

Retirement income covenant comment
From: Stuart Forsyth <sforsyth@icloud.com>
Sent: Friday, 6 August 2021 2:07 PM
To: Superannuation
Subject: Retirement income covenant comment

My apologies for the brevity of these comments.

In imposing this covenant I believe we will be going further than we have ever gone before in creating an obligation on trustees that is inconsistent with their role as trustee. Despite your statement that it is not financial advice this covenant runs the risk of cutting across the informed personal and highly regulated role of the financial adviser. While in my opinion the insurance covenant is also problematic this new covenant goes far beyond fiduciary roles and could be seen as a paternalistic approach. I have concerns that it will confuse roles and drive up costs. From my reading of the paper it is likely to be much less of a problem for SMSF's and SAF's than for APRA fund trustees. To do it well requires an information gathering exercise that extends well beyond what a trustee really needs to know. The question that then arises is what do trustees actually do? A cynic may suggest that this is the application of a covenant obligation so that something is seen to be done.

I do believe that communicated information may prompt some members to commence their income streams or at least assess their options. For that reason the content of this covenant obligation on trustees should in my opinion largely be information provided to members.

I believe that if you have an information obligation it should have an age based component. I often see situations where a member has not commenced a pension even though they are well past 65 and are eligible to commence a pension. A covenant/obligation that required fund trustees to offer at least one pension option and to communicate the availability of those option/s whenever they were aware that a member had met a condition of release would make sense. Similarly there could be an exclusion for those with large balances especially if they are advised.

If the purpose of the system is retirement income then I consider that other measures are needed to support that purpose. They are however not well adapted to a covenant. At the very least this is a conversation that is worth having and would possibly create some movement of funds out of the system where they are excess to retirement needs. Obviously that type of measure is a separate policy matter. I would be happy to discuss any points that you find of interest.

Regards and thank you for the opportunity to have input

Stuart Forsyth

sfforsyth@icloud.com

STUART FORSYTH

SUPERANNUATION CONSULTING