

31 January 2022

Nicole Chew
Senior Lawyer, Superannuation
Australian Securities and Investments Commission
GPO Box 9827
Brisbane QLD 4001

By email: SuperForecastsConsultation@asic.gov.au

Dear Ms Chew,

Submission to the Consultation Paper 351 - Superannuation forecasts: Update to relief and guidance

TAL Life Limited welcomes the opportunity to provide a submission to ASIC Consultation Paper 351 - Superannuation forecasts: Update to relief and guidance.

TAL supports ASIC continuing to provide relief from the licensing, conduct and disclosure obligations relating to personal advice for providers of superannuation forecasts. We strongly believe these tools assist superannuation members to better understand and consider the adequacy of their retirement income. Furthermore, we support expanding this relief to improve the efficacy and flexibility of these tools to allow superannuation funds to continue to help their members as they move into the retirement decumulation phase.

At TAL we recognise the important role superannuation fund trustees play in helping to improve the retirement outcomes of members as they move through their working lives and retirement. Superannuation fund trustees can help create awareness, educate their members and prompt members to seek personal financial advice.

About TAL

TAL is one of Australia's leading life insurers. Together with our partners, we protect 4.5 million Australians against the risks of death, disability, and illness. In 2020-21 we paid \$2.7 billion in claims to more than 37,000 customers and their families. We provide life insurance cover in several different ways – through our partnerships with superannuation funds, via financial advisers, and directly to consumers through digital and other platforms.

TAL is a part of the Japan based Dai-ichi Life Group. Starting with the Dai-ichi Life Insurance Company, which was established in 1902 as Japan's first mutual insurance company, today the Dai-ichi Life Group is one of the world's largest life insurance groups. Dai-ichi Life Group is also one of the world's leading providers of retirement income products.

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Summary of our submission

We have reviewed the Consultation Paper from our perspective as a group life insurer, supporting and protecting Australians against the life and living risks that they face from their first job and throughout their retirement.

Australians face different risks approaching and during the retirement decumulation phase of superannuation than they do during the accumulation phase, particularly with respect to longevity risk and the increased risk of cognitive decline. We are working closely with our superannuation partners to expand the options available for retirees to manage these risks and to help them support members to make better decisions about drawing down their superannuation as retirement income.

We are pleased that ASIC is looking to continue to provide relief to superannuation fund trustees and other providers to provide retirement estimates to their members and superannuation calculators. These are useful first steps in educating members about retirement income and may prompt members to seek retirement planning advice. We see an opportunity to expand the role of these tools to enable superannuation fund trustees to better support their members as they plan for, and move through, their retirement.

For further information

Should you have any questions regarding the information in this submission, or about TAL generally, we would be pleased to assist. Please contact in the first instance, [REDACTED], on [REDACTED].

Yours sincerely,



Andrew Howard
Chief Commercial Officer – Group Life & Investments
TAL Life Limited

1. Supporting informed retirement decisions

Superannuation calculators and retirement estimates are key tools with which superannuation funds can help members, both approaching and in retirement, to understand how their superannuation can be used to meet their retirement income needs.

Superannuation members benefit from this understanding at all stages of membership. Superannuation calculators and retirement estimates help educate members facing critical decisions on their retirement income options. For members in accumulation, this is often to understand how account draw-down will affect their balance over time. For members already in retirement, calculators can assist in understanding how alternative retirement income products or product combinations (and/or the proportional amounts allocated to them), impacts the amount and sustainability of their retirement income.

The age limits and other restrictions proposed for retirement estimates in B5 of the consultation paper constrains the opportunity for trustees to help members already in decumulation phase, or aged older than 67, be aware of and understand their retirement income. It may also limit opportunities to prompt members to consider whether there are other options available that might better maximise that income. For these reasons, TAL considers that retirement estimates continue to provide valuable information to members post accumulation phase or retirement age.

TAL also recommends that superannuation calculators be capable of drawing on trustee held information where it is beneficial to the member, especially if the superannuation calculator is offered in a member secured area/portal. Importing relevant information held in a fund about a member into a secured area/portal superannuation calculator that would otherwise need to be manually entered by the member helps improve the member experience and ensures consistency in information provided to members. Examples of the types of relevant information are the member's own account balance and the default assumptions relating to their existing investment option selection.

TAL supports superannuation members being permitted to manually input other information from outside the superannuation environment into retirement calculators. Useful external information might include:

- information about non-superannuation assets
- additional sources of income
- pension eligibility
- spouse or partner income
- expenditure needs.

Calculators and interactive estimates should also allow members to see and understand the effects of varying investment allocations within or between different types of financial products, for example between an account-based pension or a lifetime income product. It should also include the ability for customers to understand how accessing lump sums affect incomes over time.

2. Helping members understand retirement income products

TAL notes that ASIC does not want to see superannuation calculators or retirement estimates being used to advertise or promote a specific financial product other than, in the case of a retirement estimate, to the extent necessary to provide the retirement estimate. TAL understands ASIC's concern is the potential risk that members:

- may believe the results of superannuation calculators and retirement estimates understand a member's personal goals or circumstances
- may not understand the limitations of calculators, particularly in the context of default settings and possible member unwillingness to later them
- may lead to members making decisions about the financial products available through the fund, without considering the broader range of financial products available to them
- may inappropriately use calculators and retirement estimates as a complete substitute to obtaining personal financial advice.

Whilst we understand ASIC's concerns, TAL considers there is benefit in trustees being permitted to name any specific product and the specific default assumptions that have been used to calculate a retirement estimate:

- Naming products used in the calculation will assist the member to find out more about a product, investigate alternative products that address similar objective and risks, and take more informed next steps as part of their retirement planning, including with the help of a registered financial adviser.
- Superannuation calculators and retirement estimates, even if clearly referable to a product offered through the fund, merely provide a numeric calculation based on a set of assumed inputs that, if true, bring about a stated output.
- Superannuation calculators and retirement estimates build member understanding of how products available through the fund of which they are a member (or are looking to join) work. This includes not only account-based pensions but also less common product types permitted under the annuity and pension standards and contemplated by the proposed retirement incomes covenant, such as lifetime and deferred products.

In 2021 TAL consumer testing, TAL interviewed 36 members representing a range of super funds and account balances. The members reported finding superannuation calculators and retirement estimates a useful starting point for their retirement planning¹. We see an opportunity to extend this benefit for members who are wanting to learn more about their retirement income options within their own fund by including the product name and using the unique product settings of the calculation assumptions.

In contrast, obscuring the name of a product may hinder many superannuation members from taking further action, causing them to either remain in their superannuation fund's accumulation product (accessing only lump sum amounts in an ad hoc manner) or move to an account-based pension and withdrawing the default minimum income each year. This inertia will inhibit superannuation retirement phase product uptake and innovation, and lead to sub-optimal consumption of superannuation and lower than necessary living standards for retirees - outcomes inconsistent with the policy goals of the Retirement Income Covenant.

TAL believes that making the names of products used to calculate an outcome visible to users of calculators can be done safely. The use of appropriate caveats and disclaimers before using calculators and/or before viewing the calculated result can make it clear that the result does not consider personal goals or circumstances. ASIC could also prohibit providers from coupling these tools with other information or statements related to the products and from suggesting that acquiring a product is in the member's interests, Messages highlighting the value of financial advice could also be utilised.

¹ Based on TAL's internal qualitative consumer testing undertaken in 2021

3. Assisting member usage and understanding of calculators

TAL considers it important for superannuation trustees to be able to assist a member to use or understand a superannuation calculator or retirement estimate. Where a member requests it, a representative of a trustee should be able provide support such as:

- Factually explaining the purpose and limitations of a calculator or estimate.
- Factually explaining any functional options within a calculator or estimate.
- On behalf of the member, to input information sourced from within the superannuation fund or provided by the member that is relevant to the functioning of an interactive calculator or estimate.
- Factually explain the results produced by the calculator.

TAL considers this type of support as important to facilitate accessibility to all potential users of a calculator or estimate, including but not limited to people with cognitive impairment, vision impaired people, people with poor financial literacy, and people with poor English skills.

4. Response to consultation questions

TAL's responses to selected consultation questions are set out below.

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

ASIC should continue to offer relief to trustees and other providers for superannuation calculators.

Superannuation calculators are important tools for helping consumers to understand and engage with their retirement income needs and improve individual financial literacy and self-awareness. They also serve as a first step in the process by supporting consumers to take self-directed action once ready. TAL's work on understanding different member personas indicates that some members prefer to arm themselves with as much information as possible before seeking advice.

We understand from CP 351 that whilst ASIC intends to collate in one instrument relief for superannuation calculators and retirement estimates it otherwise does not intend to change existing instrument relief for other types of generic financial calculators, including those available through a superannuation fund but that do not provide a retirement forecast, for example insurance needs calculators.

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

ASIC should continue to offer relief for trustees to provide retirement estimates to their members.

Retirement estimates provide helpful information for members by presenting a forecast of the superannuation balance or annual income at retirement. This, together with other information and tools available through the fund, can help improve member understanding of their individual financial situation and to consider their own retirement income needs.

Information on income during retirement remains helpful to members after they move from accumulation to decumulation as it can trigger members to consider the need to reassess the appropriateness of their current arrangements. We see an opportunity to expand relief to enable superannuation trustees to continue to provide retirement estimates to their retired members throughout their retirement.

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

The way assumptions should be disclosed does not need to be prescribed. The existing principles-based calculator relief protects consumers through the requirement that assumptions be reasonable to qualify for relief and that they be made clearly available to the user to view and change. This allows providers to make innovative tools available to users and should continue to be the basis for future relief.

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?

The meaning of *advertise* and *promote* in the existing and proposed relief instruments is unclear and needs further clarification. It is unclear if the prohibition on advertising and promotion is intended to prevent a product, its features and its benefits being communicated to a member with the intention of encouraging product uptake by suggesting it is in the member's best interests, or whether merely naming a product upfront in a superannuation calculator or retirement estimate is also to be prohibited.

TAL understands that it is important that specific financial products are not pushed on to members. However, superannuation fund trustees have an important role in helping members, during accumulation and when planning their retirement income, to bridge the gap between their own personal research and providing them with helpful information and tools about the fund's products.

There is an opportunity for retirement estimates in statements to be expanded to include members who are already in decumulation phase. By providing members in decumulation phase details of their income for the next 12 months or projected income in the first year of draw-down (for products which include a deferral period) can help provide members the confidence to spend their retirement income. As decumulation members have already made the decision to purchase the product and have passed cooling off periods, we consider that any consumer harm of providing this estimate is low. Additionally, providing income estimates in decumulation phase requires less assumptions than during accumulation period and can be provided with a higher level of confidence. For example, there are no longer variables such as uneven future contributions to consider, the superannuation balance at retirement is known and the forecast period is generally shorter than for someone in accumulation who is only part-way through their working life.

Similarly, we see a member benefit for allowing superannuation funds to set assumptions for superannuation calculators that match the product settings of unique retirement income products permitted by the annuity and pension standards. These products may have been developed as part of the trustee's retirement income strategy to help members balance different retirement objectives and risks.

Particularly, we consider there is benefit in trustees being permitted to name any specific product and the specific default assumptions that have been used to calculate a retirement estimate. Naming products used in the calculation will assist the member to find out more about a product, investigate alternative products that address similar objective and risks, and take more informed next steps as part of their retirement planning, including with the help of a registered financial adviser.

To ensure there is no consumer detriment, ASIC could require that when a product name is visible as part of calculator's inputs, options or outputs, that there are appropriate caveats presented to the member upfront and throughout, including warning the member of the limited

use of the tool and that naming of the product does constitute a recommendation to the member that they should purchase it or that their outcomes would be the same. The member should also be directed to advice and of the risks and benefits outlined in the product disclosure statement.

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

TAL has concerns regarding the proposed restrictions on who may be provided with a retirement estimate.

At the point of retirement, superannuation members are expected to navigate a number of complex financial decisions. Internal member testing undertaken at TAL has shown that members value information provided by trusted sources including superannuation funds, and that after managing their retirement savings throughout their working lives, see a role for superannuation funds to support them while planning their retirement and through their retirement.

Providing retirement income estimates to retired members in annual statements, or in an online portal for a product which the member has already acquired, appears low risk particular after the cooling off period for products that are unable to offer return of the member's full purchase price. Any risk posed by such estimates is, we consider, outweighed by the confidence these estimates give to retirees to drawdown their account-based pensions and to spend in retirement to ensure adequate retirement income which is consistent with the Retirement Incomes Covenant policy goals.

Accordingly, TAL considers the age limits and other restrictions proposed for retirement estimates in B5 of the consultation paper lessens the options for members aged older than 67 or already in decumulation phase to understand their retirement income.

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?

TAL considers it appropriate to allow trustees and other providers to set their own reasonable default assumptions for investment earnings, fees and costs. Trustees and other providers understand their members and are more likely to use assumptions that represent the experience of their product and the demographics of their membership base, leading to more tailored and realistic assumptions for their members.

Internal member testing undertaken at TAL has shown that superannuation fund members have a high level of trust in their superannuation fund provider². After years of contributing to their superannuation fund during their working life, they want their superannuation fund continuing to support them as they transition to and through retirement. In this way, a member approaching retirement who uses a superannuation fund's calculator is likely to better understand what the retirement income with that fund or the fund's specific products may look like.

² In 2021 TAL consumer testing, TAL interviewed 36 members representing a range of super funds and account balances. The members reported finding superannuation calculators and retirement estimates a useful starting point for their retirement planning.

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?

Trustees should be allowed to use different default administration fee assumptions for accumulation and retirement phases. To provide a more accurate estimation, the default fees should be set relevant to what the trustees believes is reasonable in the different phases.

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.

While standardising the default drawdown period may be helpful for members to compare retirement outcomes across different providers, the risk is this promotes a default strategy which may not provide the best retirement outcome for many members. It may also suggest that the calculation is relevant to and consistent with the products available through the fund which this is not the case.

In 2021 TAL undertook consumer testing, speaking to 36 members representing range of superannuation funds and account balances³. This testing found members recall and value the superannuation forecasts provided to them in annual member statements and superannuation calculators, often citing these as a starting point for planning their retirement.

Given the value members placing on superannuation forecasts as one of the tools available to them to help them understand the different decisions and competing options they need to weigh-up in retirement it is important that a trustee can tailor default assumptions (including the drawdown period and retirement age) to provide superannuation forecasts that align to strategies they have identified for their different member cohorts. An example of this is where a member is within a cohort which aligns to a strategy including a lifetime income stream.

Further detail on this is provided in our responses to questions B4Q1 and C9Q1.

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

A default drawdown period may be helpful for members to compare different account-based pension product across different superannuation funds. However, this is unlikely to be appropriate for any innovative income stream products that the trustee develops as part of their retirement income strategy which provide for lifetime income, including after a deferral period.

The default drawdown period may prohibit innovation in product design given the length of drawdown period is one of the levers which trustees can use to better integrate an account-based pension and an innovative retirement product. Further detail on this is provided in our responses to questions B4Q1 and C9Q1.

³ Based on TAL's internal qualitative consumer testing undertaken in 2021

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

Using the default age of 67 is reasonable as it aligns to the age pension age and members have a better understanding of their retirement age than the length of drawdown period.

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

A 25-year retirement duration assumption may be helpful for members to compare different account-based pensions, as it requires drawdown to commence immediately from retirement for a period of 25 years. However, this assumption does not support innovative income streams which are designed to make lifetime payments, as required by the annuity and pension standards, and that may defer commencement of the payment phase.

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?

We note that the current drafting permits trustees to use the fee and investment assumption returns of a specific account-based pension product to estimate the retirement income for members without this being considered as promoting a specific product. We consider a similar approach reasonable for unique and innovative annuity and pension products payable for life which have been specifically designed to help retirees understand products developed by the trustee as part of their retirement income strategy.

By using the same principle, an estimate of income from other types of retirement income streams could be provided without being seen as promoting the product. For example, it is reasonable to expect that a trustee could also use a particular lifetime income stream product's fees, investment returns and duration of payments as assumptions to estimate the lifetime income outcomes and not be considered promoting the particular product which the assumptions are based off.