5 September 2025

Director
Superannuation Efficiency and Performance Unit
Retirement Income and Superannuation Division
The Treasury
Langton Crescent
PARKES ACT 2600

Submitted via Treasury submission portal

Dear Sir/Madam

Retirement Reporting Framework: Increasing Transparency for Members Consultation Paper ("Consultation Paper")

Chartered Accountants Australia & New Zealand (CA ANZ), CPA Australia and the Institute of Public Accountants welcome the opportunity to make a submission to the Consultation Paper.

Together, the Joint Accounting Bodies represent over 350,000 professional accountants in Australia, New Zealand and around the world. This includes over 50,000 members in public practice, with many of them licensed or authorised to provide financial product advice. We make this submission on behalf of our members and in the broader public interest.

The joint CA ANZ and CPA Australia submission[1] to Treasury's Superannuation in Retirement Discussion Paper consultation[2] remains relevant to the current Consultation Paper.

In that joint submission the following are relevant points for this current consultation:

1. The provision of retirement incomes is a problem for APRA-regulated superannuation funds sector. SMSFs appear to provide a service that meets retirees' needs, and we do not believe that there is presently any need for SMSFs to be subject to additional regulatory requirements in relation to retirement income streams
2. Australia has traditionally permitted superannuation fund members that meet a nil condition of release to withdraw all their savings as a lump sum; at present we remain opposed to any change to this policy setting
3. Equal representation trustee boards should be required to include retiree representatives so their interests are appropriately considered
4. Wholesale simplification of the retirement income system regulatory environment is essential to ensure inconsistencies and complexities are removed

[1] https://treasury.gov.au/sites/default/files/2024-11/c2024-441613-a.zip
[2] https://treasury.gov.au/consultation/c2023-441613

5. The minimum income withdrawal rules may need adjustment
6. The Government may need to provide significant additional assistance to retirees if the government would prefer a different retirement income product than account-based pensions to be the default option
7. Any draw-down offerings different to Government selected defaults should only be offered after a person has received personal advice from a financial adviser
8. We do not support the idea of government funded free and impartial guidance for retirees or people approaching retirement, similar to what is provided by the United Kingdom's PensionWise service
9. The retirement puzzle for individuals is incredibly complex and involves much more than providing a person's income needs – and is much more complex than this Consultation Paper assumes. Many of the issues that retirees must consider are interlinked. In our above referenced submission we said, "We are deeply concerned that Treasury appears to be indicating that it does not understand the enormity and complexity of the decisions that retirees face." We retain that view.
10. Retirees may have valid reasons for not using some or all of their retirement savings in commencing a pension and should not be badgered by the Government, regulators, trustees and others into thinking otherwise.

Data collection and measuring data is only part of the story

We take the opportunity to remind Treasury that collecting data and seeking to measure it is only one aspect.

The Vice Chairman of Ogilvy UK, Rory Sutherland, once observed that, "You can know everything about your … balance sheet and your statistics while knowing nothing about your customer's own experience over time". He went onto say, "one of the problems is that business [and government] is obsessed with quantification". [3]

Our responses to the Consultation Paper's questions are as follows:

Indicators of fund offerings

1. *Do the proposed indicators of fund offerings provide meaningful insight into trustee practices in supporting member outcomes in retirement?*

   The proposed indicators issues are helpful in understanding how super fund trustees are supporting members outcomes in retirement. However, they are merely a starting point. We agree that trustees should not be expected to offer every service or product

[3] https://clevertap.com/blog/behavior-isnt-all-about-data-rory-sutherland/

listed. Indicators should reflect the diversity of fund membership and avoid incentivising overservicing or unnecessary complexity.

2. *Are there other aspects of retirement offerings that are relevant for the measurement of members' retirement outcomes?*

We believe it would be helpful to know how successful a trustee believes they are in assisting members and the reasons why they hold this view. It would be helpful to know what more trustees believe they should be doing and their implementation plans.

A key objective of funds' RIS is managing risks, including investment risk. Investment risk is a basket of different risks, but includes the risk of underperformance as well as investment fees and costs. Retirement income products are not subject to APRA's performance test. We note the potential for a scenario whereby an investment option, which may be prohibited from accepting new members in the accumulation phase due to failing the performance test, may have an equivalent product in the retirement phase which is still 'open for business'.

Since the performance of investment options in fully or partially funded retirement income options is subject to the implementation of investment strategies which themselves may be subject to the performance test in the accumulation phase, we believe that for full transparency, a soft version of the performance test could be used to provide this visibility. This could apply to investment options in ABPs, although we note that investment risks can apply to non-ABPs, such as where collective defined contribution plans or variable annuity-style products are used. We do not necessarily support prohibition in the same way it is used in the performance test, but we do believe that fund members who utilise such products should be able to see whether their product has underperformed.

Another indicator which is relevant to consumers is whether there are products carried by trustees which do not support the ability to change provider. Portability of benefits is critical to competition, and the presence of any kind of consumer-unfriendly features such as vendor lock-in should be monitored.

Future consideration should be given to reporting on the presence of other product features which could have the effect of stifling competition.

We consider that indicators could also include such matters as whether trustees provide governance structures relevant to retirees such as retiree representation on boards, or whether they provide support for strategies which may be chosen by fund members in cases such as sequencing risk management (e.g. bucket strategies, hierarchical drawdowns, rebalancing facilities etc). These are also practical measures that directly impact member outcomes.

3. *Are there any indicators that should not be included?*

We believe the first indicator is inappropriate. Retirees may have very valid reasons for taking the permitted minimum over extended years and should not be badgered by the Government, regulators, trustees and others into thinking they are doing something wrong.

A feature of the RIC is that it allows trustees to determine in their RIS what level of servicing is in their members' best financial interests. The Consultation Paper correctly identifies that the Framework should not incentivise overservicing particularly where financial advice can be collectively charged and therefore represents a component of all members' administration fees.

Indicators that imply trustees must provide financial advice (intra-fund or comprehensive) need to be carefully framed. Such a decision is a matter for trustees, and the data gathered from reporting on these indicators should ensure that trustees who choose not to provide financial advice are not subject to inappropriate pressure, especially where they have a compliant RIS in place outlining why they have arrived at and implemented any decision related to the provision (or otherwise) of advice to members.

4. *Do trustees hold the necessary data in an accessible format to report on these measures? If not, what are the barriers?*

   No comment.

5. *Should these indicators evolve over time to reflect changing industry practice and what could be a suitable point to reassess these metrics?*

   These indicators should not be static. A review after two years would be appropriate and then every five years.

   Evolution of the Framework should be driven by member needs and practical feasibility, not theoretical ideals which may not necessarily be appropriate to certain fund cohorts.

6. *Should there be an indicator measuring the level of proactive engagement funds have with their members on each of these indicators?*

   This would only be valid if this would be in funds' members' best financial interests.

   Such engagement should only be considered if it can be measured meaningfully and without implying a duty to provide advice. Engagement should be voluntary and tailored to fund demographics.

7. *How could the Framework measure the success of proactive engagement?*

   By how infrequently members are seeking assistance from sources other than their fund's trustee – clearly trustees may not have access to such information.

   We note that that indicator 5 (utilisation of retirement information and tools) already proposes a degree of visibility into the use of tools or guidance provided by trustees proactively. However, caution is needed to avoid equating engagement with outcomes

and the degree to which these tools drive member behaviour needs to be carefully considered before imposing burdensome reporting requirements upon trustees.

8. *How should policy makers and industry consider measures of success in fund offerings?*

   We are concerned that there may be the view forming that innovation in retirement income products automatically reflects better outcomes for members. We point out that previous availability of new retirement income products, frequently coupled with difficulty in exiting such products, have led to what we now describe as legacy retirement income products. Such products can be orphaned from the same degree of care from trustees to what members of more popular retirement income products enjoy.

   Success should be defined by member outcomes, not product proliferation. It should also not be measured by the amount of money held in a product or the number of members in a product.

   Flexibility, simplicity, member autonomy and consumer protection must be prioritised over prescriptive offerings.

9. *How should indicators of fund offerings reflect the decisions a trustee has taken to tailor their products to their members?*

   Indicators should allow trustees to explain their cohorting rationale, including why certain offerings are not provided, where this is not immediately clear to members from any member facing disclosure documentation. This supports transparency without penalising tailored strategies.

Member outcome metrics

1. *Which metrics are most appropriate to be considered as measures of positive outcomes for members in retirement?*

   Metrics on drawdown behaviour, balance utilisation, and product take-up are appropriate. However, they must be contextualised by age, balance, and member choice.

   We note that data which corresponds to advice outcomes would also be valuable in providing insights into member outcomes.

   Consideration could be given in relation to the outcomes of advice provided to members in the event of advice services taken up, with a view to capturing statistics including:

   - Advice compiled but not provided to member
   - Advice proceeded with by member (without variations)
   - Advice proceeded with by member (with variations and general statistics on variations)

- Advice not proceeded with by member

Such statistics would provide policy makers and trustees with valuable information which could be used to further improve services. In addition, it would provide insight into the degree to which products provided by funds match the needs of members of those funds.

2. *Do the proposed metrics provide meaningful insight into member outcomes in retirement?*

Yes, but only when interpreted alongside demographic and behavioural data. For example, a specific member's use of minimum drawdown rates may reflect prudent planning, appropriate risk management and/or financial needs, rather than simple disengagement. It is also possible that a member may have been advised to draw the minimum, rather than having taken the minimum as a default through unadvised action of their own.

Note that reporting of drawdown amounts can obscure the fact that members may also be drawing lump sums in parallel. This is a valid and widely used strategy. In any event, we support the rights of members to take lump sums if they prefer.

3. *Are there other metrics that are relevant for members' retirement outcomes?*

We consider that additional metrics which may provide insight in relation to members' retirement outcomes on sequencing risk management, retiree satisfaction, and external access to advice or support through channels which are not necessarily provided by trustees. These reflect real-world challenges faced by retirees. Additionally, benchmarking member outcomes to objective standards set by third parties would provide additional context.

4. *Are there any metrics that should not be included?*

We consider that metrics that imply trustees should monitor or influence non-superannuation assets or external financial decisions should be excluded. It is our belief that these are beyond the remit of trustees.

5. *Do trustees hold the necessary data in an accessible format to report on these measures? If not, what are the barriers?*

Some metrics (e.g. drawdown rates) are accessible. Others (e.g. balance at death, advice take-up) may be difficult due to privacy, data fragmentation, or lack of visibility.

6. *Should these metrics evolve over time to reflect changing industry practice and what could be a suitable point to reassess these metrics?*

As we also explained in question 5 of the previous section, indicators used in the Framework should be reviewed initially after two years and thereafter every five years, with appropriate industry consultation. Evolution of the Framework should be driven by member needs and practical feasibility, not theoretical ideals which may not necessarily be appropriate to certain fund cohorts.

7. *How should policy makers and industry consider measures of success in members' outcomes?*

   Success should be defined by member autonomy, financial security, and flexibility. We consider that not all members will follow the same path, and diversity of outcomes is expected and should be accepted by government.

8. *How should metrics of members' outcomes reflect the decisions a trustee has taken to tailor their products to their members?*

   Metrics should be reported at cohort level, allowing trustees to explain how offerings align with member needs. Whole-of-fund metrics may obscure tailored strategies both within and outside specific products (e.g. where products are used in combination).

9. *Which contextual and demographic indicators should be incorporated into the Framework to reflect a member's outcomes?*

   We consider that meaningful indicators to best illustrate member outcomes would include age, balance, gender, housing status, marital status and retirement status.

10. *How else could trustees provide the context of their membership profile when reporting their data?*

    We do not believe any of the proposed metrics necessarily indicate a positive outcome for members.

    We accept that some global information about member offerings and take-up rates will be helpful but they are only part of the story. And only provide part of the picture.

    Each member's circumstances will be different and data for these outcomes must therefore be developed at the member level and then reported at the global level.

    One way that trustees could better provide context to their member profiles when reporting their data might be to allow trustees to submit narrative statements (e.g. cohort case studies) or supplementary cohort analysis explaining member behaviour, product design rationale, and engagement strategies.

Cohorting practises metrics

1. *Should the cohorting practices measures be information-gathering indicators or metrics measuring progress?*

   In some cases, cohort reporting may be helpful. We are concerned that such reporting could be used to provide members with one-size-fits-all-solution. As we have noted retirement is incredibly complex and it is unhelpful for the government to seek to make it appear simple.

2. *Should trustees report all metrics based on their unique cohorts or a standardised set developed in consultation with industry?*

We believe trustees should decide if unique cohorts are appropriate.

3. *What other measures could be considered to reflect a trustee's cohorting practises?*

We believe that this question may fall outside the intention of a reporting framework and be better addressed by the disclosure framework. At present, we are not aware of any initiatives intended to improve the transparency of relevant member-facing trustee information around funds' RIS and trustee cohorting practices, and believe that this item could form part of such an initiative.

Costs of collecting and reporting data

As the government wishes to collect and analyse this data we believe it would be appropriate for the government to pay funds for the costs of creating and maintaining the reporting framework infrastructure. We believe this would be best provided via a specific tax offset payable to superannuation funds via the annual tax return process.

For any questions in relation to this submission, please contact Tony Negline, Superannuation & Financial Services Leader CAANZ, at tony.negline@charteredaccountantsanz.com or on 0475 092 296.

Yours Sincerely,

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