

18 April 2013

Private and Confidential

Geoffrey Leveritt
Senior Lawyer
Strategy and Policy
Australian Securities and Investments Commission
GPO Box 9827
Melbourne VIC 3001

Dear Geoffrey

**Response to ASIC Consultation Paper 203 – Age pension estimates in superannuation forecasts:
Update to RG229**

Towers Watson Australia Pty Ltd is pleased to make this submission in response to Consultation Paper 203.

We have previously made submissions (as either Watson Wyatt or Towers Watson) on this and related topics to do with superannuation forecasts relating to ASIC Consultation Papers 101 and 122.

Towers Watson is a leading global professional services company that helps organisations improve performance through effective people, risk and financial management. The company offers solutions in the areas of employee benefits, talent management, rewards, and risk and capital management. Towers Watson has 14,000 associates around the world.

We offer the following comments and suggestions relating to the proposed changes outlined in draft Regulatory Guide 229 as they flow through to Class Order 11/1227:

- We fully support the ability of Trustees of superannuation funds to include an age pension estimate as part of the superannuation forecast provided to members.
- In order to include this age pension estimate, some key assumptions have to be made about marital status, home ownership, other assets, age pension eligibility and partner's income and assets. We accept that a degree of simplification is required in a paper-based forecast and these assumptions only emphasise how important it is to encourage the member to use online calculators or seek financial advice to obtain a more personalised forecast as a result.
- It is understood that the age pension to be shown is the age pension determined at the point of retirement rather than an average of the age pension expected to be received over the 25 year post-retirement period. We note that the age pension received may change from one year to the next as the superannuation balance is gradually drawn down during retirement. While RG 229.31 makes it clear that it is the age pension determined at the point of retirement, the proposed amendments to paragraph 7 of CO11/1227 could be made clearer on this point.

- There is an opportunity to expand the text shown in paragraph 12(e) of CO11/1227 under 'Getting help' to indicate how to get a more detailed estimate of the age pension and how it might change over time. We suggest adding the following words shown in italics:

"Online calculators let you explore your potential retirement income in more detail. They let you personalise the estimate, and show how you can improve your retirement income. *Some online calculators will also show you how the age pension works in with your own retirement savings, either if you are single or have a partner.* These calculators include ASIC's MoneySmart retirement planner: www.moneysmart.gov.au."

- There should also be some wording added to the proposed explanatory text in paragraph 13 of CO11/1227, such as adding the words in italics below:

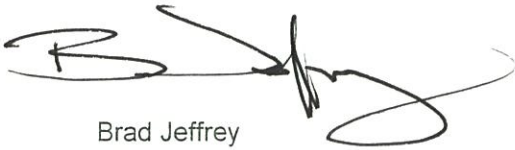
"Pension rates and eligibility rules may change between now and when you retire *and also after retirement. The age pension amount shown at retirement age may also change during retirement as the value of your super fund balance and the amount taken as income each year changes.*"

- The key assumptions about the age pension shown in proposed paragraph 7 of CO11/1227 should be disclosed to the member in proposed paragraph 13.
- In showing the age pension available to a couple of the same age and with the same super savings, we expect that the age pension shown will be the individual age pension entitlement (which is half the combined age pension entitlement of the couple). This needs to be made clearer in paragraphs 7 and 13 of CO11/1227.
- We also expect that the age pension to be shown will include the Pension Supplement for the individual member (which is half the combined Pension Supplement of the couple). This needs to be made clearer in paragraphs 7 and 13 of CO11/1227. We note that the age pension shown in ASIC's MoneySmart calculator is inclusive of the Pension Supplement.
- It would be possible to further simplify the methodology by adopting a standard projection age of age 67 for all members where the age pension is being shown. This is simpler than adopting a retirement age that varies according to the member's gender and date of birth and which includes half years of age, such as 66.5 years.
- Where the age pension is not being shown in the projection, we do not think it is necessary to adopt a retirement age equal to the age at which the member would qualify for the age pension which varies by gender and date of birth. We would suggest simplifying this also and allowing the flexibility of adopting either age 65 or age 67 in these circumstances.
- We welcome that ASIC has made it clearer in RG 229.13 that to obtain the relief provided by CO11/1227, the Trustee is not required to make specific inquiries to determine whether a member's individual circumstances match the prescribed assumptions.
- However ASIC has indicated that nevertheless the possibility of third party claims against the Trustee still exists. As we have stated in all our prior consultation responses, a Class Order provides the Trustee with incomplete protection and greater legislative protection is what is required. This aspect is yet to be adequately addressed and we wonder if ASIC will seek government assistance to rectify this.
- We continue to advocate that legislation should give the maximum relief possible, including full immunity from civil suit, to providers of projections if specified minimum standards are met.

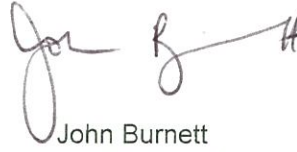
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If you have any questions or comments on this submission, please feel free to contact John Burnett on 02 9253 3180.

Yours sincerely



Brad Jeffrey
Director



John Burnett
Senior Consultant