

6 August 2021

By email: superannuation@treasury.gov.au

Director
Retirement, Advice and Investment Division
The Treasury
Langton Cres
Parkes ACT 2600

Re: AustralianSuper submission: Retirement income covenant position paper consultation

AustralianSuper welcomes the opportunity to make a submission in response to the Retirement Income Covenant Position Paper (Position Paper) dated 19 July 2021.

AustralianSuper is Australia's largest superannuation fund and is run only to benefit members. Almost 2.5 million Australians, nearly 10% of the workforce, are members of AustralianSuper and we invest over \$230bn of their retirement savings. AustralianSuper is a consistently top performing fund delivering considerable net benefit to members.

AustralianSuper's purpose is to help members achieve their best financial position in retirement and we are committed to continuously improve the outcomes for retiring and retired members. Last financial year over 75,000 members received payments from their AustralianSuper pension totalling close to \$2bn. With over 700,000 members aged over 50 and yet to retire, ensuring members have access to help, guidance and quality products and services for their retirement is a priority and key pillar of the Fund's long-term strategy.

In this context, we welcome the Retirement Income Covenant's intention to require Trustees formulate, review and give effect to a retirement income strategy and we support the overall approach in the Position Paper.

Specifically, the Fund notes:

- the principles based and flexible approach in the Covenant design. This will allow funds to develop strategies in line with their membership demographics, needs and behaviours,
- the Government's recognition that understanding members is key to meeting their needs and ensuring products, help and guidance are appropriate and tailorable to their varied needs pre and post retirement,
- the acknowledgement that Australia's retirement income system requires stability, sustainability and flexibility, while supporting members to maximise their retirement income. Therefore, for superannuation, approaches may be different between accumulation and retirement phases.
- the recognition that engagement, help and advice strategies are as equally important to retiring and retired members as product solutions.

AustralianSuper would like to take the opportunity to raise the following points for further consideration by Government:

1. The importance of financial advice

The Position Paper recognises engagement, help and guidance are important drivers to achieving optimal retirement outcomes.

To facilitate this at scale for members, AustralianSuper recommends the inclusion of financial advice by superannuation funds in Treasury's *Quality of Advice Review*.

Increasing the scope of intrafund advice to include retirement planning (including Age Pension and other income payments) at the household level and flexibility in the deduction of advice fees from superannuation accounts are important factors in increasing access to affordable, quality financial advice near, at and in retirement. This will be in members best financial interests and will lead to better retirement outcomes for members.

2. Implementation timetable

To ensure comprehensive compliance with the Covenant is achievable by 30 June 2022 we urge the Government to release the draft legislation as soon as possible for consultation and further feedback, noting funds will also require timely regulatory guidance from APRA ahead of any changes taking effect.

We welcome the opportunity to be involved in further development of the Covenant and attendant legislation and regulations. If you have any questions regarding our submission, please do not hesitate to contact Susan Fairley at sfairley@australiansuper.com or (03) 86 483 834.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'Sarah', is displayed on a light grey rectangular background.

Sarah Adams
Group Executive
Strategy, Reputation & Corporate Affairs