

# Retirement Magazine

APRA, ASIC and  
the Question of  
Superannuation  
Oversight

## Regulatory Double Act



**Delivering Retirement Income**

*Fulfil the Promise of the  
Superannuation Guarantee*

MARGARET COLE - PAGE 18

**The Heart of the Deal  
is Delivering to Your  
Customers in Retirement**

SIMONE CONSTANT - PAGE 20

**The Twin Peaks Model**

ALEKS VICKOVICH AND  
LACHLAN MADDOCK - PAGE 22

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# From the Editor

SIMON HOYLE



IT'S CLEAR IN many respects that as joint superannuation regulators the Australian Prudential Regulation Authority and the Australian Securities and Investments Commission are singing from the same hymn sheet.

Their message on retirement is simple: the industry needs to do more, faster.

The co-ordination of their messaging was clear at the Conexus Retirement Leaders Summit in Canberra in August this year and is also apparent in contributions to this publication by APRA deputy chair Margaret Cole and ASIC Commissioner Simone Constant.

A so-called “twin peaks” regulatory model is novel in a global pensions industry context, and whether it helps or hinders the efficient regulation of the sector is very much in the eye of the regulated. Whether the structure is as efficient as a single regulator might be is explored in depth in this edition's cover story by Conexus Financial editor-in-chief Aleks Vickovich and *Investment Magazine* editor Lachlan Maddock.

Funds themselves dispute the characterisation of an entire industry as being too slow to respond to the retirement income challenge, and in this edition four retirement leaders lay out the changes taking place in their funds and how they're rolling out services to help members make good decisions and to smooth the transition to retirement.

Renowned behavioural economist Shlomo Benartzi explains best practice in developing guidance and nudges to help members reach better results; Nicolette Rubinsztein sets out how the skillsets of trustee boards must evolve to embrace funds' retirement income responsibilities; and Andrew Inwood outlines the questions that all trustees need ask themselves, and their leadership teams, to make sure they're focused on the right things.

While the Australian superannuation system leads the world on many measures when it comes to accumulation, it is obvious – despite the best efforts of funds themselves – that there are structural shortcomings in the retirement phase of the system. As David Knox writes, there is no compulsion to take any part of accumulated savings as a retirement income stream, for example; and Paul Watson

This edition of *Retirement Magazine* builds on the very substantial groundwork laid by both Aleks Vickovich and David Bell, who produced the inaugural edition as founding co-editors a year ago. I am delighted to take up the editorship of the publication and to build on that work.

Both Aleks and David have made pivotal contributions to this edition and have been invaluable guiding hands as the publication continues to spotlight the work the superannuation industry is doing to deliver income that helps Australians enjoy a dignified retirement.

analyses the lessons we can learn from other jurisdictions about retirement system innovation.

One thing Watson's analysis touches on is how longevity risk is handled in other countries. In Australia, take-up of annuities has traditionally been low; Hazel Bateman and a team of researchers at UNSW Business School shed light on why this is so, and how it could be addressed.

Part of improving the take-up focuses on better-informed members, and on that theme Shaun Bransdon explains why the real key to empowering retirees is to engage them with meaningful simplicity and ensuring each decision a member needs to make is as straightforward as possible; while Peter Chun reminds all funds why a meaningful retirement is about more than just dollars and cents, and why funds need to understand retirement looks different to everyone.

Fundamentally, better retirement solutions will be driven by greater competition between funds, and Xavier O'Halloran and Katrina Ellis examine why competition is lacking in the retirement space, and what to do about it. And we know that members who receive advice tend to make better decisions and enjoy better result, but financial adviser Marisa Broome says there are hurdles for advisers dealing with profit-to-member funds, when what funds should be doing is seeking to forge true partnerships.

At the end of the day, everything the superannuation system does – accumulation or retirement – should be to produce the best possible retirement for as many Australians as possible. That's the regulators' clear objective.

But the Conexus Institute's David Bell and Geoff Warren raise legitimate concerns that without a pick-up in the pace of change it could be 10 years from the introduction of the RIC before high-quality retirement income solutions are the industry norm.

As David and Geoff write – and as ASIC and APRA keep telling funds – that is just not good enough. Despite the progress made to date, there is clearly more to be done.

Kind regards,

*Simon Hoyle*

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*Retirement Magazine*

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## ANALYSIS

# A New Approach to the Annuity Puzzle: Decision States and Longevity Literacy

DR HAZEL BATEMAN



**The low take-up of annuities has been a feature of the market for decades, and while various theories have been put forward to explain this, there has never been a definitive answer. A study by the School of Risk & Actuarial Studies at the UNSW Business School sheds new light on the issue and uncovers some issues that should help superannuation funds as they strive to meet their Retirement Income Objectives.**

**T**HE AUSTRALIAN ANNUITY market has always been small. Many justifications have been offered, but none have explained the persistent low demand for life annuities.

In response to this so-called “annuity puzzle”, a team of academics from the School of Risk & Actuarial Studies, UNSW Business School<sup>1</sup> studied new explanations for the apparent disinterest in life annuities, using data collected from two bespoke online surveys of Australians of around retirement age.

The first survey asked participants to self-assess their decision state for the purchase of life annuities: 57.5 per cent of participants stated that they were unaware of life annuities; 42.5 per cent were aware; 34.3 per cent were aware and interested; and only 27.2 per cent were aware, interested and capable.

Interest in life annuities was associated with good financial literacy, positive perceptions of life annuities and optimistic survival beliefs. A follow-up survey tested the impact of alternative forms of information presentation,

<sup>1</sup> The team included Professor Hazel Bateman, Associate Professor Katja Hanewald, Dr Hanlin Lou and PhD student Jiamin Yan. The research was funded by the Orford Foundation, the IRIS Knowledge Hub in the School of Risk & Actuarial Studies, UNSW Business School, and the Centre for Population Ageing Research (CEPAR). The article is based on two working papers in progress :

Bateman, H., Hanewald, K., Lou, H., & Yan, J. (2025). Exploring consumers' progress through annuity decision states (Working Paper). Centre for Population Ageing Research (CEPAR).

Bateman, H., Hanewald, K., Lou, H., & Yan, J. (2025). Can improving longevity literacy motivate interest in life annuities? (Working Paper). Centre for Population Ageing Research (CEPAR).

### Key Points

- Persistent low demand for life annuities is well recognised but has never been fully explained, but 57.5 per cent of people don't know what an annuity is.
- A study on the apparent disinterest in life annuities provides new keys to unlocking the so-called "annuity puzzle".
- Barriers to buying annuities include low levels of financial literacy, poor perceptions of life annuities relative to account-based pensions, and pessimistic survival beliefs.
- In some circumstances better understanding of life expectancy can lead to a higher "decision state" and increase interest in annuities.
- The survey findings may support super funds striving to meet Retirement Income Covenant obligations.

designed to motivate a better understanding of longevity, on interest in life annuities. Interest in life annuities was 38.6 percentage points higher for those participants who were initially pessimistic about their survival but responded to objective life expectancy information by revising their survival beliefs upwards.

### THE ANNUITY PUZZLE

In the academic literature the explanations for low demand for life annuities are generally categorised into rational (or economic) factors and behavioural (including knowledge) factors. The economic factors include pre-existing annuitisation (including public pensions or defined benefit pensions), bequest motives, adverse selection (through its impact on annuity prices), the desire for precautionary savings (such as to fund health and aged care expenses) and risk sharing within families. In Australia the Age Pension crowds out annuity demand for a large minority of retirees and the bequest motive and desire for precautionary savings cannot be dismissed.<sup>2</sup> However, these economic factors alone cannot explain the small market for life annuities in Australia.

The behavioural explanations for subdued demand for life annuities have included: framing (specifically, presentation in an unattractive investment frame rather a consumption frame<sup>3</sup>), narrow bracketing (where annuities are considered in isolation from overall retirement needs), default settings (where an annuity is not the default), loss aversion, psychological factors including fairness and psychological ownership,<sup>4</sup> and product and system complexity.<sup>5</sup>

However, in recent years most of the economic and behavioural barriers to annuity demand have been addressed by regulation and product design.

### DECISION STATES FOR THE PURCHASE OF LIFE ANNUITIES

The low demand for life annuities is typically considered in a world where people are assumed to be aware, interested and ready to choose a life annuity, and we are puzzled why people appear reluctant to purchase.

An alternative view, examined in the first survey reported in this article, is that people move through a series of decision states – from awareness to interest to capability

– before they are ready to make a purchase decision. To be aware, they need to know the product exists; interest is associated with a belief that a life annuity is beneficial to them; and capability requires an understanding of the product features and their implications.

An online survey of decision state membership for the purchase of life annuities was administered in April 2024 to a representative sample of 1190 Australians aged 50 to 75, who currently have or previously had a superannuation account. The survey included a series of questions to elicit membership of four decision states: unaware of life annuities; aware; aware and interested; and aware and interested and capable. It collected data on demographics, household finances, preferences, financial literacy, product knowledge and perceptions, attitudes, psychological traits and subjective survival beliefs.

From the data collected, the decision state membership for the purchase of life annuities is summarised in Figure 1.

**Figure 1: Decision state membership for life annuities**

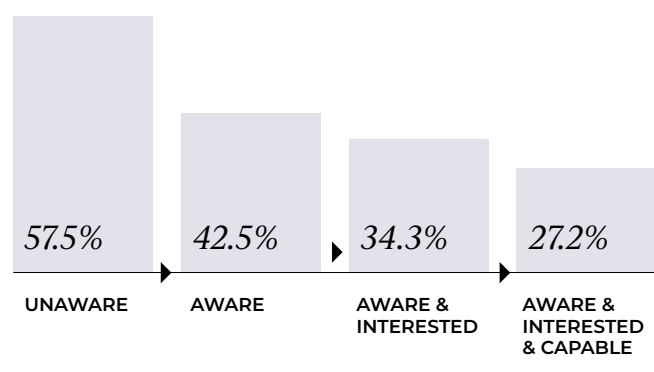


Figure 1 shows that in the representative sample of Australians of around retirement age, 57.5 per cent were unaware of life annuities, 42.5 per cent were aware, 34.3 per cent were aware and interested but only 27.2 per cent, or just over one quarter, self-assessed themselves as aware, interested and capable – in other words, ready to purchase.

<sup>2</sup> Alonso-García et al, 2022.

<sup>3</sup> Brown et al., 2008.

<sup>4</sup> Shu and Shu, 2018.

<sup>5</sup> See Bateman et al., 2018; Bateman and Eberhardt 2024.

The collection of additional data enabled identification of personal characteristics associated with decision state membership, as summarised in Figure 2.

**Figure 2: Personal characteristics associated with decision state membership**

DECISION STATE	CHARACTERISTICS ASSOCIATED WITH DECISION STATE MEMBERSHIP
<b>Aware</b>	<ul style="list-style-type: none"> <li>• High level of financial literacy</li> <li>• Planned for retirement</li> <li>• Familiarity with life annuities (including belonging to a super fund offering longevity products)</li> <li>• Impulsiveness, male, post school education, high non-super wealth</li> </ul>
<b>Aware and interested</b>	<ul style="list-style-type: none"> <li>• Good perceived understanding of life annuities</li> <li>• Good numeracy skills</li> <li>• Good self-assessed health</li> <li>• Optimistic survival beliefs</li> <li>• Bequest motive</li> <li>• Married, post school education</li> </ul>
<b>Aware, interested and capable</b>	<ul style="list-style-type: none"> <li>• High level of financial literacy</li> <li>• Good perceptions of life annuities relative to account-based pensions</li> <li>• Bequest motive</li> <li>• Does not use a financial adviser, high non-super wealth</li> </ul>

In summary, the decision state survey results suggest that the main barrier to lifetime annuity demand is lack of awareness, with 57.5 per cent of the representative sample of Australians of around retirement age unaware of life annuities. Low levels of financial literacy, poor perceptions of life annuities (relative to account-based pensions) and pessimism about health status and longevity are all associated with lack of progress through the decision states.

These results should not be surprising. Australians have had little opportunity to become aware of life annuities. The market for life annuities has always been small, there has been little opportunity for “social learning” through experiences of family and friends, and many superannuation funds do not include life annuities or other longevity products on their product menus.

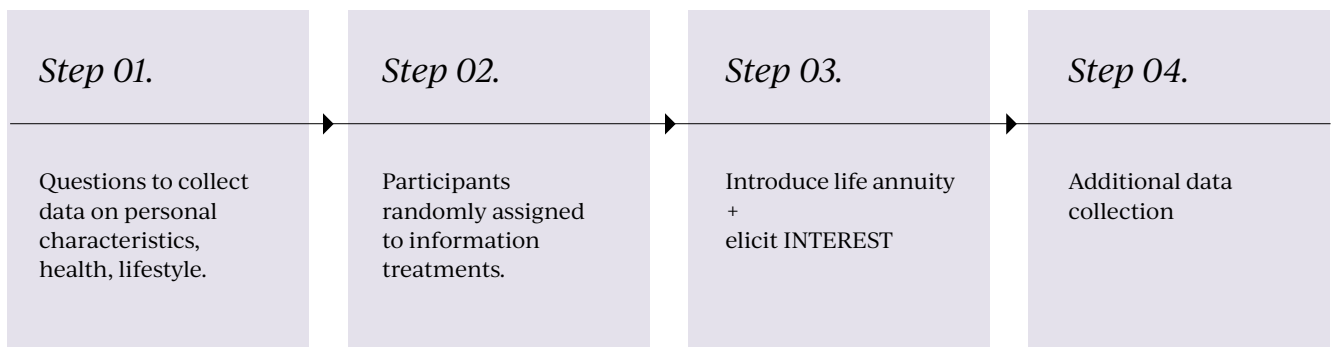
Of participants who stated that they were aware of life annuities, only around one-third stated that they were interested in life annuities. Interest is motivated by relevance, yet many survey participants reported pessimistic beliefs about their survival as compared with a person of the same age and gender in the Australian Life Tables.

SURVIVAL BELIEFS AND INTEREST IN LIFE ANNUITIES

A second online survey was motivated by the finding that pessimism about longevity was associated with lack of interest in life annuities. The aim was to find out whether interest in life annuities could be enhanced through presentation of information treatments designed to improve understanding of longevity.

The survey was conducted in May 2025 with a representative sample of 1589 Australians aged 50 to 75, who currently have or previously had a superannuation account. Participants progressed through the survey in four steps, as illustrated in Figure 3.

**Figure 3: Progression through survey**



Steps 1 and 4 involved the collection of data on the survey participants. In Step 2, participants were randomly assigned to either a control group or one of 16 different information treatment groups designed to enhance their understanding of longevity.

In Step 3, all participants were introduced to a life annuity and its characteristics and were asked about their interest in life annuities in terms of: NOT interested, SOMEWHAT interested, MODERATELY interested, VERY interested, EXTREMELY interested.

The information treatments in Step 2 were designed to help people understand how long they might live and the financial implications of living long, and included one or more of the following:

- Standard survey questions to elicit survival beliefs, specifically subjective life expectancy and/or late-in-life subjective survival probabilities.<sup>6</sup>
- Presentation of “Objective” cohort life expectancy and late-in-life survival probabilities for a person the same age and gender from the Australian Life Tables.
- Presentation of “Personalised” life expectancy and late-in-life survival probabilities (modified from the Australian Life Tables using responses to survey questions on personal characteristics, health and lifestyle).<sup>7</sup>
- Presentation of financial consequence information, which illustrated the financial consequences of living long, in the absence of a life annuity.

Participants assigned to treatment groups which involved the presentation of “Objective” or “Personalised” life expectancy and survival probabilities were invited to update their survival beliefs.

**RESULTS: INTEREST IN LIFE ANNUITIES**

Overall, regression analysis found that none of the information treatments had a significant impact on interest in life annuities as compared to the control group (who had received no motivating information). We had expected that motivating participants to think about their longevity and the financial consequences of living long would enhance their interest in life annuities.

“  
Nevertheless, some interesting results emerged after consideration of the impact of the information treatments on participants’ survival beliefs.”

Nevertheless, some interesting results emerged after consideration of the impact of the information treatments on participants’ survival beliefs.

A large proportion of the sample initially underestimated their life expectancy relative to both the “Objective” life tables and the modified “Personalised” life expectancy. On average, females in their 50s under-estimated life expectancy by around eight years and in their 60s by five years. Males in all age groups under-estimated their life expectancy by three to five years.

However, following presentation of “Objective” life expectancy information (for a person of the same age and gender), a large minority of those who were initially pessimistic about their life expectancy (specifically 35.5 per cent of the relevant sub-sample) revised their survival beliefs upwards. Similarly, 37 per cent of the relevant sub-sample of those initially pessimistic about their life expectancy revised their survival beliefs upwards following presentation of “Personalised” life expectancy information.<sup>8</sup> The full set of survival belief updating is reported in Figure 4.

**Figure 4: Survival belief updating following presentation of “Objective” or “Personalised” life expectancy**

BELIEF UPDATING AFTER PRESENTATION OF “OBJECTIVE” LIFE EXPECTANCY				
Initial belief	%	Downward revision	No change	Upward revision
Pessimistic	75.4%	5.6%	58.9%	35.5%
Neutral	2.6%	0%	100%	0%
Optimistic	22.0%	10.8%	83.1%	6.1%

BELIEF UPDATING AFTER PRESENTATION OF “PERSONALISED” LIFE EXPECTANCY				
Initial belief	%	Downward revision	No change	Upward revision
Pessimistic	64.9%	7.4%	55.6%	37%
Neutral	3.5%	7.7%	84.6%	7.7%
Optimistic	31.6%	16.9%	73.7%	9.4%

<sup>6</sup> The late-in-life survival probabilities questions asked about the chance of survival to ages 85, 90 and 95.

<sup>7</sup> Using the Optimum Lifespan Calculator.

<sup>8</sup> The provision of objective or personalised information on late-in-life survival probabilities was less effective.

### IMPACT OF SURVIVAL BELIEF UPDATING ON INTEREST IN LIFE ANNUITIES

In the final stage of our analysis we performed a regression to compare interest in life annuities between participants who were initially pessimistic and subsequently revised their survival beliefs upwards following the information treatments, and those who did not.

The key finding was that survey participants who were pessimistic about their life expectancy and revised their subjective belief upward after receiving “Objective” life expectancy information were 38.6 percentage points more likely to state that they were interested in life annuities. No significant effects were found for the other information treatments.

The results of the two surveys reported in this article can be summarised as:

- The decision state model provides a new explanation for the low demand for life annuities by categorising people of around retirement age by their readiness to make

decisions about annuity purchase. An important finding is that 57.5 per cent of a representative sample of close to retirement Australians were unaware of life annuities

- Key barriers to progression through the decision states for the purchase of life annuities are low levels of financial literacy, poor perceptions of life annuities relative to account-based pensions and pessimistic survival beliefs.
- Provision of “Objective” and “Personalised” life expectancy information motivated people to update their survival beliefs and, in some circumstances, increased interest in life annuities.
- People planning for retirement need some understanding of their expected life span and the implications of living long.

These findings should be of interest to superannuation funds who have the responsibility to assist members to achieve and balance maximising their expected retirement income; managing expected risks (including longevity risk) to the sustainability and stability of this retirement income; and having flexible access to expected funds during retirement. RM



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ESSAY

# The Journey to a Quality Retirement Industry: Will Three Years Become 10?



DR DAVID BELL



DR GEOFF WARREN

**If the superannuation system fails to deliver good retirement income solutions to members in retirement, everyone in the system will be to blame. Already under fire for slow responses to the Retirement Income Covenant obligations, introduced three years ago, there’s a good chance the majority of funds could take another seven years to produce high-quality solutions. The Conexus Institute’s plea to all in the industry is to put your shoulder to the wheel and get the job done. Members deserve no less.**

**WE SEE** A sizeable chance that it might take 10 years after the introduction of the Retirement Income Covenant (RIC) for the vast majority of super funds to put in place high-quality retirement income strategies (RIS).

Avoiding such an outcome requires ongoing focus by all parts of the retirement system, including the industry, policymakers and regulators. In this article, we outline what progress has been made, and explore what could spur the industry on.

We start by viewing the current state through the lens of three parts of the retirement ecosystem: industry, policymakers and regulators.

## THROUGH THE INDUSTRY LENS

While many funds have advanced their RIS, progress has been patchy, with some funds leading and others lagging. Overall, there remains much to be done. These views are shared by the regulators. APRA deputy chair Margaret Cole observed that “a substantial gap remains between where the industry is today and where it needs to be”. Meanwhile ASIC Commissioner Simone Constant acknowledged that “while we are seeing some green shoots, it’s clear there are leaders and laggards”. Constant’s urgency reflects our own concerns: We can’t wait years to get this right. Each year, more than 100,000 Australians retire.

### **Key Points**

- If more funds don't make faster progress, it could be 10 years from the introduction of the RIC before high-quality retirement solutions are in place across the industry.
- A few hurdles seem to be preventing large parts of the industry moving forward, including the state of operational infrastructure, lack of regulatory clarity, and strong business incentives.
- Best Practice Principles issued by Treasury are shaping up to be a positive driver to uplift the retirement offerings by super funds.
- The Retirement Reporting Framework has potential to reinforce the BPP through measuring and publicly reporting progress.
- The reasons to be bearish about RIS progress seem weightier than the reasons to be bullish, but a case could be made either way.
- We are all accountable if we ultimately find the system fails to deliver quality retirement outcomes for members 10 years after the RIC came into effect.

There have been some exciting product initiatives, such as innovative lifetime income streams offered in the accumulation phase, and provision of persona-based solutions. Positive developments are also taking place in advice and guidance, particularly in the area of hybrid offerings with a digital foundation.

However, few funds offer integrated retirement solutions combining investments, lifetime income streams and a drawdown plan tailored for a range of member needs. And no fund can offer integrated solutions plus straight-through implementation. Some leading funds are hopeful of doing so soon, but others have said that this remains a distant aspiration.

A few hurdles seem to be preventing large parts of the industry moving forward, including the state of operational infrastructure and lack of regulatory clarity coupled with heightened regulatory risk aversion by some funds. Some funds appear to be lacking strong business incentives to *really* embrace retirement.

### THROUGH THE POLICYMAKER LENS

Since the RIC was introduced, two areas of policy focus by government stand out. The first is retirement policy, which has steadily developed in a coordinated fashion. The *Retirement phase of superannuation*<sup>1</sup> consultation of December 2023 led into the initiation of four retirement reforms in November 2024<sup>2</sup>:

“

*The stated aims of Tranche 2 of the DBFO reforms have not yet been achieved, with the government running into issues around complexity, resourcing and time constraints.*

1. Revamp the existing innovative income stream regulations
2. Expand resources on the Moneysmart website
3. Introduce a set of voluntary best practice principles (BPP) to work in conjunction with the RIC
4. Implement a new transparency framework, named the Retirement Reporting Framework (RRF), to commence from 2027

The BPP is shaping up to be a positive driver to uplift the retirement offerings by super funds. Although voluntary, we are hopeful that it will be embraced as a de facto industry standard. The RRF has potential to reinforce the BPP through measuring and publicly reporting progress. We feel the RRF could become more effective by basing the reporting requirements on data that funds should be collecting to monitor their RIS progress rather than what is currently available.

Advancements in financial advice reform have moved more slowly.

The stated aims of Tranche 2 of the DBFO<sup>3</sup> reforms have not yet been achieved, with the government running into issues around complexity, resourcing and time constraints (the federal election). The draft legislation of March 2025<sup>4</sup> covers advice through super and targeted superannuation prompts but has not been tabled. The “new class of adviser” (NCA) remains a significant gap to address and appears to be in a holding pattern.

We view the advice through super provisions as very constructive. They set out the scope of advice that super fund trustees may provide on retirement, restricting that advice to the member's interest in the fund while accounting for the key personal information required to recommend retirement solutions that are likely to be suitable.

The targeted prompt provisions detail a framework for “activity nudges”, but their effectiveness may be limited by the prohibition on referring to specific products, which may leave members at sea and rules out nudging members through “first offers” or soft defaults.

1 Treasury consultation, “Superannuation in Retirement” - <https://treasury.gov.au/consultation/c2023-441613>

2 Treasurer Jim Chalmers media release, “Improving the retirement phase of superannuation”, media release - <https://ministers.treasury.gov.au/ministers/jim-chalmers-2022/media-releases/improving-retirement-phase-superannuation>

3 Treasury, “Ensuring access to quality and affordable financial advice” - <https://treasury.gov.au/sites/default/files/2024-12/p2024-607305.pdf>

4 Treasury, “Improving access to affordable and quality financial advice”, consultation - <https://treasury.gov.au/consultation/c2025-637814>

THROUGH THE REGULATOR LENS

A highlight of the regulatory focus on retirement has been the close collaboration between APRA and ASIC, having undertaken together a Joint Thematic Review<sup>5</sup> and a “pulse check” on RIC implementation<sup>6</sup> with another iteration forthcoming. These initiatives involve surveying funds and presenting examples of better practice back to the industry. The regulators are supporting the principles-based RIC while restraining from directing funds in what they need to do. They have been vocal in calling out what they consider to be “not good enough”, but reluctant to specify what good looks like.

APRA implemented updates to *Superannuation Prudential Standard SPS 515: Strategic Planning and Member Outcomes* that incorporated the requirement to support the implementation of the RIC, which took effect from 1 July 2025. ASIC has flagged its forthcoming first retirement report focusing on communications by trustees to members on the topic of retirement.

CAN WE BE CONFIDENT OR BEARISH OVER AVOIDING THE 10-YEAR SCENARIO?

Reasons to be confident or bearish over avoiding a scenario where it takes 10 years to deliver quality RIS are listed in the table below. The reasons to be bearish seem weightier, but a case could be made either way.

REASONS TO BE CONFIDENT	REASONS TO BE BEARISH
<ol style="list-style-type: none"> <li><b>Clear leaders</b> exist that are setting the pace and standard and incentivising other funds in a highly peers focused industry.</li> <li><b>Member-retention based opportunities</b> can arise from a high-quality RIS, including avoiding leakage through financial advisers.</li> <li><b>The BPP</b> establishes minimum standards and motivates reaching for best practice, thus underpinning business cases and removing impediments such as cross-subsidisation concerns.</li> <li><b>The RRF</b> should have an uplifting impact, especially if the bar is raised around what funds are required to report.</li> <li><b>DBFO reforms</b> should remove advice regulatory uncertainty and underpin scoped retirement advice being offered at scale and an affordable price.</li> <li><b>Digital advice</b> offerings are coming to market, signalling the important role that technology can play in underpinning scalable scoped advice.</li> <li><b>Partnerships</b> with service providers can provide all funds with access to expertise, capital and scale.</li> <li><b>Operational infrastructure</b> has been uplifted by some funds, which are now realising the capability benefits.</li> </ol>	<ol style="list-style-type: none"> <li><b>Incentive for developing high-quality RIS</b> is perceived as weak by some funds due to:                     <ul style="list-style-type: none"> <li>• lack of a compelling business case, for example, little evidence of fund-to-fund switching by unadvised members</li> <li>• member cross-subsidisation challenges</li> <li>• rational benefits to deferral, such as waiting for policy uncertainty to clear</li> <li>• limited penalties for lagging – for example, no restriction on advertising as a “good” retirement fund.</li> </ul> </li> <li><b>DBFO reforms</b> proceeding slowly (such as new class of adviser in holding pattern), thus not fully enabling affordable scoped advice at scale while leaving regulatory risk aversion amongst some funds unchallenged.</li> <li><b>Entrenched operational infrastructure issues</b> are preventing many funds from moving forward quickly or cost-effectively, including on collection and use of member personal information, and delivery of tailored retirement solutions to members.</li> <li><b>Integrated retirement solution</b> development is proceeding too slowly, including:                     <ul style="list-style-type: none"> <li>• inability (or reluctance) of many funds to offer lifetime income streams</li> <li>• drawdown strategies with basic structures</li> <li>• personal information not yet integrated into offerings – for example, Age Pension eligibility.</li> </ul> </li> <li><b>Assessment and accountability</b> remain underdeveloped, with regulators pointing to self-assessment as an area of weakness while not offering any regulatory assessment.</li> <li><b>Members who do not engage</b> are being left at sea, with no effective mechanisms available to cater for them.</li> <li><b>Operational frictions exist around the point of retirement</b>, making it difficult to provide administratively effective retirement services to members.</li> </ol>

5 APRA, ASIC: “Information report: Implementation of the retirement income covenant: Findings from the APRA and ASIC thematic review, July 2023 - [https://www.apra.gov.au/sites/default/files/2023-07/Information%20report%20-%20Implementation%20of%20the%20retirement%20income%20covenant-Findings%20from%20the%20APRA%20and%20ASIC%20thematic%20review%20July%202023\\_0.pdf](https://www.apra.gov.au/sites/default/files/2023-07/Information%20report%20-%20Implementation%20of%20the%20retirement%20income%20covenant-Findings%20from%20the%20APRA%20and%20ASIC%20thematic%20review%20July%202023_0.pdf)

6 APRA, “Industry update - Pulse check on retirement income covenant implementation”, July 2024 - <https://www.apra.gov.au/industry-update-pulse-check-on-retirement-income-covenant-implementation>

## SPURRING THE INDUSTRY FORWARD

Four developments offer the potential to move the industry forward at faster pace, thus tilting the balance towards the “confident” case:

1. *Clarity around what “good” looks like* – The principles-based RIC requires trustees to have in place an RIS but issues no guidance around what constitutes a satisfactory let alone high-quality RIS. The BPP is a good start, but the need remains to connect principles to practice. Further guidance around the capabilities<sup>7</sup> required to deliver a quality RIS, perhaps written into regulatory standards or guidance or as the basis of assessment, would help clarify what “good” looks like. Doing so would establish baseline standards, provide an indication of good practice, inform business planning and ultimately spur funds to get moving.
2. *Assessment and consequences* – An assessment regime coupled with consequences for falling short would be a strong motivator for development of acceptable RIS across the industry. We do not believe either competition, regulatory jawboning or voluntary principles can be relied upon. Laggard funds need stronger incentives and their members need protecting. Development of regulatory assessment and associated consequences is a task for policymakers and regulators.
3. *Further financial advice reforms* – The stated objectives of DBFO need to be implemented to remove regulatory uncertainty from the more risk-averse funds while enabling cost-effective implementation of scalable affordable scoped retirement advice offerings. DBFO Tranche 2 provisions on advice through super need to be legislated and the framework for NCAs resolved. Ideally targeted prompts might be reframed to enable product nudges or “soft defaults”.
4. *Super funds need to prioritise delivering on retirement* – Many funds do not appear to have made a priority of delivering a high-quality RIS as soon as practical. Retirement needs to be a top-two priority at board level and be afforded resources and senior executive ownership. Some of the leaders are starting to demonstrate what can be achieved once this becomes the case. The industry at large needs to get on board.

## ALL SYSTEM PARTICIPANTS HAVE A ROLE TO PLAY

We feel the retirement system is at an important inflection point. It may reach a good level in good time. Or it may not.

We are all accountable if we ultimately find the system fails to deliver quality retirement outcomes for members 10 years after the RIC came into effect. There is an important role for each part of the system.

Our list of “tasks to do” appears here. Our plea to all participants is to put your shoulder to the wheel and help avoid the retirement system taking 10 years to reach where it needs to be. Members deserve no less. **RM**

## **‘Tasks to do’ to ensure delivery of quality RIS doesn’t take 10 years**

### **Tasks for policymakers**

- Maximise potential of BPP (within sight) and RRF (bar needs to be raised)
- Accelerate DBFO through legislating Tranche 2 and addressing NCA
- Explore ideas such as soft defaults (i.e. restrictions under targeted prompts and anti-hawking) and contributory pension accounts
- Explore a ‘plan B’ for moving the industry forward, potentially including:
  - Stronger incentives
  - Assessment frameworks and consequences
  - Licensing regime
  - Government-led solutions and services as a fallback if the industry continues to lag

### **Tasks for regulators**

- Develop regulatory assessment with consequence to address laggards and raise standards
- Uplift regulatory standards to better incorporate retirement
- Consider how to resolve situations where a fund’s RIS only serves limited member types, e.g. equivalent mechanism to the DDO; funds moving on members they cannot serve
- Provide strident regulatory feedback or action where appropriate, e.g. funds whose three-year plan won’t see them meeting Treasury’s BPP

### **Tasks for super funds**

- Commit by making retirement a top two priority, backed by adequate resources and ownership at the most senior executive level
- Break down any regulatory risk aversion around advice provision (be braver!)
- Focus on the two “i’s” of integration and implementation as guiding aspirations
- Simplify for members wherever possible, thinking at an industry level and collaborating
- Engage with policymakers, making consistent and coherent requests: ‘soft defaults’ and contributory retirement accounts may make good test cases
- Improve self-assessment practices
- Some funds could uplift their understanding of the benefits of LIS for members.

<sup>7</sup> We discuss capabilities assessment in “Evaluating Retirement Income Strategies through a capability-based framework”, 11 August 2025 - [https://theconexusinstitute.org.au/wp-content/uploads/2025/08/Conexus-Institute\\_RIS-capabilities\\_August-2025.pdf](https://theconexusinstitute.org.au/wp-content/uploads/2025/08/Conexus-Institute_RIS-capabilities_August-2025.pdf)

## PARTNER CONTENT

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# Retirement is the Real Business of Super Funds

PETER CHUN

Dollars and cents are only one aspect of retirement, which for most fund members is simply the start of a new phase of life, not the end of it. Super funds need to extend their expertise beyond supporting members in accumulation to help them enjoy secure and meaningful retirements.



## Key Points

- Retirement is just another phase of life, not the end of it.
- Two and a half million Australians will retire in the next decade.
- Members who receive advice feel more confident about their retirement.
- Funds now need to extend their expertise to support and guide members so they can create a successful, purposeful life after work.

**A**S THOUSANDS OF Australians move their superannuation from the accumulation phase to pension phase, they are also looking to find a new life purpose in retirement. This follows decades of trusting their super fund to help grow their wealth and plan for their futures, whatever that “purpose” means to them.

We think about retirement as another phase of life, not the end. As life expectancies stretch into the mid-80s, and Australians stay healthier and more active for longer, the post-work phase becomes a time to focus attention on new things, and to find new meaning in life.

Having the time and options to find purpose is more achievable than ever in 2025, now that the super sector has served Australians well for 33 years. Now, our nation is entering a demographic shift, with 2.5 million Australians expected to retire in the next decade, according to Treasury<sup>1</sup>,

<sup>1</sup> “Consultation on reforms to the retirement phase of superannuation”, Treasurer Jim Chalmers and Minister for Financial Services Danel Mulino, media release, 7 August 2025: <https://ministers.treasury.gov.au/ministers/jim-chalmers-2022/media-releases/consultation-reforms-retirement-phase-superannuation>

including the first cohort who have spent their entire careers accumulating under the Superannuation Guarantee.

While the accumulation phase is relatively straightforward for the super industry – keep fees low, keep returns high – actual retirement is not so straightforward. Every one of those 2.5 million retirees has a unique combination of health, wealth, lifestyle aspirations, caring and family obligations – the full spectrum of human complexity across generational cohorts.

One size will not fit all, and not everyone has the same purpose, in retirement. The findings of UniSuper's *Retire with Purpose* report help paint this picture. Two in three people surveyed anticipate they will be caring for loved ones in retirement. One in five pre-retirees are interested in making a sea or tree change. More than 70 per cent say they want to travel, and 25 per cent want to learn a new skill.

#### WORKING AS PART OF RETIREMENT

Perhaps most importantly and curiously, more than 50 per cent of those surveyed see work as part of their retirement. They want to remain in the workforce, not just to top-up their retirement savings but as a means of maintaining their unique identity. This in itself could look different between individuals—casual and part time work, as well as side hustles, which 34 per cent of UniSuper members surveyed expect to pursue. More broadly, 61 per cent of pre-retirees say they will miss the workplace.

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*It also provides a baseline against which we can measure these drivers over time, which we hope can assist decision-making for our entire sector.*

As part of the wealth of work that's happened to make the *Retire with Purpose* report possible, I've particularly enjoyed learning about the incredible pursuits some of our UniSuper members are undertaking in retirement, shaping who they are. Seeing these inspiring lived experiences firsthand is the greatest possible reminder of why we come to work every day. It's a reminder that every retirement does look different, and that's why it's so critical to push towards delivering more personalised experiences.

Take Deirdre from New South Wales: she has returned to university to study a Bachelor of Laws, volunteers at OzHarvest, and is learning to play the piano. Then there's Campbell, who plays in a band, and advises as a board member at a natural resources management council.

The genesis for the *Retire with Purpose* research is to understand Australians' aspirations, ambitions and anxieties – and what is driving them – to help us make more effective decisions and provide more nuanced guidance and advice. It also provides a baseline against which we can measure these drivers over time, which we hope can assist decision-making for our entire sector.

The research reinforces what we already know about quality financial advice: those who receive it are generally more confident about their retirement and often have a stronger financial base when they reach retirement. The research found that one in four participants are worried about retiring at their planned age, perhaps pointing to a level of unpreparedness that could be remedied by advice. After all, as the famous quote goes: *knowledge is power*.

That's why it's so important to make advice more accessible to the segment we call the “missing middle”, those who seek financial advice and would benefit from it, but face barriers in receiving it. Solving for this issue is one of UniSuper's major focuses.

#### DOLLAR AND CENTS ONLY ONE ASPECT

As Deirdre, Campbell and our other members in focus have shown, dollars and cents are just one aspect of a purposeful retirement, which is dotted by new skills, current hobbies and overall meaningful pursuits – all things that contribute to one's purpose. I was particularly struck by what Deirdre had to say about the importance of structure:

“I was wondering how I'd fill every day given there's so much structure when you work five days a week for 40 years,” she said. “That was a concern, how was I going to have structure moving forward? Structure is terribly important to me.

“I enrolled in a degree to help give me some purpose. I allocated at least three days a week for study. In a way it was a transition to retirement, it gave me some structure, but I also had flexibility and independence. I wanted to wake up and have something to do each day.”

It truly is so important to build and maintain those social connections we all hold dear, and to “practice” retirement plans while still in the workforce, to boost confidence. That 40 per cent of retirees call out the importance of making friends versus only 27 per cent of pre-retirees suggests this concern may only begin to be realised in retirement.

UniSuper seeks to be the leader in retirement and the fund has taken a keen interest in the report's results. We'll use them to inform our future work, and the research which we aim to conduct alongside new and longstanding academic partners. I encourage our entire sector to review the findings of this report and consider their implications.

In addition, it was pleasing to see the results from this report validated in CoreData's most recent *Best Possible Retirement* report, with UniSuper members topping the retirement readiness index. In addition, our members' score on “Retirement Preparedness” has improved over the past three years.

This validates UniSuper's dedication to preparing our members for retirement, and reflects our commitment to tailored retirement outcomes, underpinned by advice and guidance.

The Australian super industry is evolving. Collectively, we've done a great job of helping Australians build their retirement savings; we now need to extend our expertise to support and guide members so they can create a successful, purposeful life after work.

After all, providing great retirements is the business we're in, so understanding more of what drives our members' purpose is incumbent on us all. RM

## BRIEFING

# Delivering Retirement Income Fulfil the Promise of the Superannuation Guarantee

MARGARET COLE

**The legislated purpose of superannuation is to deliver income for a dignified retirement and under the Retirement Income Covenant trustees are required to support all members approaching or in retirement, regardless of account balance, engagement with super or access to advice. Most trustees would admit there is still work to be done, and APRA will continue to push funds to do better.**



## **Key Points**

- Catering to members in retirement requires a change to super fund business models.
- Improving retirement outcomes for superannuation members will continue to be a priority for APRA.
- Most trustees would accept that there is more work to be done.
- Under the Retirement Income Covenant, they must support all members approaching or in retirement.
- Delivering income for a dignified retirement is the fulfillment of the purpose for which the Superannuation Guarantee was created.

**T**HE RETIREMENT PHASE of superannuation is growing in size, complexity and significance, driven by Australia's ageing population and the maturing of the system.

Approximately 2.5 million fund members are expected to retire over the next 10 years, while the retirement phase asset pool is on track to grow from \$550 billion to \$3 trillion over the next two decades, according to APRA estimates.

This has important implications for the superannuation industry, which will need to support a substantial increase in members and assets in retirement. This is a significant challenge for an industry that has been largely focused on the accumulation phase since the Superannuation Guarantee was introduced in 1992.

In essence it's a change to the business model. For a matter of such significance it's evident that improving retirement outcomes for superannuation members will continue to be a priority for APRA. We will be keenly focused on ensuring trustees are well-equipped and positioned to support superannuation members as they approach retirement and during their retired years.

## RETIREMENT INCOME COVENANT

The Retirement Income Covenant has been key to driving a shift in the industry's attention to the retirement phase.

Since the covenant came into effect three years ago, APRA and ASIC have joined in monitoring trustees' implementation of their obligations to develop and execute strategies to support members who are nearing or in retirement.

We have been resolute in calling on trustees to address gaps and weaknesses in their implementation of the covenant, in areas including the quality and depth of research and data, understanding member needs and tracking and measuring the success of retirement income strategies.

As well as direct engagement with entities, APRA has worked with ASIC to conduct a thematic review and two pulse check surveys to gauge progress.

Early soundings from the latest pulse check earlier this year indicate trustees are confident they are continuing to make progress. We expect to publish the report findings



*All members, from high-net-worth individuals with independent financial advisers to low-balance members who are disengaged with their super, need to be supported by retirement income strategies.*

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later this year. But regardless of how little or substantial progress has been made, most trustees would accept that there is more work to be done.

New requirements that have come into effect this year further increase trustee accountability for the effectiveness of their retirement income strategies.

The Financial Accountability Regime (FAR), which was extended from banking to the superannuation and insurance industries in March, requires trustees to appoint an accountable person to take responsibility for member outcomes, including the delivery and execution of retirement income strategies.

Under APRA's updated prudential standard for Strategic Planning and Member Outcomes (SPS 515), which became effective in July, trustees need to conduct a review of the appropriateness, effectiveness and adequacy of their retirement income strategies at least every three years.

Trustees are also required to assess and demonstrate – every year – the outcomes achieved for members as a result of their retirement strategy, and to embed this practice in business performance review processes.

#### SUPPORTING THE DIVERSE NEEDS OF ALL MEMBERS

Understanding the needs of members in retirement is critical to developing strategies, solutions and products that will be beneficial to members.

Members in the accumulation phase share a simple, common need: to build assets to fund their retirement. How large their assets grow will depend on a range of factors, such as the size of contributions, where funds are invested, costs incurred and fund performance.

By contrast, the needs of members in the retirement phase of superannuation are far more diverse and influenced by their own personal circumstances. Understanding and supporting these needs will be complex.

Having insufficient data on individual members further adds to the complexity of the task.

Under the covenant, trustees are required to support all fund members approaching or in retirement, regardless of the size of a member's super balance, their level of engagement with super, and whether they have access to financial advice.

All members, from high-net-worth individuals with independent financial advisers to low-balance members who are disengaged with their super, need to be supported by retirement income strategies.

Members should have easy access to information and guidance to better understand their options at the point of retirement, especially given the impact that their decisions will have on their income as retirees.

An area where trustees can have significant impact is through finding ways to support disengaged members. During the accumulation years, the default MySuper

product protects the financial interests of members who are disengaged or lack confidence to make financial decisions. However, as these members head towards retirement, they will need to make critical decisions about what to do with their superannuation, including transitioning out of the accumulation phase.

Making it easier for members to access information and to understand their options better – including the benefits of moving their super assets to the pension phase – should be fundamental to any trustee's retirement income strategy. And the engagement of members with relevant tools and guidance is something trustees can and should be measuring.

#### INCREASED TRANSPARENCY, BETTER OUTCOMES

Increased transparency of the retirement phase of superannuation will drive better outcomes for members.

In June this year APRA published data on superannuation retirement products for the first time. The inaugural publication captured key performance data for 600 multi-sector investment options where the trustee set the investment strategy or managed the investments. The key data included a breakdown of product fee structures, investment strategies and associated strategic asset allocations.

APRA will provide further insights on retirement product data over time, including in the 2026 Comprehensive Product Performance Package (CPPP), taking into account the different features and context of retirement products.

APRA is also working with Treasury to design a new reporting framework on retirement outcomes, to commence in 2027, with the data collection to be published annually by APRA from 2028.

This initiative will enable monitoring of the outcomes delivered to members in retirement in a consistent and transparent way. Hopefully it will mean that what gets measured gets done.

The reporting framework's proposed indicators and metrics were released for consultation by Treasury in August together with a second consultation paper on best practice principles for superannuation retirement income solutions.

As outlined by Treasury, the reporting framework is looking to cover funds' product offerings, member outcomes and cohorting practices, capturing information in areas such as drawdown options, the take up of retirement products and the provision or referral of advice.

Achieving better outcomes for Australians in retirement requires the commitment and collaboration of government, regulators and the superannuation industry.

It's the fulfilment of the purpose for which the Superannuation Guarantee was created. The proof of this important mission will be tested by the effectiveness of the practical delivery of that purpose. RM

## BRIEFING

# The Heart of the Deal is Delivering to Your Customers in Retirement

SIMONE CONSTANT

**The success of Australia’s superannuation industry to date cannot be an excuse for trustees not delivering on the essential promise at the heart of the system to help members – customers – fulfil their retirement ambitions. But many trustees are limping, not running, towards implementing retirement solutions; and they are overlooking a “golden thread” between robust governance, placing members at the centre of decision making, and better retirement outcomes.**



## Key Points

- More than 2.5 million Australians will retire in the next decade and will rely on the super they’ve accrued over their working lives.
- Delivering positive retirement outcomes is a communications challenge for trustees and, ultimately, a governance challenge.
- Trustees are on notice to pick up the pace of implementing retirement solutions, and to improve governance structures to support member outcomes.
- ASIC will continue to push trustees to improve retirement communications.
- Without an uplift, trustees risk letting down their end of the superannuation bargain.

**W**ALMART CO-FOUNDER SAM Walton famously said that there is only one boss: the customer. By simply spending their money elsewhere, the customer can fire everyone from the chair down.

The takeaway is not so much “the customer is always right” as it is “always treat your customers right”.

Sam Walton passed away in 1992, the same year working Australians entered into the deal that we call compulsory superannuation.

The deal was this: give a portion of your pay to a superannuation trustee to invest on your behalf, and that trustee will grow it so that, eventually, it can fund your comfortable retirement.

In the thirty years since working Australians first entered into this deal, superannuation has grown astronomically. Now worth over \$4.1 trillion, it is a structurally important part of Australia’s economy and a powerful engine of finance, driving investment towards major infrastructure, energy and health projects.

The scale is truly mind-boggling – we have the world’s fourth-largest pool of retirement savings in a country of just 27 million people.

But as superannuation becomes increasingly significant to Australia's long-term economic success, we can't forget the deal. North of 2.5 million Australians will retire in the next decade, and they'll be relying on the super they've accrued over their working lives. This is why ASIC continues to sharpen our focus on member services, and why we continue to probe the ways trustees are communicating with those members nearing and in retirement.

As the custodians of the superannuation assets of Australians, trustees are the ones who make good on the superannuation agreement when their members reach retirement. It's a matter of treating their members – who, at their core, are customers – right.

### GOVERNANCE IS KEY TO KEEPING THE DEAL

Delivering positive retirement outcomes to members is not only about prudent investment. It is a communications challenge for trustees and, ultimately, a governance challenge.

It requires trustees to have insight into their members' experiences, understand where they are on their retirement journey, and provide them with the information they need to get the most out of their retirement savings for as long as possible.

After disappointing results in both a 2023 thematic review and a 2024 pulse check looking at how trustees were implementing the Retirement Income Covenant, trustees told us they would improve their retirement communications. So, ASIC has drilled down into how trustees are communicating with their members to support them as they were approaching or beginning their retirement.

There are two key take-aways that trustees are on notice over.

First, it's clear that many trustees are limping, not running, towards implementing the RIC. They've known for years that they need to improve their retirement communications, but they are not tackling the task with sufficient urgency.

Secondly – and perhaps most importantly – there is a golden thread between robust governance that places members at the centre of decision making and better retirement communications.

### STRUCTURED APPROACH

A structured approach to retirement governance clearly produced better, more targeted retirement communications. This meant regular working groups to address operational requirements, monthly meetings to monitor metrics and analyse data, and a committee to provide strategic oversight, funding and resourcing.

With these arrangements in place, trustees were more likely to usefully track member behaviour and collect member feedback, creating a positive feedback loop for continual improvement in retirement communications.

However, most trustees don't have a structure this mature yet.

Many of the trustees we've reviewed continue to lack the data to understand their members and evaluate the effectiveness of their retirement communications.

In practice, this falls even harder on the retirement communications with vulnerable cohorts, including First Nations and culturally and linguistically diverse customers.

These customers aren't being identified, potentially missing out on the additional support they need.

It also means communications aren't targeted to the right member cohorts. Members who have been retired for years are receiving information targeted to those who are

approaching or just beginning their retirement journey.

And it means their retirement communications aren't being effectively evaluated, in some cases being treated more like promotional campaigns than their legally mandated responsibility.

The benefit of robust governance is clear, and ASIC will continue to push trustees to improve their retirement communications.

### POOR OVERSIGHT CAN HAVE DIRE CONSEQUENCES

The basic principle at the heart of these findings is that trustees need to make sure that their members – their customers – are treated fairly.

This means providing your members with accurate and useful information. It also means making sure you have appropriate oversight of external providers.

Most trustees use external service providers to provide retirement information to members, including marketing agencies to develop the messaging and design of retirement communications and external financial advisers to advise members about retirement products.

Outsourcing work is not a problem on its own, but trustees must have processes in place to oversee external service providers. Concerningly, many of the trustees we've reviewed have no documented oversight processes over these providers. When asked to prove their oversight, they came up short.

Such lack of oversight can have dire consequences for members. Look no further than the spate of failures ASIC has seen when it comes to processing death benefits claims.

Our review of death benefits claims handling from March found that trustees who outsourced death benefits claims handling services closed just 15 per cent of claims within 90 days.

In the most egregious cases, claims took hundreds of days to be finalised, leaving grieving Australians without access to money they were entitled to.

ASIC has made it clear – including in the course of enforcement proceedings related to death claim failures – that trustees are ultimately responsible for meeting their obligations to members.

They must have governance arrangements in place to ensure the third-party administrators and service providers they engage are doing right by their members.

### GOVERNANCE UPLIFT IS AN OPPORTUNITY

Superannuation trustees have been on notice since the Murray Financial System Inquiry in 2014 that change was required to improve retirement outcomes.

Trustees have made great strides in a number of areas since then, but retirement communications is not one of them. Progress has been slow.

This is frustrating in circumstances where the data we've seen shows that providing better retirement communications improves both member satisfaction and member retention.

The improvements ASIC expects of trustees lead to better outcomes for their customers and for business.

Trustees need to remember that the superannuation deal is not only about growing investments, but also about helping your members – your customers – fulfil their retirement ambitions. Without an uplift in governance, trustees risk letting down their end of this \$4.1 trillion – and growing – deal. **RM**

## COVER STORY

# Regulatory Double Act: The Twin Peaks Model

ALEKS VICKOVICH AND LACHLAN MADDOCK

**The spectre of a standalone regulator for the superannuation sector has been kept at bay partly through increased collaboration and alignment between the Australian Securities and Investments Commission and Australian Prudential Regulation Authority, especially on the Retirement Income Covenant. But shifting deckchairs at the two agencies, and the increasing systemic importance of the super sector, make the “twin peaks” project a perennial work in progress.**

## Key Points

- Greater co-operation between regulators is “imperative” to the success of the superannuation system.
- The 2010 Super System Review “danced around” the idea of a single, standalone regulator for the superannuation sector, stopping short of formally recommending one.
- The decumulation phase of super is one in which the Parliament has forced more collaboration between the two agencies.
- Cole’s decision not to seek reappointment places a question mark over their increasingly aligned communications.
- Debate about a standalone regulator will continue to rear its head, especially in cycles in which the performance of APRA and ASIC are in question.

TREASURY’S 2010 SUPER System Review concluded that greater co-operation between the Australian Securities and Investments Commission and the Australian Prudential Regulation Authority was “imperative” for superannuation to live up to the grand promise of its difficult birth.

The inquiry, led by former ASIC deputy chair Jeremy Cooper and ordered by the then-Rudd Labor government, recommended the two government agencies “work more closely together in discharging their superannuation mandates”, which were variously set out in legislation including the *Australian Prudential Regulation Authority Act 1998 (APRA Act)*, *Superannuation Industry (Supervision) Act 1993 (SIS Act)* and *Corporations Act 2001*.

Under the “twin peaks” model, ASIC regulates the conduct of financial institutions and market participants, including superannuation funds, while APRA oversees the financial interests of superannuation beneficiaries.

Fifteen years after the review, Cooper reflects that he and his fellow panellists “danced around” the idea of a single, standalone regulator for the superannuation sector, but stopped short of formally recommending one.

The experts were always a little uneasy about Australia’s “funny system” whereby responsibility is shared between regulators – principally ASIC and APRA, but with some jurisdiction also from Treasury, financial intelligence agency AUSTRAC and the Australian Taxation Office.

Instead, the Cooper Review (as it became known) recommended the government consider ways to ensure the agencies collaborate. And it made clear that in order for the industry’s relatively unique – and, some stakeholders argued, problematic – dual regulatory model to work effectively, changes were needed.

Those changes were more or less forthcoming, Cooper tells *Retirement Magazine* – or, at least, enough of them to keep the concept of a single regulator at bay.

“I think that the current relationship we see on display between ASIC and APRA is pretty good for what are separate regulators with different mandates,” says Cooper, who is now chair of The Conexus Institute\* advisory board, and corporate adviser on ESG issues for law firm MinterEllison, among other roles.

## ‘ROBUST AND BALANCED’

ASIC and APRA are often at pains to present themselves in lockstep in public engagements. They speak on the same panels, for the same length of time, and more often than not, have congruent messaging. Officials from the two regulators have even been known to carpool together to functions, in a demonstration not only of inter-agency co-operation but also public service prudence.

They point to a memorandum of understanding between ASIC and APRA and an annual statement of engagement

that details work they have jointly undertaken. They also maintain a joint committee made up of APRA Members and ASIC Commissioners. Over the past five years, the two agencies have issued statements on joint letterhead on at least 11 occasions.

“While there is overlap in our work, particularly in addressing systemic misconduct, the twin peaks model of financial regulation recognises the distinct nature of these regulatory functions,” says an APRA spokesperson. “By dividing responsibility between prudential and conduct regulation, our regulatory system aims to achieve a robust and balanced approach to financial oversight.”

An ASIC spokesperson concurs: “ASIC and APRA work closely as joint regulators of Australia’s superannuation system. These mandates are complementary but distinct.”

The decumulation phase of super is one in which the Parliament has forced more collaboration between the two agencies, with the previous Morrison Coalition government granting them joint oversight of the Retirement Income Covenant.

For the first three years of the covenant’s existence, ASIC and APRA were singing from the same hymn sheet in warning the super sector broadly was making “insufficient progress” in meeting their obligations to develop and articulate retirement income strategies for their members.

Then, at the Conexus Retirement Leaders Summit in August this year, their public communications were again mirrored as they heaped praise on “leaders” that had begun to emerge belatedly in the retirement income market, while continuing to castigate “laggards”.

#### ‘TELEGRAPHING PRIORITIES’

Many fund executives and experts canvassed privately for this feature noted that the sense of alignment between the agencies has been aided by the public presentations of APRA deputy chair Margaret Cole and ASIC Commissioner Simone Constant.

While technically on different rungs of the still-hierarchical Australian Public Service ladder, the two officials have been the superannuation industry-facing spokespeople for their respective agencies over much of the past two years, during which the RIC implementation has been a high priority, alongside rising allocations to private market investments.

Both are noted for their forthright – if somewhat fearsome – communication styles and for having at least some sympathy for the role of the private sector. Cole worked for PwC in London, and Constant for the Commonwealth Bank and a range of asset managers, before becoming career regulators.



Simone Constant



“  
*I think that the current relationship we see on display between ASIC and APRA is pretty good for what are separate regulators with different mandates.*

– JEREMY COOPER

“There is no doubt that both figures are passionate about the industry and about telegraphing the priorities of their respective organisations,” says Michael Vrisakis, a partner at Herbert Smith Freehills Kramer and regular adversary of the regulators in legal proceedings.

“The motivations are not just driven by passion and altruism but to my mind there is a high degree of pragmatism, as both wish to establish a base position around compliance with the relevant regulatory priorities such that relevant institutions are on notice that certain levels of compliance in certain areas of regulatory priority must be met within certain timeframes. The implementation of the [RIC] is one clear example.”

But the announcement of Cole’s decision not to seek reappointment once her term ends mid-next year places a question mark over these increasingly aligned communications, and whether her successor will be able to replicate the double act with ASIC.

#### ‘GREY AREAS’

And though there seems to be consensus that, both in public and private, ASIC and APRA have improved their co-operative efforts since the time of the Cooper Review, that is not to say the twin peaks model is working perfectly.

Dr Scott Donald, an associate professor in UNSW’s School of Private and Commercial Law, says “grey areas” of responsibility and accountability are near inevitable in a system involving multiple regulatory agencies. It is not always obvious whether a particular matter is prudential or conduct-related in nature.

“The elephant in the room is what it takes for those organisations to be co-ordinated, or at least coherent,” he says, noting that the aforementioned MOUs can give rise to inconsistencies. “What business and the not-for-profit funds don’t want to be doing is one thing for one regulator and something different for another.”

He says data gathering is one of the “really simple things” ASIC and APRA could be co-operating on more closely still. Last time Donald checked, there wasn’t the level of consistency in data reporting that there ought to be for an industry of super’s size and important. Funds should be reporting once, but reporting a lot; the organisations that are requesting that data should be “collating and collecting it and using it in clever ways”.

He cites the example of APRA’s failed litigation against financial services provider and super trustee IOOF (now part of Insignia Financial) following the Hayne royal commission.

“[APRA] couldn’t prove their case because they didn’t have the underlying data in a contemporaneous form. They had to ask IOOF to provide it to them. APRA and ASIC are doing different things and are going to have different priorities, but they need to be aware of what each other’s priorities are and work in a co-ordinated way to be effective.”

Behind closed doors, regulated entities complain that the twin peaks model can result in duplication and frustration.

“It’s an enormous amount of friction and confusion as to who’s doing what,” said the chief executive of a superannuation fund, speaking to *Retirement Magazine* on condition of anonymity.

“APRA is getting into product stuff – that’s ASIC’s role. ASIC is getting into prudential stuff – that’s APRA’s role. I’ve got no idea who’s doing what these days – and I don’t know [that] they do either.”

‘INSTITUTIONAL POLICY HOME’

Cooper concurs with the premise that there are major drawbacks to the current model, whereby ASIC and APRA jointly regulate the sector but the broad-ranging Commonwealth Treasury is ultimately responsible for policy development.

He says super not having its own “institutional policy home” puts Australia out of step with global peers including the US, UK and China and may explain at least some of the perennial legislative tinkering, lobbying and consultation that seems to plague the sector.



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*There is no doubt that both figures are passionate about the industry and about telegraphing the priorities of their respective organisations.*

– MICHAEL VRISAKIS



Margaret Cole

“This isn’t a criticism of Treasury, it’s just that super would have to be a seventh- or eighth-order priority, and you can sort of feel that,” Cooper says.

But he says the task of establishing a “new super-duper regulator” or government department would be “a very big and tedious job” and eat up a lot of political capital that the sector probably lacks, judging by the slow pace of the Delivering Better Financial Outcomes superannuation advice reforms as just one example.

One more practical idea, floated by Cooper’s review but never implemented, would be to co-locate APRA and ASIC officials working on superannuation matters, although he admits that this may reflect an outdated approach to corporate workflows.

Another idea, offers Vrisakis, would be to encourage more of what he calls “foundational unity” – that is, effectively merging or more formally aligning some superannuation-relevant functions. This might mean transferring more enforcement activity from APRA to ASIC – the latter of which has more demonstrable experience in court litigation – or at least directly collaborating on joint enforcement activity.

However, it seems unlikely either regulator will want to voluntarily surrender any of its mandate. Indeed, ASIC sought greater oversight of super and ability to enforce the *SIS Act*. The request was granted by the Morrison government in 2021.

As the now \$4.1 trillion sector grows in size and systemic importance, it becomes an increasingly critical player in Australian and global capital markets and therefore a more attractive target for regulators. Some more cynical observers suspect appeasing some corners of the national news media and federal Parliament that harbour resentment towards the growth of labour-aligned industry super funds may also be a motivating factor.

That rising scrutiny also means debate about a standalone regulator will continue to rear its head, especially in cycles in which the performance of APRA and ASIC are in question.

Whatever the structure, the task of regulating super is unlikely to become a less complex one.

“The challenge now is that super is quite big,” says Donald. “You’re now dealing with big organisations with big legal teams and big budgets. Regulators need to up their game in terms of making sure that their people and processes are up for that.

“[But] I do know that a lot of other jurisdictions look at what goes on in Australia with some admiration, because I think we do it better than most.” RM

**The Conexus Institute is a not-for-profit think-tank philanthropically funded by Conexus Financial, publisher of *Retirement Magazine*.**

## PARTNER CONTENT

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TAL

# Meaningful Simplicity is the Key to Empowering Retirees

SHAUN BRANSDON



**Designing the retirement experience to meet the real needs of members requires collaboration across the ecosystem, and focusing on meaningful simplicity will provide many Australians with clear pathways to the dignified retirement they deserve. That means making every choice as straightforward as possible and supporting members at each step.**

## **Key Points**

- The industry has strong foundations in place to meet retirees' changing needs.
- It can help alleviate uncertainty by providing retirement solutions that integrate seamlessly with a retiree's account-based pension.
- A thoughtful, structured approach can help educate members so their choices are informed.
- Focusing on simplicity will provide many Australians with clear pathways to the dignified retirement they deserve.

**M**ORE THAN 2.5 million Australians are set to retire in the next decade, presenting the superannuation system with an era-defining opportunity to help more people retire confidently. From product initiatives to an evolving regulatory environment, the industry has strong foundations in place to meet retirees' changing needs. By shifting our focus to the retirement experience – and ensuring it's simple, relevant and practical – we can best support the next wave of retirees to do retirement well. Today's pre-retirees have spent their entire working lives accumulating super, and the transition to decumulation can be an uncertain time. TAL research shows that 38 per cent of pre-retirees aged 55 or over don't believe they'll have enough to retire comfortably, and nearly half underestimate how long they're likely to live.<sup>1</sup>

<sup>1</sup> TAL, "What I wish I knew about retirement" whitepaper, 2024 - [https://www.grouphq.tal.com.au/our-product-solutions/retirement/retirementpaper\\_wiwiki](https://www.grouphq.tal.com.au/our-product-solutions/retirement/retirementpaper_wiwiki)

Older Australians want to make the most of their post-work years. This includes having the freedom to spend in the early, more active period of retirement, knowing they'll still be able to enjoy a comfortable lifestyle later without relying solely on the Age Pension. Those who are looking to help out loved ones or leave an inheritance also want to be sure they won't outlive their savings as a result.

We can help alleviate this uncertainty by providing retirement solutions that integrate seamlessly with a retiree's account-based pension and deliver an income that meets their ongoing lifestyle needs – even as those needs change over time.

These lifetime income products safeguard members against longevity risk and can reduce their reliance on the Age Pension in their later years when they potentially feel most vulnerable. The targeted trustee superannuation prompts and trustee-designed lifetime income products proposed under recent advice and retirement reforms will also give funds the ability to guide members towards solutions that can improve their financial outcomes in retirement.

These initiatives each have the potential to make positive impacts on Australian retirees. But the true measure of success also lies in ensuring that the overall experience is effortless and reassuring.

#### CLARITY EQUALS CONFIDENCE

The transition to life after work involves making new and unfamiliar decisions. Super funds and product providers have a key role to play in empowering Australians by making their retirement options clear and accessible so they can move forward with confidence.

What we've found at TAL is that using visual tools, relatable analogies and scenario-based guidance can help members see themselves in the future – simplifying complex, financial concepts and demystifying different product options by engaging members on a personal level. This can help them see how much they can spend on things like travelling and dining out; or give them peace of mind about their future healthcare costs.

Presenting too many decision points and product options can lead to cognitive overload and the risk of making no decision at all. But a thoughtful, structured approach can help educate members so their choices are informed. On the other hand, offering too few choices can diminish trust in the options provided, with members feeling less in control over their decisions.

The 'Rule of 3' is often considered a sweet spot: providing three well-differentiated options gives enough choice for

consumers to feel autonomous while avoiding the paralysis that comes from being faced with too many alternatives.

How other sectors have structured the decision-making process for consumers can provide inspiration. For example, the motor industry uses online tools and bundling to reduce decision fatigue when buying a vehicle. Offering a shortlist of highly differentiated, pre-bundled customisation packages means that once the purchaser has chosen their preferred make and model, they build more confidence with their next decisions around colour, accessories and financing.

Giving members the means to act, not more information to digest, is key to empowering them.

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*As more funds provide comprehensive retirement solutions that include lifetime income options, we have the opportunity to learn from this experience to design and engage with simplicity in mind.*

#### START WITH SIMPLE

Lifetime income solutions carry the perception of being difficult for members to understand, which can undermine engagement and trust.

In the same way that many car buyers don't need to know the technical specifications for their engine, transmission and brakes, most retirees just want to know what lifetime income products will do for them when the rubber hits the road – specifically, the amount, frequency and duration of their payments.

Account-based pensions were initially complex products that were difficult for members to understand and navigate. But over the last decade, many funds have worked on reducing this complexity by offering “soft” or “smart” default settings that present a simpler proposition and reduce the decision-making burden.

As more funds provide comprehensive retirement solutions that include lifetime income options, we have the opportunity to learn from this experience to design and engage with simplicity in mind.

That means providing limited, pre-packaged propositions for members to choose from before guiding them to more specific settings – making every choice as straightforward as possible and supporting members at each step.

Designing the experience to meet the real needs of members requires collaboration across the ecosystem. Super funds, insurers, product providers, advisers, policymakers and regulators all have a role to play in making retirement easier for Australians to navigate.

Focusing on meaningful simplicity will provide many Australians with clear pathways to the dignified retirement they deserve. We have a lot to be optimistic about in how we can work together to support retirees – the opportunity is now to ensure we're providing simple, relevant and practical retirement experiences. RM

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*The 'Rule of 3' is often considered a sweet spot: providing three well-differentiated options gives enough choice for consumers to feel autonomous while avoiding the paralysis that comes from being faced with too many alternatives.*

## OPINION

# Building Better Super Boards: the Essential Skills Mix

NICOLETTE RUBINSZTEIN

What does an effective superannuation fund board look like in today's complex and competitive landscape? Nicolette Rubinsztein draws on almost 10 years of board experience across superannuation and other sectors to outline seven key insights into crafting the optimal combination of skills on super fund boards.



## Key Points

- Effective fund governance requires more than a skills matrix
- Having just one person with a particular perspective limits their influence
- Member representatives help avoid groupthink
- Retirement expertise is as critical at board level as at management level
- Including former CEOs and organisational leaders delivers enormous benefits
- Large boards are sub-optimal; the ideal size is less than 10

**B**EFORE DIVING INTO the specific skills required to make a board as effective as it can possibly be, it's crucial to understand a fundamental principle: single representation rarely works. Whether it's diversity of gender, background or expertise, having just one person with a particular perspective limits their impact and influence. We've all experienced being a "lone voice".

As former APRA deputy chair, insurance company chairman and actuary Ian Laughlin has noted: "It is highly desirable that there are three or more directors who have deep operational experience in the particular financial services industry."

Most of the science that I've seen on "critical mass" comes from studies of female representation on boards and management teams.

## TODAY'S SUPER FUND CONTAINS FOUR VERTICALS

This principle becomes even more critical when considering that superannuation funds operate across four distinct industry verticals: investment management, superannuation and retirement services, insurance, and financial advice.

Obviously, you can't have multiple people for each skill set, so you need to decide which ones are most important.

## SEVEN ESSENTIAL ELEMENTS FOR SUPER BOARD SUCCESS

### **1. Member representation adds real value**

Member representation – whether through union nominees or member-elected directors – brings invaluable diversity of thinking to boardroom discussions. The key isn't whether to include member voices, but rather how many positions to allocate and how to select the right candidates. From practical experience, member representatives help boards avoid groupthink and ensure genuine member perspectives inform strategic decisions. I would suggest that two member representative positions would work well, providing sufficient voice without crowding out other needed skillsets.

### **2. Double down on investment expertise**

While super funds have traditionally been strong at including investment capability on boards, many limit themselves to a single investment professional. Given that investment management sits at the core of superannuation, two investment experts provide better coverage and help diversify thinking around investment approaches.

The investment landscape offers numerous flavours of expertise – from fund managers and investment company

CEOs to asset consultants and investment bankers. The ideal combination blends practical investing experience with robust investment theory.

### **3. Superannuation and retirement capability cannot be delegated**

Unlike investment expertise, many funds have overlooked deep superannuation and retirement capability at board level, often assuming "that's what management brings to the table." This is a critical oversight. Superannuation product knowledge differs significantly from investment management capability. The complexity around retirement products, administration systems, and member experiences requires dedicated expertise – particularly in the era of the Retirement Income Covenant and its focus on longevity protection products. Boards also need directors who understand the retiree perspective, recognising that accumulation and retirement phases present vastly different challenges from customer experience, product design, and advice standpoints. This expertise can come from actual retirees, retirement sector professionals, or those with broader experience such as aged care.

### **4. Technology leadership (not IT management)**

The question isn't whether boards need technology expertise – it's what type of technology professional adds most value. Useful technology capabilities include understanding IT strategic landscapes, overseeing large complex projects, grasping digital transformation opportunities, and anticipating AI's future impact. However, boards don't need infrastructure specialists or cyber security experts – these are management-level capabilities, not governance requirements.

### **5. Insurance and advice: the forgotten essentials**

Insurance represents a significant component of superannuation operations, with premiums often exceeding the fees members pay. Premiums can be in the hundreds of millions, so it's important to get it right. Despite this materiality, insurance expertise remains uncommon in super fund boardrooms.

Similarly, as funds invest heavily in financial advice capabilities – both face-to-face and digital – boards require appropriate oversight expertise in this area. These investments demand directors who understand advice business models, regulatory requirements, and member value propositions.

### **6. The supporting cast**

Several additional capabilities strengthen superannuation boards:

**Financial expertise:** At least two directors with strong financial backgrounds, including one with accounting qualifications and experience, ensures robust financial oversight.

**Operational understanding:** Someone with administration and customer service experience brings a crucial operational perspective, helping boards understand member experience from a service delivery standpoint. This can be from other industries, particularly those who do customer experience well (for example, banking, hospitality or supermarkets).

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*Similarly, as funds invest heavily in financial advice capabilities – both face-to-face and digital – boards require appropriate oversight expertise in this area.*

**People management:** Whether through a chief people officer background, union leadership, or chief executive officer experience, human capital expertise becomes increasingly valuable as funds compete for talent.

**Risk and compliance:** Regulatory complexity demands directors who understand risk management, compliance frameworks, and legal requirements.

### **7. Style trumps everything**

Perhaps most importantly, style trumps skills. An example of this comes from the benefits that former CEOs bring to the table. Only those who have held CEO positions truly understand and empathise with the unique pressures and challenges facing chief executives. Former CEOs often provide more supportive oversight, avoid creating adversarial dynamics, and bring distinctive leadership capability and business acumen to board discussions. Including at least two former CEOs creates a valuable leadership nucleus within the broader board composition.

### **A REALITY CHECK**

The academic research on the link between board skills and organisation performance can best be described as “mildly positive”. There are many other factors at play. It's important not to load up the board with the right skills at the cost of the style factor mentioned above and diversity of thought from people in different industries and with different backgrounds. It's also important to have a core group that has had board experience as this sets a solid *modus operandi*.

The above discussion on desirable skills may suggest a very large board is necessary. This is not the case. Firstly, many directors will tick multiple boxes (for example, a funds management CEO who has an accounting qualification). Secondly, this shouldn't be used as a checklist – it's more art than science, so some skills may not be present. Finally, my experience supports the academic research: large boards are sub-optimal. The ideal size is fewer than 10, and more like 6 to 8 people.

While ticking capability boxes remains important, boards must guard against losing the intangible “x factor” that comes from the right mix of personalities, leadership styles and collaborative approaches.

Effective superannuation fund governance requires more than a skills matrix – it demands thoughtful composition that balances technical expertise with leadership capability, member representation with commercial acumen, and sector knowledge with fresh external perspectives.

As the superannuation industry continues evolving, boards that master this balance will be best positioned to guide their funds through increasingly complex challenges while delivering superior member outcomes. **RM**

## ESSAY

# Australia is Out of Step, So Let's Move to Delivering Retirement Incomes

DR DAVID KNOX

**Australia's superannuation system might be the envy of other nations, but when it comes to the retirement phase it can work much better than it does. There is a fundamental need to develop a stronger income-focused framework so that the Australian community, as well as the government and the super industry, appreciate that the primary purpose of superannuation is to provide regular and sustainable retirement income.**



## **Key Points**

- The superannuation system is not yet delivering the desired outcome of delivering adequate and sustainable retirement incomes.
- Australia ranks seventh in the 2024 Mercer CFA Institute Global Pension Index, suggesting there is room for improvement.
- Three recommendations for change include introducing soft default pensions; a compulsory retirement income stream requirement; and compulsory minimum drawdowns from accumulation accounts starting at age 75.
- These three recommendations would, over time, change our society's perspective of superannuation and highlight its fundamental purpose.

**A**USTRALIA HAS DEVELOPED a comprehensive and well-respected superannuation system with a mandatory contribution rate of 12 per cent and good long-term investment returns. This system has the potential to deliver adequate and sustainable retirement incomes, together with the means-tested Age Pension, to millions of Australian retirees for decades to come.

But the system is not yet delivering that outcome. One of the reasons is our traditional love for the lump sum benefit, which began with favourable tax rates many decades ago.

Let's recall that the legislated objective of superannuation is "to preserve savings to deliver income for a dignified retirement, alongside government support, in an equitable and sustainable way.

Note that the primary purpose of superannuation is the provision of income during the retirement years. It is not there to build a nest egg or for estate planning. It is to provide money for retirees to spend during their later years. The retirement phase can work much better than it is.

## AN INTERNATIONAL COMPARISON

The 2024 Mercer CFA Institute Global Pension Index compared and ranked 48 pension systems around the world by considering the adequacy of the benefits provided, the long-term sustainability and the overall integrity of each system. Australia ranked seventh – a creditable outcome, but with room for improvement. The accompanying table shows the requirements in each of the other top 10 systems (in order of their ranking) in respect of the benefits that are required to be provided at retirement.

The comparison with the Australian system is stark. We have no requirements at all. Australian retirees can take all their superannuation money out at retirement and spend it immediately, pay off debt, give it away (perhaps operating as the Bank of Mum and Dad) or invest it elsewhere. Alternatively, they can leave it in their superannuation accumulation account, where it will be subject to a higher tax rate than in a tax-exempt pension account, but with no drawdown or income requirements.

COUNTRY	RETIREMENT BENEFIT REQUIREMENTS
Netherlands	Lifetime pensions with a limit of 10 per cent of the benefit taken as a lump sum from 2026
Iceland	Lifetime annuities required for a significant part of mandatory contributions
Denmark	Lifelong benefit options are common with significant contribution limits for lump sum plans
Israel	Lifetime annuities are required although they are not guaranteed
Singapore	Lifetime annuities are required with three indexation options
Finland	Lifetime indexed pensions with no lump sums available
Norway	The income stream must be payable for at least 10 years and until age 77 with no lump sum option
Chile	An income stream is required; either a lifetime annuity or market-linked
Sweden	An income stream is required although it can be for a limited term

It is also worth noting that many retired Australians make no decisions at all, due to several factors including inertia, lack of understanding, communication and language difficulties and the overall complexity of moving into a pension product. It can become even more complicated if the individual returns to the workforce or wishes to make a downsizer contribution.

The accumulation phase of our superannuation system is very simple for those who don't want to make a decision. The MySuper default arrangements work well and do not require individuals to engage with their super fund. It just happens.

However, that does not happen at retirement. Indeed, as of March 2025, there are more than 840,000 MySuper accounts for Australians aged 65 and over with an average balance of \$111,000. Some of these individuals may still be in the workforce but most of them have retired.

Many of these MySuper members will have had very little, if any, engagement with their superannuation. It has all happened automatically and that is a good outcome. However, at retirement, that automatic process stops and individuals must take action. The result is that many retirees are not receiving an income from their superannuation account which could make a significant difference to

their standard of living and help provide them with a dignified retirement.

Australia has a very good accumulation system for retirement, but we do not have a retirement income system. We must do better.

THREE RECOMMENDATIONS FOR CHANGE

**1. Introducing a soft default**

Most retirees need help moving from the accumulation phase to the pension phase. This particularly applies to many MySuper members. Let's make it easy for them with a nudge, offering them a default pension product on an opt-out basis.

Initially, this nudge would only be available to MySuper members aged 65 and over (thereby meeting one of the conditions of release) and where there have been no contributions received for the last three or six months. In other words, it is very likely that the individual has retired.

The suggested default product would be an account-based pension with a similar investment strategy to the MySuper product, although it would now be tax exempt. Unlike the existing account-based pension application forms, the individual would not be asked to select a drawdown approach. The default would use the minimum drawdown rates.

Of course, bank account details would be required and the ATO would check if the retiree has breached their transfer balance cap. However, this process would be much simpler than relying on the individual to transfer their superannuation into a new pension product.

I am recommending that we begin introducing this default pension product to MySuper members as there is a higher level of disengagement here. If it is successful, this approach could be broadened to Choice members.

The design of a default pension product can be debated, but to begin this important policy development I am suggesting the use of an account-based pension, as it does not restrict future decisions that the retiree may wish to make. This is unlike a longevity product which may limit future options.



*It is also worth noting that many retired Australians make no decisions at all, due to several factors including inertia, lack of understanding, communication and language difficulties and the overall complexity of moving into a pension product.*

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*The long-term impact of this development is likely to change Australians' view of superannuation. That is, superannuation will deliver a future income stream, consistent with its legislated objective. It is not a just a nest egg!*

As this development would not affect current retirees but would require some information from each new pensioner, there is no reason why it could not be introduced immediately, with appropriate legislative support.

## **2. Compulsory income streams**

A more significant change would be to require future retirees to transfer at least half their retirement benefit into an income stream product. Such a requirement would not be as restrictive as the other leading pension systems around the world as half the benefit could still be taken as a lump sum, either at retirement or gradually drawn down during the retirement years.

Of course, the big question is the definition of an “approved” income stream. It is suggested that the following products should be approved:

- A lifetime annuity from a life insurance company.
- A pension from a defined benefit scheme.
- A pooled longevity product.
- An annuity for a fixed term where the term is at least 15 years, guaranteed or market linked.
- A “restricted” account-based pension where the annual drawdown is between the current minimum rates and double these rates.

One variation that is worthy of consideration is to exclude an amount (say \$50,000) from this income requirement and permit retirees to keep this component as a financial buffer in their superannuation fund which will in turn provide them with greater confidence to spend the income they are receiving.

## **3. Income must start from age 75**

As noted earlier, the Australian superannuation system does not have any requirement to withdraw funds following one's retirement. The existing transfer balance cap of \$2 million encourages individuals to transfer their accumulated funds below this figure into a tax-exempt pension product. However, balances above this amount remain subject to tax in the accumulation account, although they can be drawn down at the request of the individual. In many cases this does not occur, as the funds remain in a concessional tax environment.

It is therefore recommended that, from age 75, individuals must withdraw funds from the accumulation account using at least the minimum drawdown rates that apply to account-based pensions.

Such a requirement is common around the world. For example, in the US, there are required minimum distributions from age 73 in retirement plan accounts (such as those in 401(k) plans and IRAs). This approach means that the accumulated funds are used to provide retirement income and would also limit the growth of superannuation balances during retirement.

## **FUNDAMENTAL NEED FOR CHANGE**

There is much to be proud of in the Australian superannuation system. However, we have not developed appropriate policies that deliver sustainable retirement income to future retirees. There is a fundamental need to develop a stronger income-focused framework so that the Australian community, as well as the government and the super industry, appreciate that the primary purpose of superannuation is to provide regular and sustainable retirement income.

These three recommendations would, over time, change our society's perspective of superannuation and highlight its fundamental purpose. It is likely this income focus would lead to further developments, including more flexible income products, recognising that some retirees return to the workforce in a different role and the possibility of a single superannuation product that includes both the accumulation and pension phases.

However, these innovations can wait. The most important step is to strengthen our focus on retirement income. RM

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*It is therefore recommended, that from age 75, individuals must withdraw funds from the accumulation account using at least the minimum drawdown rates that apply to account-based pensions.*

As this reform would be significant, it is suggested that the commencing date should be three to five years after the initial announcement. This would enable individuals approaching retirement to adjust their retirement plans as may be necessary. As it would only affect future retirees, current retirees would not be affected.

The long-term impact of this development is likely to change Australians' view of superannuation. That is, superannuation will deliver a future income stream, consistent with its legislated objective. It is not a just a nest egg!

## ESSAY

# Beyond Accumulation: Cross-Jurisdictional Lessons for Post-Retirement Innovation

PAUL WATSON

Long regarded as leading the world in the design of defined-contribution accumulation schemes, Australia is a laggard when it comes to its decumulation scheme design. Surveying the state of play in overseas jurisdictions reveals some great ideas that Australia could consider adopting, even as those countries themselves continue look to us for pointers.



## Key Points

- Every country's retirement income system has been shaped over time by its history, demographics, macro-economic forces, policy positions, regulatory evolution and markets.
- No single country or economic bloc has a mortgage on the title of best-in-show retirement system.
- The Australian retirement system's scorecard is unbalanced.
- Australia's superannuation system has succeeded in building wealth. The challenge now is to help members use it to their best advantage in retirement.
- We can usefully learn from and be inspired by other countries' approaches, experiences and applied learnings.

**L**IKE MANY OTHER, particularly western countries, Australia's population is aging, and as a consequence longevity risk is increasing and traditional post-retirement income sources and models are straining under demographic, fiscal and modern societal pressures.

Against this sobering backdrop many countries must, and are, actively considering how best to adapt their retirement systems to remain fit for purpose.

Each of Australia, the UK, New Zealand and South Africa – countries I've spent time in and whose retirement systems I've studied – has distinct retirement income systems and related policy and operating models that have been shaped over time by their history, demographics, macro-economic forces, policy positions, regulatory evolution and markets.

While all these systems have their respective strengths and weaknesses, it is in the post-retirement phase that the greatest differences and opportunities exist. Australia, in its modern, post-Superannuation Guarantee (SG) period, has

been a regular global benchmark-setter and poster child for a modern defined-contribution approach.

And while we have been recognised and praised for the accumulation phase, we can't equally claim to be as considered, strategic or well set up for the post-retirement, decumulation maturity and utility of our system.

Having attained "peak super" in terms of summiting the SG contribution mountain earlier this year, and with a silver tsunami of late Boomers now in active contemplation of a transition to retirement, the spotlight must shift decisively to improving the Australian retirement income system's competency, capacity and delivery.

And without doubt, there is somewhat of a burning deck below us.

## A SERVICE-LED PROPOSITION

Retirement is a service-led proposition, unlike the accumulation phase which, as a result of well-developed and managed defaults, remains broadly a product-led one.

In this respect, Australian funds have a deal of work ahead of them to reach international best practice. Apart from the all-important service aspect, other key areas requiring a concerted industry effort include developing, bringing to market and supporting innovative, contemporary and modular income products. This must be coupled with an engagement wrapper for retirees that extends to targeted guidance and advice and tech-savvy tools to allow retirees to engage with their funds when, where and how they prefer that to happen.

There is much we can learn and leverage from other retirement income ecosystems that have, to different degrees, made these things central and significant in their broader system operating models and competitive landscapes.

If we fail to heed the learned and lived experiences of some other global systems, we increase the risk that our often-lauded retirement system will render suboptimal outcomes for millions of Australians, right at the point when they need it most to deliver.

#### FROM WORLD-LEADING IN ACCUMULATION TO LAGGING IN RETIREMENT

Australia's three-pillar retirement income system – the Age Pension, compulsory superannuation contributions, and voluntary savings – remains a global benchmark and standout achiever. Fuelled by more than three decades of a mandated and rising SG, Australia has built a \$4.1 trillion pool of national retirement savings, which has supported and is delivering both improved retirement security and macroeconomic stability.

Yet, a dispassionate assessment of Australia's retirement system's scorecard at this juncture sees it as unbalanced. Policy and industry focus has been, and arguably rightly so, overwhelmingly on accumulation, with limited attention paid to how to optimally help retirees with their savings draw-down requirements. Indeed, it was only in 2022 that the Retirement Income Covenant was introduced as a means to shift funds' focus, efforts and priorities to the retirement side of the scorecard.

#### *Australia*



But progress has been slow, and regulators are growing increasingly impatient with the variable depth, breadth and utility of funds' retirement income strategies to date. Most superannuation funds still offer a one-size-fits-all account-based pension solution, which competes with cashing out some or all of a newly minted retiree's now tax-free pot; or worse still, leaving it all in the less tax-effective accumulation phase due to a generally overwhelming sense of confusion leading into a state of analysis paralysis.

This apprehension often leads to under-consumption of retirement income and spending less than can be safely afforded for fear of outliving savings.

Too many Australians continue to withdraw lump sums inefficiently, often at the prompting of intermediaries, influencers and family, all with degrees of vested interests in this action; or self-undermine income security.

Funds have also been hesitant to innovate with retirement engagement solutions, better drawdown products and flexible income solutions and arguably, by global comparisons, with lifetime longevity solutions.

Australia's superpower – the envy of most other countries' retirement ecosystems – is the sheer scale and universality of our savings pool. But we are at risk of losing that international competitive advantage and mantle if we are not equally visionary in matching the accumulation success story to post-retirement solutions. If we fail to do this, or procrastinate too long, the system risks falling short of its ultimate purpose of providing members with confidence and dignity in retirement.

#### AN INTERNATIONAL PERSPECTIVE

When it comes to who has the best-in-show retirement income system, no single country or economic block has a mortgage on this title, or all the best innovations, ideas and delivery outcomes. But just as Australia's system is routinely studied internationally for the takeaways that can usefully inform the development and evolution of policy and best practice elsewhere, Australia can just as usefully learn from and be inspired by other countries' experiences and applied learnings.

#### *United Kingdom*



#### **United Kingdom: engagement and choice with guardrails**

The UK has a hybrid system anchored by a principally non-means tested, flat-rate state pension. This is supplemented by largely mandatory workplace pensions under an auto-enrolment model, but which can be opted-out of, unlike Australia's compulsory SG approach.

The UK also has a far more mature personal pensions market, largely as a result of its pre-2015 requirement for most pension savings to be used to purchase an annuity at retirement. That all changed with the advent of the 2015 "pension freedoms" reforms which granted retirees greater flexibility to instead access their defined contribution (DC) savings from age 55, without having to mandatorily purchase an annuity and included liberal access to lump sums and flexible drawdowns.

While this flexibility has empowered retirees, it has also exposed risks with which we in Australia are familiar. Evidence suggests many retirees either draw down too quickly and risk depletion; or too cautiously, and underspend. Recognising this, the UK's Financial Conduct Authority (FCA) introduced stronger guidance and "investment pathways" for non-advised drawdowns.

This is something our policymakers and regulators should closely study and consider as part of landing the Delivering Better Financial Outcomes (DBFO) reforms.

One of the UK's strengths lies in its mature advice and engagement ecosystem. And while the UK is introducing commercial pension dashboards as opposed to Australia's single, Australian Tax Office-administered super dashboard, this promises to consolidate fragmented pension pots, making retirement planning clearer and easier, and with less friction and effort on the member's part. The UK's policy mix has also prompted providers to create a spectrum of retirement solutions – annuities, drawdowns, hybrids – giving retirees greater choice.

The UK illustrates the importance of structured pathways, stronger member engagement and clearer consumer tools. A key lesson for Australia from this is that flexibility alone is insufficient without well-considered guardrails that help members make confident, timely, informed and sustainable choices.

## New Zealand



### **New Zealand: simplicity and universality, but shallow depth**

New Zealand's system is perhaps the simplest of the four. Its universal, non-means-tested NZ Super provides a base level of income in retirement, supplemented by KiwiSaver, a DC scheme established in 2007. While KiwiSaver is voluntary, it's supported by automatic enrolment for employees, with government and employer contributions.

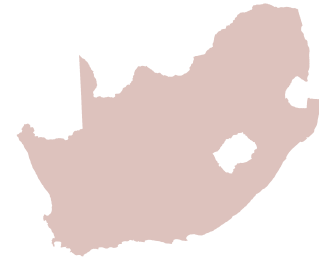
The great strength of New Zealand's system is its universality and simplicity. Every eligible retiree receives a benefit from NZ Super, aimed at alleviating poverty and providing a predictable retirement income layering foundation. This goes a long way to reducing the behavioural anxiety often seen in Australians approaching and in retirement, especially where the interplay of the Age Pension's labyrinthine rules and dual income and asset means-testing computations can quickly bamboozle retirees.

However, KiwiSaver remains primarily an accumulation vehicle. Withdrawals are largely unrestricted at retirement and the product landscape for decumulation is limited. Unlike in Australia and the UK, there is little policy or provider focus on retirement income strategies.

That said, New Zealand's strengths lie in the benefits of its simplicity and universality. There is a clear lesson here:

retirees benefit enormously from certainty and not being flummoxed by a supermarket-like array of choices and the financial commingling often needed to optimise these.

## South Africa



### **South Africa: resilience amid inequality**

South Africa's retirement system is anchored by a non-contributory social grant for older persons, similar to Australia's Age Pension, supplemented by occupational pension and provident funds, and voluntary retirement annuities. The social grant plays a critical role in alleviating poverty, particularly in a country marked by deep inequality and limited "formal"-sector coverage.

Occupational funds, largely run by major and long-standing insurance groups, have historically provided defined benefit (DB) pensions for public servants, large formal-sector employers and smaller private-company employees. But like many retirement ecosystems globally, South Africa's system has shifted toward DC arrangements.

Until quite recently, South Africans could withdraw their accumulation pots on changing employment, leading many to do so in order to make ends meet or simply to access some discretionary funds. However, in 2024 the "two-pot" reforms were introduced which now see the majority of a person's super savings compulsorily preserved, with continuing access to a modest level of those savings if certain conditions are met. This significantly positively impacted people's understanding and engagement with their retirement funds and materially raised the level of retirement savings by limiting pre-retirement withdrawals – which was a chronic issue undermining adequacy.

Introducing the two-pot reforms was demonstrably positive, but arguably South Africa's greatest strengths lie in its penchant for innovation in member engagement strategies and tools and its hybrid retirement income products, particularly "living annuities", which allow flexible drawdowns within regulated minimum and maximum bands, akin to Australia's account-based drawdown products, and which provide a more structured alternative to lump-sum withdrawals.

South Africa highlights both the risks of leakage and the potential of flexible but guided hybrid drawdown products, which may be a blend of account-based pensions and lifetime (especially deferred) annuities. We could also learn from some of the member experience innovations introduced there, including at least one fund finding great success in using WhatsApp as its members' preferred engagement channel, at a fraction of the cost, complexity, redundancy of resource and expense of intensive proprietary web portals and apps.

Importantly, South Africa also demonstrates how even in resource-constrained environments, regulatory settings can encourage product innovation that balances flexibility with sustainability.

## CROSS-JURISDICTIONAL LESSONS

Across these four systems, several themes emerge that Australian superannuation funds, policymakers and regulators should heed:

<b>01. Certainty and lack of complexity matters (New Zealand).</b>	Predictable base income reduces anxiety and promotes consumption. Australian funds should explore ways to deliver quasi-guaranteed income streams, including exploring the utility and common benefits that can be realised through pooled longevity products.
<b>02. Flexibility is best balanced with guardrails (UK, South Africa).</b>	Retirees globally value choice but also benefit materially from having well-considered and structured pathways, “soft default” solutions and clear and unbiased engagement to avoid poor outcomes.
<b>03. Innovation is possible, even under constraints (South Africa).</b>	Necessity is the mother of invention, and the phrase aptly describes how several leading pension funds there have thought outside the box to identify and leverage initiatives that other and better resourced systems have yet to consider (cue Henry Ford: “If I had asked people what they wanted, they would have said faster horses”). Even with its acknowledged inequality and fiscal limits, industry, policymakers and regulators collectively driving new paradigms and boundaries can stimulate world-class creative member engagement outcomes and post-retirement product evolution.
<b>04. Engagement is critical (UK).</b>	The UK system has materially improved member engagement and decision-making using tools such as pension dashboards, guided pathways, guidance and personalised communications. These include pre-retirement “wake-up” packs, digital and personalised video annual statement summaries, and an industry-led national “pension week” engagement campaign called “Show Your Pension Some Attention”.

## ADDRESSING COUNTERARGUMENTS

Some stakeholders in our system argue that demand for innovative retirement products is weak, citing persistently low uptake of annuities. Others note regulatory uncertainty and the commercial challenges of offering capital-intensive guarantees. These concerns are valid, but not insurmountable.

Consumer demand is often latent; retirees may not know what they need until solutions are clearly framed and communicated. Regulation is evolving, with Treasury and regulators signalling stronger expectations around retirement income strategies. And funds need not leap to a Lexus-standard retirement income playbook.

Meaningful improvements not requiring excessive capital, operational and resourcing costs and risks can be created from combining hybrid models, strategic partnerships, a “rent-rather-than-build” approach to retirement income solutions, pooled vehicles, and advice-lite solutions for some members and other more tailored advice pathways for more complex and nuanced situations.

## THE IMPERATIVE FOR AUSTRALIA

Australia has a world-class superannuation system, with the financial depth, policy and regulatory framework and institutional capability to also lead the world in retirement income innovation, engagement and most importantly, outcomes.

But we aren’t there yet. Inertia persists. We remain overly focused on accumulation. We err towards being too reluctant to invest materially in service and product innovation and development. The risks of these handbrakes on our achieving our retirement-side potential are significant, including:

- **Member dissatisfaction** as retirees feel unsupported in managing their savings.

- **Reputational damage** to funds and the broader system, undermining trust.
- **Political intervention**, with governments stepping in to impose solutions if industry fails to proactively respond.
- **Economic inefficiency**, if retirees continue to under-consume, not only do they risk the dignity and enjoyment they might have otherwise achieved, it’s also a lost opportunity for the broader economy that misses out on their consumption, which could contribute to national growth and prosperity.

Innovation would go a long way to positioning our already respected accumulation system as an equally world-class deliverer of high-quality, sustainable and dignified retirements for all Australians. This could include developing modern longevity-protected income products; technology-informed dynamic spending strategies; integrated Age Pension “radars”; calculators and automatic, straight-through pension applications at the point of initial and ongoing qualification; and next-generation digital engagement platforms.

## A CALL FOR LEADERSHIP

The examples of the UK, New Zealand, and South Africa show that innovation is possible, engagement is essential, and certainty is invaluable.

For Australian super funds, the already glacial pace of developing post-retirement excellence means the risk of delaying or deferring even longer is too great. Robust, member-centric retirement income solutions are now not just a regulatory obligation, they are strategic and competitive differentiators, even an imperative for member retention and organic fund growth. Like other waypoints in our modern retirement system’s evolution, the industry should recognise and see this as another time to seize the initiative and to lead. **RM**

## FEATURE

# Three Years on, Funds Assess Progress on Delivering the Retirement Income Covenant

SIMON HOYLE

**Criticism of super funds for moving too slowly on the Retirement Income Covenant (RIC) is a recurring theme at industry events and in regulator commentary. But super funds argue that perceptions of slow progress mask the value and pace of change taking place behind the scenes as systems are upgraded, data is cleaned and readied and solutions are prepared for launch.**

## Key Points

- Regulators and government persistently criticise super funds for being too slow to meet their Retirement Income Covenant obligations.
- The heads of retirement at four funds push back on this suggestion, pointing to inconsistent legislation that has hindered progress in some places
- They say the volume of work going on behind the scenes doesn't support the idea that funds are moving too slowly.
- Despite criticism, funds say they are innovating in how they develop and deliver solutions to members.
- Best practice principles issued by Treasury will help those who have been unsure how to proceed and reflect what the leaders in the space are already doing.

**T**HE MESSAGE FROM ASIC and APRA at the Retirement Leaders Summit in Canberra on 13 August was clear: super funds are not treating their Retirement Income Covenant obligations with the urgency the regulators expect.

ASIC Commissioner Simone Constant and APRA deputy chair Margaret Cole conceded funds have made progress over the three years or so since the covenant came into effect but told the summit the emergence of leaders and laggards in the industry is a major concern.

In a media briefing in August, APRA chair John Lonsdale dismissed the idea that because some funds have a young membership base they don't have to act as quickly as funds with older members. He told *Retirement Magazine* all trustees, must meet their fiduciary duties, which includes the RIC.

The retirement heads of four super funds convened by *Retirement Magazine* to discuss progress in delivering on the RIC dispute the characterisation of the industry as slow. They say perceptions of tardiness often mask the volume and pace of work going on behind the scenes to develop solutions, often in partnership with external suppliers.

Brenton Tickner, head of retirement strategy and propositions at Aware Super, says the "slow" narrative, though persistent, is not always fair.

"Some funds have quite different membership compositions, maybe they don't have as many members

in or near retirement phase, or maybe there are bigger strategic challenges within that fund," he says.

"And it also comes down to the capital position and where the fund is at overall. Over the last few years Aware has been really building up its administration capability – a lot of straight-through processing, a lot of efficiency – and that really frees up resources and capacity to do the value-add."

And Giacomo Tarantolo, manager of retirement solutions at UniSuper, says the reasons for the mixed pace of development are nuanced.

"I think it's right for the regulators to ask these questions; that's their job and they should be looking at the whole industry," he says.

"But there is nuance. A lot of the things that funds are doing might not be the big-bang thing, but there's little incremental things that funds are doing behind the scenes that actually take a whole lot of time."

Sarah Forman, chief retirement officer at Team Super, says the regulators' message to increase the pace of change is part of a broader push to ensure the superannuation system is fit for purpose – namely, retirement.

"We understand the sense of urgency, as we have an aging population, with the Age Pension playing a large part in the retirement outcomes of Australians, as does super," Forman says.

“We want to ensure the system keeps delivering against its intended purpose and helping everyday Australians retire with dignity”.

Ambiguity in legislation initially left some funds unsure how to proceed says Jennifer McSpadden, head of retirement at Brighter Super.

“The legislation wasn’t particularly clear about what was expected, so funds were left to interpret and implement it on their own,” she says.

“Some funds said they need more guidance and certainty. But the reality is you can’t afford to wait. At Brighter nearly half our members are over 48 and need support. You have to take the lead and act now.”

In any case, McSpadden says measuring success means looking beyond either black-letter law or guiding principles to actual member outcomes, or face the risk that someone will ask “how is it in members’ best financial interest that you’ve spent all this money trying to improve member outcomes without delivering measurable difference over time?”.

#### OBSTACLES BEYOND INDIVIDUAL FUNDS

Not all the issues funds grapple with as they develop retirement income solutions are of their own making, nor are they necessarily linked to legacy administration systems that might have been built in the 1980s and 1990s.

For example, Tickner says, “at the moment, you can’t top-up an existing income account, you have to take the money out of retirement phase back to your accumulation phase”.

“That means your payments stop. It’s very disruptive. And then you’ve got to move it back into the income account,” he says.

“If you look at the income account-opening process, about 43 per cent of our income accounts opened last year were from members who already had an income account, and pretty much all of that was about adding more into their income account.”

He says this design flaw clashes with the realities of modern retirement, where people may downsize, inherit money, or return to work.

“We know employment patterns in retirement are different. People stop and then start again...we just make it so difficult for people to add to the retirement income stream.”

Tickner says the answer may be quite clear: “Surely we can look at the relevant legislation and regulations to just allow people to top up their income account – that is far easier for members and just a better overall outcome.”

Forman says the recycling of accounts is one of the system’s most obvious pain points, “creating paperwork, transactions and phone calls from members that funds need to resource for, but it adds to the overall complexity of a system which is already complicated to explain to members”.

Forman says part of the solution lies in harmonisation to reduce waste caused by overlaps and contradictions, and standardised language to help members make decisions – especially comparisons between fund offerings – with more confidence.

McSpadden says legislative barriers can get in the way of optimising retirement income solutions. She says an “ideal” solution would be provide members “a seamless view of their retirement income, whether it’s an account-based pension, lifetime income or the age pension, so they can really understand their financial position”.



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Consistency of legislation and regulations across the different arms of the government would be great.

– GIACOMO TARANTOLO, UNISUPER

“In an ideal world you would want, if you like, an account for life that transitions seamlessly from accumulation into pension,” she says.

“We’ve tested that concept, but it really is impossible for us to solve without government intervention and legislative change.”

Tarantolo says consistency must extend beyond product labels to the entire regulatory framework.

“Consistency of legislation and regulations across the different arms of the government would be great,” he says.

“We’ve got DBFO, the Treasury best practice principles, the APRA reporting frameworks and also an ASIC review into retirement communications, what we hope for as an industry is for a clear and consistent guidance for trustees to go away and implement.”

Tarantolo says fragmentation and inconsistencies slow down implementation and leave funds second-guessing what to do next.

“Maybe just getting that plan and everybody on the same page, and [if] we know what’s coming, then we can prepare and deliver it on time,” he says.

Inconsistent terminology leaves members bewildered and reduces their confidence in making good choices. What’s needed, Tarantolo says, is “consistency of language to enable the members to know what they need to do”.

And Forman points to another issue funds are being asked to solve but which is really a societal problem: poor financial literacy among members.

“We know there are social benefits from government funded education programs which have the financial reach to really lean into an issue and support raising the awareness bar,” she says.

“There could be a role to play for the government in creating more social awareness of the importance of understanding financial basics. This could also be addressed within the education system, where we could be investing more time in the later years of high school to better prepare young people on the basics of managing their money.”

Forman says super funds have “an absolute role in lifting the educational threshold of members”.

“Our role is to continue providing members with meaningful nudges at the right time as they progress through their working life and into retirement, but perhaps if there was more general awareness outside of these nudges, there may be greater engagement and confidence,” she says.

“I think the burden is sitting with super funds at the moment to try and educate their members, and the media also leans in to try and educate Australians, with social media having success into some demographics. With social media sometimes the content is good and sometimes it’s possibly misleading or inaccurate.”

In some cases, legacy technology is an impediment, and the structure of profit-to-member super funds places constraints on the pace at which they can move.

“You can’t just drop \$200 million on getting it done just like that,” Tarantolo says.

“You can’t because of the profit-to-member nature. You can’t just go, ‘Alright, we’re going to do a digital transformation’, and transformation just happens. It takes a lot of time, and you’re dealing with archaic systems. Some systems were built in the 1980s. And yes, you can make it better here and there, but it’s still 1980s [technology].”

BEST PRACTICE GUIDANCE

While regulators have been vocal in their criticisms of funds, funds have felt more constrained in what they can say publicly about the regulator. But behind the scenes a common refrain is that it’s all very well for regulators to push for higher standards, but that some guidance on what a “good” retirement income strategy looks like would be helpful.

The industry got just that earlier this year when Treasury released its guidance on best practice principles for superannuation retirement income solutions. But while it might provide some useful directions for funds, Tickner reckons that leading funds are already “doing this”.

And Tarantolo notes that while industry standards are OK as guidance to funds, adherence to them must not let funds



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*The merger created a scale step-change for us that has meant we can contemplate more retirement solutions.*

– SARAH FORMAN, TEAM SUPER

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*Empowering, informed decision making – that is really what the aspiration for best practice should be for super funds.*

– GIACOMO TARANTOLO, UNISUPER

off the hook for producing poor member outcomes. The result is more important than the process.

“From an industry perspective, great, it sets some standards... [but]one size doesn’t fit all. What I think is missing is what’s best practice from a member outcome perspective.”

He warns that prescriptive elements, such as mandated cohorting, could backfire. “The best practice principles say that you need at least three cohorts,” he says.

“The number of cohorts or whether cohorting is appropriate really depends on the fund.

“Empowering, informed decision making – that is really what the aspiration for best practice should be for super funds.”

The principles are voluntary and, to that extent, aspirational rather than creating firm obligations. Team Super’s Forman says her concern is less about the intent of the principles and more about execution.

“Increasing access to the best retirement solutions has a bit more challenge to it, because there is such diversity of circumstances and preferences amongst Australians when they get to retirement,” she says.

“And solving for that is not easy for funds as they can often only see a member’s super savings”

Even so, Forman says, guidance is welcome.

“I encourage sharing best practice guidance...because I think, as an industry, we need to continue learning and growing, and that’s really helpful,” she says.

McSpadden says the guidelines do “try to establish what does good look like for a fund”, and the fact that they are voluntary gives funds room to move.

“Where we had funds saying there wasn’t a lot of guidance in the initial legislation, this is something that could help,” she says.

“But at the same time, I think what has also been established is that funds also need the ability to say if they are adopting the principles, and why. Every fund has a unique membership base. If they have done their research and know who their members are and what they need, funds need the ability to customise their solutions.

“So, the principles can’t be one-size-fits all. They need to support funds to focus on individual member needs. Ultimately, they need to help funds help their members make better retirement decisions.”

INNOVATIONS OF NOTE

The proof of progress in developing retirement solutions is what funds actually release that has a direct and beneficial impact on members. Tarantolo points to retirement outlook events and the roll-out of digital advice.

“In the pre retiree section, almost 60 per cent of them,



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So, the principles can't be one-size-fits all. Ultimately, they need to help funds help their members make better retirement decisions.

– JENNIFER MCSPADDEN, BRIGHTER SUPER

when we did the survey after, said that post-event they feel more confident about their retirement,” he says.

“So it's meeting that member need. Then more recently we've launched our digital advice investment journey.

“It's available on our member online portal and through our app. It's the first of many journeys [and] we plan on launching contributions, insurance, pension drawdowns progressively throughout the year.”

The most striking results have come from direct member engagement.

“What we've seen is just the amount of engagement and lists of questions. We had over 14,000 people register [for retirement outlook events].”

Tickner points to new advice tools and fee reductions as tangible evidence of progress.

“We reduced the admin fees on retirement accounts by 25 per cent last financial year,” he says.

“That kicked off in June last year, so that's about \$18 million in saved fees for our retirement account members. The retirement bonus was then launched in November last year, and already 8000 eligible members have received a retirement bonus, and that's \$17 million in tax benefits added to those income accounts.”

Tickner says a suite of digital tools developed by Aware is an example of innovation that directly enhances member decision-making.

“We've recently launched our Retirement Manager digital advice solution [to help] members at retirement to optimise their drawdown in retirement,” he says.

“It guides decisions around how much to draw, how long it'll last, how they should be invested, and delivers a statement of advice at the end which they can go and implement.”

Complementing this is a “retirement ready” check-in service, which Tickner says has grown rapidly from about 134 sessions a month at launch to around 500 a month in

the FY25, jumping to 1200 sessions in July this year.

The approach taken by Brighter Super has been “very much an iterative approach, really a journey of continuous improvement”, McSpadden says.

“The Retirement Income Report we co-sponsor with Investment Trends has delivered valuable insights into member needs and behaviours. The report has uncovered a lot of interesting findings,” McSpadden says.

“And on top of that, Brighter Super has developed a Retirement Income Strategy performance dashboard, which measures the success and effectiveness of our strategy. It also reflects several key areas that the regulator or the Treasury paper was talking about.

“It is interesting to see how we're tracking. The dashboard not only provides a line in the sand about how we've gone over the last three years, but it starts to highlight what we need to focus on over the next three to five years.”

Technology features prominently in Team Super's innovation, and Forman says the merger of TWUSUPER and Mine Super, which was completed in March this year, has created a foundation for developing better retirement solutions.

“The merger created a scale step-change for us that has meant we can contemplate more retirement solutions, with the potential to distribute services at greater scale,” Forman says.

She says having the right technology stack means Team can be focus on “sustainable growth and scale without compromising our core service proposition”.

“We're working with a tech provider on the advice software we use, initially with our financial advisers,” she says. “The goal is to increase the throughput and productivity of our own advice teams so they can see and support more of our members with the right conversations even more efficiently.” RM



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The retirement bonus was launched in November last year, and already 8000 eligible members have received a retirement bonus, and that's \$17 million in tax benefits added to those income accounts.

– BRENTON TICKNER, AWARE SUPER

## OPINION

# Making Super Funds Compete for Members will Benefit Everyone

XAVIER O'HALLORAN AND DR KATRINA ELLIS

**Australia has developed a \$4.1 trillion superannuation system, but the fact that it does not provide even basic information for consumers to compare retirement options is a source of embarrassment. Consumer-focused transparency is vital and should be prioritised so that future generations of retirees have access to free, reliable and easy to use information.**



### Key Points

- People who want to take more of a DIY approach to retirement planning are being let down by their super funds.
- A big "black spot" exists in the drive for competition between funds.
- Australia needs urgent action to increase consumer-facing transparency of retirement options.
- Analysis of new APRA data suggests consumers are not getting any warning that they are invested in poor quality products.
- All multi-manager multi-sector retirement drawdown investment options should be included in the annual performance test immediately.
- Consumer-focused transparency is vital and should be prioritised.

**A**LL OF THE heat and energy in retirement policy has been focused on financial advice, with the long-awaited Delivering Better Financial Outcomes (DBFO) legislation and, to a lesser extent, Treasury's development of the Retirement Best Practice Principles for super funds. While advice and system design have a place, people who want to take more of a DIY approach to retirement planning are being let down.

If DBFO is enacted, super funds will be unshackled from their self-imposed barriers and start giving more advice and start asking questions about what members really want. Some funds have realised that no true barriers exist and have already forged ahead. The changes might result in more consumers transitioning their savings to the retirement phase earlier, and some may further optimise their drawdown patterns. But given the significant tax incentives to stick to the minimum drawdowns and the super

fund-imposed barriers to transitioning to retirement (for example, minimum balance requirements), we fear the actual outcomes from the past five years of retirement focus will be far more muted.

The new class of "advisers", employed by funds and with limited training, should help funds retain members at retirement. But it remains to be seen whether they'll deliver any actual value. We highlighted guidance failures by super fund calculators in this publication last year, finding that most fund calculators either encouraged people to spend down at artificially high levels or had them spread their savings thin to last beyond 100. If the quality of this guidance is anything to go by, we're in for a rocky few years.

The conversation on retirement reform has been completely devoid of discussion about how we make super funds compete with each other to deliver the best outcomes for retirees.



## A 'BLACK SPOT' IN THE DRIVE FOR COMPETITION

We have a market with plenty of potential competitors, relatively low barriers to entry for funds and investment options (perhaps too low in the recent cases related to the Shield and First Guardian failures) and all Australians are forced to contribute, so there is no lack of demand. The biggest "black spot" is comparability. There are thousands of product choices but no real way for the average person to independently understand their needs and compare what's on offer.

It's embarrassing that we have built a \$4.1 trillion superannuation system without providing even basic information for consumers to compare retirement options. We're even lagging New Zealand which, despite the infancy of its super system, has an independent consumer-facing comparison tool to help people wade through the morass of investment options. It includes clear information about fees, returns, customer service experience and risk.<sup>1</sup>

Australia needs urgent action to increase consumer-facing transparency of retirement options. At the moment we've got a comparison tool that only compares a fraction of the accumulation market, which is siloed away on the ATO website. This tool has not been expanded or updated to improve its usefulness for consumers. Instead, its only minor change came after heavy industry lobbying, which saw it move from being sorted by fees to being sorted by returns – despite consumer research showing that people are far more responsive and more likely to consider switching based on fees. We can already hear the clamour of voices pointing out that net returns are the best measure of outcomes. Sure, in hindsight; but unlike its NZ equivalent, the Australian tool doesn't even attempt to communicate risk. Once again, industry interests are put ahead of consumers, even on tools that are meant to be designed for consumers.

We test the performance of accumulation products, why not drawdown products?

The retirement phase of superannuation is big and will continue to grow. There are currently 1.35 million accounts with \$490 billion in assets in the retirement phase of

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*We test the performance of accumulation products, why not drawdown products?*”

APRA-regulated superannuation funds.<sup>2</sup> APRA estimated that we are tracking towards \$3 trillion in the retirement phase in the next 20 years.<sup>3</sup> With more than 200,000 new pension accounts opened every year since 2015, an increasingly large group of the population is lacking transparency about their choices.<sup>4</sup>

There are currently 67 funds offering 215 retirement products with 12,096 multi-sector investment options.<sup>5</sup> With this dizzying array of options to choose from, consumers cannot simply gather information themselves to do a comparison of retirement options. We need a comparison tool that provides people with easy-to-use relevant information so that they are empowered to find the best retirement option for them.

In June 2025 APRA released data for the first time on the historical returns and fees of some multi-manager multi-sector retirement investment options that underpin account-based pensions.<sup>6</sup> This is an important first step in increasing transparency but it is a long way from providing data in an easy-to-use consumer facing comparison tool.

We have analysed this new data and it does appear that some retirement drawdown products may be harmful to consumers. But consumers are not getting any warning that they are invested in poor quality products.

Of the 37 accumulation investment options that failed the 2024 performance test, 28 are offered in the retirement-phase. APRA published 10 years of historical data on eight of these. When compared with other retirement phase options with similar growth/defensive weightings, these failed options consistently perform in the lowest quartile of their category.<sup>7</sup>

**1.4 million**

Number of retirement accounts

**\$490 billion**

Assets of retirement accounts

**12,096**

Number of multi-sector options offered to retirees

**28 out of 37**

Number of options that failed the YFYS performance test in 2024

**199 out of 590**

Number of choice options that were performance-tested in 2024 that are offered to retirees

**0.1%**

Percentage of retirement assets that are annuitised

Source: Super Consumers Australia

1 Sorted.org, Kiwisaver fund finder: <http://sorted.org/>

2 Figures for 31 March 2025 in Table 1, APRA Quarterly Superannuation Industry Publication: <https://www.apra.gov.au/quarterly-superannuation-industry-publication>

3 Remarks to the Conexus Retirement Conference, 13 August 2025:

<https://www.apra.gov.au/news-and-publications/apra-deputy-chair-margaret-cole-remarks-to-conexus-retirement-conference>

4 Table 3, APRA Annual Superannuation Bulletin published 30 January 2025: <https://www.apra.gov.au/annual-superannuation-bulletin>

5 SCA analysis of Table 1, APRA Quarterly Superannuation Product Statistics published 26 June 2025: <https://www.apra.gov.au/quarterly-superannuation-product-statistics>

6 Source Tables 7a, 7b, 7c, 7d, 9, 9a APRA Quarterly Superannuation Product Statistics published 26 June 2025 (ibid)

7 SCA Research Report [link to be provided once published]

This suggests that these investment options are not only harmful to the accumulation members who are warned about them, but that they are also poor performers when compared to retirement options and potentially harming retirees as well.

We need to stop this harm immediately.

#### INCLUSION IN THE PERFORMANCE TEST

At this point in time, the main retirement options are account-based pensions, which are straightforward investment options with a return and a fee. They may have investments more tilted towards income generation than accumulation phase options, given that the investors will be drawing down some of their money each year, but overall they are very similar, if not identical, to accumulation-phase investment options. In fact, 199 of the 590 choice options tested in the 2024 performance test are offered in the retirement phase.<sup>8</sup>

All multi-manager multi-sector retirement drawdown investment options could be included in the annual performance test immediately. This would cover 52 per cent of the retirement assets and would directly reduce harm to people invested in poorly performing retirement options.<sup>9</sup>

For retirement drawdown products with a guarantee (for example, traditional annuities, market-linked annuities) the current performance test could simply not be used. There are 5530 member accounts with \$464 million (0.1 per cent of the \$490 billion in retirement assets) in retirement drawdown products with guarantees available at the moment.<sup>10</sup> We shouldn't hold up performance testing of account-based pensions simply because we haven't figured out how to test this 0.1 per cent.

Even so, for these annuity-style options, consumers would benefit from having a standardised measure of the retirement income payable from each option, plus the out-of-pocket fees. For example, it would be useful to compare the income that a 60-, 70- or 80-year-old male and female could generate for \$100,000 invested in a lifetime income product. There could be some simple categories used to group lifetime income products, such as market-linked/non-market-linked, term/lifetime guarantee, reversionary/non-reversionary and immediate/deferred. This would enable people to judge which products in a category would be the best for them, given the income provided and out-of-pocket fees charged. The government could also set a quality benchmark of income/fees that it deems is acceptable performance of a lifetime income product and assess which lifetime income products pass or fail that benchmark.

The government should expand the YourSuper Comparison Tool to provide standardised information on retirement products (returns or income per \$100,000, fees, risk and pass/fail mark). This would put the key information in one easy to use spot for people to compare retirement products.

In addition to transparency for comparison, and quality

testing to identify harmful products, the consequences for trustees should be extended to poor performing retirement drawdown options. This ensures that trustees will be motivated to improve and ensure that they offer products that meet the minimum quality standards set by the government. Even without expanding the performance test, the government could require that the letter that is currently sent to members of a failing trustee-directed product is sent to any superannuation investor (accumulation, retirement or transition to retirement phase) who is in that option in any fund.

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*All of these insights would help to shape continuous product improvement and development of new products for members with unmet needs.*

#### OTHER MEASUREMENT

Although our focus is on providing transparent measurement of quality for consumers, it is also important that trustees have robust internal measurement of the success of their retirement drawdown options and that regulators have metrics that measure the overall status of the retirement drawdown phase.

Interesting ideas on trustee self-measurement of success are provided in the paper by David Bell and Geoff Warren.<sup>11</sup> What is measured matters, and all trustees should be using metrics that measure how well their retirement drawdown products are being used by members, how competitive their offerings are and whether all members are benefiting from the offerings or if there are differences across cohorts of members. These insights would help to shape continuous product improvement and development of new products for members with unmet needs.

The Treasury consultation package on a Retirement Reporting Framework is also an important step towards greater transparency on the retirement drawdown phase of superannuation.<sup>12</sup> The purpose of the framework is to inform policy reform and provide information to support regulatory work. Building a reporting framework for these purposes is essential for the health of Australia's superannuation system and goes beyond consumer-focused transparency.

Although both reporting regimes are important, consumer-focused transparency is vital and should be prioritised so that future generations of retirees have access to free, reliable and easy to use information. **RM**

<sup>8</sup> SCA Research Report [link to be provided once published]

<sup>9</sup> SCA analysis of APRA Table 1b Quarterly Product Superannuation Statistics published 26 June 2025, \$256 billion invested in multi-manager multi-sector retirement investment options with \$490 billion in the retirement phase reported by APRA in the Quarterly Superannuation Industry Publication published 26 June 2025 (ibid)

<sup>10</sup> SCA analysis of APRA Table 1b Quarterly Product Superannuation Statistics published 26 June 2025. (ibid)

<sup>11</sup> Conexus Institute, "How to best assess retirement income strategies", David Bell and Geoff Warren, 31 July 2025:

<https://www.investmentmagazine.com.au/2025/07/how-to-best-assess-retirement-income-strategies/>

<sup>12</sup> The Treasury, Retirement Reporting Framework Consultation, 2025: <https://consult.treasury.gov.au/c2025-672325>

## OPINION

# Questions Every Trustee Should Be Asking to Make a Mostly Magnificent System Work Better for All Members

ANDREW INWOOD

The coming wave of retirees would be a big enough task for super funds to handle even if the needs of every one of those retirees weren't uniquely complex. The response of funds to date has been slow in some cases and research by Conexus and CoreData Research shows it's also widely variable. There are questions all trustees should be asking about the readiness of their funds to support members as they retire.



## Key Points

- The purpose of the superannuation system is to give Australians the best possible retirement.
- Conexus/Core Data Best Possible Retirement research show delivery of retirement solutions is patchy across the industry.
- Funds with the poorest service scores are not also the cheapest or the smallest: price has no correlation with service, while size is inversely correlated.
- A retirement wave is coming, and for all but about 20 per cent of retirees the experience is likely to be pretty traumatising.
- The trustees of every fund should be explicitly asking is: are we as a fund ready for this?

**A**FTER AN OVERNIGHT flight from Phuket followed by a much-delayed Qantas flight from Sydney to Canberra – because, of all things, the pilot found his seat to be uncomfortable – I found myself jammed in with the rest of the friends of Conexus at the back of Members Dining Room 2 in Old Parliament House for the Retirement Leaders Summit.

I was delighted to be there, partly because it was a conference where I didn't have to talk, so there wasn't 10 hours of preparation, so I could just listen – and I wanted to hear what people had to say.

If I am known for anything in superannuation, it's standing for the idea the whole purpose of the system is to give Australians the best possible retirement – the third and arguably unfinished pillar of Australia's mostly magnificent system. That's it. That's the explicit promise it makes, and this promise is pretty unevenly delivered.

Delivering that promise means the system must be run cost-effectively; that investment returns must be market leading; and then members' retirement must be the best it can possibly be.

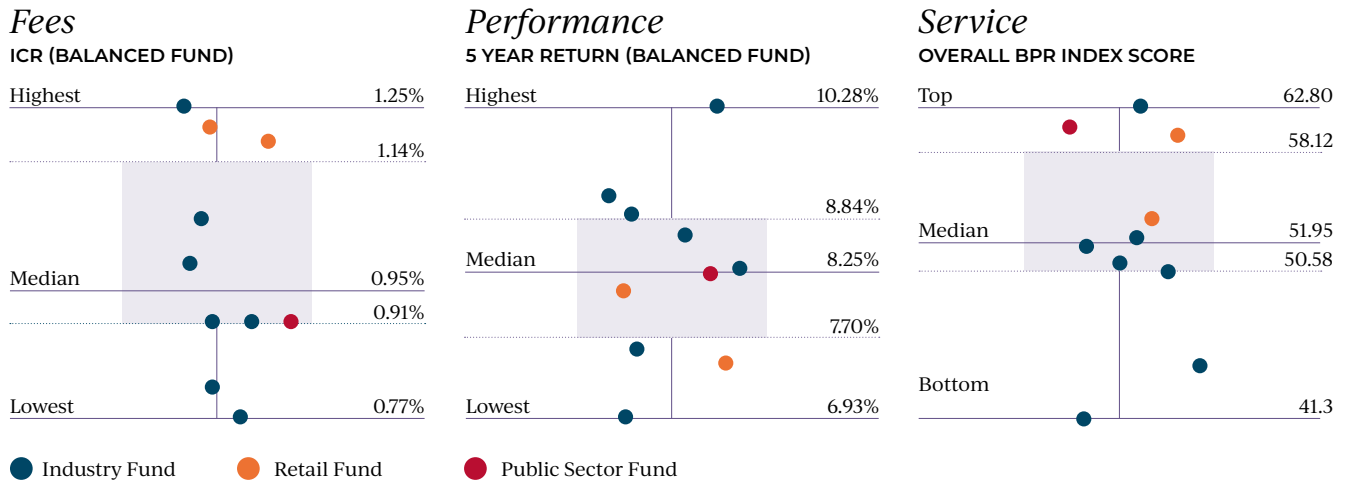
I don't say the promise is to make members rich or happy. That's not what super does. It can't be. It can, however, help them do the best with what they have.

The chart which explains this best is from the Conexus/CoreData Best Possible Retirement Research, which looks at how Australians feel in the decade before they retire, and in the decade after.

This research uses member data to create a hierarchy of member outcomes and experiences, and it means many funds are forced for the first time to confront the fact of how they rank relative to everyone else.

There's are all sorts of messages in this data. Many funds, despite three years of focus, haven't improved their

**Service is the key differentiator, No Correlation Between High Fees and Good Service.**



Fees are based on ICR % rates which are subjected to change based on time of year. Performance is based on last announced 5-year return performance of superfund and is subjected to change. Service score is based on Best Possible Retirement 2025 research and is calculated as an overall index score based on members retirement preparedness scores and retirement satisfaction scores. Source: Core Data Research.

members' retirement experiences, while others quite clearly have. Close enough to one in five (17 per cent) members are considering changing fund at retirement. The lump sums being withdrawn at retirement are increasingly being gambled (invested in crypto and gold). Service experiences continue to show massive variance. Australians are really worried about inflation but super funds, by and large, aren't reflecting this concern.

FROM PRETTY GOOD TO REALLY PRETTY BAD

It's pretty easy to see that competition and the government have ensured that the costs of superannuation fall in a very narrow range, and that the introduction of the Your Future Your Super performance test means returns also fall in a very narrow range. But the retirement experience data shows us the confidence, satisfaction and service indicators remain very wide, ranging from pretty good to really pretty bad.

You might expect the funds with the poorest service scores would also be the cheapest or the smallest funds – that service would be, in effect, a function of price. It turns out not to be true: price has no correlation with service, while size is inversely correlated.

In other words, smaller funds are simply better at delivering a good retirement experience. While they don't form part of the survey, because their independent member cohort is too small, the best member experience year-on-year is NESS, the electrical contractors super scheme.

At just over \$1 billion in assets and just under 13,000 members, NESS is technically tiny, and it has only just launched an app. Before that it solved all its member communication issues by in-person site visits, good phone service and clear messaging. It's going to be interesting to see if an app shifts the dial for them, because it's clear that what the members value the most is expert service on the phone and good workplace engagement.

You might argue that a fund that size should be rolled up, shuffled into a similar fund like Equip or Cbus, but why? If performance is good, insurance is good and service is good, it's hard to argue that increased scale will result in better member service and outcomes.

So there I was at the Retirement Leaders Summit, jammed into the cheap seats and listening to ASIC and APRA. They were as usual, measured and intelligent and thoughtful; and, for the third year in a row, also clear: get retirement right; we are watching and we are looking for improvement. Funds responded: we are taking this seriously; we are leaning into it. And service providers said the same thing: this is the first thing on our minds.

A THUMBNAIL DIPPED IN TAR

I started to do some maths to figure out, in a thumbnail-dipped-in-tar kind of way, the size of the retirement problem, just in case anyone asked. On a simple, five-year view, between now and this time in 2030 there will be around 1300 working days. The Australian Bureau of Statistics suggests that between 700,000 and one million Australians will retire. The data also suggests that the average age of retirement is close enough to 65, and that the modal age of death for men is 85 and for women 91, which gives us 20-odd years of retirement. And retirement will range from easy to complex.

So: 1300 days of seven effective working hours gives us 9100 working hours; and a mid-range estimate of 900,000 people retiring. This gives us 98 people retiring from work every hour of every working day for the next five years.

Play with those numbers any way you like – model out people working longer, or fewer people retiring – but whichever way you cut it, the numbers are daunting.

Daunting, too, is the fact that retirement is complicated beyond measure for most. Our research shows that only about 20 per cent of people retire at the time and in the way they choose, and therefore with confidence.

The trustees of every fund should be explicitly asking themselves and their executives: are we as a fund ready for this? Have we have built the services? Do we have the models that allow us to predict what our members' experiences will be? Do we have a system of advice or soft compulsion to make this simple? And can we do it at scale?

If the answer to any or all of those things is no, then the size of the problem and the scale of the disappointment is easy to calculate – and really, really sobering. RM



Shlomo Benartzi

## FEATURE

# Saving Members From Themselves is One of the Best Things Super Funds Can Do – and **They Should Do It Now**

SIMON HOYLE

**Behavioural economics has taught us that individuals can be poor at making optimal decisions. Shlomo Benartzi, a global leader in the behavioural economics field, says there's a clear role for super funds in supporting and nudging members to make choices that serve their own best interests better. The question is how to do it cost-effectively, and at scale.**

### **Key Points**

- A key lesson from behavioural economics is to make the right choice the easy choice.
- Super funds are sitting on "data goldmines" and the capacity of AI to unlock that data is immense.
- A "good" nudge is one that takes into account an individual members' goals and aspirations.
- Technology allows funds to experiment with nudges and framing communications much faster than ever before.
- At all times, members must remain free to choose – to opt in, or to opt out.
- It's more important that funds implement very good solutions right now than delay doing anything in the quest for a perfect solution.

**E**NCOURAGING SUPER FUND members who don't want or can't afford full financial advice to make the best possible decisions for themselves has emerged as the holy grail of super funds developing effective retirement income strategies.

When it comes to retirement matters, individuals left to their own devices will reliably do nothing. If they do take action, it often won't be the optimal course for them to follow. Members are only human, after all.

An understanding of behavioural economics concepts and what motivates individuals to act is central to the idea of nudging, and to helping individuals make the best decision, without explicitly telling them what to do.

Shlomo Benartzi, a global pioneer in the field of behavioural economics and co-founder – with Nobel prize winner Richard Thaler – of the Save More Tomorrow (SMarT)

program, says that doing anything right now to prompt an individual to move in the right direction is preferable to waiting for a perfect answer or suggestion which may take years to develop.

“If I were to give you what might be the number one lesson from behavioural economics, it is: make the smart choice the easy choice,” Benartzi says. “And another line that would probably be less for the individuals and more for the providers and the advisers: don’t let the perfect be the enemy of the very good.”

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*Doing the right things might take a bit of effort. Doing nothing is the easiest thing, and we often make it easy to do nothing. That's a big problem.*

– SHLOMO BENARTZI

In other words, keep an eye on the big picture, and don’t get too hung up on the details. For example, Benartzi says, it’s near impossible to tell if an individual member of a fund should save 14.1 per cent or 14.2 per cent, “but many people should save more than 12 per cent”.

“The fact that we don’t have an exact number to the decimals doesn’t mean that we can’t do much better, and the same would apply to decumulation and producing retirement income,” he says.

“We could keep debating here forever how much you should annuitise and how much should be what, in the US, we call systematic withdrawals. But knowing whether I need to have 33 per cent annuitised or 34 per cent annuitised, if anyone that tells you they know exactly that, they’re just bluffing.”

They’re selling what behavioural economists like Benartzi call “the illusion of precision”.

“We need to get 90 per cent of the way there, with 10 per cent of the effort,” Benartzi says.

“We’re never going to get this to be 100 per cent perfect and it doesn’t really matter, at the end of the day.”

Benartzi says individuals shy away from making decisions they perceive as difficult or complex because they are “afraid of making the wrong decisions, afraid of looking dumb, afraid of admitting that they need help, and they’re a bit lazy”.

“Doing the right things might take a bit of effort,” he says. “Doing nothing is the easiest thing, and we often make it easy to do nothing. That’s a big problem.”

#### SITTING ON A GOLDMINE

Todd Stevenson, Aware Super head of brand, marketing and digital, says data and the application of AI are two essential tools to help combat member inertia, improve engagement and develop effective nudges.

“Super funds are sitting on data gold mines,” Stevenson says. “There’s so much data that we already have, we don’t need more data, we just need to use it smarter.

“We believe in the power of AI, but obviously in responsible

application. It is a cultural and capability build that you need, so we are investing heavily into change management [and] building the capability internally to then use AI in responsible ways to drive better outcomes for members: how can we be doing things more efficiently; how can we deliver better outcomes to members through better insights or information that is relevant to those individuals?”

Benartzi says the application of AI cannot be overstated in shortening development and testing times.

“In the old days the way a behavioural economist would try to help people save, we would run experiments. We will try different things. We will try to automatically enroll people – we found that it’s very effective. Australia decided maybe we just make it mandatory – that’s also a possible path, I’m not saying it’s good or bad – but we would run experiments.

“It often took us years to run an experiment. If you think about automatic escalation of saving rates and the Save More Tomorrow program I developed with Richard Thaler, it took us three years to find a plan sponsor to try, three more years to see how it works – you’re talking years. Now there’s a new world out there that is about using an AI to run tests in matters of days or hours versus months or years.”

Benartzi says the field of generative populations is having a massive impact, allowing organisations such as super funds to run trials on member cohorts by creating their “digital twins”.

“We can ask them a lot of things. The accuracy is actually mind-boggling. Now think about it: we can ask a lot of things, nobody would know it. The range of things you might feel comfortable asking, so you could learn, is much broader. You don’t have to go to compliance and legal. There are no real dollars [at risk].

“It’s pretty easy to do it and the speed and cost is something totally new.”

In fact, Benartzi says, running sandbox experiments like this potentially makes the job of getting the real-world green-light easier.

“You go into compliance with the evidence and say, if we did this, we should expect these kinds of results, and only then you’re spending the technology dollars to build the pipes or whatever you need to make it a reality.”

Stevenson says this is a development Aware Super is keen to explore and he says he is “a huge believer in the power of this technology”.

“I’ve seen a lot of the research, and the statistical accuracy that comes with it is exceptional,” he says.

“It really presents us an opportunity to test things at speed, get things to market faster for members, really understand the nuances between members and cohorts, et cetera, and ultimately, it’ll allow us to deliver, in effect, personalised propositions in the future.

“Think about Netflix in terms of how your front screen is very different to mine, is very different to Shlomo’s. That, in the future, will be the experience the super fund will deliver.”

#### THIS TIME IT’S PERSONAL

Benartzi says it’s difficult for members to differentiate one super fund from another. They all largely do the same things in the same way. And, because of the herding mentality fostered by the Your Future Your Super performance test, they all look the same performance wise, with just a few basis points of return separating the field.

Benartzi says the funds that will separate themselves from the pack in coming years will be those that are “smart about AI; AI is going to be a game changer for the members”.

“They could really move the needle on financial wellbeing,” he says.

“They are obviously going to gain a much bigger market share. Their economics would work better. And those who would kind of be slow and less innovative and fall into kind of the big organisation issues are just going to be left behind.”

Benartzi says studies show that AI projects tend to fail not because the technology is lacking, or that it is applied to addressing the wrong issues, but because organisational cultures do not adapt fast enough to its use.

“It’s not about hallucinations, it’s not about AI not delivering quality output, it’s about the organisations not being able to integrate and adapt to the AI,” he says.

Stevenson says AI will allow funds to deliver, in effect, personalised propositions in the future.”

“We’ll be able to understand individuals and be able to deliver tailored communications, [or] personalised experiences relevant to them.

“You can test interfaces. You might have historically tested an A-B site and run it for three or four months to get the outcome. You can do that now almost daily, you can do that now instantly.

“But exploring those types of scenarios... is much deeper than just UX or UI. You get product development, you can test advice propositions, you can test language before you go and spend significantly on a large advertising campaign.”

## NUDGE, NUDGE

Even if technology allows funds to gain deeper insights into members’ wants and needs, there’s still the task of creating effective communications and creating nudges to help members to get where they want to go. Benartzi says that to create a “good” nudge, “you need to know what’s a good outcome”.

“Sometimes, we can have an objective metric of people saving enough. We could run some income replacement calculation and say, ‘Are they on the path to successful retirement?’,” he says.

“I do think good nudges should not override the important role of freedom of choice and personalisation. And what I mean by that is, maybe the nudge makes it very easy to go left, but it should be easy for people who don’t want to go left to say, hey, I want to go right.

“If you think about countries like the UK, where people are automatically enrolled in a DC plan, we’ve made it very easy to start saving, that’s great; but we should also make it very easy to opt out, for the single parent with three kids and five maxed-out credit cards who cannot save now. That’s about making it easy to choose; and even if there is a good default, it might not work for everyone.”

Benartzi says the development of nudges must recognise the world is a lot more complex than it was just a couple of decades ago, and that the financial decisions individuals must make as they move into retirement are correspondingly both more complex and more idiosyncratic.

“A good nudge is a nudge that recognises individual differences,” he says.



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*If we can help individuals identify what their goal is for their future – and that can be done, again, using behavioural economics and envisioning of the future – you can work backwards from there.*

– TODD STEVENSON

“That’s something that we didn’t pay enough attention to as behavioural economists 30 years ago, because the technology and the scale to personalise was not there. Saying everyone should save two per cent more every year was an incredibly good starting point, but nowadays we have a lot more data, and not everyone should save at the same rate.”

Stevenson says a challenge in developing effective and personalised nudges for members at any point through their life, but especially in relation to retirement, is that “retirement is so far away for people, they can’t visualise what ‘good’ looks like for them”.

“They don’t know what they need in retirement,” he says. “But if we can help individuals identify what their goal is for their future – and that can be done, again, using behavioural economics and envisioning of the future – you can work backwards from there.”

Stevenson says the goal for a super fund isn’t one generic nudge for an entire cohort of members, but rather “personalised nudging at scale, driven by AI and data”.

“It’s proactive rather than reactive and to help people make good decisions, or even circumvent bad decisions... framing is really important,” he says.

“An example is that members will respond much better to stories, outcomes, emotions and examples – an extra \$100,000 in retirement will land much better than a point two per cent fee reduction. And then that dynamic framing – personalising those messages depending on the individual – would be really important.” RM

## FEATURE

# Why Forging True Partnerships is the Key to Strong Relationships With Advisers

SIMON HOYLE



Marisa Broome

**Many super funds are falling over themselves to create relationships with external professional advisers to deliver advice to members, especially as they near retirement. But one of Australia's foremost financial advisers, Marisa Broome, says the service standards of profit-to-member funds generally do not hold a candle to retail funds or platforms; and they could do worse than stopping treating advisers as the enemy.**

## Key Points

- Profit-to-member funds have an important role to play in helping advisers deliver holistic, comprehensive advice.
- Advisers face real difficulties arise when trying to act as an adviser to members of profit-to-member funds
- Some funds still fundamentally misunderstand the role of advisers and are fearful of them as a result
- Better technology and a genuine partnership with advisers would help greatly
- Profit-to-member funds can learn exactly what advisers need and value by looking at what's offered by specialist wealth platforms

**A**T THE HEART of the issues many financial advisers face when working with profit-to-member superannuation funds is that funds simply fail, or refuse, to treat advisers as true partners. In pursuit of serving the best financial interests of members, trustees often overlook or forget that advisers themselves have a best interests duty to their clients. In some respects it's a more onerous duty, because it's not restricted only to the financial.

Marisa Broome, principal of [wealthadvice.com.au](http://wealthadvice.com.au), a former chair of the Financial Planning Association of Australia (now the Financial Advice Association Australia) and a serving a member of The Conexus Institute\* advisory board, says profit-to-member funds have an important role to play in helping advisers deliver holistic, comprehensive advice, and in many cases they are the ideal solution for clients.

It's a popular narrative that advised clients represent a one-way stream of traffic out of super funds, but Broome says there is a range of situations and scenarios where advisers would like to incorporate a profit-to-member fund as part of their broader advice offering. She says funds need to stop treating advisers automatically and necessarily as the enemy.

Broome says she works with clients who come to her with a range of different starting points. She says it “was once rare that they come to me with a profit-to-member fund, it’s starting to grow a little bit”.

“Recently, more have come to me in a position of crisis, and I actually want to put them into a profit-to-member fund in that moment,” she says.

“I often inherited them with a self-managed super fund, and they have no longer the capacity to manage it. In fact, I actually question whether they’ve ever had the capacity to manage it: their previous advisers were actually in control,” she says.

“They’ve underperformed. They’re not the right structures. They’re now no longer able to do it, and a profit-to-member fund is a wonderful solution. That’s the current scenario I’m finding, and I’ve had five of them this year.”

#### YOUNGER CLIENTS

Another stream of clients are younger people (often the children of clients) just starting out, who need a straightforward, low-cost, low-hassle option.

“It’s cost effective, it’s easy,” Broome says. “There’s a great app that they can get engaged in, and we can start building that ‘what does superannuation mean for you?’ type story with them.”

Broome says she also sees people marooned in retail products without advice since banks left the field.

“More often than not, they were in a retail product, and they’re now looking for an adviser because the banks aren’t in advice anymore, and they need someone to help them as they prepare for retirement,” she says.

For a fourth stream of clients it has proven more difficult to include a profit-to-member fund as part of a solution.

“I’ve had a number of clients who have brought me their parents who have recently downsized and don’t have superannuation, but at 75 and they’re quite healthy, they’ve probably got 20 years ahead of them in life expectancy, a downsizing contribution is a really good strategy for them into super,” she says.

“Try opening a super fund for a 75-year-old who has never had a super account. It’s almost impossible, because the system in the industry funds doesn’t allow it.”

#### PROS AND CONS

Broome says that when clients have been placed in SMSFs inappropriately, their lack of understanding of what they’re doing is glaring. For such clients, moving into a profit-to-member fund can be a relief. However, the real difficulties arise when trying to act as an adviser with profit-to-member funds.

“If a client is used to dealing with an adviser, they will still want the adviser in the loop. And so the fund that I would select would need to allow me to be in the loop in some way. A lot of them say they allow the advisers to be in the loop, but the harsh reality is they don’t.

“I don’t want to name funds specifically, but [one large fund] wanted to see my last two compliance reports, almost my financial statements, for me to be on their panel, so they can refer to me, so I can charge fees to the client’s account and get access to their adviser portal. I don’t want that. I don’t want referrals from them. I just want access to their portal. But this fund wants to be able to refer to me as well as give me access and this is not what I need or want.”

“

*This fund wants to be able to refer to me as well as give me access and this is not what I need or want.*

By contrast, she says, another large fund allows more straightforward access, but even then, the process can be clunky.

“With [one fund], I can get a client to allow me to log in, but I have to log in as them. I have to use their password to log in to get their information, and that’s not appropriate, either. I should have my own access, my own password. They should be able to track that it’s me logging in. The client should authorise whether I can just view it or actually swap the portfolio around.”

Broome says that if profit-to-member funds want to know what advisers are looking for, and how to work with them as partners, they need look no further than the established adviser-focused platforms such as (but by no means only) CFS, Panorama, HUB24 or Netwealth.

“One of the reasons I start by always referring to HUB24 is because HUB is one of the few platforms where you don’t need an adviser to be linked to the client account. I can open the account for the client, but if the client wants to do something in that, it’s their money and they can actually override me, and they can change the level of authority. I’m much more comfortable with that relationship.”

#### MISUNDERSTANDING ADVISERS

Some funds still fundamentally misunderstand the role of advisers and are fearful of them as a result. Some are fearful for good reason, though, having seen high-balance members spirited away to alternatives that might be more lucrative for the adviser.

But Broome says they need to get over themselves.

“They think we’re only wanting leads and referrals rather than actually solutions,” she says.

“I’m not interested. There’s 15,000 advisers left in the country, and I could take on 10 new clients a week, I’ve got that many inquiries. We have to triage them, and some we take, and some we don’t. But at the moment, I can’t deliver advice this year to a new client. I have no capacity to deliver advice this year.”

What would help is better technology and genuine partnership, she says.

“For every dollar they spend on adviser technology it’s like a five-fold return for them, because someone will come and seek advice because they’ve got a lot of money. Generally, they’re actually quite wealthy. And if those funds want to retain large accounts, they need to engage with us across the board.

“By engaging with us, it’s a win-win for everyone. It’s a win for us, it’s a win for them. They have large, sticky accounts that last for a long period of time.” RM

**The Conexus Institute is a not-for-profit think-tank philanthropically funded by Conexus Financial, publisher of Retirement Magazine.**

# 2026 event calendar

Conexus Financial connects senior executives and leaders in institutional investment, superannuation, and wealth management around the world. Through its trusted media and portfolio of premium events, it advocates for change in the industry, impacting some \$50 trillion in fiduciary capital.

In 2026, we will once again deliver an unrivalled calendar of events — creating unique opportunities for knowledge-sharing, brand authority, and intimate networking with key decision-makers.

## Retirement Magazine Events



### Chair Forum

**4–5 February 2026 | InterContinental Sorrento, VIC**

The leading conference for chairs, deputy chairs and investment committee chairs of superannuation fund trustee boards, addressing best practice governance, ethics, investment stewardship and member outcomes in a changing fiduciary landscape.



### Advice Policy Summit

**25–26 February 2026 | National Press Club of Australia, Canberra, ACT**

A national policy forum convening financial advisers, advice firm principals, licensee leaders and super fund executives, along with government, regulators and industry associations to help shape the future of financial advice. This summit drives forward the legislative, regulatory, and commercial reform required to deliver innovation and affordable, high-quality advice to more Australians.



### Fiduciary Investors Symposium

**12–14 May 2026 | Hydro Majestic / Lillianfels, Blue Mountains, NSW**

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