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Consultation Paper 351 – Superannuation forecasts: Update to relief and guidance
Cbus welcomes the opportunity to comment on the consultation paper setting out ASIC's proposals to amend legislative instruments on superannuation calculators and retirement estimates.

About Cbus
Cbus has the proud history of being one of Australia's first industry super funds. Cbus was formed in 1984, when building and construction workers won the right to superannuation. Today, we have grown into a leading industry super fund, open to all while maintaining a focus on the industries that build Australia. We work hard to make sure that the super system is delivering for our members. Our members include workers and retirees, their families and employers.

Cbus, with more than 779,000 members, is one of the best performing funds, with investment performance for our Growth (MySuper) option of 9.25% per annum since inception in 1984 to 30 June 2021. The Growth (MySuper) option has returned 19.34% for one year to June 30, 2021, - the highest return in the fund's 37-year history.

Cbus has been providing Retirement Income Estimates (retirement estimates) to eligible members since conducting an initial pilot to 20,000 members in 2013. This has now expanded to 462,520 eligible members in 2021, representing 62% of our membership. Internal and independent research supports the value in providing these estimates to members, with benefits including increased engagement with superannuation, added super contributions, building financial confidence, a greater understanding what income members might receive in retirement and reducing concern about income in retirement.

Cbus continuously improves how we provide retirement estimates to members, based on what members tell us each year. This has resulted in providing video retirement estimates and providing additional example retirement estimates that demonstrate the difference small contributions would make to a member's estimated retirement income.

Summary of our submission
Our submission focuses on the below key recommendations:
- Cbus strongly supports the use of Retirement Income Estimates (retirement estimates) and the value they provide to members.
- Cbus supports proposals the ability to provide access to retirement estimates through an online secure portal but advocates that funds should also be able to provide static retirement estimates to members on a more frequent basis.
- Cbus advocates that the provision of retirement estimates should be expanded to members in the decumulation phase.
- Cbus does not support proposals to prohibit funds from including estimated Age Pension amounts in static retirement estimates as this will significantly reduce their value and simplicity for members.
- Cbus does not support a default retirement age assumption of 67 for all members.
- Cbus advocates that members need more than just information and superannuation funds should be able to:
    - Continue to provide alternative scenario retirement estimates.
    - Provide guidance to members on their retirement strategy options with retirement estimates, in line with what will be required as a result of the Retirement Income Covenant.
- That a holistic approach to improving retirement outcomes for members is needed.

The value and purpose of Retirement Income Estimates

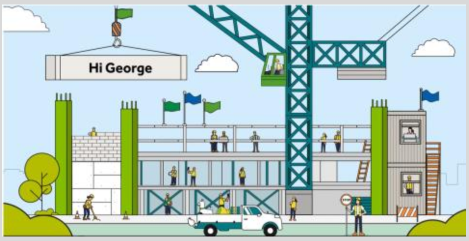
Cbus has been providing Retirement Income Estimates (retirement estimates) to eligible members since conducting an initial pilot in 2013. Both internal and independent research[1] has shown that they are very effective in engaging members and encouraging them to take action to maximise their retirement outcomes, including making voluntary contributions.

Every year, we work to improve the way we communicate retirement estimates, to help members better engage with the results and understand the steps they can take to improve their outcome. These enhancements are developed based on best practice and the results of regular research and surveys into members' views and opinions about their statements. This research and member survey results has been included throughout our submission.

Enhancements include:

- A move to providing fortnightly income estimates rather than yearly income.
- Selected members receive their retirement estimate in a personalised digital video that accompanies the annual statement. Member feedback about these videos has been strong, with results from our 2020 program survey overwhelmingly positive about the video received. Two-thirds of member responses said the video helped them understand the actions they needed to improve their financial position in retirement, and one in three members said they preferred watching the video to reading their annual statement.
- Selected members see a per fortnight comparison of their retirement estimate to that of the previous year, so they can see if their super is in a better or worse position than at the same time the previous year.

Sample retirement estimate video



George needs to take action to get closer to comfortable income in retirement. In addition to seeing his estimated income in retirement compared to the ASFA retirement income standard, he will see a call to action to make voluntary contributions of $30 to improve his income in retirement.

See: https://www.cbussuper.com.au/campaigns/video-boost?guid=rietakeactionsamplevideo

Cbus provides four targeted retirement estimate categories, which are based on a member's ability to achieve a comfortable retirement. These categories estimates are:

- On track – members congratulated that they are on track for a comfortable retirement.
- Almost there – members are shown how much extra they need to save a week (up to $30) to achieve a comfortable retirement (as measured by the ASFA retirement income standard).
- Action needed – members are shown the difference $30 a week could make to their estimated retirement income.
- Everyone else – members are asked to consider their own goals and affordability.

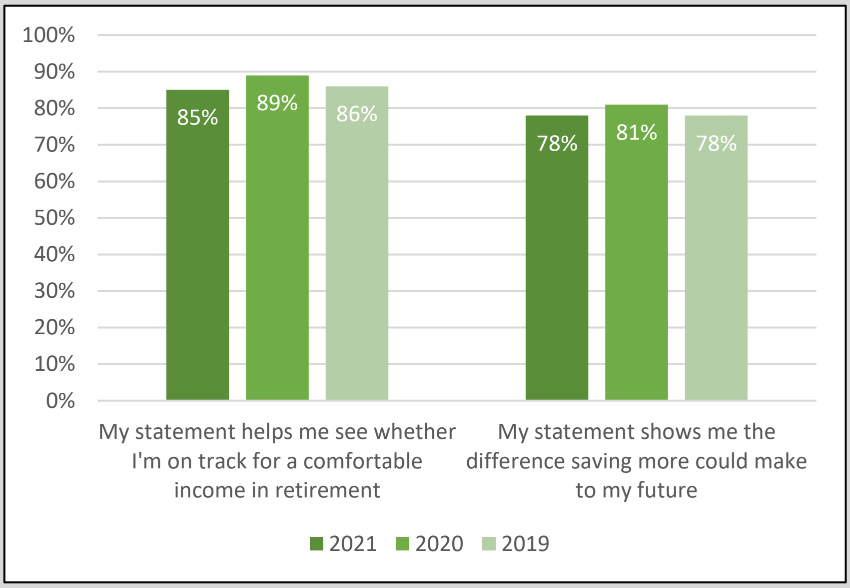
[1] As noted in the Consultation Paper, Cbus partnered with ARC Centre of Excellence in Population Ageing Research (CEPAR) to better understand how projections of retirement wealth and income motivate members save more. The results showed that participants who see both retirement balance and income projections increase voluntary savings. The results strongly endorse recent changes to retirement plan guidelines initiated by pension regulators globally. Smyrnis, G. Bateman, H. Dobrescu, L. Newell, B. & Thorp, S. Motivated saving: The impact of projections on retirement contributions, available from https://www.cepar.edu.au/publications/working-papers/motivated-saving-impact-projections-retirement-contributions

The purpose of providing a retirement estimate to our members is to:

- Reposition superannuation framing from 'nest egg' to retirement income.
- Promote engagement with members about their superannuation.
- Educate and provide members with meaningful information about their superannuation and what they could expect in retirement – including whether they are on track for a modest or a comfortable retirement.
- Show how the Age Pension interacts with their superannuation.
- Prompt changes in member attitudes and behaviour towards their super.
- Help start a conversation about retirement income. Demonstrating of how even modest amounts of super can improve outcomes, with the Age Pension, in retirement.
- Improve confidence in the superannuation system.
- Educating members on what actions will change their retirement outcomes.

"I like seeing how it is tracking, & I also like the way Cbus tell me how much I need for my retirement." Cbus member

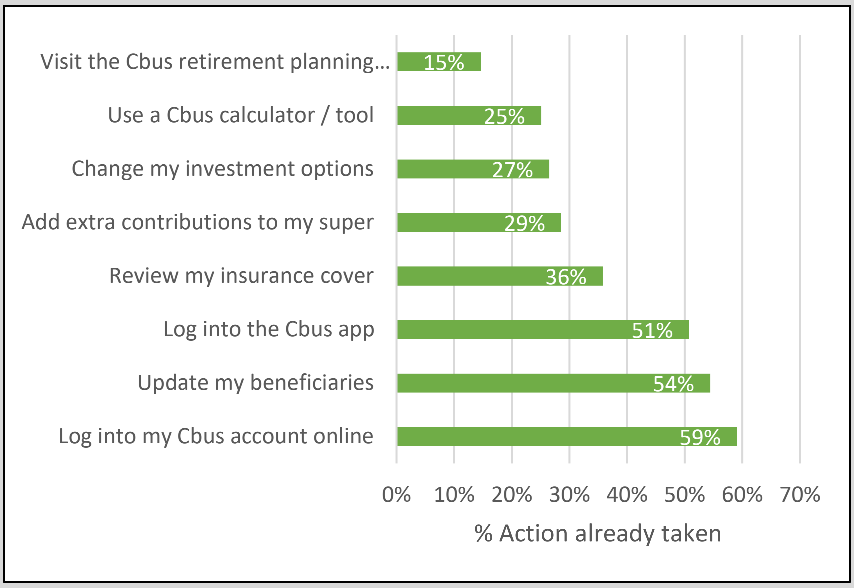
Retirement estimates improve member attitudes and understanding



Members were asked to think about their retirement estimate and whether they agree or disagree with the statement (shown in the graph).

As shown in the graph, the majority of members feel that a retirement estimate helps them assess whether they are on track for a comfortable retirement. Repeated exposure appears to increase this effect.

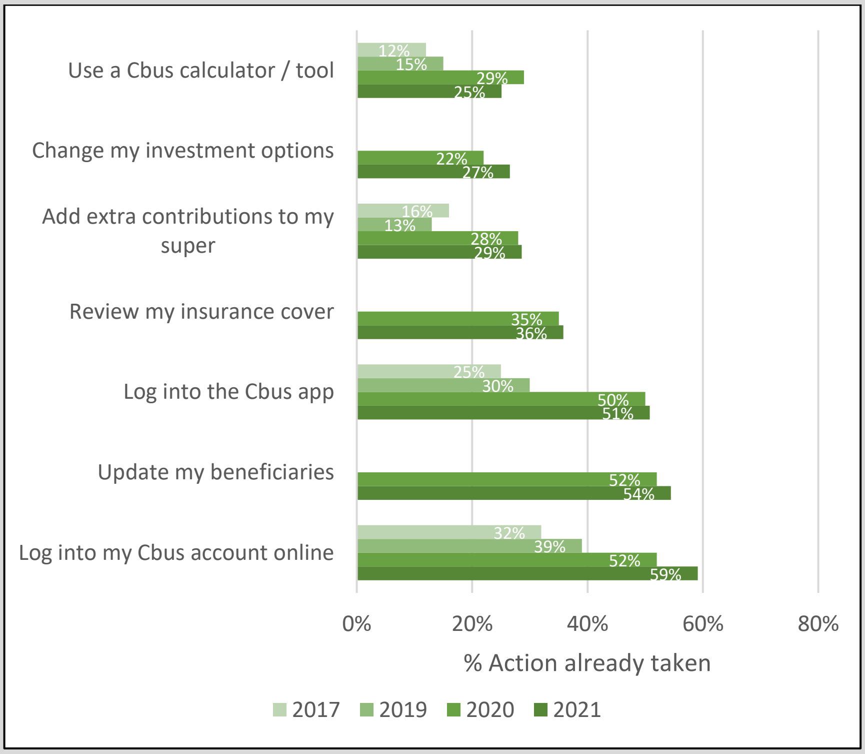
Retirement estimates result in behavioural changes and prompt action



Two months after receiving their annual statement, some members were asked what action they had already taken or planned to take as a result of receiving their annual Cbus super statement. The results in the graph show the proportion that said they had already taken action.

Whilst difficult to separate effect of Statements vs other influences, the results indicate strong positive behavioural changes as a result of receiving a retirement estimate.

Multiple retirement estimate exposure increase likelihood of positive actions



Members are increasingly going online after receiving a retirement estimate in their annual statement.

Evidence shows that members with multiple exposures were most likely to take action.

Given the value that retirement estimates provide to members, Cbus strongly supports proposals to decouple their provision from member statements. Cbus has seen members increasingly utilise the Cbus mobile app and member portal and therefore supports proposals to allow funds to provide a retirement estimate to members via a secure online portal on a regular and predictable basis.

In addition to providing more regular retirement estimates through an online portal, we advocate that funds should also be able to provide static retirement estimates to members on a more frequent basis. The current limitation significantly impacts both the usability and timeliness for members. Allowing funds to provide them more regularly (at appropriate decision points or milestones, and when desired by a member) is likely to result in enhanced use and ultimately, improved retirement outcomes.

The desire for more regular retirement estimates is regularly voiced by members.

"I would like to see how I'm tracking more often". Cbus member
"Would be great to see my account like this anytime". Cbus member
"Send them quarterly". Cbus member
"Need to receive them more often". Cbus member

This approach is supported by International Organisation of Pension Supervisors (IOPS) which outlines good practices for designing, presenting and supervising pension projections.

> *"Projections should be delivered by post or electronically on a regular basis (for instance yearly). In addition, some life events (e.g. joining or withdrawing from the pension plan, reaching particular round-number birthdays or a particular pre-retirement age) could be considered as opportune moments for providing additional communication"*[2].

"Projections or estimates of a person's retirement income, which focus on future income streams rather than lump sums, can help people plan for their retirement. Specifically, they may help people to think about superannuation in terms of income, rather than an asset"

Retirement Income Review, p.g. 447

[2] International Organisation of Pension Supervisory, Good practices for designing, presenting and supervising pension projections (2021). Available from: http://www.iopsweb.org/2021-Public-Consultation-Good-practices-pension-projections.pdf

Extending Retirement Estimates to decumulation members

Cbus does not support a proposed exclusion of members that are aged 67 years or over and are in decumulation stage. There is a broad range of evidence that shows that the major worry among retirees and pre-retirees is exhausting their assets in retirement. Retirees are particularly worried about outliving their savings, which is exacerbated by the uncertainty on how long they may live.[3]

> *"Whether retirees draw down at minimum rates or effectively use their superannuation is critical for adequacy outcomes"*
>
> **Retirement Income Review, pg. 181**

We believe that providing decumulation members with ongoing guidance on the expected trajectory and duration of their income source can be key in helping address this worry and in particular:

- Encouraging members to avoid an under-consumption of their income, by assisting them to see the likely duration of their income stream. The issue of retirees not consuming their retirement savings was explored by the Retirement Income Review, which found that retirees tend to consume only the income derived from assets and not the assets themselves[4]. This can lead to retirees living in unnecessarily harsher environments.
- Supporting retirees to attain a healthy 'financial' wellbeing at scale, addressing member anxiety regarding how long their money will last.
- Uplifting the decumulation member experience, which will be a critical enabler of funds' achieving adequate uptake of new retirement products.

It is also noted that the proposed Retirement Income Covenant legislation, currently before Parliament, requires Trustees to formulate a retirement income strategy for beneficiaries who are both retired or approaching retirement. The Explanatory Memorandum to the legislation also states that *"trustees should assist beneficiaries to drawdown superannuation balances.[5]"*. Our propose solution would enable this assistance that will be expected by the Retirement Income Covenant legislation.

Proposed Solution

We believe there is merit in a flexible approach whereby either a single drawdown estimate is provided or by providing multiple drawdown estimates. Below are two draft mock up examples of how this could appear on the cover of Account-Based Pension member statements.

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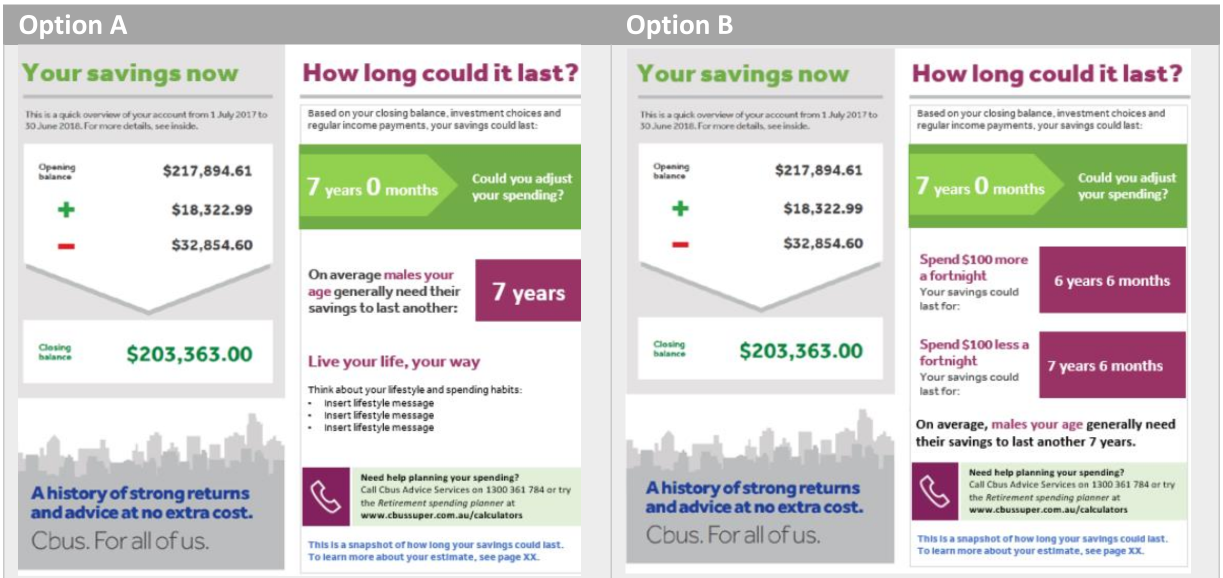
[3] Financial System Inquiry (2014), p. 120.

[4] Retirement Income Review (2020), p. 432.

[5] Corporate Collective Investment Vehicle Framework and Other Measures Bill 2021 Explanatory Memorandum, available from https://www.aph.gov.au/Parliamentary_Business/Committees/Senate/Economics/CCIV



Evidence on why this is needed

There are number of reasons why this proposal should be implemented:

- Members are seeking this information and given that the high cost and decline in financial advisers, we need to consider innovative ways to support retirees:
    - ASIC Report 627 identified that retirement income planning was the second most common topic that Australians want advice about (37% of respondents).
    - Around one in three pre-retirees say they need more support to actually manage their finances in retirement[6].
- Members currently anchor to legislated minimum:
    - 46% of Cbus members are drawing the legislated minimum from the Cbus account. This figure closely aligns with research by RiceWarner in 2019 that more than half of retirees older than 65 draw down at the minimum rate.
    - The Retirement Income Review noted that *'Prescribed minimum drawdown rates anchor behaviour and reinforce a tendency to conserve superannuation savings. Without a change to drawdown behaviour, bequests from superannuation will grow[7]'.*
- Some members under-consume in retirement due to fear of outliving retirement savings:
    - Results from the 2019 National Seniors Social Survey indicated that one in five participants frequently worry about outliving their savings and investments, and over half agreed that they worried either frequently or occasionally. Another 12% have adjusted to their financial circumstances because of this worry, which means two thirds have worried about out living their savings.[8]

"Advice on how long my money will last based on my current and projected future draw-down amounts". Cbus member when asked what help (if any) they would like from their main super fund

[6] Source: Investment Trends, October 2017 Retirement Income Report.

[7] Retirement Income Review (2020), pg. 415

[8] National Seniors & Challenger, Retirement income worry (2020). Available from: https://nationalseniors.com.au/uploads/0120203573PAR-RetirementIncomeWorry-ChallengerRpt-FNREV.pdf

Importance of the Age Pension to Cbus members

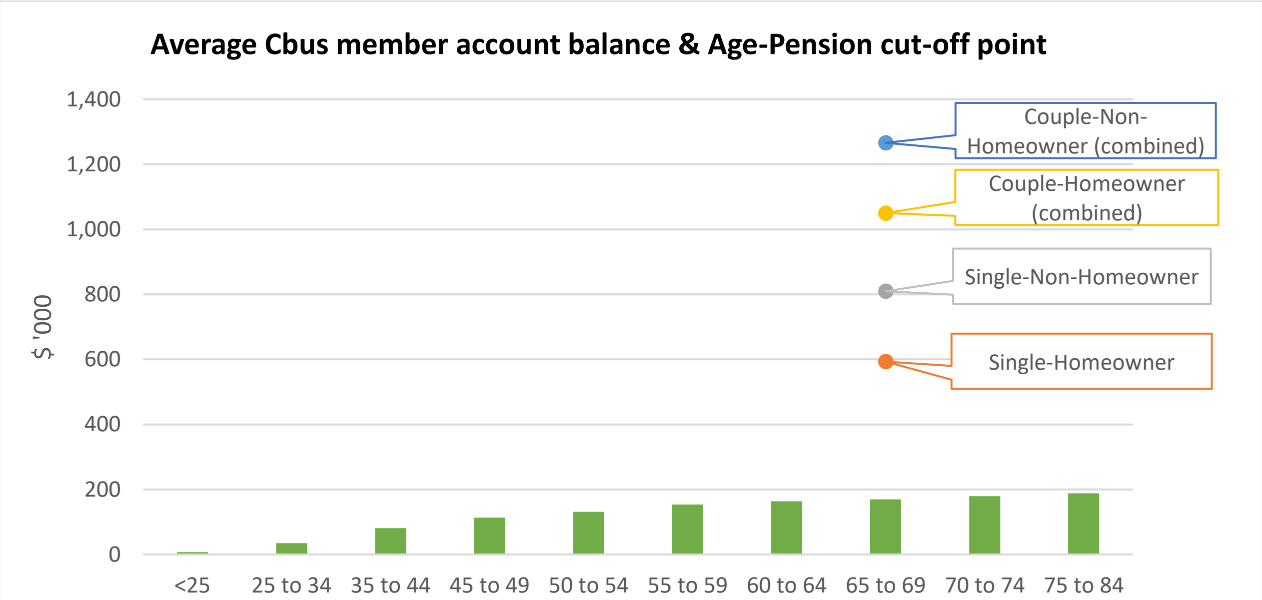
Cbus does not support proposals to prohibit funds from including estimated Age Pension amounts in static retirement estimates and is concerned that this will be misleading to members and further disincentivise their engagement with superannuation. This could ultimately lead to more members cashing out their superannuation at retirement if they don't think it is worth investing in an income stream.

> *"To plan a stable income, people need to consider and integrate all income sources."*
>
> **Retirement Income Review, p.g 445**

Almost all Cbus members will rely on full or part Age Pension

The Age Pension plays a critical role in the provision of retirement income to Cbus members. Previous projections completed by Willis Towers Watson on our behalf forecast 98% of Cbus members receive some form of the Age Pension with almost 50% of members having 80% of their retirement income come from the Age Pension.

This is further evidenced by the lower average superannuation balances that Cbus members have compared to the general population. As outlined below, Cbus member average account balances are currently significantly lower than the asset test cut-off point for part Age Pension. Furthermore, it is noted that 99% of Cbus members have a balance below $500,000 and that the average balance for a Cbus member that holds an Income Stream Account is $314,286.

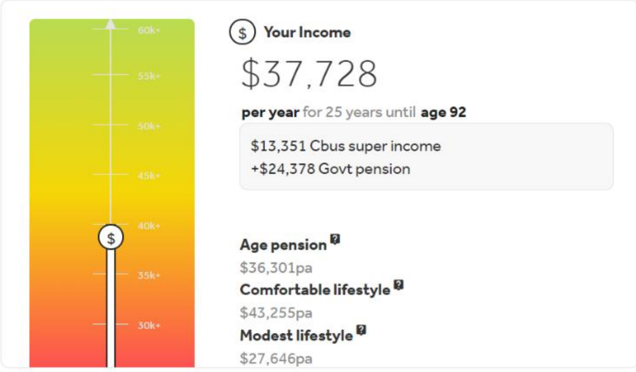


Whilst retirement outcomes could be expected to improve over time due to increases in the Superannuation Guarantee and members experiencing longer receiving compulsory Superannuation Guarantee payments, it is not projected to result in a significant number of our members becoming self-funded in retirement. Our Retirement Outcome Measure projects that only 52% of active members will have a projected retirement balance on or above the target of $240,000 (as at June 2021). Similarly, whilst the Retirement Income Review projected a fall in the number of Australians receiving the full-rate Age Pension by 2060, it projected a shift towards part-rate age pensioners, from an estimated 37.6% of age pensioners today to 62.5% of age pensioners in 2060[9].

[9] Retirement Income Review (2020), pg. 389

Not including an Age Pension estimate will be misleading to members

Given the critical role that the Age Pension plays in retirement income for Cbus members, it would be misleading to provide a retirement estimate that does not include an estimate of their Age Pension entitlement. Cbus members have been receiving an annual retirement estimate that includes the Age Pension since 2013. Removing it now would likely result in significant shock for members as they see their potential retirement income significantly decrease.



Retirement income estimate example using average 55 year old Cbus member balance ($154,000).

As demonstrated in this example, we believe that showing a retirement estimate of only $13,351 would be misleading to this member and also so low that it would disincentivise them to contribute more to their superannuation. It would also further encourage members to cash out their super if they don't think it is worth commencing an income stream. We agree with the OECD[10] that it is important that information is provided to members on all likely sources of future retirement income.

> *"Given that workers will increasingly receive retirement income from a variety of public and private sources, it is becoming more important that information be provided to them on all sources of future retirement income. Individuals will not be in position to make decisions regarding private pension savings unless they know the level of retirement income they can expect from the state.*
>
> OECD, Financial Education and Saving for Retirement, pg. 17

It is widely accepted that retirement income is more than just superannuation income and that the purpose of superannuation is to supplement the Age Pension. A view that was accepted by the Retirement Income Review which stated, *"An individual and household adequacy outcome supports the historical view of compulsory superannuation being generally supplemental to the Age Pension."* Not including an estimate of an Age Pension entitlement in a retirement estimate misses an important opportunity to educate members on the interaction between the Age Pension and superannuation, and the role that superannuation plays in retirement income. There would be very few members who would have the capability to create their own retirement projection to incorporate their likely age pension entitlement.

Data

ASIC has proposed excluding Age Pension from static retirement estimates on the basis that "trustees do not consistently have access to sufficient data about members to make reasonable assumptions about their age pension benefits." We do not believe this is the case for all trustees. For instance, Cbus undertakes member research to understand our membership. As a result, we know:

- Superannuation balance – all superannuation funds have this data and some data on multiple accounts which is becoming much less common occurrence.
- Marital status – 77% of Cbus members over the age of 60 are living with a partner or married.
- Investments outside of super – The only significant retirement income assets that over half our members have is super and pension. For members aged over 60, 42% of members don't have any other investments (excluding property). If members do have assets outside of super, it is likely to be in the form of illiquid investment property.

[10] Organisation for Economic Co-Operation and Development, Financial Education and Saving for Retirement. Available from: https://www.oecd.org/finance/private-pensions/39197801.pdf

- Home-ownership status – 87% of Cbus members over the age of 65 are homeowners. This is supported by further research which found that for members aged over 60, 55% own their home outright and a further 29% owned their home with a mortgage.

We also note that the proposed Retirement Income Covenant will place expectations on superannuation funds to collect this type of data about their membership in order to design appropriate retirement income strategies for their membership and specific member cohorts.

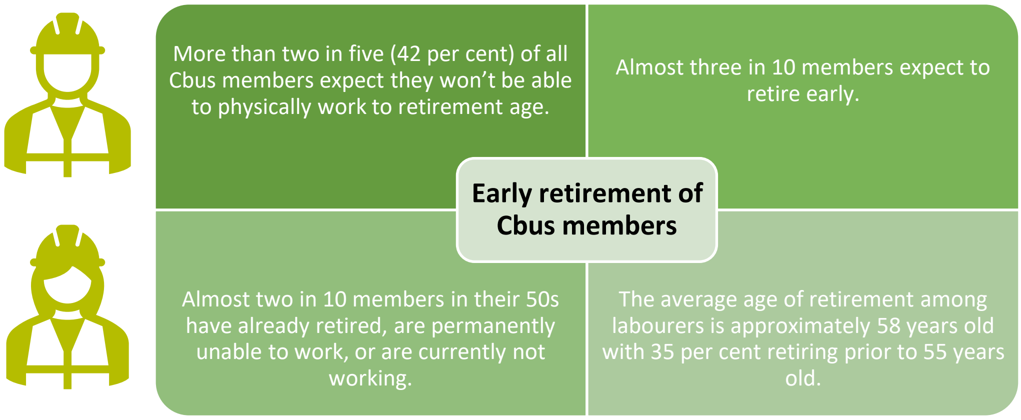
Proposed Solution

- Allow all funds to continue to include Age Pension estimates in static retirement estimates using reasonable assumptions reflecting our best knowledge of their members.

This will ensure continuity for members that currently receive retirement estimates with Age Pension estimates incorporated. Members that are interested in more personalised retirement estimates will still be able to do so via an interactive retirement estimate through their online portal or the use of a calculator. As evidenced earlier in the submission, members are increasingly logging onto the Cbus app (51%), logging into the online web portal (59%) or using a Cbus calculator/tool (25%) after receiving a static retirement estimate in the annual statement.

Default retirement age of 67 does not reflect our membership

As evidenced throughout this submission, Cbus members' experience of work and their path to retirement is unique. Compared to the general population of the same age, older Cbus members are more likely to retire early (and often unplanned) due to health issues, struggle to keep up with the physical demands of manual work and struggle to find suitable work opportunities/hours. This has a number of impacts on their retirement, including higher health care needs as pre-retirees, denial or uncertainty about working prospects as they transition to retirement, and increased vulnerability to financial hardship due to the gap between preservation and age pension eligibility age.



It is also noted that the proposed Retirement Income Covenant states that "it is expected that a trustee consider the retirement patterns of beneficiaries when working out the start of the retirement period and at a minimum, consider the average life expectancy of beneficiaries in forming views about the end of that period." This further supports the need for Cbus to be able to consider the actual member experience of retirement when providing a retirement estimate to members.

An optimistic retirement age will mislead members

As identified by the Retirement Income Review, *"the earlier a person retires, the lower their superannuation balance, retirement income and replacement rate.[11]"*

Projected outcomes of retiring at ages 57 and 62 compared to age 67 for a lower-income earner

Retirement age and reason for retirement	Superannuation balance at retirement ($)	Average annual income — all years of retirement ($)
Retire at 67	222,300	36,400
Retire at 62 – job-related	185,700	32,100
Retire at 57 - Job-related	149,500	30,800

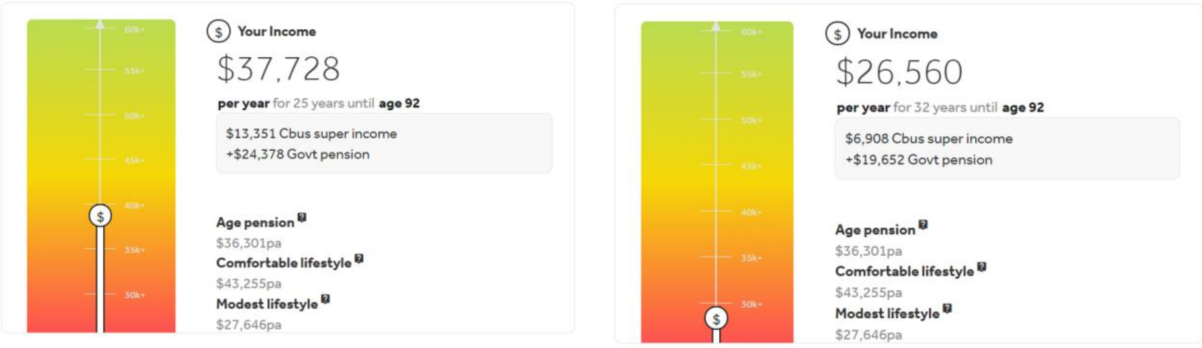
Source: Retirement Income Review, Table 6D-1

Using an overly optimistic default retirement age of 67 for our members (likely 10 years after they will actually retire), offers limited guidance and likely overestimates the member's position at retirement due to earnings expected right up to age 67. This could lead to a member under saving for retirement, as they are incorrectly told that they are on track for a comfortable retirement when in reality they are not.

[11] Retirement Income Review Final Report (2020), p.g. 330

A 7 year retirement age difference could mean falling below a modest lifestyle income

Retiring at age 67 | Retiring at age 60



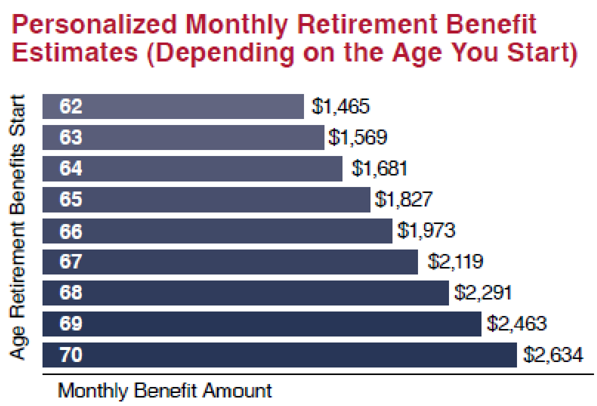
Retirement income estimate examples using average 55-year-old Cbus member balance ($154,000).

Proposed Solutions

- Option A – Allow funds that have adequate data on member retirement ages to use a default retirement age that best reflects their membership.

- Option B – Allow funds to show different retirement estimates based on different retirement ages – showing the impact this will have on retirement income to members.

This option would provide the benefit of helping members understand the impact early retirement may have on their retirement income and aligns with IOPS good practice guidance. This approach has recently been adopted in the United States where annual Social Security Statements now include a bar graph displaying a personalised retirement benefit estimates at nine different ages.



US Social Security Statements Example

> *"Projections could also provide results for different intervals (e.g. 10-years or 20-years horizons) or where applicable, for early, normal and late retirement. This would help the users better evaluate and devise their medium – long-term pension investment strategies"*
>
> International Organisation of Pension Supervisors, Good practices for designing, presenting and supervising pension projections, pg 3

- Option C – In conjunction with Option A, allowing a member to submit their expected retirement age (e.g. through a field within their online account) and subsequently using this age within their retirement estimate projection would allow a member to work towards a retirement that better represents their needs. For members that do not provide this expected retirement age a default age that best represents a funds membership would then be used.

Members need guidance and not just information

> *"The same technology that facilitates digital advice could be modified to help funds offer guidance to members in a cost-effective way."*
>
> **Retirement Income Review, pg. 454**

Given the complexity of decision making at retirement, members need more than just information. They need and benefit from guidance and/or financial advice to understand their options, make better decisions and receive better retirement outcomes.

Due to the cost of personal financial advice and limited number of financial advisers (that continue to decline), it is not sustainable or scalable at an individual or system level to rely on every single individual member in the system seeking retirement advice to make an optimal retirement decision.

Noting the limitations around personal financial advice, it is unrealistic to suggest, as stated in the Consultation Paper 'the calculator or estimate is not intended for the purposes of making a decision in the absence of advice'. For many members, with relatively straight-forward needs, the use of a calculator or a retirement estimate has the potential to support them to make better decisions at retirement – particularly given the current alternative is withdrawing their superannuation to hold it in their bank account at retirement.

In addition, we also note that use of a calculator or a retirement estimate isn't the only form of support offered to members, which currently also includes:

- Factsheets
- Workplace seminars and Cbus Coordinators
- Webinars
- Front counter services
- Personal advice

Providing a retirement estimate to a member is done over their tenure with the fund and throughout their working life, this educates members and resets their mindset. Retirement estimates should therefore not be positioned as an alternative to personal advice but will often provide enough information for them to go and do further research to inform their decision making. This is evidenced by our internal 2021 survey results which showed that as a result of receiving their Cbus super statement, 19.8% of members said they had already contacted Cbus Advice Services and 14.6% had already visited the Cbus retirement planning hub, whilst many more planned to do so over the next 12 months.

The appropriate mix of support will depend on an individual's circumstances and needs however there continues to be a gap between the ability to be able to provide factual information to a member and comprehensive financial advice. Whether assistance is provided to members in the form of factual information, general advice, personal advice, guidance, retirement estimates or any other channel, the form in which it is provided should be based on what members need and want. Typically, Cbus members are experts in their vocation and consider that Cbus is the expert in super and expect us to provide help, guidance, information and advice to support their decision making around what is the right option for them and those they care about (loved ones). There should be flexibility in how assistance is provided to members to improve retirement outcomes.

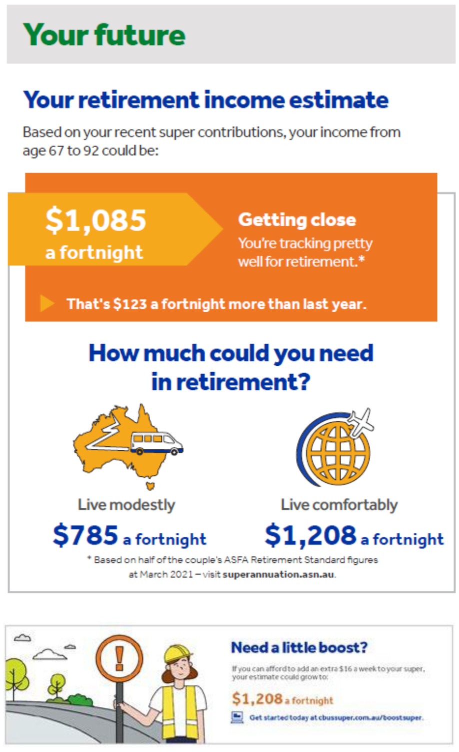
Alternative scenarios provide helpful guidance to members

Cbus does not support ASIC proposals to prohibit funds from illustrating the effect of alternative scenarios to members in retirement estimates and do not agree that this will undermine the key message but instead enhance the message to members.

Cbus provides cohorts of members with an additional retirement estimate that demonstrates the difference small, regular contributions would make to their anticipated retirement income. These additional estimates are provided to members that are not yet on track for a 'comfortable retirement'.

This approach was developed based on member feedback and is in line with good practice recommended by the International Organisation of Pension Supervisors (IOPS) which outlines that:

> *"Results should be accompanied by information illustrating what decisions the user can take (e.g. increase contributions, postpone retirement, choose retirement product) and what might be the expected effect of these decisions (e.g. how an increased contribution might affect the retirement income of a person who receives projections). In particular, users could receive guidance about the contribution level that might be expected to achieve their retirement goals, under a specific set of assumptions."*[12]



Example of Cbus retirement income estimate with additional contribution illustration

This is similar to an approach used in the United Kingdom where trustees are encouraged to provide information in a simpler annual benefit statement and advice around actions that may enable members to plan and save more for their retirement, including:

a) an illustration showing how saving more into their pension plan may generate an increased pension pot at retirement and
b) changing the age at which they plan to retire.

"I thought it was great and very informative. After seeing what difference $20 per fortnight would make has given me the push I need to sort myself out and start adding extra to my super now. Thank you." Cbus member

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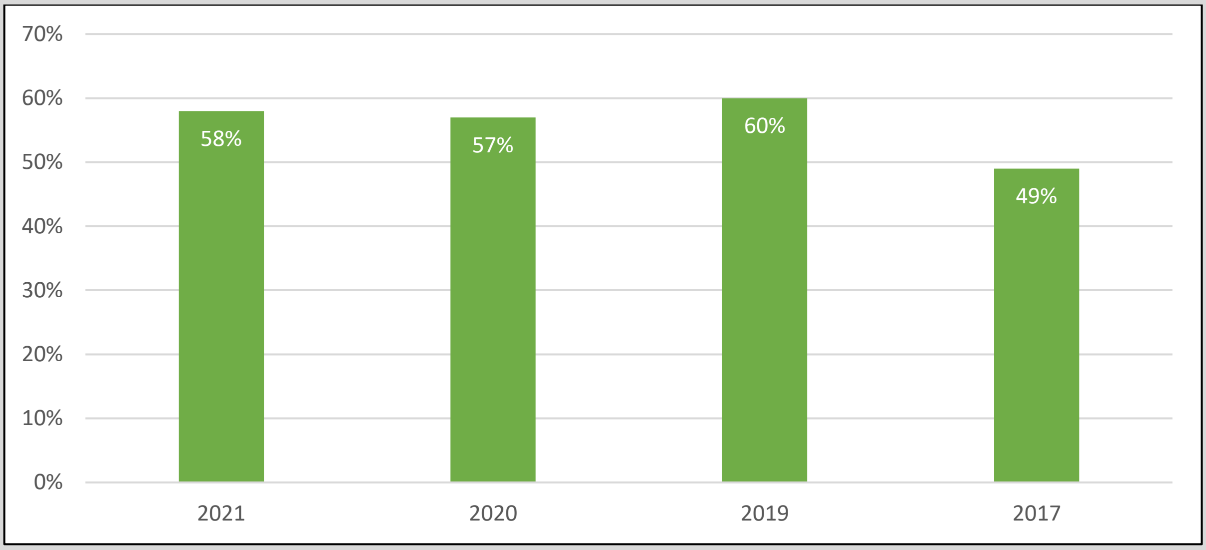
[12] International Organisation of Pension Supervisory, Good practices for designing, presenting and supervising pension projections (2021). Available from: http://www.iopsweb.org/2021-Public-Consultation-Good-practices-pension-projections.pdf

Members want their statements to give more guidance on how to improve their super savings

Members were asked if they would like their statement to give them more guidance about how to improve their super savings. As the results show, a majority consistently want their statements to give guidance on how to improve their super savings.



When asked for suggested improvements, members that didn't receive a second projection (showing the difference small contributions would make to their estimated retirement income) suggested that this would be helpful for them:

"Loved the example of what is needed for a comfortable retirement vs what my projected super will support me with. I want to start salary sacrificing into my super. Would have been nice to of seen what five or ten dollars a week would do to that projected total on the video". Cbus member

"Maybe an example of how much more a month I need to add to my super in payments, to get the comfortable living fortnightly amount". Cbus member

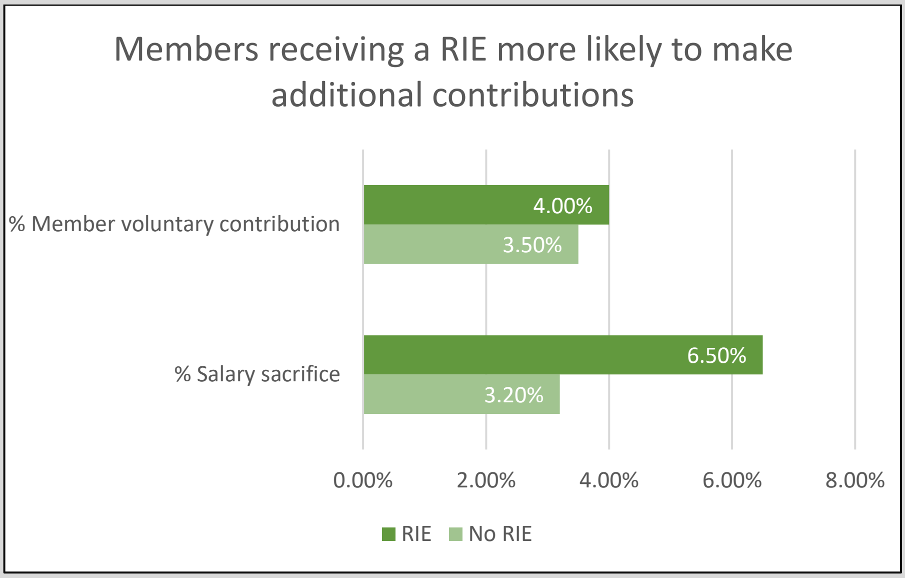
"Great idea to let people know how they are tracking but as I said would have been better if it showed how much needs to be contributed to reach a comfortable retirement". Cbus member

"Could add in how much extra $50 a week towards your super would net you at retirement age". Cbus member

"How my outcome may improve by adding $20,50,100 a week now for say the next 5/10years". Cbus member

"Give some scenarios of salary sacrificing super amounts and what that would mean for my super". Cbus member

Alternative scenario retirement estimates appear to increase likelihood of making additional contributions



Quantitative analysis that compared members that received a retirement estimate and those that didn't shows that members that receive a retirement estimate were more than twice as likely to make salary sacrifice contributions and also more likely to make a one-off voluntary contribution.

Targeted messaging based on ability to reach the ASFA comfortable retirement standard:

- Salary sacrifice contributions between 1.5% and 13.9%

- After tax contributions between 2.3% and 3.5%

Generic messaging without being provided a second contribution projection:

- Salary sacrifice contributions between 0.3% and 8%

- After tax contributions between 0.3% and 1.9%

This is further supported by 2019 internal analysis that demonstrated that targeted retirement estimate messages outperform generic messages that were not presented with a second projection.

The percentage of members that salary sacrificed was up to 5.9% higher for retirement estimate members that received a targeted retirement estimate message compared to members that received a generic message without a second projections.

Retirement Income Covenant and Promoting Retirement Strategies

The Consultation Paper identifies that it has considered the proposed retirement income covenant that is likely to come into effect on 1 July 2022 however we note that a key component of the proposed retirement income covenant is developing product offerings and guidance to meet the retirement income needs of members. The Retirement Income Covenant legislation acknowledges that trustees are best placed to know their members' needs in retirement, and provides trustees with the discretion to consider the needs of their specific membership and develop assistance to support them. This discretion however is not being proposed by ASIC when it comes to retirement estimates.

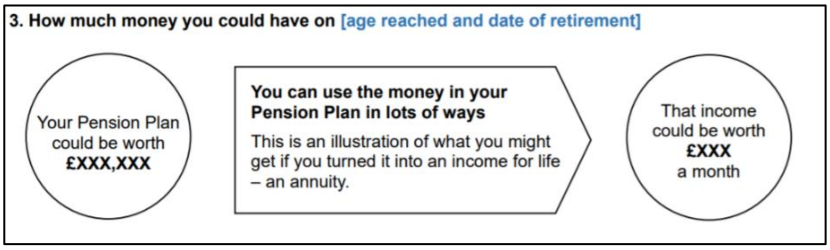
We have advocated that Retirement Income Strategies must include strategies to link members with retirement income products that will improve their retirement outcome. A Retirement Income Strategy alone will do nothing to assist members to maximise their retirement outcomes, unless it is accompanied by adequate assistance to guide members into the appropriate retirement solution for their needs.

Cbus therefore does not support proposals to prohibit funds from using retirement estimates to demonstrate different retirement strategies. Whilst the Consultation Paper proposes to provide flexibility for superannuation calculators in forecasting retirement income based on different types of products (such as annuities and guaranteed products), the proposals prescribe that retirement estimates must be based on commencing an account-based pension at retirement. This is inconsistent with the proposed retirement income covenant legislation which will require trustees to have segmented strategies and given that there will be cohorts of members which alternative products will be the preferred strategy.

The spotlight needs to shift onto post-retirement decision- making and understanding how to help Australians engage, make informed decisions, and ultimately achieve financial security for the duration of their retirement.

Other countries are also grappling with the issue of assisting people in retirement and how the use of longevity products may be appropriate in helping members not outlive their retirement savings.

- In the UK, new Simpler Annual Benefit Statements are now required to include an illustration on what an individual might receive if they turned their pension plan into an annuity.



- In the US, defined contribution plans will soon be required to include in statements the amount of lifetime income their balance is expected to generate in retirement. It requires the projected income to be illustrated under two scenarios (as outlined in table below):
  - Single life annuity
  - Qualified Joint and 100% Annuity

Current Account Balance	$125,000
Single Life Annuity	$645 per month for life (assuming Participant X is age 67 on December 31, 2022)
Qualified Joint and 100% Annuity	$533 per month for participant's life, and $533 for the life of spouse following participant's death (assuming Participant X and her hypothetical spouse are age 67 on December 31, 2022)

Research supports that providing retirement income projections may increase the attractiveness of longevity type products such as annuities. "*Were plans to instead emphasize consumption features of retirement planning, such as by reporting account accumulations in the form of monthly retirement income projections rather than as account balances, life annuities may look more attractive to* *participants. If so, then policies requiring such disclosures might have a significant impact on annuitization propensities"*[13].

Regulatory barriers leading to lack of access to affordable advice or guidance on what to do at retirement mean many members make sub-optimal decisions that leave them significantly worse of in retirement.

Many members still withdraw their super as cash at retirement leaving them worse off

As found by the Retirement Income Review, in the face of complexity at retirement many people choose to withdraw their superannuation at retirement and place it in a bank account. Research commissioned by Cbus found that many members making withdrawals at retirement believed that due to their relatively low balances they would be better off having money in their bank account and that they did not have enough super to commence an income stream. Trustees require more flexibility in assisting members make optimal decisions at retirement that are in their best financial interests.

"Want to make it as simple for everyone as possible by putting money into a bank account – I had done a lot of research about this. Just want to handle things with the bank and I can keep an eye on what's going in and out and can reach the bank". Former Cbus member

"Was going to leave it, but then thought it would be really hard for my children to get hold of it when I pass away. So put it in a term deposit". Former Cbus member

"Didn't have enough money to make it work [SIS Product]. Need a reasonable balance to make it work". Former Cbus Member

"If I had enough, it would be good - it would've been excellent [SIS Product]. There's not enough in there to be beneficial". Former Cbus member

Superannuation funds are well placed to provide both guidance and financial advice to members

Given the long-term relationship and trust members build with their superannuation fund, funds themselves are therefore well placed to provide guidance and advice to members at retirement. As noted by the Retirement Income Review, given retirement income is the core purpose of superannuation, funds ultimately have a responsibility to provide this guidance to members.

"Overall, giving funds the confidence to provide limited and targeted guidance to members without needing to comply with the legal obligations associated with financial advice would likely improve people's retirement outcomes. The benefits associated with drawing down more retirement savings and higher standards of living in retirement, coupled with effective regulation, would likely outweigh any potential impact from conflicts of interest."

Retirement Income Review, pg. 456

[13] National Bureau of Economic Research. Framing Lifetime Income (2013). Available from: https://www.nber.org/system/files/working_papers/w19063/w19063.pdf

Proposed Solutions

- Option A - We propose that interactive retirement estimates should have the same flexibility that superannuation calculators have and therefore be able to forecast retirement income based on different types of products/retirement decisions and current member data.

Given that members will be directly interacting with interactive retirement estimates, we advocate that they need separate frameworks to what can be provided via static retirement estimates. Interactive retirement estimates have the potential to provide an affordable solution to the growing need for retirement guidance.

This could include a more personalised view of how different retirement decisions could impact a member's retirement estimate, such as the impact of a decision to commence an income stream product or to withdraw superannuation monies to hold in a bank account. This could be presented as a 'sliding doors' scenario so individuals can better understand how certain decisions lead to different outcomes. This proposal is in line with good practices recommended by The International Organisation of Pension Supervisors which states:

> *In case of on-line projections, inputs should be prefilled with default values to help the users. However, there should be some interaction allowed for the users to change key input values (such as expected returns, contribution level, length of saving horizon, costs, type of retirement product) in order to allow them to see the effect of their decisions on the likely value of their future retirement income. Graphic illustration of results and some layered explanation should be considered*[14]*.*

- Option B – We propose that both static and interactive retirement estimates should have the same flexibility that superannuation calculators have and therefore be able to forecast retirement income based on different types of products.

- Option C – We propose that retirement estimates could be used to promote a trustee's retirement product solution to cohorts of current members. As stated below, there is a significant amount of reform proposed/recently enacted that aims to increase the quality of retirement products and consumer protections for members in retirement phase.

Given the retirement income covenant is intended to facilitate the provision of more sophisticated retirement products to help members manage the drawdown phase, it will become increasingly necessary to be able to offer cost-effective guidance to members that can support them to put in place better retirement strategies that have been designed for them by the trustee.

> *"Many retirees currently draw down their assets at low rates. This likely reflects fear of outliving their savings; saving for unexpected expenses in retirement; and relying on the statutory minimum draw down rates as a default (see 5A. Cohesion). Addressing these issues directly, including promoting greater understanding of the retirement system and broader availability of products, would help people use their assets more efficiently in retirement."*
>
> **Retirement Income Review, pg. 472**

[14] International Organisation of Pension Supervisory, Good practices for designing, presenting and supervising pension projections (2021). Available from: http://www.iopsweb.org/2021-Public-Consultation-Good-practices-pension-projections.pdf

Need for a holistic approach

We highlight that the proposed changes to retirement estimates and calculators is occurring alongside other significant developments in the policy and regulatory settings for the superannuation system. This includes:

- The introduction of a Retirement Income Covenant, proposed to commence on 1 July 2022.
- The introduction in 2020 of the member outcomes regime, which covers retirement income products and thus any new products or offerings introduced as part of refreshed strategies.
- The introduction in 2021 of product design and distribution obligations, which apply to funds when offering retirement income products.
- The introduction, also in 2021, of a new and significantly expanded anti-hawking regime, which applies to funds that offer retirement income products.
- Treasury developing terms of reference for a review of the policy and regulatory settings for financial advice, a significant category of which relates to retirement advice, and
- The proposal that Treasury will commence a consultation on whether to introduce performance testing for retirement income products in 2022.

However, each of these developments has occurred without adequate consideration of the broader context. There is a need to consider how these developments will impact funds’ ability to implement retirement income strategies in order to improve retirement outcomes for their members and the future role that retirement estimates can play.

> *“At retirement, in the face of complexity, people fall back on defaults, even if these defaults were not designed for the purpose people use them. For example, many people rely on ‘easy’ options such as selecting an account-based pension and withdrawing at minimum draw down rates, or withdrawing their superannuation and placing it in a bank account. Selecting a good option involves time, money and effort, and requires giving retirees more support.”*
>
> **Retirement Income Review, p.g. 445**

Cbus response to Consultation Paper Questions

Continued relief for superannuation forecasts

B1Q1 Should ASIC continue to offer relief to trustees and other providers for superannuation calculators? Why or why not?

Cbus strongly supports ASIC continuing to offer relief to trustees and other providers for superannuation calculators.

B1Q2 Should ASIC continue to offer relief for trustees to provide retirement estimates to their members? Why or why not?

Cbus strongly supports ASIC continuing to offer relief to trustees to provide retirement estimates to their members. As outlined earlier in our submission, retirement estimates provide significant value to our members.

B1Q3 Are there elements of the current relief for superannuation calculators or retirement estimates that discourage or prevent the provision of these tools by trustees?

While relief for retirement estimates have proven to be incredibly valuable in their current form, there is room for improvement. Suggestions include being able to be provide retirement estimates more frequently and to decumulation members, providing a more personalised view and limitations on only using an account-based pension. We have commented on these suggested improvements elsewhere in our submission.

B1Q4 How are superannuation calculators and retirement estimates currently being provided by industry under ASIC's current relief?

Cbus provides members access to a number of online calculators that are available on the Cbus website at https://www.cbussuper.com.au/tools-resources/calculators. The available calculators are:

- Compare Cbus
- Superannuation contributions calculator
- Extra money for super calculator
- Budget planner
- Retirement spending planner
- Retirement income calculator
- Insurance needs calculator

Cbus has been providing retirement estimates to eligible members since conducting an initial pilot to 20,000 members in 2013. This has now expanded to 462,520 eligible members in 2021, representing 62% of our membership.

Cbus provides four targeted retirement estimate categories, which are based on a member's ability to achieve a comfortable retirement. These categories are:

- On track – members congratulated that they are on track for a comfortable retirement.
- Almost there – members are shown how much extra they need to save a week (up to $30) to achieve a comfortable retirement (as measured by the ASFA retirement income standard).
- Action needed – members are shown the difference $30 a week could make to their estimated retirement income.
- Everyone else – members asked to consider their own goals and affordability.

B1Q5 Are superannuation calculators or retirement estimates being provided without relying upon the current relief? If so, why are providers choosing not to rely on the relief?

No.

B1Q6 Are our proposed changes to RG 229 easy to understand? Is the structure and format of the regulatory guide helpful, or would a different approach be preferable? If so, why?

No response.

B2Q1 Do you agree that our relief for superannuation calculators and retirement estimates should be combined into a single legislative instrument? If not, why not?

Yes. Cbus supports relief for superannuation calculators and retirement estimates being combined into a single instrument. This is particularly important given the introduction of interactive retirement estimates which are both a calculator and retirement estimate.

B2Q2 Should ASIC continue to provide relief for financial calculators relating to retirement savings account (RSA) products, in addition to superannuation calculators? Why or why not?

No response.

Presentation and disclosure of superannuation forecasts

B3Q1 Do you agree with our proposal for principles-based disclosure requirements? Why or why not? Should there be any conditions or other steps taken to address particular risks arising from a principles-based approach?

Yes. Cbus supports principle-based disclosure requirements, as it allows funds to develop content based on their audience and understanding of their membership.

B3Q2 Should we prescribe how specific assumptions should be disclosed (e.g. insurance premiums)?

Whilst some prescription is helpful in ensuring there is consistency and clarity across funds, as above Cbus supports principle-based disclosure requirements.

B3Q3 Are there any specific changes we should make to our relief or guidance on presentation or disclosure that would encourage trustees to provide superannuation calculators or retirement estimates?

As outlined earlier in our submission, Cbus does not support proposals to prohibit funds from illustrating the effect of alternative scenarios to members in retirement estimates and do not agree that this will undermine the key message but instead enhance the message to members.

B4Q1 Do our proposed changes to the relief and guidance give sufficient clarity about how a superannuation calculator or retirement estimate may be given without advertising or promoting a specific financial product? If not, why not?

Cbus does not support proposals that prohibit funds from using retirement estimates to demonstrate the potential impact of different retirement decisions and strategies and make the point that such a position is inconsistent with the Retirement Income Covenant legislation that is proposed to commence on 1 July 2022 and the obligation on trustees to assist members to manage expected risks to the sustainability and stability of their expected retirement income. Our reasons and proposed solutions are outlined earlier in our submission.

B4Q2 Are there other ways to reduce the risk of a member assuming the forecast can be relied on to make a decision about a specific financial product?

Refer to response to B4Q1.

Timing and delivery of retirement estimates

B5Q1 Do you agree with the proposed restrictions on who may be provided with a retirement estimate? Why or why not?

Cbus does not support the proposed exclusion of members that are aged 67 years or over and are in decumulation stage. We believe that funds should be able to provide decumulation members with ongoing guidance on the expected trajectory and duration of their income source in retirement. Our reasons for this position and proposed solutions are outlined in depth earlier in our submission.

B5Q2 How do trustees currently decide which members to give retirement estimates to? For example, are members selected on the basis of age, current balance, contributions history or other factors?

Cbus applies a number of criteria when deciding which members will receive a retirement estimate to ensure that members are not provided with information that may be misleading (due to a lack of specific information). Types of exclusion criteria includes:

- Age – Cbus does not provide a retirement estimate to members below the age of 21 or over the age of 65.
- Invalid or no TFN.
- Deceased or insurance claims paid or in progress in the past months.
- Overseas members.
- Contributions over the concessional contributions cap.
- Large member voluntary contributions – Contributions over $25k are excluded as they would result in a misleading retirement estimate, given that current Class Order requires the projection of all contributions and assumes that contributions in the current year repeat annually until the member's retirement.
- Administration fee not a full year amount.
- Members with potentially unusual payments/adjustments that could make an retirement estimate misleading.
- Members invested 100% cash option – given low RBA cash rates and ASIC Class Order that requires an assumed return of 3%.

We would expect to apply different criteria based on the proposed changes to the Class Order and would also likely have different criteria for providing interactive retirement estimates.

B5Q3 Are there other types of members that should be included or excluded from the scope of our relief for retirement estimates? Why or why not?

Refer to response to B5Q1.

B6Q1 Are there practical limitations to trustees providing retirement estimates more frequently than in periodic statements?

We are not aware of any practical limitations to providing REIs more frequently. We strongly support proposals to decouple their provision from periodic statements.

In addition to providing more regular retirement estimates through an online portal, we advocate that funds should also be able to provide static retirement estimates to members on a more frequent basis. Allowing funds to provide them more regularly (at appropriate decision points or milestones, and when desired by a member) is likely to result in enhanced use and ultimately, improved retirement outcomes.

As outlined earlier in our submission, the desire for more regular retirement estimates is regularly expressed by our members.

B6Q2 Does draft ASIC Instrument 2022/XXX appropriately facilitate the provision of retirement estimates to members through an online portal? Would further ASIC relief or guidance help trustees deliver estimates in this way?

Cbus strongly supports the provision of retirement estimates to members through an online portal. As outlined earlier in our submission, given that members will be directly interacting with interactive retirement estimates via an online portal, we advocate that the regulatory framework for interactive retirement estimates and static retirement estimates be different. Interactive retirement estimates have the potential to provide an affordable solution to the growing need for retirement guidance. This could include a more personalised view of how different retirement decisions could impact a member's retirement estimate, such as the impact the impact of a decision to commence an income stream product or to withdraw superannuation monies to hold in a bank account.

B6Q3 What are the risks in allowing trustees to deliver retirement estimates to members through an online portal?

No response.

B6Q4 What are the risks in allowing trustees to deliver retirement estimates to members in video or audio format?

We are not aware of any specific risks in allowing trustees to deliver video or audio retirement estimates. As stated earlier in our submission, select Cbus members currently receive a personalised digital video that provides their retirement estimate. Videos are a unique communication channel and the information presented in them needs to be kept short and simple so that members remain engaged. We do have some concerns that if required to present the standard presentation / disclosure within the video itself (rather than in a supporting communication like a statement) members would switch off from the information.

Members greatly value the video statements receive, our internal survey shows that members that see a retirement estimate in their statement and video statement record, in general, receive the most positive scores.

"Found the video very helpful and quick with everyone being so time poor these days." Cbus member

"The video was fun and interesting." Cbus member

B7Q1 Do trustees already provide interactive forms of retirement estimates? If so, how are these provided to members?

No.

B7Q2 Are these interactive estimates provided by relying on ASIC's current relief? How are the default assumptions set?

Not applicable.

New relief to last for a set period of time

B8Q1 What is the appropriate period of time for the relief, given the need for trustees and other providers to have certainty about the regulatory settings to make use of the relief?

Whilst certainty of regulatory settings is needed, given the evolving regulatory landscape in superannuation, ASIC should continuously consider the appropriateness of the relief and ways in which it can be improved for the benefit of members. Funds should also be allowed to test innovative approaches to providing retirement estimates to members, similar to the enhanced regulatory sandbox currently administrated by ASIC.

If a set-period of time were to be set, a five-year period would strike a better balance than the current 10 year period.

B8Q2 How do superannuation calculators and retirement estimates currently influence member behaviour? What data and evidence do trustees and other providers currently collect on how these forecasts, including their assumptions and presentation, influence member behaviour and outcomes?

As stated earlier in our submission, Cbus conducts regular research to understand the effectiveness of providing retirement estimates to our members. The evidence shows that they are very effective in engaging members to take action, including making voluntary contributions. This evidence has been provided throughout our submission.

B8Q3 What reliable and robust data and evidence can trustees and other providers collect on how their superannuation calculators or retirement estimates influence their members' behaviour or outcomes?

Refer to B8Q2.

Six-month transition period

B9Q1 Do you agree that a transition period of six months is appropriate for providers to comply with the proposed relief (i.e. by 1 October 2022, assuming the new instrument is made on 1 April 2022)? If not, do you consider a longer or shorter period is required?

Funds should have the option of providing retirement estimates as part of 2021/2022 statements using existing relief.

Planning for the Cbus retirement estimate program starts over nine months prior to lodgement (six months prior to year end) and therefore at least 12 months' notice would give funds adequate time to prepare their programs.

We propose that a transition period of 12-months would be more appropriate.

B9Q2 Are there any unintended consequences of the proposed relief that would affect implementation by industry?

No response.

B9Q3 Will it be practical for trustees to provide retirement estimates under the proposed relief as part of, or alongside, periodic statements for 2021–22?

Refer to B9Q1.

B10Q1 What impact (if any) will our plans to update the default assumptions in our calculators have on trustees or other providers who choose to use the same assumptions?

No response.

Removal of the no-action position from RG 229

B11Q1 Is the no-action position necessary for trustees to feel comfortable providing retirement estimates? If so, why?

No response.

B11Q2 Under our proposed relief, what concern (if any) would a no-action position seek to address?

No response.

Approach to economic and financial assumptions

C2Q1 Do you support trustees and other providers having flexibility to set their own reasonable assumptions for investment earnings, fees and costs, including on the basis of the product a member is invested in? Why or why not?

Cbus supports tailored return and fee-based assumptions based on a member's actual investment choices, as this would ensure a more accurate and meaningful projection for that member. Such a tailored calculation could also help a member better understand the impact investment choice could have on their future retirement income.

C2Q2 What are the risks to members and to industry of trustees setting their own reasonable assumptions for investment earnings, fees and costs relating to the product in which a member is invested in, or a product which the trustee offers? How can these risks be mitigated?

Refer to C2Q1.

C2Q3 Should trustees have greater flexibility to set other types of assumptions, either for a retirement estimate or superannuation calculator? Why or why not?

Refer to C8Q1.

C3Q1 Is there evidence for how members understand or interpret differences in forecasts, either across types of forecast (superannuation calculators and retirement estimates) or across different trustees (or other providers of superannuation calculators)?

No response.

C4Q1 Do you agree with our explanation of when default assumptions are likely to be reasonable? Why or why not?

No response.

C4Q2 How frequently should providers be expected to revise the economic and financial assumptions they apply?

No response.

C5Q1 Should trustees be expected to set the same assumptions across all superannuation calculators and retirement estimates they provide? In what circumstances should assumptions be able to differ?

Where possible, assumptions should be consistent across a fund's superannuation calculators and retirement estimates. This would aid in member understanding, particularly as many members will be encouraged to complete a superannuation calculator after receiving a retirement estimate.

Investment earnings, fees and costs

C6Q1 What are the advantages and disadvantages of giving trustees and other providers flexibility to set their own reasonable default assumptions for investment earnings, fees and costs?

Refer to C2Q1.

C6Q2 Is there evidence that members may misunderstand forecasts that are based on specific superannuation products? If so, are there ways to reduce this risk? In what circumstances would differences across forecasts be misleading (e.g. by creating a sense of false precision)?

We are not aware of any evidence that members misunderstand forecasts that are based on specific superannuation products.

C6Q3 In working out a retirement estimate, would it be practical for trustee to set assumptions about investment earnings, fees and costs that may differ based on the products members are invested in? Why or why not? Are there alternative approaches?

Cbus supports a trustee setting assumptions based on the products a member is actually invested in. Refer to C2Q1.

C6Q4 What guidance should ASIC provide on how assumptions about investment earnings, fees and costs should be set? Would it be appropriate for trustees to set assumptions on the basis of existing investment return objectives for superannuation products they offer (e.g. the return objective disclosed in the Product Disclosure Statement (PDS) or set by the trustee board?)

Investment return assumptions should be aligned with investment return objectives disclosed to members in other documentation (such as a Product Disclosure Statement). This would ensure consistency and assist in member understanding.

C7Q1 Would requiring trustees to make reasonable assumptions about administration fees based on the administration fees paid by the member over the previous year be workable in practice?

Yes. Cbus supports reasonable assumptions about administration fees should be based on the actual administration fees paid by the member.

C7Q2 Could members be misled if trustees use member-specific assumptions for administration fees in working out a retirement estimate alongside generic assumptions for investment earnings and investment fees and costs? If so, how could the risk of misleading forecasts be minimised?

We do not believe that this would be misleading.

C7Q3 Should we allow or require trustees to set different default assumptions for administration fees in the accumulation and retirement phases when working out a retirement estimate? Why or why not?

Yes. Given that fees are usually different during accumulation and retirement phases, trustees should be allowed to use different default assumptions.

Retirement age and drawdown period

C8Q1 What are the advantages and disadvantages of prescribing a default retirement age and drawdown period for superannuation calculators and retirement estimates under our relief? Please include relevant evidence, where available, of:

(a) the extent to which prescribed assumptions would reduce the risk of members being confused or misled if they use one or more superannuation calculator or retirement estimate;

(b) the proportion of members that currently choose to input their own retirement age or drawdown period assumptions into superannuation calculators; and

(c) any differences in likely future retirement ages or drawdown periods across different superannuation funds' memberships.

Cbus does not support a default retirement age of 67 given for our members this does not reflect their lived experience and risks under-estimating what they will need for a comfortable retirement. Our basis for this position and proposed solutions are outlined in depth earlier in our submission.

C8Q2 Are there some types of superannuation calculator for which these assumptions would be inappropriate or irrelevant?

No response.

C8Q3 Is age 67 (the age pension eligibility age) a reasonable assumption for the retirement age? Why or why not?

Refer to C8Q1.

C8Q4 Is 25 years a reasonable assumption for the duration of the retirement period? Why or why not?

The duration of the retirement period should reflect a funds membership. Given that Cbus members have a higher frequency of early retirement, the duration of their retirement period tends to be longer than the general population. Members should have the opportunity to change this default assumption, and it could also be based on selected retirement age.

Annual income stream and age pension benefits
C9Q1 How do superannuation calculators show forecasts representing different types of retirement income products (such as account-based pensions and annuities) under ASIC's current relief? How could ASIC's proposed relief facilitate calculators for different types of retirement income product in a way that does not advertise or promote specific financial products?

Refer to B4Q1.

C10Q1 For retirement estimates, what additional assumptions would need to be made to work out the annual income stream in the way that we propose? Should ASIC prescribe a specific formula? Why or why not?

No further assumptions need to be provided.

C11Q1 What are the advantages and disadvantages of allowing trustees to include age pension amounts in a retirement estimate only if it is an interactive retirement estimate that allow the member to make changes to the assumptions?

> (a) What evidence is there for how numerical forecasts of age pension eligibility influence member behaviour? Does this vary depending on the magnitude or accuracy of the forecast?
>
> (b) Would factual information alongside a static retirement estimate be more or less effective in raising member awareness of their potential age pension eligibility compared to a numerical forecast? Why or why not?
>
> (c) Why do trustees currently choose to include, or not to include, age pension amounts in retirement estimates? Do trustees choose to include age pension amounts only for specific subsets of their members?
>
> (d) Would trustees be less willing to provide retirement estimates to their members if they could not include age pension amounts in static estimates? If so, would trustees seek to provide interactive retirement estimates instead?

Cbus does not support proposals to prohibit funds from including estimated Age Pension entitlements in static retirement estimates. We are concerned that this will be misleading to members and further disincentivise members' engagement with superannuation. Our reasons for this position and proposed solutions have been outlined in depth earlier in our submission.

C11Q2 Should age pension amounts be required by default in interactive retirement estimates or in superannuation calculators? Why or why not?

Refer to C11Q1.

retirement estimates: Factors personal to the member

C12Q1 Are there other ways in which assumptions could be made about future superannuation contributions in working out retirement estimates (e.g. using a three-year rolling average)? To what extent would this better reflect how contribution levels may change over the long term for most members?

No response.

C13Q1 Are there other ways in which future insurance premiums could be taken into account in working out retirement estimates?

No response.

Inflation

C14Q1 What are the advantages and disadvantages of ASIC setting standardised default inflation rates for both superannuation calculators and retirement estimates? Please include relevant evidence, where available, of:

(a) the extent to which common assumptions would increase or reduce the risk of members being confused or misled;

(b) the proportion of members that currently choose to input their own inflation rate assumption into superannuation calculators; and

(c) any differences in forecasts of long-term price or wage inflation across different superannuation funds' memberships.

No response.

C14Q2 What are the most appropriate types of inflation rate to apply to the accumulation and retirement phases?

No response.

C15Q1 How should ASIC set values for the default inflation rates, and how frequently should these rates be reviewed?

No response.