



**independence
matters**

Association of
Independent Retirees

Submission to Treasury

Retirement Income Covenant

Comments and responses on the Exposure Draft Legislation and related Explanatory Materials

October 2021

Further Information:

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Introduction

Who is the Association of Independent Retirees (AIR)?

The Association of Independent Retirees (AIR) Limited is the national peak body representing current and future partly and fully self-funded retirees. AIR works to advance and protect the interests and independent lifestyle of Australians in or approaching retirement.

AIR seeks to secure recognition and equity for Australians who, through their diligence and careful management, fully or partly self-fund their own retirement needs.

AIR supports the implementation of a Retirement Income Covenant.

AIR supports the intent of the Retirement Income Covenant with a range of obligations for the trustees of Superannuation entities. As a national consumer association representing the interests of our members, we support high standards of accountability and support by superannuation funds for their members.

A substantial proportion of AIR members have a significant percentage their retirement savings invested with superannuation funds.

AIR very much supports increased focus by superannuation trustees on implementing strategies for the improvement of member outcomes in retirement or approaching retirement.

AIR supports the exclusions from the Retirement Income Covenant legislation.

We have noted that the following trustees and beneficiaries have been excluded from the Retirement Income Covenant:

- Trustees of self managed superannuation funds
- Beneficiaries that hold only a Defined benefit interest that is not commutable

AIR has members that are covered by these exclusions and supports these exclusions from the Retirement Income Covenant.

Summary of AIR concerns related to the Retirement Income Covenant

In general, AIR main concerns relate to:

1. activities in the formulation of the Retirement Income Strategy
2. assistance measures that could be provided by trustees
3. Retirement Income Strategy review process

Specific concerns related to the Retirement Income Covenant

1. Activities in the Formulation of the Retirement Income Strategy

Information gathering requirements (Draft Explanatory Materials) 1.55 to 1.62

AIR understands that for the trustees to formulate a relevant and appropriate Retirement Income Strategy they need to gather general information about their beneficiaries.

We support the use of publicly available demographic data available from government sources. However, the data provided to the superannuation fund must be in a **de-identified** way that would not link specific data to a particular beneficiary.

If specific data related to a beneficiary is required from an external source, then our members expect the trustees (or their representatives) to obtain the appropriate consents in accordance with data privacy laws.

2. Assistance measures that could be provided by trustees

(Exposure Draft Legislation 52AA (2), Draft Explanatory Materials 1.11, 1.13, 1.14, 1.35

*To assist retirees maximise their expected retirement income, AIR recommends that that superannuation funds provide an **annual retirement income forecast** report to their beneficiaries.*

Two of the key reasons cited in the Retirement Income Review for retirees only withdrawing the minimum drawdown rates from their superannuation were as follows:

- They do not know how long their retirement savings will last
- They do not know when they will die

Rather than superannuation funds reporting just account balances on their annual statements to members, they should also report **Yearly retirement income forecast until the statistical life expectancy of the member.**

This forecast income report would use annual member account balance, average fund returns and average annual withdrawal to calculate rolling retirement income until the members balance reduced to zero or the member life expectancy was reached.

This forecast retirement income would provide beneficiaries greater confidence to increase their drawdown rate to use the available retirement savings.

3. Retirement Income Strategy review process

Draft Explanatory Materials 1.16, 1.67

The Exposure Draft legislation does not include any provisions for the review of the Retirement Income Strategy by the trustees.

The Draft Explanatory Materials does make some high level comments about the review of the outcomes from the strategy and its regularity.

This obligation of the Retirement Income Covenant needs to considerably developed in the draft legislation, explanatory materials or proposed regulations that will be used by APRA in their oversight of superannuation funds.