice, an AFSL would be required.

The sophistication of the guidance and tools should be proportional to the offerings of the fund.

- Trustees who offer only one CIPR and one account-based pension (ABP) could provide a side-by-side comparison of the two products, explaining the differences between the products and their relative costs and benefits. Statements like ‘this product is most likely to be suitable for people who…’ would also be appropriate in this case.
- Trustees who offer multiple retirement income products or individual tailoring designed to meet different needs and preferences would need to provide more sophisticated choice tools. This could include asking a few questions through intra-fund advice to narrow the range of options for comparison to those designed for people with matching characteristics.

Supporting principles

3. Definition of a Comprehensive Income Product for Retirement

A CIPR is a retirement income product which is designed to provide:

- **efficient, broadly constant income, in expectation;**
- **longevity risk management (income for life); and**
- **some access to capital.**

A 100 per cent allocation to an ABP alone would not meet the definition of a CIPR.

A key feature of the retirement income framework would be CIPRs. A CIPR would provide a complete solution that balances a number of competing objectives in retirement. The three key objectives are to maximise income, ensure income is provided for life and provide flexibility to access capital. A CIPR would be a core part of how trustees implement the retirement income strategy they have developed for their members.

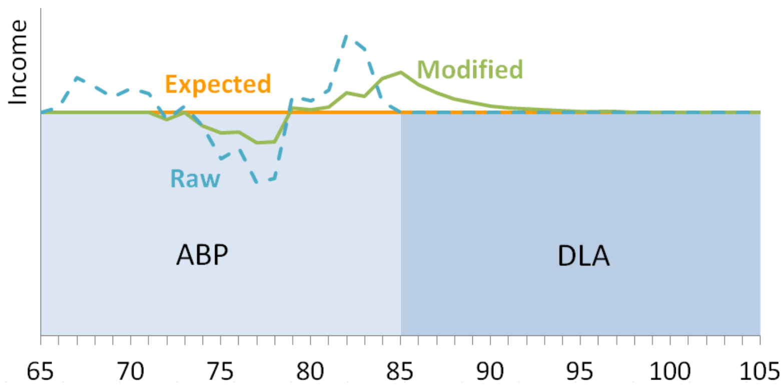
Features of a CIPR

A CIPR would comprise set product components and proportions and drawdown rates designed by the trustee to meet the requirements below.

The expected income from a CIPR should be efficient and broadly constant

At the time of offer, the trustee should expect that with average investment returns and longevity outcomes, the annual income expected from a CIPR offer would be broadly constant. Recognising that it may be difficult to design a product that delivers absolutely constant expected income, a small buffer would be allowed for income to be considered *broadly* constant. For example, if at the time the CIPR was offered the expected income from the product remained within a narrow band (perhaps +/-2.5 per cent from the real or nominal income in the first year) then it would be considered to be *broadly* constant.

Importantly, in practice actual income may not be broadly constant due to variations in investment returns and longevity outcomes. There is no requirement for products to be fully or even partly guaranteed. The following would be an example of an acceptable CIPR, even though the actual income from the product would not match the expected income. In this example, the CIPR includes an illustrative mechanism to manage variations in investment returns.



It would be at the discretion of the trustee to decide whether the expected income should be broadly constant in real or nominal terms (or in between). This provides greater flexibility for trustees to offer a retirement income solution that best matches the consumption needs of their members. If the trustee chose to deliver broadly constant income in real terms, the nominal income delivered by the product would be expected to rise by about 2.5 per cent a year to account for inflation. The trustee would not be required to eliminate all inflation risk from the product.

Trustees could choose whether or not to incorporate expected Age Pension income when determining 'broadly constant income', noting that while desirable, in some cases it may be problematic due to variations in Age Pension eligibility in the cohort.

A CIPR should provide income for life

It is not sufficient for the CIPR to provide income only to life expectancy. The trustee would need to ensure that the CIPR is designed in such a way that even if the member lives to 105, they will continue to receive broadly the same level of income from the product.

To provide this certainty to members, trustees would need to incorporate any one (or more) of a range of pooled lifetime income products (either immediate or deferred), such as a group self-annuitisation product or a guaranteed lifetime annuity. In practice, it is likely that the requirement for a CIPR to provide income for life would require a minimum investment in a pooled lifetime income product of around 15-20 per cent. However, the ultimate allocation to the pooled lifetime income product would depend on the retirement strategy of the fund and how trustees balance the different trade-offs.

A CIPR should have some flexibility to provide access to capital

It is likely that most people will want to retain some ability to access capital. Capital may be required to purchase assets such as a new car, to pay for home maintenance, health costs or to pay for any number of other unexpected events.

We expect the most common way to provide this flexibility would be for a CIPR to incorporate an ABP. Alternatively some pooled lifetime income products may provide some commutable value or access to death benefits. Again, trustees would have the freedom to determine the best way to provide this flexibility for their members.

Certification

The Government considers the certification requirements for CIPRs should be principles-based to ensure product neutrality and to avoid limiting future innovation in the retirement income product market. However, a 100 per cent allocation to an ABP would not meet the requirements. The method of certifying CIPRs (the requirements a product would need to meet to provide efficient, broadly constant income for life with some flexibility) would be determined at a later date. Any implications for ABP minimum drawdown rates would be considered at that time.

4. Offering a flagship CIPR

All trustees should offer a flagship CIPR to members at retirement, subject to limited exceptions (see principles 7 and 8).

Trustees would be required to offer a CIPR to all members at retirement. Requiring trustees to offer a CIPR to members would provide a better starting point at retirement and assist members to achieve their retirement income objectives without needing to design their own product.

Trustees may choose to offer additional products at the time of offering the CIPR, but it should be clear that the flagship CIPR offering is the starting point for members.

Nonetheless, trustees would be able to offer up to three flagship CIPRs based on an individual's account balance without the offer constituting financial advice. This provides flexibility to trustees to design appropriate products for large cohorts of their membership, recognising that account balance may affect a person's Age Pension eligibility. Allowing for three flagship CIPRs will enable trustees to design different CIPRs for people who, based on their superannuation account balance, are likely to be eligible for the full Age Pension, part Age Pension or who are ineligible for the Age Pension.

For example, someone on a full Age Pension may benefit from the increase in income that a CIPR could provide, but may not need substantial longevity protection, as this would be provided to a greater degree by the Age Pension. Someone who is not eligible for the Age Pension, however, would likely benefit both from a higher income and the greater certainty of income that a CIPR would deliver. The design of the CIPR may be different in each case.

The Government proposes to allow trustees to design up to three flagship CIPRs that are offered to members. Trustees could choose to either:

- offer a single flagship CIPR to all members; or
- offer a single flagship CIPR tailored to up to three different cohorts of members with different account balances (one flagship CIPR per cohort), provided the CIPRs are designed to be in the best interests of the cohort, compared with other products.

At the time of offer, the trustee would need to give members the option to include a reversionary benefit in the CIPR. The option to include a reversionary benefit would not constitute a different CIPR. Offering a flagship CIPR or segmenting members into one of three different flagship CIPRs on the basis of their account balance alone would not constitute financial advice.

A+ Retirement's Flagship CIPR: 'A+Plus'

The trustee for A+ Retirement designs a single flagship CIPR called *A+Plus* to be appropriate for most members. It would provide constant expected real income to members who retire at 65 by allocating 75 per cent of the member's superannuation balance to a balanced investment ABP and the remaining 25 per cent to a deferred lifetime annuity (DLA) that commences at age 85. For every $100,000 invested in A+Plus, members could expect to receive $6,000 per year in income, for life, and have access to a lump sum of up to $15,000 at any time.

In this case, A+ Retirement has chosen to offer a unisex CIPR (that is it has chosen not to offer a CIPR with slightly different underlying product allocations and expected annual income to males and females to reflect their different life expectancies).

Felicity is a member of A+ Retirement who retirees at age 70 instead of 65. The underlying 75 per cent/25 per cent product allocations for a 65 year old would not provide constant expected income to a person who retires at age 70. As a result, the trustee offers Felicity the A+Plus CIPR with a higher proportion allocated to the DLA (perhaps 30 per cent) and a lower proportion allocated to the ABP (70 per cent) because the ABP only needs to provide income for 15 years, rather than 20. If A+ Retirement had not adjusted the underlying product allocations of its CIPR, Felicity would have experienced a reduction in expected income at age 85. The A+Plus CIPR is designed to provide Felicity with constant expected real income of $7,000 per year. This is still the same flagship CIPR.

A+ Retirement could similarly modify its A+Plus CIPR to provide constant expected income based on any characteristic that affects life expectancy and which can be reliably estimated. Characteristics could include gender, age, whether a member is a smoker or non-smoker, or whether the member is a blue or white collar worker. These modifications may result in adjusting the pricing of the DLA (but not substituting the DLA with a different product). Modifying the A+Plus CIPR on this basis would not constitute a different CIPR.

Before offering A+Plus to Felicity, the trustee could not replace the balanced investment ABP with a conservative investment ABP to reflect Felicity's investment choice in the accumulation phase. Similarly, the trustee could not change the deferral period on the DLA to commence at age 90 and suggest Felicity rely on the ABP for a longer period. Changing either the underlying investment strategy (from balanced to conservative) or the strategy to manage longevity risk (through delaying the commencement of the DLA) would mean the product is a different CIPR or retirement income product. However, the trustee could offer either of these changes through personal financial advice or at Felicity's request after A+Plus was offered to her.

The offer of a CIPR would be accompanied by appropriate disclosure. CIPRs outside the flagship CIPRs offered by the fund could be offered through personal financial advice, including intra-fund advice.

5. Third party products

Trustees can fulfil their obligation in part or in full by using a third party.

For the avoidance of doubt, trustees may choose to offer a CIPR that is developed and/or offered in part or in full by a third party where that is in the best interests of their members.

The Government understands that it may not always be in the best interests of the members for trustees to develop and offer a CIPR in-house. It may be more cost effective to offer members a CIPR that has been developed and/or offered in part or in full by a third party.

Trustees that consider it may not be in the best interests of their members to develop a CIPR in-house should still offer a flagship CIPR to their members. These members are as likely to benefit from a CIPR as members of funds that develop CIPRs in-house.

6. Consent

Consent should be required for a CIPR to commence.

While trustees would have to offer members a CIPR, the Government does not propose to require members to accept the CIPR offered. Members would need to explicitly indicate that they were willing to accept the CIPR in order for it to commence.

The Government proposes to require explicit consent of members for the CIPR to commence, consistent with the aim of providing greater freedom and choice to individuals at retirement. Each member should have the opportunity to choose the retirement income product they want. Nevertheless, it should not be onerous for members to accept a CIPR offered to them.

7. Offering an alternative retirement income product through advice

Trustees may offer an alternate CIPR or another retirement income product to a particular person or cohort of people through any form of personal financial advice, including scaled personal advice, intra-fund advice, or full financial planning.

The Government recognises that the specific preferences and characteristics of an individual member may affect their optimal retirement income solution. Obtaining this personalised information about the member may result in the trustee or other adviser being able to offer better or more tailored retirement income products.

A trustee may use reliable information about a person's circumstances, gathered through personal financial advice, to offer an alternate CIPR or other retirement income product if that product would be in the best interests of the member, compared with the flagship CIPR the member would have been offered had they not received personal advice.

If the trustee offers the member a product that is not a flagship CIPR, the trustee should ensure the alternative retirement income product is in the best interests of the member compared with the flagship CIPR the member would have been offered had they not received personal advice. The same requirements would apply if advice is provided by an independent financial adviser.

Members may seek personal financial advice at any time. This advice would consider a broader range of the member's personal circumstances than would otherwise be available to a trustee. Trustees may choose to offer scaled personal advice, intra-fund advice, or financial planning services to help direct members toward an appropriate retirement income product or to tailor a retirement income solution for that individual.

For example, the factors that a trustee or other adviser may take into account in assessing the suitability of an alternative retirement income product for a person could include:

- age;
- marital/spousal status;
- factors affecting Age Pension eligibility;
- that person's express preferences;
- that person's health or life expectancy based on family history;
- other superannuation accounts;
- outstanding debts; and
- other factors that are directly relevant to the choice between alternative products.

To support trustees guiding members into products that are better suited to the member's circumstances, regulations would clarify a limited range of factors that are classified as scaled personal advice or intra-fund advice. Trustees would be able to recommend an alternative retirement income product to a member or cohort of members based on these factors. Provided all other regulatory requirements related to providing personal financial advice were met, trustees could rely on the relevant safe harbour (s 961B(2) of the *Corporations Act 2001*).

8. Exception for individuals for whom CIPRs are unsuitable

Trustees may choose not to offer a CIPR *at all* to a particular person if the trustee has reliable information that a CIPR would not suit that person.

Only if the trustee has reliable information that a CIPR would be unsuitable for a person may they choose not to offer a CIPR. The decision not to offer a CIPR in the following circumstances would not be considered to be personal financial advice:

- knowledge that the person has a life-threatening or terminal illness; or
- knowledge that the person has less than $50,000 in superannuation assets in that fund.

A CIPR would most likely not be in the best interests of a person who has a terminal or life-threatening illness. This is because people who have a life-threatening or terminal illness are unlikely to have the same need for longevity protection if they have a short life expectancy. However, this would not preclude funds from offering CIPRs that include an impaired pooled lifetime income product.

The Government also understands that a CIPR may have limited benefit to someone with a very low superannuation balance. In this case, the costs associated with the administration of the CIPR and the need for flexibility may outweigh the additional income benefits the CIPR could deliver and the Age Pension is likely to provide sufficient longevity protection.

Future considerations

The following additional principles related to the retirement income covenant were identified by the advisory group, but will be fully explored and developed as part of the future work on the regulatory framework. However, areas of future work will not be limited to these issues.

Lifetime engagement

Trustees should engage with members about retirement early (from the point of joining the fund onwards) and continue to engage on an ongoing basis.

The retirement income framework should encourage trustees to engage with members from the point at which they enter the fund until the account has expired. This engagement could include providing generic retirement income information (including retirement income projections) on an ongoing basis.

Ongoing engagement would be expected to improve retirement income outcomes by ensuring members are better prepared for retirement and understand the range of different product options that are available to help them make the best use of their superannuation in retirement. Improved engagement would also help trustees to better understand their members, leading to improved member services.

Legacy products

An approach for managing legacy retirement income products and issues related to these legacy products should form part of the framework.

Treasury should work with regulators (ASIC and APRA) to ensure the legislative and regulatory frameworks include provisions about how legacy retirement income products should be managed.

Once those frameworks are established, any new retirement income products should be required to incorporate a plan for how the product would be treated should the product prove to be unviable or if the fund itself is wound up or rolled into another fund.

A clear plan for retirement income products is important to both protect consumers and minimise complexity and costs ultimately borne by members.

Safe harbour

Trustees could qualify for a safe harbour, in limited circumstances, provided they act diligently and comply with all relevant legal obligations in designing and offering a CIPR.

The framework could provide a safe harbour in the form of a statutory defence to claims for loss or damage arising from the design, offer and ongoing management of a CIPR provided that various regulatory requirements were met. The safe harbour would not exempt trustees or advisers from their obligations to act in the best interests of a particular member in relation to personal financial advice.

The Government understands that trustees are concerned they may be open to claims for loss or damage if, for example, a member accepts a CIPR offer but later changes their mind or dies before life expectancy.

Acronyms

ABP	Account-based pension
APRA	Australian Prudential Regulation Authority
ASIC	Australian Securities and Investments Commission
CIPR	Comprehensive Income Products for Retirement
DLA	Deferred lifetime annuity
MP	Member of Parliament
SIS Act	*Superannuation Industry (Supervision) Act 1993*

Glossary

Account-based pension (ABP)	An individual investment account set up with superannuation benefits from which a retiree draws a regular income. Also known as an allocated pension.
Age Pension	Government income support paid to eligible Australians who have reached retirement age.
Alternate CIPR	A CIPR that is not a flagship CIPR.
Annuity	A regular guaranteed payment that is made to a person for life or for a fixed number of years by a life insurer.
Comprehensive Income Product for Retirement (CIPR)	A composite retirement income product that meets certification requirements.
Efficient (income)	Efficiency refers to the level of income relative to the amount of superannuation invested in the product. For a given investment, a product that delivers higher income will be more efficient.
Flagship CIPR	A CIPR that is designed to be appropriate for the majority or large cohorts of members of a fund. A trustee may have a maximum of three flagship CIPRs.
Deferred life annuity (DLA)	A form of annuity where the commencement of payments is delayed for a set amount of time after purchase.
Group self-annuitisation product	A retirement income product where members invest capital into a pool and regular income is paid from the pool to surviving members. The income stream is subject to investment risk/performance and the longevity experience of the pool. The product is not capital-backed (not guaranteed).
Income	Income in this context is likely to include both investment earnings, some drawdown of capital and payouts from pooled lifetime income products. It is the total combined amount of cash a person receives each year from a retirement income product.

Inflation risk	The risk that inflation will undermine the purchasing power of future income.
Investment risk	The risk that the return on an investment is lower than expected.
Legacy product	A product that is no longer open to new accounts but in which people retain accounts.
Longevity risk	The uncertainty about how long an individual will live. For an individual, it is the risk of outliving their savings.
Personal financial advice	A recommendation or statement of opinion directed to a person where the adviser has considered one or more of the client's objectives, financial situation or needs. The advice is intended to (or could be reasonably regarded as intended to) influence the person's decision about financial products or their interest in financial products. *Scaled* personal advice is personal financial advice that is limited in scope. *Intra-fund* advice is personal financial advice that is limited in scope to the person's interest in the fund.
Pooled lifetime income product	A product in which participants contribute funds to a pool that is invested in financial assets and distributed according to an individual's share in the pool. Annuities, group self-annuitisation products and collective defined contribution schemes are all examples of pooled lifetime income products.
Safe harbour	Protection from legal liability, in the form of a defence or deemed compliance with the law.

Appendix A

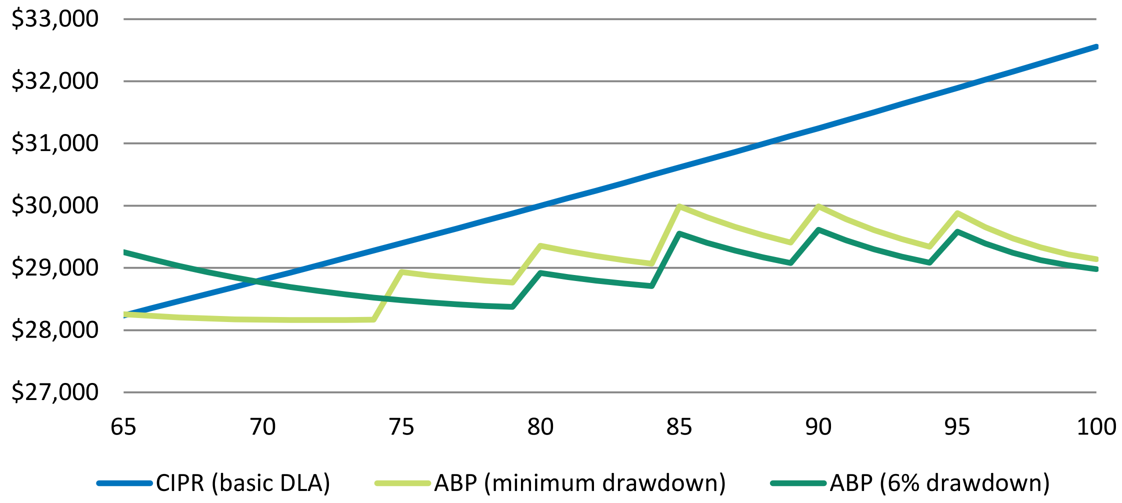
Retirement income products

The following charts illustrate **total retirement income** outcomes from a range of different retirement income products following changes to the Age Pension means test treatment announced in the 2018-19 Budget. Total income includes income both from the Age Pension and from the retirement income product.

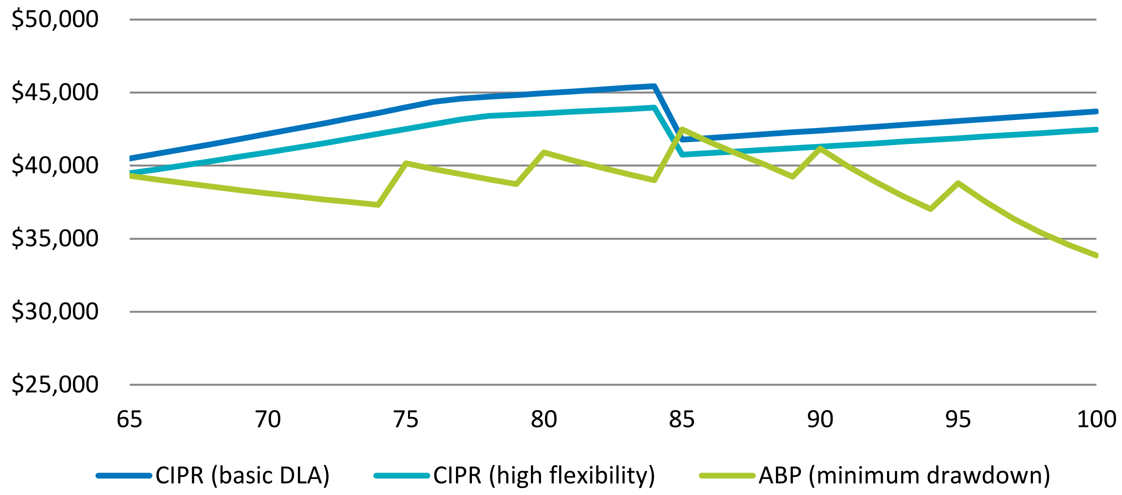
The products have not been customised for individual circumstances, but instead demonstrate potential expected outcomes for individuals in different circumstances from a 'Flagship CIPR' offered by their trustee, without further engagement by the individual. The scenarios model the outcomes for an individual who retires at age 65 and include:

- **CIPR (standard DLA)**: 20 per cent of the individual's balance at retirement is allocated to a DLA, 80 per cent is placed in an ABP with an efficient drawdown profile.
- **CIPR (higher flexibility)**: $50,000 (12 per cent) of the individual's balance is placed in a cash account to provide higher access to capital, 18 per cent of the balance is allocated to a DLA and 70 per cent placed in an ABP with an efficient drawdown profile.
- **ABP (minimum drawdown)**: 100 per cent of the individual's balance is placed in an ABP and drawn down at minimum rates.
- **ABP (6 per cent drawdown)**: 100 per cent of the individual's balance is placed in an ABP and drawn down at an initial rate of 6 per cent, reverting to the minimum drawdown rate after 10 years.

Scenario 1: Income from $100,000 superannuation balance



Scenario 2: Income from $400,000 superannuation balance, non-homeowner



Scenario 3: Income from $400,000 superannuation balance, homeowner