CONSULTATION PAPER 351

Superannuation forecasts: Update to relief and guidance

November 2021

About this paper

This consultation paper sets out ASIC's proposals to amend our legislative instruments on superannuation calculators and retirement estimates.

We seek feedback from superannuation trustees, consumer groups, actuaries and other interested stakeholders on our proposals, which include:

- a single instrument of relief for superannuation calculators and retirement estimates; and
- adopting a common framework for setting economic and financial assumptions.

We also propose to update our guidance on superannuation forecasts as outlined in this paper.

> Note: The draft ASIC instrument and draft regulatory guide accompanying this paper are available on our website at www.asic.gov.au/cp under CP 351.

About ASIC regulatory documents

In administering legislation ASIC issues the following types of regulatory documents.

Consultation papers: seek feedback from stakeholders on matters ASIC is considering, such as proposed relief or proposed regulatory guidance.

Regulatory guides: give guidance to regulated entities by:

- explaining when and how ASIC will exercise specific powers under legislation (primarily the Corporations Act)
- explaining how ASIC interprets the law
- describing the principles underlying ASIC's approach
- giving practical guidance (e.g. describing the steps of a process such as applying for a licence or giving practical examples of how regulated entities may decide to meet their obligations).

Information sheets: provide concise guidance on a specific process or compliance issue or an overview of detailed guidance.

Reports: describe ASIC compliance or relief activity or the results of a research project.

Document history

This paper was issued on 18 November 2021 and is based on the legislation as at the date of issue.

Disclaimer

The proposals, explanations and examples in this paper do not constitute legal advice. They are also at a preliminary stage only. Our conclusions and views may change as a result of the comments we receive or as other circumstances change.

Contents

The consultation process

You are invited to comment on the proposals in this paper, which are only an indication of the approach we may take and are not our final policy.

As well as responding to the specific proposals and questions, we also ask you to describe any alternative approaches you think would achieve our objectives.

We are keen to fully understand and assess the financial and other impacts of our proposals and any alternative approaches. We ask you to comment on:

- the likely compliance costs;
- the likely effect on competition; and
- other impacts, costs and benefits.

Where possible, we are seeking both quantitative and qualitative information. We are also keen to hear from you on any other issues you consider important.

Your comments will help us develop our policy on superannuation forecasts. In particular, any information about compliance costs, impacts on competition and other impacts, costs and benefits will be taken into account if we prepare a Regulation Impact Statement: see Section D, 'Regulatory and financial impact'.

Making a submission

You may choose to remain anonymous or use an alias when making a submission. However, if you do remain anonymous we will not be able to contact you to discuss your submission should we need to.

Please note we will not treat your submission as confidential unless you specifically request that we treat the whole or part of it (such as any personal or financial information) as confidential.

Please refer to our privacy policy at www.asic.gov.au/privacy for more information on how we handle personal information, your rights to seek access to and correct personal information, and your right to complain about breaches of privacy by ASIC.

Comments should be sent by 28 January 2022 to:

> Nicole Chew, Senior Lawyer, Superannuation
> Australian Securities and Investments Commission
> GPO Box 9827
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> email: SuperForecastsConsultation@asic.gov.au

What will happen next?

Stage 1	18 November 2021	ASIC consultation paper released
Stage 2	28 January 2022	Comments due on the consultation paper
Stage 3	March 2022	Instrument and updated regulatory guide released

A Background to our proposals

Key points

ASIC currently provides relief for superannuation trustees (trustees) to facilitate the provision of superannuation calculators and retirement estimates (collectively, superannuation forecasts). Our relief for superannuation calculators may also be relied on by other entities that are not superannuation trustees.

Our working assumption is that superannuation forecasts are tools that can be used to help some superannuation fund members think about how superannuation can be part of their retirement income.

We propose to amend our relief to more closely align the requirements for superannuation calculators and retirement estimates. This includes giving trustees greater flexibility to set assumptions that reflect the types of products they offer, while requiring greater consistency in the assumptions they apply across their superannuation calculators and retirement estimates.

Our proposals are also designed to give greater clarity to trustees about how they can use superannuation calculators and retirement estimates as part of their strategies under the retirement income covenant reforms that are expected to come into effect on 1 July 2022.

The purpose of superannuation forecasts

1 Some superannuation trustees (trustees) provide superannuation calculators and/or retirement estimates (collectively, superannuation forecasts) to their members.

2 Superannuation forecasts are tools that can be used to help some members think about how superannuation can be part of their retirement income (e.g. by prompting them to review their situation and seek further information). These forecasts are one way in which trustees may assist fund members to think about how much income they could have in retirement.

Note: Superannuation calculators may be provided by any entity, whereas retirement estimates may only be provided by trustees. In this paper, 'providers' refers to both trustees and other providers in the context of superannuation calculators. 'Members' refers to the users of either a superannuation calculator or a retirement estimate.

3 There is increased focus on members' engagement with their retirement income following the release of the Government's *Retirement income review* in November 2020. This review observed that projections or estimates of a person's retirement income can help them to think about superannuation in terms of income, rather than an asset. It also noted that expressing

superannuation in terms of retirement income may encourage people to draw down from their savings in retirement.

Note: The *Retirement income review* established a fact base on the current retirement income system to improve understanding of its operation and the outcomes it delivers for Australians. The review made observations about the benefits of a retirement income covenant and retirement income projections in helping consumers to plan for their retirement: see Australian Government, *Retirement income review*, final report, 20 November 2020, pp. 19, 447–448.

Superannuation calculators

4 Superannuation calculators (sometimes also called retirement calculators) illustrate how different scenarios or courses of action can influence a member's spending capacity in retirement. They allow members to explore the impact of different inputs.

5 Superannuation calculators can be facilities, devices, tables or other things (including online tools) that are used to make (or find out the result of) numerical calculations about superannuation. Most superannuation calculators start with default assumptions that are not personalised to any one member, but which can generally be altered by the member.

6 Several superannuation calculators are available to consumers through ASIC's Moneysmart website. Our retirement calculator is one of the most frequently accessed pages on this website.

Retirement estimates

7 Retirement estimates give an indication of what an individual member's superannuation balance will be at retirement age and their annual income during retirement. Retirement estimates are typically printed on a member's periodic statement.

8 Unlike calculators, retirement estimates provide a forecast without the member needing to first enter information themselves. Instead, the trustee uses data it already has about the member, including their current superannuation balance, age and level of contributions.

The limitations of superannuation forecasts

9 Superannuation forecasts are tools that trustees and other providers can use to help members. They are based on assumptions about economic and financial conditions over long periods of time, as well as assumptions about a member's future circumstances (e.g. income and retirement age). This means there are inherent limitations on the accuracy of these forecasts and thus on their usefulness as a basis for making financial decisions.

10 As conduct and disclosure regulator, ASIC expects trustees and other providers to use forecasting tools responsibly in communicating with

members. Due to their limitations, there is a risk that forecasts can confuse or mislead members. Providers should minimise this risk by making the inherent limitations of forecasts clear and by presenting forecasts in a way that is not misleading. Members should be encouraged to seek further information or advice before being making a decision about a financial product on the basis of a superannuation forecast. Superannuation forecasts are not a substitute for personal advice from a registered financial adviser who is authorised to provide personal advice.

11 Given their limitations, ASIC also does not want to see superannuation forecasts being used as a sales tool or to make recommendations about specific financial products. Trustees and other providers using our relief to provide superannuation forecasts do not have to comply with the significant obligations associated with the provision of personal advice, including the obligation to act in the best interests of the client when making a recommendation about a specific financial product.

12 Accordingly, we do not think that forecasts provided under our relief from the personal advice obligations should be used to advertise or promote specific financial products, such as a trustee's superannuation or retirement income products. Using forecasts in this way would also be inconsistent with ASIC's guidance on the disclosure of prospective financial information in relation to a financial product: see Regulatory Guide 170 *Prospective information* (RG 170).

ASIC's current relief for superannuation forecasts

13 Superannuation forecasts, whether delivered through a superannuation calculator or retirement estimate, may contain personal advice within the meaning of s766B(3) of the *Corporations Act 2001* (Corporations Act). To provide a forecast to a member, the tools must take into account one or more of a member's objectives, financial situation or needs (e.g. by using information about the member's initial investment, salary, age or attitude towards risk).

14 ASIC currently provides legislative relief from the licensing, conduct and disclosure obligations relating to personal advice for trustees who provide superannuation calculators or retirement estimates (and for other entities who provide superannuation calculators).

15 This relief is provided through two legislative relief instruments:

(a) *ASIC Corporations (Generic Calculators) Instrument 2016/207* (ASIC Instrument 2016/207) for the provision of certain financial calculators that do not advertise or promote one or more specific financial products, including calculators relating to superannuation products; and

(b) ASIC Class Order [CO 11/1227] *Relief for providers of retirement estimates* for trustees to provide retirement estimates to superannuation fund members with their periodic statements.

16 ASIC also provides guidance on the application of this relief in Regulatory Guide 167 *Licensing: Discretionary powers* (RG 167) and Regulatory Guide 229 *Superannuation forecasts* (RG 229).

17 Our relief for generic financial calculators (including superannuation calculators) has been in place since 2005. Our relief for retirement estimates has been in place since 2011 and is scheduled to cease automatically on 1 April 2022. We have not formally publicly consulted on the relief for retirement estimates since March 2013, or on the relief for financial calculators (including superannuation calculators) since December 2015.

Note: For details of these consultations, see Consultation Paper 203 *Age pension estimates in superannuation forecasts: Update to RG 229* (CP 203) and Consultation Paper 249 *Remaking ASIC class order on generic financial calculators: [CO 05/1122]* (CP 249).

What our relief does not cover

18 ASIC's relief facilitates, but does not compel, the provision of superannuation forecasts. Trustees that make superannuation forecasts available to their members can choose to do so by complying with the requirements of ASIC's relief, or do so without relief (i.e. by complying with the licensing, conduct and disclosure obligations relating to personal advice in the Corporations Act).

19 Trustees who provide superannuation forecasts are also bound by obligations to not engage in conduct that is misleading or deceptive or potentially misleading or deceptive, regardless of whether they rely on ASIC's relief. This means trustees must not provide a forecast if doing so would be misleading or be likely to mislead—care must be taken both in terms of what disclosure is included in the superannuation forecast and how it is presented to the member.

Our proposed approach to reviewing this relief

20 This consultation paper seeks views and evidence from trustees, consumer groups, actuaries and other interested stakeholders on our proposals to:

(a) continue relief to facilitate the provision of retirement estimates by trustees beyond 1 April 2022; and

(b) align the scope and conditions of the relief for both superannuation calculators and retirement estimates, including adopting a common framework for setting economic and financial assumptions.

21 We consider that our relief is still relevant. We think that, in the absence of relief, many trustees would not be willing to provide superannuation forecasts to their members.

22 The Government intends to amend the *Superannuation Industry Supervision Act 1993* (SIS Act) to introduce a retirement income covenant. This reform

will require trustees to prepare a retirement income strategy to assist beneficiaries (members) to achieve and balance three objectives:

(a) maximising their expected retirement income;

(b) managing expected risks to the sustainability and stability of their expected retirement income; and

(c) having flexible access to expected funds during retirement.

Note: See *Treasury Laws Amendment (Measures for a later sitting) Bill 2021: Retirement income covenant* (exposure draft).

23 The Government has noted that in formulating a retirement income strategy, trustees would be expected to identify the expected retirement income needs of beneficiaries and present a plan to build the fund's capacity and capability to service those needs. This could involve providing guidance to beneficiaries early in accumulation about potential income in retirement through superannuation calculators or retirement estimates: see the Explanatory Memorandum,to the exposure draft at paragraph 1.14.

24 This retirement income covenant is expected to come into effect on 1 July 2022 should the *Treasury Laws Amendment (Measures for a later sitting) Bill 2021: Retirement income covenant* be passed by Parliament.

Our proposals for updated relief

25 In developing our proposals in this paper, we have drawn on relevant material in submissions made to the *Retirement income review* and Treasury's consultations on the retirement income covenant reforms. We have also obtained independent actuarial advice and consulted with the Australian Prudential Regulation Authority and the Treasury. We have informally consulted with the Australian Government Actuary.

26 Our proposals are intended to more closely align the requirements for superannuation calculators and retirement estimates. We propose to give trustees greater flexibility to set assumptions that reflect the types of products they offer, while making it easier to apply the same assumptions to retirement estimates as to a superannuation calculator.

27 Following this consultation, ASIC proposes to make a single legislative instrument that covers both superannuation calculators and retirement estimates: see draft *ASIC (Superannuation Calculators and Retirement Estimates) Instrument 2022/XXX* (draft ASIC Instrument 2022/XXX) in Attachment 1 of this paper. Our current relief in ASIC Instrument 2016/207 will remain in place for other financial calculators that are not superannuation calculators. We propose to remove superannuation calculators from ASIC Instrument 2016/207 and also make other minor and consequential amendments to clarify the relief framework.

Note: For a summary of the current and proposed requirements under our relief, see the appendix to this paper.

Benefits of our proposals

28 We think our proposals will facilitate the provision of superannuation forecasts that are more relevant to members and promote greater consistency in superannuation forecasts. We also think our proposals will give greater clarity to trustees about how they can use superannuation calculators and retirement estimates as part of their retirement income strategies.

29 Our proposals seek to address issues that have arisen with the current relief:

(a) *Providing greater flexibility in setting assumptions*—Some trustees may be reluctant to provide retirement estimates if they consider using the assumptions in [CO 11/2227] would produce estimates that are not appropriate or helpful for some or all of their members (e.g. because the prescribed rate of investment earnings does not reflect the types of product members are invested in). We propose to give more freedom for some assumptions, while also requiring trustees to have greater consistency between the assumptions used across their superannuation calculators and retirement estimates.

(b) *Clarifying relief for interactive retirement estimates*—Our current relief and guidance does not explicitly discuss the provision of interactive retirement estimates—that is, a retirement estimate worked out using data a trustee holds on a member and delivered electronically in a way that allows the member to interact with the estimate by changing the assumptions. We think some trustees may not consider offering interactive retirement estimates to their members because of uncertainty about whether they can rely on ASIC's relief in doing so. We propose to clarify our relief and guidance to explicitly allow interactive retirement estimates.

(c) *Aligning assumptions with updated relief*—The default assumptions we currently apply in ASIC's Moneysmart superannuation and retirement calculators do not always align with assumptions in ASIC Instrument 2016/207 and [CO 11/2227]. We intend to align the framework we use to set assumptions for these calculators with the requirements of our updated relief.

30 In considering our proposals, we would like stakeholders to keep in mind the purpose of superannuation forecasts—as tools that can be used to help some members think about how superannuation can be part of their retirement income (e.g. by prompting them to review their situation and seek further information). We do not think superannuation forecasts should be used to make recommendations about (or to advertise or promote) specific financial products.

31 We also invite stakeholders to share with us robust evidence on how current superannuation calculators or retirement estimates have influenced member outcomes in practice. This evidence should be reliable and ideally focused on actual behaviours (as opposed to member sentiment or intentions).

Updated regulatory guidance

32 We intend to release updated regulatory guidance to complement and explain our relief and to provide guidance to providers of superannuation calculators and retirement estimates.

33 As part of this consultation, we are seeking feedback on this updated guidance based on our proposals: see draft Regulatory Guide 000 *Superannuation forecasts: Calculators and retirement estimates* (draft RG 000) in Attachment 2 of this paper.

ASIC's Moneysmart calculators

34 ASIC offers consumers a range of resources relating to superannuation and retirement through ASIC's Moneysmart website. These resources include several calculators which relate to superannuation and retirement planning.

35 We are aware that some providers of superannuation calculators currently apply the same assumptions as ASIC's Moneysmart calculators to the calculators they provide. We will continue to consider assumptions used by providers to be reasonable if they are based on these calculators.

36 We will update the assumptions we apply to ASIC's Moneysmart calculators consistent with our new relief instrument and guidance for industry.

B Proposed update to relief for superannuation forecasts

Key points

We propose to:

- continue to provide relief from the licensing, conduct and disclosure obligations relating to personal advice for providers of superannuation forecasts by making a new legislative instrument that covers both superannuation calculators and retirement estimates;
- amend the presentation and disclosure requirements for retirement estimates to move from prescriptive to principles-based disclosure;
- restrict the types of members who may be given a retirement estimate;
- allow trustees to provide interactive retirement estimates and to deliver retirement estimates through online member portals, in addition to including such an estimate with or on members' periodic statements;
- provide relief for a set period of time, with a six-month transition period; and
- remove the no-action position in RG 229 for retirement estimates.

Note: For a summary of the current and proposed requirements under our relief, see the appendix to this paper.

Continued relief for superannuation forecasts

Proposal

B1 We propose to continue to provide relief from the licensing, conduct and disclosure obligations relating to personal advice for providers of superannuation forecasts by making a new single legislative instrument that covers both superannuation calculators and retirement estimates. As is currently the case, our relief for superannuation calculators will remain available to all providers, and the relief for retirement estimates will be available only to trustees.

Your feedback

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

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

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?

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

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?

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?

B2 We propose to remove the relief for superannuation calculators in ASIC Instrument 2016/207 and include it in the new legislative instrument for superannuation forecasts.

Note 1: For our proposed approach on a framework for setting default assumptions for superannuation calculators and retirement estimates, see Section C of this paper.

Note 2: ASIC Instrument 2016/207 will continue to apply for other generic financial calculators, such as calculators relating to managed investments or insurance.

Your feedback

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?

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?

Rationale

37 A single legislative instrument for superannuation calculators and retirement estimates will promote a consistent approach to setting default economic and financial assumptions, as well as other requirements of the relief, including disclosure and reporting of non-compliance.

38 Although our relief for superannuation calculators is currently contained in an instrument covering relief for calculators relevant to other financial products, there are specific provisions that apply to superannuation calculators. A single instrument will allow ASIC to provide more tailored guidance to the superannuation industry about our expectations. We acknowledge, however, that part of the new instrument will be relevant to providers of superannuation calculators who may not be trustees.

39 We think superannuation calculators should be treated differently from other generic financial calculators. Superannuation is a compulsory financial product for most Australians who are employed. Engagement with superannuation is generally low compared to other financial decisions. Superannuation calculators are often used by trustees to promote member engagement with their superannuation and retirement.

40 Some members who receive a retirement estimate may also use the calculator(s) provided by their trustee. Currently, trustees who provide a retirement estimate under our relief must include a link to their online calculator, if they have one, as well as to ASIC's Moneysmart retirement calculator.

41 However, under our current relief instruments, some trustees may be applying significantly different default assumptions in their superannuation calculators to those they are required to use in working out retirement estimates. This could result in materially different forecasts, which may potentially confuse or mislead members. We think greater consistency is needed between a forecast a member obtains in a retirement estimate from their trustee and a forecast generated using the default assumptions in the trustee's calculator.

Presentation and disclosure of superannuation forecasts

Proposal

B3 Instead of mandating specific standardised text, as is currently required in [CO 11/1227] for retirement estimates, we propose that the disclosure requirements for both superannuation calculators and retirement estimates be principles based and require providers to clearly and prominently state:

(a) the purpose and limitations of the calculator or estimate;

(b) the impact of any significant limitations of the calculator or estimate;

(c) the assumptions;

(d) for an amount payable or accruing at a future time of two or more years, the present value of the calculation or estimate;

(e) that the calculator or estimate is not intended to be relied on for the purposes of making a decision in the absence of advice; and

(f) why the provider considers the default assumptions to be reasonable for the purposes of working out the calculation or estimate.

Your feedback

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?

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

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?

B4 We propose to:

(a) in our relief, retain a requirement that superannuation calculators must not be used to advertise or promote a specific financial product, and introduce a requirement that retirement estimates must not advertise or promote a specific product; and

(b) provide guidance on how assumptions relating to a specific financial product can be used without breaching the requirement not to advertise or promote a specific financial product: see draft RG 000.93–RG 000.96.

Your feedback

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?

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?

Rationale

42 We consider that requirements relating to disclosure are essential because of the inherent limitations of superannuation forecasts. Our working assumption is that providing clear information about how a forecast was made and its key limitations is one strategy that may help to reduce the risk of members thinking that the forecast can be relied on to make a decision about a specific financial product. We acknowledge that the current standardised disclosure material in [CO 11/1227] that must accompany a retirement estimate is lengthy and it is unclear whether it is being widely read by members.

43 We are interested in understanding how trustees and other providers currently design their strategies to communicate the limitations of superannuation forecasts, and how they would do this in future under our proposed relief. This encompasses decisions about how to frame the information on forecasts, including material that is provided alongside, or separate to, the forecast itself.

44 We also acknowledge that disclosure alone will not completely remove the risk of members being confused by forecasts or using them in unintended ways. Not all members will respond to disclosures in the same way. We expect trustees to consider this when determining presentation and disclosures for superannuation forecasts. Our proposals in Section C of this paper on a framework for how trustees can set default assumptions also reflect that members may not seek to change the assumptions.

Note: For more information on the limitations of disclosure, see Report 632 *Disclosure: Why it shouldn't be the default* (REP 632), released 14 October 2019.

45 Our proposals relating to specific financial products are broadly consistent with our guidance for generic calculators in RG 167, which states that if a specific product is referred to in disclosures about the reasonableness of an assumption, this disclosure must be less prominent than the calculator itself: see RG 167.70–RG 167.78.

46 We are concerned that if a superannuation forecast advertises or promotes a specific financial product (e.g. one of a trustee's superannuation or retirement income products) it increases the risk that members will, for example:

(a) misunderstand the purpose of the forecast;

(b) place too much reliance on the forecast when making financial decisions;

(c) assume the forecast is a complete substitute for personal advice from a registered financial adviser who is authorised to provide personal advice; and

(d) assume the forecast is making a recommendation that is in the member's best interest and takes into account their objectives, financial situation and needs.

47 Trustees or other providers seeking to provide superannuation calculators or retirement estimate that do not meet the requirements of our proposed relief could do so by complying with the licensing, conduct and disclosure obligations relating to personal advice in the Corporations Act. Where this is not practical, providers could apply to ASIC for individual relief. In assessing applications for relief, we propose that we will consider the likelihood of consumer detriment and how to minimise the scope for forecasts to be used to advertise financial products, among other factors.

Note: For more information on ASIC's powers to give relief, including factors we may consider and how to apply for relief, see Regulatory Guide 51 *Applications for relief* (RG 51) and Section B of RG 167.

Timing and delivery of retirement estimates

Proposal

B5 We propose to retain the requirement that retirement estimates may only be given to members aged under 67 who have been a member of the fund for the year ending on the date of the estimate. We propose to additionally require in the relief instrument that a retirement estimate must not be given to a member who:

(a) is in the retirement phase at the date of the estimate;

(b) has not made or received a contribution to their account during the year ending on the date of the estimate;

(c) has an account balance of less than $6,000 at the date of the estimate; or

(d) has a defined benefit interest in the fund.

Your feedback

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

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?

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?

B6 We propose to allow trustees to deliver retirement estimates through member online portals, as well as through periodic statements. We will amend our guidance to clarify that retirement estimates can be provided to members more frequently than through periodic statements. We will also clarify in our guidance that a retirement estimate may be given in video or audio format provided the requirements of our relief are met (e.g. in relation to disclosure).

Your feedback

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

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?

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

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

B7 We propose to explicitly allow for interactive retirement estimates in our relief and guidance. An interactive retirement estimate is a retirement estimate delivered through an electronic facility or device that is worked out using data a trustee holds on a member, but where the member can also interact with the estimate by changing the assumptions.

Your feedback

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

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

Rationale

48 We think that a retirement estimate given under our proposed relief is likely to be misleading for some groups of members, regardless of how the retirement estimate is worked out. These are members who, for example, are unlikely to have a predictable pattern of future contributions, or for whom the economic and financial assumptions a trustee may set under our proposed framework are unlikely to be suitable.

49 We think that explicitly excluding these types of members from the scope of our relief for retirement estimates will give trustees greater clarity about when and how to give retirement estimates.

Note: We also propose to remove the no-action position in RG 229: see proposal B11.

50 Currently, a trustee may only provide a retirement estimate to a member under ASIC's relief on, or with, their periodic statement. We think that allowing trustees to provide retirement estimates through member online portals (i.e. the section of the fund's website that a member may log into to access their account information) may increase the number of members who see and engage with the estimates.

51 By providing retirement estimates through member online portals, trustees could work out the estimate based on the member's current balance, rather than on the balance at the date of the last periodic statement. Trustees could explore different ways to deliver retirement estimates that are best suited to their members.

52 Similarly, we think that allowing trustees to provide retirement estimates in video or audio format would give trustees flexibility to use different formats that may be more useful or engaging for different types of members.

53 We understand that some trustees may already provide some form of interactive retirement estimate by relying on ASIC's relief. However, our current relief and guidance does not explicitly refer to interactive retirement estimates. We think it is important to have a clear position on whether and how interactive retirement estimates can be provided under our proposed relief.

54 An interactive retirement estimate differs from a superannuation calculator because:

(a) some default assumptions must be set using data a trustee has on its individual members (as is required for all retirement estimates); and

(b) the member is not required to input information or assumptions before they can see the results.

55 An interactive retirement estimate would have different requirements to other ('static') retirement estimates under our proposal:

(a) a member must have the ability to change any of the assumptions that are applied in working out the estimate (other than a statutory assumption, or an assumption about how the superannuation balance is drawn down in retirement that is not the retirement age or length of the drawdown period); and

(b) an interactive retirement estimate may include an estimate of a member's age pension amount but a static retirement estimate may not.

Note: For our proposals on economic and financial assumptions, see Section C.

56 We think that an interactive retirement estimate may be beneficial for superannuation fund members. Allowing them to change inputs and assumptions may help members to explore the impact of different inputs without needing to access a superannuation calculator and re-enter information about their age, current balance and other factors.

57 We also think members could receive more useful estimates of their age pension entitlements in retirement using this method. The amount of age pension a member is likely to be entitled to depends on a range of personal circumstances such as whether they have a partner or own their own home when they are retired. We do not believe that trustees consistently have access to sufficient data about members to make reasonable assumptions about their age pension benefits in a static retirement estimate.

New relief to last for a set period of time

Proposal

B8 We propose that the single legislative instrument would expire after a set period of time.

Your feedback

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?

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?

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?

Rationale

58 We want to give trustees and other providers sufficient certainty about the regulatory settings to make use of the relief. During this time, ASIC will review and consider how trustees and other providers are providing superannuation forecasts under the single legislative instrument.

59 Providing relief for a set period of time also gives the Government an opportunity to determine whether to amend the primary legislation or regulations. This is in line with guidance set out by the Senate Standing Committee for the Scrutiny of Delegated Legislation (Senate Committee) about the circumstances in which it considers it is appropriate for delegated legislation to provide exemptions from obligations in primary law.

Note: See Senate Committee (2021), Final report to the inquiry into the exemption of delegated legislation from parliamentary oversight, item 7.111 at p. 120.

60 While the new relief instrument is in place, we intend to evaluate the use of the instrument and seek further evidence on how retirement estimates and superannuation calculators are being used by trustees (and other providers) in practice and the consequences for members arising from this use. As noted in Section A, we are keen to see robust evidence for how current superannuation calculators or retirement estimates have influenced member behaviour. This evidence should be reliable and ideally focused on actual behaviours (as opposed to member sentiment or intentions).

61 We currently have only partial evidence of how superannuation forecasts provided under ASIC's current relief are influencing member behaviour.

62 We are aware of recent Australian research looking at member responses to retirement estimates. It found that members who were shown projections of their retirement balance, their retirement income, or both, indicated that they would choose to save significantly more than members who were only shown their current account balance. It also found that members of a large superannuation fund who received an estimate of their retirement income were more likely to make voluntary contributions or to engage with the fund compared to members who did not receive an estimate.

Note: See G. Smyrnis, H. Bateman, L. Dobrescu, B. R. Newell and S. Thorp (2020), *Motivated saving: The impact of projections on retirement saving intentions*.

63 We also think it would be beneficial to review how trustees are using our relief after they have developed and implemented retirement income strategies to comply with the proposed retirement income covenant. We expect that data that trustees collect on how their members use superannuation forecasts will help trustees to review their retirement income strategies and to deliver better outcomes for their members.

Six-month transition period

Proposal

B9 We propose a six-month transition period for the new requirements.

Your feedback

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?

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

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?

B10 We also plan to update ASIC's Moneysmart superannuation and retirement calculators during the transition period to align with the framework under the single legislative instrument.

Your feedback

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?

Rationale

64 We expect that under the single legislative instrument most trustees would be able to continue to offer retirement estimates and superannuation calculators with only modest changes required to comply with the requirements of our proposed relief.

65 For superannuation calculators, trustees and other providers may need to adjust some default assumptions to comply with our proposed approach: see Section C. We think in most cases the necessary changes will relate to the assumed retirement age, length of the drawdown period and inflation rates.

66 For retirement estimates, we think trustees may need to make a greater number of changes to default assumptions. We also note that trustees may need to make changes to their systems to extract the member data that must be applied to a retirement estimate.

67 Currently, some providers of superannuation calculators may have chosen to apply the same assumptions as ASIC's Moneysmart superannuation and retirement calculators. Providers can continue to do so under our proposed relief. We will explain in our guidance that we will consider assumptions are likely to be reasonable if they are based on these calculators: see draft RG 000.175.

68 During the transition period, ASIC will update [ASIC's Moneysmart](#) superannuation and retirement calculators to align with the framework under the single legislative instrument. We will aim to do this by 30 June 2022, ahead of the end of the transition period. Trustees and other providers of superannuation calculators can continue to rely on the generic assumptions in these calculators during this time, under the transitional arrangements.

69 Trustees and providers that are using the framework for the first time are encouraged to comply with the requirements of our proposed relief, to avoid having to make changes later.

Removal of the no-action position from RG 229

Proposal

B11 We propose to remove the no-action position for retirement estimates outlined in RG 229.

Your feedback

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

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

Rationale

70 Currently in RG 229.14, we set out the following no-action position:

> Regardless of the type of superannuation fund, a trustee must not provide a member with a retirement estimate if doing so would be misleading, or be likely to mislead. However, we will not take action if a trustee follows the default assumptions and methodology set out in this guide. Our relief does not require a trustee to make specific inquiries to determine whether a member's individual circumstances match the default assumptions.
>
> Note: An ASIC no-action position merely states our current intention not to take regulatory action on a particular state of affairs or conduct. It does not preclude third parties from taking legal action on conduct covered by the no-action position: see Regulatory Guide 108 *No-action letters* (RG 108).

71 We are unaware if trustees are relying on the no-action position to provide retirement estimates, or whether trustees are choosing not to provide retirement estimates for some or all of their members for other reasons.

72 We do not think this no-action position is necessary given the changes in our proposed relief. For example:

(a) as outlined in Section C, trustees will have flexibility to set their own assumptions relating to investment earnings, fees and costs, and will no longer be required to apply the same default assumptions to every member's retirement estimate; and

(b) as noted in proposal B5, we will expand the types of members explicitly excluded from the scope of our relief for retirement estimates, including members in a defined benefit fund, with a small account balance, or with an account in the retirement phase.

73 In our draft guidance, we have stated that whether a provider of a superannuation forecast is complying with the requirements of the relief in ASIC Instrument 2022/XXX is likely to be a factor taken into account by ASIC when considering action for misleading or deceptive conduct: see draft RG 000.33.

74 Trustees seeking to provide retirement estimates that do not meet the requirements of our proposed relief could apply to ASIC for individual relief: see paragraph 47.

C Proposed approach to economic and financial assumptions

Key points

We propose to adopt a single framework for how economic and financial assumptions should be made in providing a superannuation calculator or retirement estimate.

Under this framework, trustees and other providers could set their own reasonable financial assumptions relating to investment earnings, fees and costs. This would give trustees flexibility to tailor these assumptions to the types of products they offer or to their members' investment strategies.

We seek feedback on our proposals, for both superannuation calculators and retirement estimates, to:

- allow flexibility in how financial assumptions relating to investment earnings, fees and costs may be set, as long as they are reasonable and certain disclosure requirements are met;
- prescribe a default retirement age (67) and drawdown period (25 years); and
- prescribe rates of inflation that must be applied as the default settings.

We also seek feedback on our proposals for retirement estimates to:

- allow age pension amounts to be included only when the member can input their own assumptions; and
- refine the methodology that trustees must apply to member-level account data.

Note: For a summary of the current and proposed requirements under our relief, see the appendix to this paper.

Our approach to economic and financial assumptions

Proposal

C1 We propose to adopt a single framework for how economic and financial assumptions should be made for superannuation calculators and retirement estimates when relying on our proposed relief. We will apply this framework through the new relief instrument. We will update our guidance on how ASIC intends our relief to apply.

C2 Under this framework, we propose to give trustees and other providers flexibility to set their own reasonable assumptions relating to investment earnings, fees and costs for superannuation products. These assumptions must be reasonable and certain disclosure requirements must be met: see draft RG 000.116–RG 000.128.

Your feedback

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?

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?

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

C3 We propose to prescribe some default assumptions relating to the retirement age, drawdown period and inflation rates to foster consistency and comparability across providers. These requirements would apply to both superannuation calculators and retirement estimates. Some additional requirements would also apply to retirement estimates in working out the annual income stream and the use of member data: see draft RG 000.129–RG 000.168.

Your feedback

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)?

C4 We propose to update our guidance to explain how trustees and other providers can set reasonable assumptions. We consider assumptions are likely to be reasonable if they are:

(a) backed by evidence or expert opinion;

(b) not intentionally biased towards encouraging members to make a specific financial decision (e.g. by leading to a higher or lower forecast);

(c) kept up to date with government policy settings and expected changes to future economic and financial conditions; and

(d) internally consistent—that is, each assumption should be reasonable in the context of all the others: see draft RG 000.172–RG 000.185.

We also expect that providers will revise their assumptions at least every three years, or more frequently if there are material changes to a relevant input or statutory assumption, and take steps to limit the risk of providing a misleading forecast because assumptions are out of date: see draft RG 000.186–RG 000.190.

Your feedback

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

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

C5 We propose to update our guidance to state that we expect trustees who provide both superannuation calculators and retirement estimates will set assumptions consistently across these forecasts. There should be reasonable grounds for using different assumptions (e.g. tailoring assumptions for a retirement estimate based on an individual member's investment strategy): see draft RG 000.182–RG 000.183.

Your feedback

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?

Rationale

75 Many superannuation forecasts involve making projections over a very long time period (e.g. 30 years or more). Economic and financial conditions over such periods are very difficult to predict. Different assumptions about these conditions can produce a wide range of outcomes. There is no single 'correct' set of assumptions.

76 Members may encounter superannuation forecasts in different ways. Some may use both the superannuation calculator and retirement estimate provided by their trustee. Others may use superannuation calculators offered by several different providers.

77 Under ASIC's current relief, trustees and other providers may set their own default assumptions for a superannuation calculator, subject to the requirements of ASIC Instrument 2016/207 (e.g. assumptions must be reasonable). By contrast, trustees must use standardised assumptions set by ASIC in [CO 11/1227] for a retirement estimate.

78 We think that trustees should have flexibility to set default assumptions for investment earnings, fees and costs that apply to either a superannuation calculator or retirement estimate. Trustees are typically well placed to make assumptions for the products they offer (for a superannuation calculator) or that their members are invested in (for a retirement estimate). We think other providers of superannuation calculators should have similar flexibility in how they set these assumptions: see also paragraphs 81–85.

79 We think that flexibility is less desirable for other types of assumptions, especially where it would make forecasts unnecessarily confusing or inconsistent across providers. Our proposals to set standardised default

assumptions for the retirement age, drawdown period and inflation rates—for superannuation calculators as well as retirement estimates—are intended to promote consistency.

80 For retirement estimates, we also propose to continue to specify how trustees must make assumptions about annual income streams and factors personal to the member. These stricter requirements reflect that, unlike calculators, retirement estimates are provided to members without their active involvement, and may not allow for alternative scenarios to be entered before they see a forecast.

Investment earnings, fees and costs

Proposal

C6 For superannuation calculators and retirement estimates, we propose to:

(a) give trustees (and other providers of superannuation calculators) the flexibility to set their own reasonable assumptions for investment earnings, fees and costs; and

(b) require that these assumptions be reasonable and that certain disclosure requirements are met.

This would allow trustees to set assumptions based on the product(s) an individual member is currently invested in (for retirement estimates) or on the types of product that the trustee offers (for superannuation calculators). We would update our guidance to explain how providers can set reasonable assumptions: see draft RG 000.116–RG 000.128.

Your feedback

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?

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)?

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?

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?)

C7 For retirement estimates, we propose to require that trustees must set default assumptions about administration fees based on the administration fees paid by the member over the previous year. Trustees could make reasonable assumptions about how administration fees would change in future (e.g. due to inflation or any scheduled fee changes): see draft RG 000.124.

Your feedback

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?

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?

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?

Rationale

81 We think that giving trustees and other providers flexibility in how they set default assumptions about investment earnings, fees and costs is likely to make forecasts more relevant to superannuation fund members. It may help to illustrate to members how different investment strategies can affect their projected retirement balance and retirement income. It may also give trustees greater confidence that they can provide retirement estimates that align with the trustee’s own investment options and products.

82 However, we do not want this flexibility to be used in a way that makes superannuation forecasts misleading or that facilitates the use of forecasts to recommend or sell specific products. We would expect that assumptions are reasonable and disclosed in a way such that the superannuation calculator and retirement estimate does not advertise or promote a specific financial product. In our guidance, we propose to explain that providers may refer to a specific product in disclosures about the reasonableness of an assumption, but must ensure this disclosure is less prominent than the calculator or estimate itself: see Section B of this paper and draft RG 000.93–RG 000.96.

83 For retirement estimates, we propose to give trustees considerably more flexibility than under our current relief to set reasonable assumptions about investment earnings, fees and costs that reflect the superannuation product a member is currently invested in. If a member is invested in more than one investment option, or in a lifecycle strategy, this may mean constructing assumptions that are weighed averages or time variant: see draft RG 000.126.

84 However, we do not propose to require trustees to set default assumptions this way in a retirement estimate, except for administration fees. Trustees may set reasonable assumptions in another, more generic, way (e.g. by applying the same default assumptions as ASIC's Moneysmart calculators, or by obtaining expert actuarial advice): see draft RG 000.127–RG 000.128.

85 In providing a retirement estimate, trustees would need to make reasonable assumptions about investment earnings and investment fees and costs in the retirement phase. We would expect these assumptions to reflect a type of retirement income product that could provide an annual income stream consistent with our other proposals (e.g. an account-based pension).

Retirement age and drawdown period

Proposal

C8 We propose to prescribe default assumptions for the retirement age (age 67) and drawdown period (25 years) that must be applied to superannuation calculators and retirement estimates: see draft RG 000.129–RG 000.132.

Your feedback

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.

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

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

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

Rationale

86 There is significant variation across superannuation fund members in terms of actual retirement age and the period over which superannuation balances are drawn down. However, we do not think it is practical to use different assumptions for these in working out superannuation forecasts because there is significant uncertainty across individuals and about what retirement patterns will look like in the future.

87 In our view, the use of different default assumptions for the retirement age and length of the drawdown period can also be a source of confusion for members. We think a common set of default assumptions would make it easier for members to compare the effect of other variables (such as investment strategy or voluntary contributions) across different forecasts. It may also assist members who switch to a different fund.

88 Members who wish to explore the effect of different assumptions (e.g. members who plan to retire at a different age, or who are already retired) could do so using a superannuation calculator or interactive retirement estimate.

89 Age 67 is the age at which individuals can become eligible for the age pension (from July 2023). Twenty-five years is a commonly used drawdown period and is required for retirement estimates under ASIC's current relief for retirement estimates. We think these are reasonable values to prescribe. Both values are consistent with modelling used in the *Retirement income review*.

Note: See Australian Government, *Retirement income review*, final report, 20 November 2020, p. 178.

Annual income stream and age pension benefits

Proposal

C9 For superannuation calculators, we do not propose setting prescriptive requirements about how providers should make assumptions about annual income streams or age pension benefits. However, these assumptions must be reasonable and a superannuation calculator must not be used to advertise or promote a specific financial product.

Your feedback

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?

C10 For retirement estimates, we propose requiring trustees to work out the annual income stream on the basis that the member would have a constant income from year to year, after inflation, for 25 years. This includes drawing down their lump sum on retirement to zero and taking into account the minimum drawdown rules: see draft RG 000.133–RG 000.140.

Your feedback

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?

C11 For retirement estimates, we propose giving trustees the option to include age pension amounts in the annual income stream for a retirement estimate only if it is an interactive retirement estimate (i.e. delivered through an electronic facility or device that allows the member to make changes to the assumptions used to work out the retirement estimate). Trustees that do so would be required to apply prescribed default assumptions (e.g. about homeownership and partner status). Trustees would also need to work out annual income in a way that reflects how the member's age pension entitlement may change as their retirement balance is drawn down: see draft RG 000.141–RG 000.149.

Note: See Section B of this paper for our proposals on interactive retirement estimates.

Your feedback

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?

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

Rationale

90 We think superannuation forecasts are most useful for superannuation fund members when they show how much income the member would have available in retirement. We think that in most cases this income should be constant from year to year and keep pace with consumer price inflation.

91 Our proposals for superannuation calculators are not prescriptive. Trustees or other providers could still make superannuation calculators available that forecast retirement income based on different types of retirement income product, such as annuities and guaranteed products, as long as these calculators do not advertise or promote specific financial products.

92 Trustees would need to take into account how a member's age pension eligibility may change as their superannuation account balance is drawn down. Trustees would also need to take into account the indexation of age pension payment rates to wage growth: see draft RG 000.143. This means that while income would be constant from year to year, the composition of this income (superannuation and age pension) may change. It may also mean, for some members, that the superannuation account balance is shown as being exhausted earlier than 25 years after retirement and income in the remaining years comprises only the age pension: see draft RG 000.138.

93 Compared to our current relief, trustees could provide members with a more realistic forecast of the composition of annual income through retirement. Where an age pension amount is included, it could be shown for members who would not be eligible for the age pension in the first year of retirement but who may become eligible later as their superannuation is drawn down.

94 We think it is also important that trustees take into account the Government's minimum drawdown rules to the extent these would constrain how much income can be drawn in a particular year. The minimum drawdown rules are a form of statutory assumption that we would expect to be taken into account to the extent reasonably possible. A minor degree of year-to-year variation in the annual income stream amounts may be acceptable where the minimum drawdown rules do not allow for a perfectly constant income from year to year.

95 Our proposals are consistent with the member starting an account-based pension on reaching the retirement age. Account-based pensions generally offer flexibility (e.g. to withdraw capital or switch to a different product) and do not come with the cost needed to support a financial guarantee.

96 We think age pension amounts should only be included in interactive retirement estimates. Because age pension benefits depend on a range of individual circumstances (such as assets inside and outside of superannuation, home ownership and partner status), it is important that members can input or change the assumptions used to work out forecasts that include the age pension.

97 Further, we think members could be misled if they cannot change the assumptions used to estimate the age pension benefit in a way that reflects their personal circumstances. Any default assumptions used to work out the age pension are likely be wrong for a significant number of members.

98 However, our proposals would not prevent trustees from providing factual information about the age pension alongside the retirement estimate, such as information about eligibility criteria and payment rates. A trustee may also include a statement that the member can see how the age pension might supplement their retirement income by using an interactive retirement estimate or superannuation calculator. Any additional information must not be misleading and must not be used to advertise or promote a specific financial product: see draft RG 000.82–RG 000.83 and draft RG 000.149.

Retirement estimates: Factors personal to the member

Proposal

C12 For retirement estimates, we propose to make some changes to how trustees must make assumptions about a member's superannuation contributions and insurance premiums. Specifically, we propose to:

(a) continue to require that trustees use the member's contribution levels over the previous year (less insurance premiums, contribution taxes and any inward rollovers); and

(b) require that trustees assume this amount will change in line with legislated future changes in the rate of Superannuation Guarantee, as well as wage inflation.

Trustees could exclude any non-compulsory contributions a member has made in the previous year, where it is possible to do so and on the basis that the trustee discloses that these contributions have been excluded in working out the estimate: see draft RG 000.152–RG 000.156.

Your feedback

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?

C13 For retirement estimates, we propose to continue to require that insurance premiums paid by the member in the previous year be deducted from the amount of superannuation contributions. However, insurance premiums must not be deducted if the member does not have insurance at the time the retirement estimate is made: see draft RG 000.157–RG 000.160.

Note: See also proposal C6Q3 on assumptions relating to administration fees for retirement estimates.

Your feedback

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

Rationale

99 Under our current relief, in working out a retirement estimate, assumptions about superannuation contributions must be made using the member's contributions over the previous year, less insurance premiums, contribution taxes, administration fees and any inward rollovers for that year.

100 Under our current relief, in working out a retirement estimate, assumptions about superannuation contributions must be made using the member's contributions over the previous year, less insurance premiums, contribution taxes, administration fees and any inward rollovers for that year.

101 We think assumed future contributions would be more accurate if they reflected the increases in the Superannuation Guarantee that are already fixed by legislation. This rate is currently 10% and scheduled to increase by 0.5% percentage points in July each year to reach 12% on 1 July 2025.

102 We also think future contributions would be more accurate if trustees could exclude non-compulsory contributions (i.e. that are not employer contributions under the Superannuation Guarantee), either made by the member directly or through their employer. This is because if a member makes a large one-off voluntary contribution in a particular year, this level of contribution may not be continued in future years. However, not all trustees have sufficient data to distinguish compulsory from non-compulsory contributions, which is why we propose to give trustees discretion about whether to exclude non-compulsory contributions when working out a member's retirement estimate.

103 We think it is reasonable to only account for insurance premiums if a member has insurance at the time a retirement estimate is made. This means that no insurance premiums should be deducted when working out an estimate for members whose insurance has recently ceased. We think that annual insurance premiums paid in the previous year are likely to provide the best available estimate of future insurance premiums, even though premiums are likely to change for most members as they get older (e.g. due to changes in the unit cost of insurance or the level of cover).

Inflation

Proposal

C14 We propose to set standardised default inflation rates that must be used when showing the present value of a retirement estimate or the output of a superannuation calculator. These rates would reflect growth in wages (wage inflation) during the accumulation phase and growth in consumer prices (price inflation) during the retirement phase: see draft RG 000.163–RG 000.168.

Your feedback

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.

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

C15 In prescribing the specific rates that providers must apply, we propose to use Treasury estimates of long-term nominal wage growth (4.0% p.a.) for the accumulation phase as set out in the *2021 Intergenerational report*. We propose to use the mid-point of the Reserve Bank of Australia's inflation target (2.5% p.a.) as an estimate of long-term price inflation for the retirement phase.

Your feedback

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

Rationale

104 Long-term forecasts are commonly presented in current dollars to help members to relate the forecasts to their current income or expenditure levels.

105 We think that most members do not have a strong understanding of inflation rates or the impact they can have on long-term forecasts. In our view, the use of different default inflation rates across superannuation calculators and retirement estimates can be an unnecessary source of confusion for members.

106 We think a common set of default inflation assumptions would make it easier for members to understand the impact of nominal investment earnings and other variables on their retirement income. Members who wish to explore the effect of different inflation assumptions could do so using a superannuation calculator or interactive retirement estimate.

107 Further, we do not have evidence that different types of members would face different inflation rates over the long time periods that apply to most superannuation forecasts. It is also unclear how a trustee or other provider would be able to identify different types of members in order to apply a different default inflation rate.

108 However, we think that it is appropriate to apply different *types* of inflation rates to the accumulation and retirement phases:

(a) In the accumulation phase, we think that wage inflation (i.e. long-term nominal wage growth) is the best measure of growth in expenditure needs. Converting accumulation-phase amounts into current dollars using wage inflation would assist members to understand whether their future retirement income is likely to be adequate compared to their current standard of living while they are working.

(b) In the retirement phase, we think that consumer price inflation would better reflect growth in spending needs and assist members to compare the purchasing power of their income throughout retirement.

109 Our proposed inflation rates are based on actuarial advice and a review of the relevant literature. They are also consistent with Treasury modelling used in the *2021 Intergenerational report* and in the *Retirement income review*.

Note: See Australian Government, *2021 Intergenerational report*, 28 June 2021, p. 11 and *Retirement income review*, final report, 20 November 2020, p. 509.

D Regulatory and financial impact

110 In developing the proposals in this paper, we have carefully considered their regulatory and financial impact. On the information currently available to us we think they will strike an appropriate balance between:

(a) providing flexibility to providers of superannuation forecasts (mainly superannuation fund trustees) in how they set default assumptions and deliver forecasts to members; and

(b) the costs of setting assumptions and making changes to current superannuation calculators and/or processes for generating retirement estimates.

111 Before settling on a final policy, we will comply with the Australian Government's regulatory impact analysis (RIA) requirements by:

(a) considering all feasible options, including examining the likely impacts of the range of alternative options that could meet our policy objectives;

(b) if regulatory options are under consideration, notifying the Office of Best Practice Regulation (OBPR); and

(c) if our proposed option has more than a minor or machinery impact on business or on the not-for-profit sector, preparing a Regulation Impact Statement (RIS).

112 All RISs are submitted to the OBPR for approval before we make any final decision. Without an approved RIS, ASIC is unable to give relief or make any other form of regulation, including issuing a regulatory guide that contains regulation.

113 To ensure that we are in a position to properly complete any required RIS, please give us as much information as you can about our proposals or any alternative approaches, including:

(c) the likely compliance costs;

(a) the likely effect on competition; and

(b) other impacts, costs and benefits.

See 'The consultation process', p. 4.

Appendix: Summary of current and proposed requirements under our relief

Table 1: Relief for superannuation forecasts

Factor	Current requirements	Proposed requirements
Period of relief	Relief is ongoing for a period of 10 years (legislative instruments 'sunset' every 10 years under the *Legislation Act 2003*).	Relief to last for a set period of time.
Transition period	N/A	Six-month transition period where superannuation calculators and retirement estimates can be provided in line with relief currently in place. During this time, ASIC will make changes to the Moneysmart calculators.

Table 2: Superannuation calculators

Relevant factor	Current requirements	Proposed requirements
Presentation and disclosures	Assumptions must be clearly and prominently disclosed, including an explanation of why they are reasonable. Calculators must not be used to advertise or promote a specific financial product.	No change.
Timing and delivery	No specific limitations on timing and manner of delivery.	No change.
Investment earnings, fees and costs	Default assumptions must be reasonable. Assumptions may be based on specific types of products a provider offers as long as they do not advertise or promote those products. Default assumptions may be set with reference to specific products but if a specific product is referred to in the disclosures about the reasonableness of an assumption, this disclosure must be less prominent than the calculator itself: see RG 167.70–RG 167.78 and RG 167.92–RG 167.97.	No change.

Relevant factor	Current requirements	Proposed requirements
Retirement age and drawdown period	Default assumptions must be reasonable.	The provider must assume by default that the retirement age is 67 and that income payments will be required every year for 25 years from the retirement age: see draft RG 000.129–RG 000.132.
Annual income stream	Default assumptions must be reasonable.	No change.
Age pension entitlement	Default assumptions must be reasonable.	No change.
Contribution levels	Default assumptions must be reasonable.	No change. Default assumptions must be reasonable. Statutory assumptions (such as the rate of Superannuation Guarantee) should be kept up to date with legislation.
Insurance premiums	Default assumptions must be reasonable.	No change.
Members' other funds	Default assumptions must be reasonable.	No change.
Inflation	Where the estimate is of an amount payable or receivable at a future time of two or more years, the provider must include a clear and prominent statement setting out the present value of the estimate. The provider may use the default inflation rate of 3.2% or an alternative default inflation rate, as long as certain disclosure requirements are met: see RG 167.103–RG 167.104 and RG 167.109–RG 167.113.	Where the calculation is of an amount payable or accruing at a future time of two or more years, the provider must include a clear and prominent statement setting out the present value of the calculation. The provider must by default assume 4% p.a. inflation in the accumulation phase (reflecting wage inflation) and 2.5% p.a. inflation in the retirement phase (reflecting consumer price inflation): see draft RG 000.163–RG 000.168.
Taxation conditions and other legal factors	Default assumptions, including any statutory assumptions, must be reasonable.	No change.

Note: Only current requirements relevant to the proposals are shown.

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Table 3: Retirement estimates

Requirement	Current requirements	Proposed requirements
Presentation and disclosures	Disclosure is prescribed. The retirement estimate must include the information set out in [CO 11/1227] and summarised in Table 1 of RG 229. This includes standard information that must be included in each retirement estimate: see also RG 229.26–RG 229.30. A retirement estimate may also include an estimate of the member's age pension benefit at retirement, based on certain prescribed assumptions: see RG 229.31–RG 229.33. The trustee has flexibility in how the estimate is presented, provided all required disclosure is included in the estimate: see RG 229.34–RG 229.35.	Principles-based disclosure requirements will apply. Assumptions must be clearly and prominently disclosed, including an explanation of why they are reasonable. Standard information will no longer be required as part of each retirement estimate: see draft RG 000.84–RG 000.89. Some presentation requirements will continue to apply. For example, a retirement must still contain estimates of the member's retirement balance and annual income in retirement: see draft RG 000.73–RG 000.83. Retirement estimates must not be used to advertise or promote a specific financial product, other than to the extent necessary to provide the estimate. Default assumptions may be set with reference to specific products but if a specific product is referred to in the disclosures about the reasonableness of an assumption, this disclosure must be less prominent than the calculator itself: see draft RG 000.90–RG 000.97.
Timing and delivery	The trustee must provide retirement estimates to members at the same time as they provide a periodic statement: see RG 229.64–RG 229.66. A retirement estimate can only be given to members aged less than 67 and who have been members of the fund for at least 12 months. Our guidance says that retirement estimates are only appropriate for accumulation members: see RG 229.16 and RG 229.21.	The trustee may provide retirement estimates to members through online member portals on a regular and predictable basis, in addition to periodic statements: see draft RG 000.191–RG 000.197. The trustee may provide interactive retirement estimates (generated using member-level data held by a trustee) where the member can change the assumptions: see draft RG 000.198–RG 000.202. Limits on which members can receive a retirement estimate will be expanded to include members in defined benefit funds, with small account balances, or with an account in the retirement phase: see draft RG 000.29–RG 000.31.

Requirement	Current requirements	Proposed requirements
Investment earnings, fees and costs	The trustee must use an assumed rate of investment earnings of 3% per year after wage inflation. The trustee must also use a figure representing all administration fees that were charged in relation to the member over the previous 12 months: see RG 229.41–RG 229.46.	Default assumptions must be reasonable. The trustee must make reasonable assumptions about administration fees based on the administration fees paid by the member over the previous year: see draft RG 000.116–RG 000.128. Default assumptions may be based on specific financial products as long as the retirement estimate does not advertise or promote those products, other than to the extent necessary to provide the estimate: see draft RG 000.90–RG 000.97.
Retirement age and drawdown period	The trustee must assume the retirement age is 67 and that income payments will be required every year for 25 years from the retirement age: see RG 229.53–RG 229.55.	No change.
Annual income stream	The trustee must multiply the member's estimated lump sum on retirement by 0.0566: see RG 229.47–RG 229.48.	The trustee must work out the annual income stream on the basis that the member would have a constant income from year to year, after inflation, for 25 years. This includes drawing down a lump sum on retirement to zero and taking into account the minimum drawdown rules. If age pension amounts are included in the estimate, annual income must be calculated in a way that reflects how the age pension entitlement may change as the retirement balance is drawn down: see draft RG 000.133–RG 000.140.
Age pension entitlement	The trustee may choose to include an estimate of the member's age pension. If they do, they must make certain assumptions about the member that are set out in [CO 11/1227]: see RG 229.59.	If the retirement estimate is an interactive retirement estimate, the trustee may choose to include age pension amounts in the estimate. This may only be done if the member is able to input their own assumptions (i.e. a trustee cannot include age pension amounts in a static retirement estimate). If the trustee chooses to include an estimate of the member's age pension, they must make certain assumptions about the member, which are similar to those in [CO 11/1227]: see draft RG 000.141–RG 000.149.

Requirement	Current requirements	Proposed requirements
Contribution levels	The trustee must use the contribution levels for the member over the previous 12 months, less insurance premiums paid, contributions taxes and any inward rollovers. The methodology in [CO 11/1227] assumes that this amount will remain constant in future after inflation: see RG 229.49–RG 229.52.	Similar to current methodology, but the trustee may exclude non-compulsory contributions where it is possible to do so. The trustee must assume that contribution levels will change in future in line with wage inflation and legislated changes in the Superannuation Guarantee rate: see draft RG 000.152–RG 000.156.
Insurance premiums	The trustee must use the actual amount of insurance premiums paid by the member over the previous 12 months: see RG 229.56.	The trustee must make reasonable assumptions about insurance premiums based on the actual amount of insurance premiums paid by the member over the previous year. The trustee must not include insurance premiums if the member does not have insurance at the time the estimate is made: see draft RG 000.157–RG 000.160.
Members' other funds	The trustee must not consider the potential effect on the member's lump sum or retirement income of any other superannuation fund account the member might hold: see RG 229.57–RG 229.58.	No change.
Inflation	The methodology in [CO 11/1227] will mean the member's retirement benefit is illustrated in today's dollars: see RG 229.60.	Where the estimate is of an amount payable or accruing at a future time of two or more years, the trustee must set out the present value of the estimate. The trustee must by default assume 4% p.a. inflation in the accumulation phase (reflecting wage inflation) and 2.5% p.a. inflation in the retirement phase (reflecting consumer price inflation): see draft RG 000.163–RG 000.168.
Taxation conditions and other legal factors	The trustee must assume that current taxation conditions and other legal factors will remain unchanged: see RG 229.61–RG 229.63.	No change.

Note: Only current requirements relevant to the proposals are shown.

Key terms

Term	Meaning in this document
ASIC	Australian Securities and Investments Commission
ASIC Instrument 2016/207	Our current relief for superannuation forecasts in *ASIC Corporations (Generic Calculators) Instrument 2016/207*
calculator	A facility, device, table or other thing used to make a numerical calculation or find out the result of a numerical calculation
Corporations Act	*Corporations Act 2001*, including regulations made for the purposes of that Act
draft ASIC Instrument 2022/XXX	The proposed new single legislative instrument for superannuation forecasts, *ASIC (Superannuation Calculators and Retirement Estimates) Instrument 2022/XXX*, as set out in the attachment to this paper
financial product	Generally a facility through which, or through the acquisition of which, a person does one or more of the following: • makes a financial investment (see s763B); • manages financial risk (see s763C); • makes non-cash payments (see s763D) Note: See Div 3 of Pt 7.1 of the Corporations Act for the exact definition.
financial service	Has the meaning given in Div 4 of Pt 7.1 of the Corporations Act
interactive retirement estimate	A retirement estimate provided by an electronic facility or device which initially provides a retirement estimate based on assumptions that a trustee knows about a member, and at a later stage allows the member to provide additional information for the purposes of the retirement estimate
personal advice	Financial product advice given or directed to a person (including by electronic means) in circumstances where: • the provider of the advice has considered one or more of the person's objectives, financial situation and needs; or • a reasonable person might expect the provider to have considered one or more of those matters Note: This is a definition contained in s766B(3) of the Corporations Act.
provider	A provider of a superannuation calculator, which may include a trustee

Term	Meaning in this document
REP 632 (for example)	An ASIC report (in this example numbered 632)
retirement estimate	A superannuation forecast provided to superannuation fund members in the form of a statement, rather than through a calculator
RG 229 (for example)	An ASIC regulatory guide (in this example numbered 229)
RSA	A retirement savings account within the meaning of the *Retirement Savings Accounts Act 1997*
s766B(3) (for example)	A section of the Corporations Act (in this example numbered 766B(3))
Senate Committee	Senate Standing Committee for the Scrutiny of Delegated Legislation
superannuation forecast	An estimate provided to a superannuation fund member of the balance of their superannuation investment at retirement, taking into account their current account balance, the impact of fees, and assumptions about future contributions, earnings and other matters
superannuation calculator	A facility, device, table or other thing that works out a numerical calculation or finds out the result of a numerical calculation relating to a superannuation product, but does not use information a trustee knows about a member of a superannuation entity unless the information has been inputted by the member
superannuation trustee	A trustee of a regulated superannuation fund
trustee	For the purposes of this paper, a trustee of a regulated superannuation fund

List of proposals and questions

Proposal	Your feedback
B1 We propose to continue to provide relief from the licensing, conduct and disclosure obligations relating to personal advice for providers of superannuation forecasts by making a new single legislative instrument that covers both superannuation calculators and retirement estimates. As is currently the case, our relief for superannuation calculators will remain available to all providers, and the relief for retirement estimates will be available only to trustees.	B1Q1 Should ASIC continue to offer relief to trustees and other providers for superannuation calculators? Why or why not? B1Q2 Should ASIC continue to offer relief for trustees to provide retirement estimates to their members? Why or why not? 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? B1Q4 How are superannuation calculators and retirement estimates currently being provided by industry under ASIC's current relief? 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? 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?
B2 We propose to remove the relief for superannuation calculators in ASIC Instrument 2016/207 and include it in the new legislative instrument for superannuation forecasts. Note 1: For our proposed approach on a framework for setting default assumptions for superannuation calculators and retirement estimates, see Section C of this paper. Note 2: ASIC Instrument 2016/207 will continue to apply for other generic financial calculators, such as calculators relating to managed investments or insurance.	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? 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?

Proposal	Your feedback
B3 Instead of mandating specific standardised text, as is currently required in [CO 11/1227] for retirement estimates, we propose that the disclosure requirements for both superannuation calculators and retirement estimates be principles based and require providers to clearly and prominently state: (a) the purpose and limitations of the calculator or estimate; (b) the impact of any significant limitations of the calculator or estimate; (c) the assumptions; (d) for an amount payable or accruing at a future time of two or more years, the present value of the calculation or estimate; (e) that the calculator or estimate is not intended to be relied on for the purposes of making a decision in the absence of advice; and (f) why the provider considers the default assumptions to be reasonable for the purposes of working out the calculation or estimate.	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? B3Q2 Should we prescribe how specific assumptions should be disclosed (e.g. insurance premiums)? 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?
B4 We propose to: (a) in our relief, retain a requirement that superannuation calculators must not be used to advertise or promote a specific financial product, and introduce a requirement that retirement estimates must not advertise or promote a specific product; and (b) provide guidance on how assumptions relating to a specific financial product can be used without breaching the requirement not to advertise or promote a specific financial product: see draft RG 000.93–RG 000.96.	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? 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?

Proposal	Your feedback
B5 We propose to retain the requirement that retirement estimates may only be given to members aged under 67 who have been a member of the fund for the year ending on the date of the estimate. We propose to additionally require in the relief instrument that a retirement estimate must not be given to a member who: (a) is in the retirement phase at the date of the estimate; (b) has not made or received a contribution to their account during the year ending on the date of the estimate; (c) has an account balance of less than $6,000 at the date of the estimate; or (d) has a defined benefit interest in the fund.	B5Q1 Do you agree with the proposed restrictions on who may be provided with a retirement estimate? Why or why not? 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? 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?
B6 We propose to allow trustees to deliver retirement estimates through member online portals, as well as through periodic statements. We will amend our guidance to clarify that retirement estimates can be provided to members more frequently than through periodic statements. We will also clarify in our guidance that a retirement estimate may be given in video or audio format provided the requirements of our relief are met (e.g. in relation to disclosure).	B6Q1 Are there practical limitations to trustees providing retirement estimates more frequently than in periodic statements? 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? B6Q3 What are the risks in allowing trustees to deliver retirement estimates to members through an online portal? B6Q4 What are the risks in allowing trustees to deliver retirement estimates to members in video or audio format?
B7 We propose to explicitly allow for interactive retirement estimates in our relief and guidance. An interactive retirement estimate is a retirement estimate delivered through an electronic facility or device that is worked out using data a trustee holds on a member, but where the member can also interact with the estimate by changing the assumptions.	B7Q1 Do trustees already provide interactive forms of retirement estimates? If so, how are these provided to members? B7Q2 Are these interactive estimates provided by relying on ASIC's current relief? How are the default assumptions set?

Proposal	Your feedback
B8 We propose that the single legislative instrument would expire after 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? 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? 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?
B9 We propose a six-month transition period for the new requirements.	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? B9Q2 Are there any unintended consequences of the proposed relief that would affect implementation by industry? 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?
B10 We also plan to update ASIC's Moneysmart superannuation and retirement calculators during the transition period to align with the framework under the single legislative instrument.	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?
B11 We propose to remove the no-action position for retirement estimates outlined in RG 229.	B11Q1 Is the no-action position necessary for trustees to feel comfortable providing retirement estimates? If so, why? B11Q2 Under our proposed relief, what concern (if any) would a no-action position seek to address?

Proposal	Your feedback
C1 We propose to adopt a single framework for how economic and financial assumptions should be made for superannuation calculators and retirement estimates when relying on our proposed relief. We will apply this framework through the new relief instrument. We will update our guidance on how ASIC intends our relief to apply. C2 Under this framework, we propose to give trustees and other providers flexibility to set their own reasonable assumptions relating to investment earnings, fees and costs for superannuation products. These assumptions must be reasonable and certain disclosure requirements must be met: see draft RG 000.116–RG 000.128.	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? 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? C2Q3 Should trustees have greater flexibility to set other types of assumptions, either for a retirement estimate or superannuation calculator? Why or why not?
C3 We propose to prescribe some default assumptions relating to the retirement age, drawdown period and inflation rates to foster consistency and comparability across providers. These requirements would apply to both superannuation calculators and retirement estimates. Some additional requirements would also apply to retirement estimates in working out the annual income stream and the use of member data: see draft RG 000.129–RG 000.168.	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)?

Proposal	Your feedback
C4 We propose to update our guidance to explain how trustees and other providers can set reasonable assumptions. We consider assumptions are likely to be reasonable if they are: (a) backed by evidence or expert opinion; (b) not intentionally biased towards encouraging members to make a specific financial decision (e.g. by leading to a higher or lower forecast); (c) kept up to date with government policy settings and expected changes to future economic and financial conditions; and (d) internally consistent—that is, each assumption should be reasonable in the context of all the others: see draft RG 000.172–RG 000.185. We also expect that providers will revise their assumptions at least every three years, or more frequently if there are material changes to a relevant input or statutory assumption, and take steps to limit the risk of providing a misleading forecast because assumptions are out of date: see draft RG 000.186–RG 000.190.	C4Q1 Do you agree with our explanation of when default assumptions are likely to be reasonable? Why or why not? C4Q2 How frequently should providers be expected to revise the economic and financial assumptions they apply?
C5 We propose to update our guidance to state that we expect trustees who provide both superannuation calculators and retirement estimates will set assumptions consistently across these forecasts. There should be reasonable grounds for using different assumptions (e.g. tailoring assumptions for a retirement estimate based on an individual member's investment strategy): see draft RG 000.182–RG 000.183.	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?

Proposal	Your feedback
C6 For superannuation calculators and retirement estimates, we propose to: (a) give trustees (and other providers of superannuation calculators) the flexibility to set their own reasonable assumptions for investment earnings, fees and costs; and (b) require that these assumptions be reasonable and that certain disclosure requirements are met. This would allow trustees to set assumptions based on the product(s) an individual member is currently invested in (for retirement estimates) or on the types of product that the trustee offers (for superannuation calculators). We would update our guidance to explain how providers can set reasonable assumptions: see draft RG 000.116–RG 000.128.	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? 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)? 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? 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?)
C7 For retirement estimates, we propose to require that trustees must set default assumptions about administration fees based on the administration fees paid by the member over the previous year. Trustees could make reasonable assumptions about how administration fees would change in future (e.g. due to inflation or any scheduled fee changes): see draft RG 000.124.	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? 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? 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?

Proposal	Your feedback
C8 We propose to prescribe default assumptions for the retirement age (age 67) and drawdown period (25 years) that must be applied to superannuation calculators and retirement estimates: see draft RG 000.129–RG 000.132.	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. C8Q2 Are there some types of superannuation calculator for which these assumptions would be inappropriate or irrelevant? C8Q3 Is age 67 (the age pension eligibility age) a reasonable assumption for the retirement age? Why or why not? C8Q4 Is 25 years a reasonable assumption for the duration of the retirement period? Why or why not?
C9 For superannuation calculators, we do not propose setting prescriptive requirements about how providers should make assumptions about annual income streams or age pension benefits. However, these assumptions must be reasonable and a superannuation calculator must not be used to advertise or promote a specific financial product.	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?
C10 For retirement estimates, we propose requiring trustees to work out the annual income stream on the basis that the member would have a constant income from year to year, after inflation, for 25 years. This includes drawing down their lump sum on retirement to zero and taking into account the minimum drawdown rules: see draft RG 000.133–RG 000.140.	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?

Proposal	Your feedback
C11 For retirement estimates, we propose giving trustees the option to include age pension amounts in the annual income stream for a retirement estimate only if it is an interactive retirement estimate (i.e. delivered through an electronic facility or device that allows the member to make changes to the assumptions used to work out the retirement estimate). Trustees that do so would be required to apply prescribed default assumptions (e.g. about homeownership and partner status). Trustees would also need to work out annual income in a way that reflects how the member's age pension entitlement may change as their retirement balance is drawn down: see draft RG 000.141–RG 000.149. Note: See Section B of this paper for our proposals on interactive retirement estimates.	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? C11Q2 Should age pension amounts be required by default in interactive retirement estimates or in superannuation calculators? Why or why not?

Proposal	Your feedback
C12 For retirement estimates, we propose to make some changes to how trustees must make assumptions about a member's superannuation contributions and insurance premiums. Specifically, we propose to: (a) continue to require that trustees use the member's contribution levels over the previous year (less insurance premiums, contribution taxes and any inward rollovers); and (b) require that trustees assume this amount will change in line with legislated future changes in the rate of Superannuation Guarantee, as well as wage inflation. Trustees could exclude any non-compulsory contributions a member has made in the previous year, where it is possible to do so and on the basis that the trustee discloses that these contributions have been excluded in working out the estimate: see draft RG 000.152–RG 000.156.	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?
C13 For retirement estimates, we propose to continue to require that insurance premiums paid by the member in the previous year be deducted from the amount of superannuation contributions. However, insurance premiums must not be deducted if the member does not have insurance at the time the retirement estimate is made: see draft RG 000.157–RG 000.160. Note: See also proposal C6Q3 on assumptions relating to administration fees for retirement estimates.	C13Q1 Are there other ways in which future insurance premiums could be taken into account in working out retirement estimates?
C14 We propose to set standardised default inflation rates that must be used when showing the present value of a retirement estimate or the output of a superannuation calculator. These rates would reflect growth in wages (wage inflation) during the accumulation phase and growth in consumer prices (price inflation) during the retirement phase: see draft RG 000.163–RG 000.168.	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. C14Q2 What are the most appropriate types of inflation rate to apply to the accumulation and retirement phases?

Proposal	Your feedback
C15 In prescribing the specific rates that providers must apply, we propose to use Treasury estimates of long-term nominal wage growth (4.0% p.a.) for the accumulation phase as set out in the 2021 Intergenerational report. We propose to use the mid-point of the Reserve Bank of Australia's inflation target (2.5% p.a.) as an estimate of long-term price inflation for the retirement phase.	C15Q1 How should ASIC set values for the default inflation rates, and how frequently should these rates be reviewed?