

The need for a retirement licensing regime

David Bell, Jeremy Cooper, and Geoff Warren

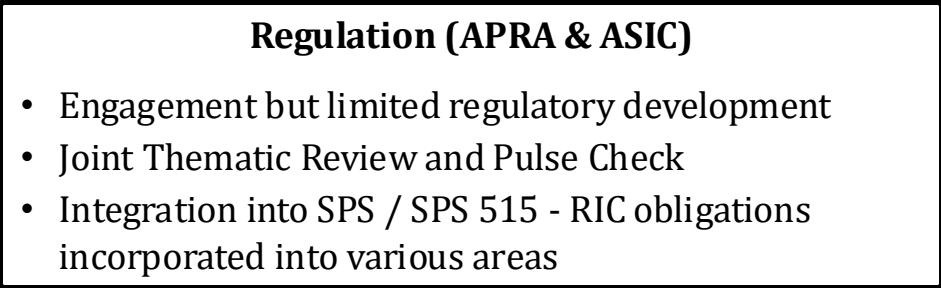
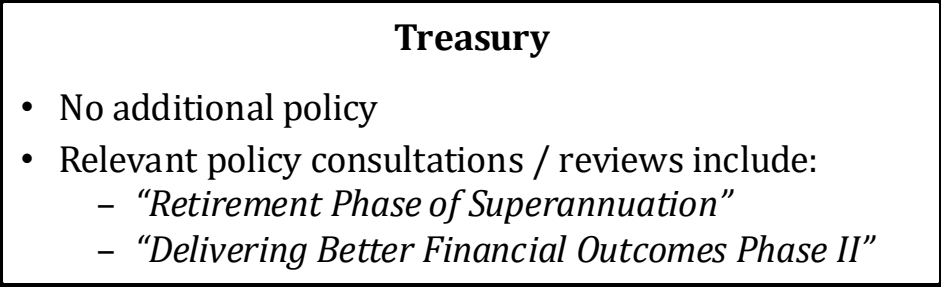
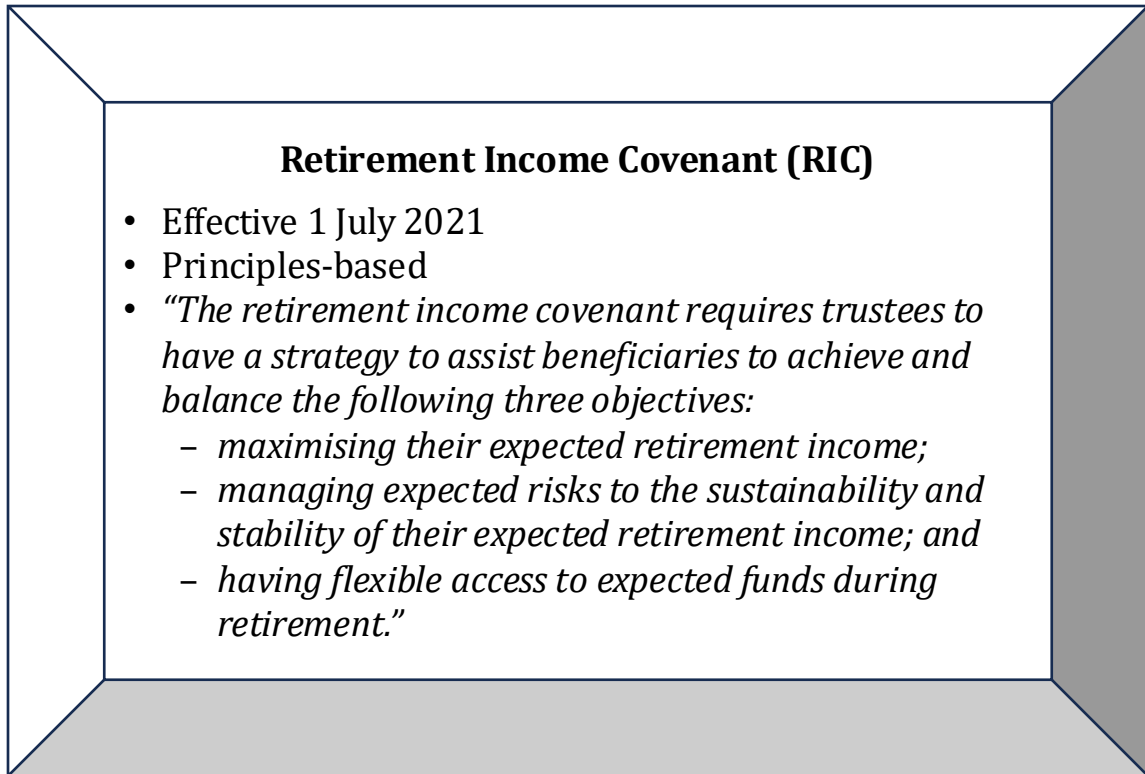
32nd Colloquium on Pensions and Retirement Research

27 November 2024

Outline

1. Current state (policy and industry)
2. Six challenges to overcome
3. How a retirement licensing regime (RLR) would work
4. How a RLR would help to overcome the challenges
5. Feedback thus far
6. Next steps

Current state – retirement income policy framework _____



Is more required to complement the principles-based RIC?

Current state



Big Picture It

Comprehensive advice, reviewing your whole financial position

Topics covered

- Tax-effective income at retirement
- Managing your debt
- Preparing for major life events e.g. redundancy
- Maximise Centrelink entitlements
- Insurance adequacy
- Funding for Aged Care
- And more

Delivery

- Face-to-face
- Video
- Phone

Cost

\$1,100-\$4,950 (+GST if applicable) How much you pay will depend on your individual circumstances and chosen advice topic.

FIND OUT MORE

REQUEST A CALL

- Signs of positive momentum in the retirement phase of super
- Some examples of leadership:

CSC Retirement Profiles

Our CSC Retirement Profiles give you options to manage your super savings in retirement

The screenshot shows the 'My Retirement Planner' page on the aware super website. The page has a pink header with the title 'My Retirement Planner'. Below the header, there are navigation links: 'Member > What we offer > Retirement accounts and services > My retirement planner'. The main content area is divided into two sections: 'How it works' and 'What does my score mean?'. The 'How it works' section contains a paragraph: 'My Retirement Planner is an easy-to-use retirement calculator. It estimates how much money you'll need in retirement and how much income you are likely to receive in the future. It provides you with a retirement confidence score that shows you how close you are to your retirement goals. It also gives you a step-by-step action plan to help you get started.'

The screenshot shows the 'Retirement: Everything you need for a secure and successful journey' page on the EquipSuper website. The page has a blue header with the EquipSuper logo and navigation links: 'Your retirement > Your super > Your investments > Get advice > Employers > Tools and res'. The main content area features a large blue banner with the text 'Specialist help when you need it' and a call to action: 'Call us on 1800 777 060'. Below the banner, there is a paragraph: 'Our Retirement Centre offers personalised one-on-one support on all things retirement - even if you're not already an Equip Super member. Our team of experts is ready to answer the big retirement questions you might be too shy to ask (and the small ones).'

The screenshot shows the 'Otivo digital advice solution launched for CFS FirstChoice members who do not have a financial adviser' page on the Colonial First State website. The page has a blue header with the Colonial First State logo and navigation links: 'Super > Investments > Retirement > Tools & Resources'. The main content area features a large blue banner with the text 'Otivo digital advice solution launched for CFS FirstChoice members who do not have a financial adviser' and a date: '16 October 2024 • 4 min read'.

Current state

- Through a member lens progress is slow
- Dispersion in progress across funds

% OF SUPER FUNDS OFFERING THESE FEATURES	
Investments – different to super	20%
Product – higher drawdown rate option	7%
Product – lifetime products	11%
Advice – on simple retirement including spouse for under \$1,000	11%

Source: Ian Fryer, Chant West, for *Retirement Magazine*



Industry update

Pulse check on retirement income covenant implementation

July 2024



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Can We Count on Them?
 Assessing the usefulness of Super Fund Retirement Calculators

Sep 27, 2024



Conexus Institute In-brief

Account-based pensions: Minimum application size

Scope to improve access to account-based pensions for low balance retirees

19 September 2024
 David Bell and Geoff Warren

Six challenges to overcome

1. Market forces won't drive progress

2. Catering for diverse member needs

3. Lack of prioritisation by super funds

4. Policy and regulatory uncertainties

5. Closing the advice gap

6. Collection of 'retirement frictions'

How a retirement licensing regime would work _____

Three components underpin our vision of a RLR:

1.

Establish clear capability-based criteria as licensing requirements for RSEs to be able to provide retirement services

2.

Regulatory assessment linked to the licensing requirements

3.

Opt-out option for RSEs that choose not to provide retirement services to their members

How a RLR would help to overcome the challenges _____

Challenge inhibiting progress	How addressed
#1: Market forces won't drive progress	✓ Establishing minimum standards of delivery
#2: Catering for diverse member needs	✓ Capability to effectively cater for <i>all</i> members can form part of the licensing conditions
#3: Lack of prioritisation by some funds	✓ Funds are required to either commit, or exit
#4: Policy and regulatory uncertainty	<ul style="list-style-type: none"> ✓ Frames up what is expected from trustees ✓ Linking licensing conditions to assessment
#5: Closing the advice gap	✗ Separate policy reform required (e.g. DBFO phase II)
#6: Collection of retirement frictions	✗ Separate policy reform required (e.g. contributory ABPs)

Feedback thus far

1. Desire for clarity around future regulatory assessment
2. Why not establish capability-based assessment criteria instead of a RLR?
 - We believe a stronger prompt is required to remove laggard funds
3. Concerns over additional regulatory burden
 - The RLR would only be formalising capabilities funds should have
4. Too late by the time a RLR comes into effect
 - Funds would respond to requirements as they are announced, not at point of licensing

Next steps

- We really want your feedback
- We will be undertaking further research
- We will return with a white paper

Welcome your questions and feedback

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