the conexus INSTITUTE

Conexus Institute In-depth

Views from super funds on retirement ~~defaults~~ pre-set solutions and pathways

May 2026

David Bell
Executive Director
The Conexus Institute
david.bell@theconexusinstitute.org.au

Geoff Warren
Research Fellow
The Conexus Institute
Honorary Associate Professor
Australian National University
geoff.warren@theconexusinstitute.org.au

Executive summary

This report presents findings from interviewing representatives from 16 superannuation funds on 'default' retirement solutions, focusing on the form they might take and the pathways through which they could be delivered to members. While significant dispersion exists in the stance taken by super funds to this issue, some notable areas of agreement are evident.

- Confusion exists around the meaning of 'default' in a retirement context, encouraging us to adopt the terms 'pre-set' retirement solutions and 'opt-out' versus 'opt-in' pathways.
- There is limited support for placing members into retirement solutions on an opt-out basis.
- Broad support exists for suggesting pre-set retirement solutions to members on an unsolicited basis, albeit with differing views on how suggestions could operate under the regulatory regime.
- A majority of funds have a clear preference for providing multiple pre-set retirement solutions to cater for member differences.
- Calls emerged to enable contingency accounts exempt from the minimum drawdown rules.

1. Overview

Attention is increasing on the potential role for 'retirement defaults' within the superannuation (super) system. Emerging interest in the topic became evident at the Conexus Retirement Leader's Summit in August 2025, although delegates seemed to have different things in mind when retirement 'defaults' were raised. This prompted our November 2025 report *Retirement defaults: What, when and how* that frames the various formats which retirement 'defaults' might take. Subsequently HESTA[1] and the Actuaries Institute[2] released papers calling for retirement defaults of differing forms. We have also been informed that Super Members Council of Australia (SMCA) has a working group examining the issues.

We contribute to the discussion through soliciting and outlining the range of views amongst super funds on retirement 'defaults'. We do so by interviewing representatives from 16 super funds covering a spectrum of fund types. Below we outline key themes to emerge, areas of agreement and implications for policymakers; and provide a report roadmap.

1.1. Key themes

The following key themes emerged from the interviews:

- **Dispersion of views** –There is substantial variation in how funds are approaching the topic, with participants offering differing perspectives and each interview following its own arc. Nevertheless, there are some areas of agreement as highlighted in Section 1.2.
- **Terminology needs addressing** – The *word 'default' is creating confusion* largely because everyone takes it to mean different things and dissonance with the strict definition of default (i.e. something that happens when no action is taken). While terminology remains unsettled, we will use 'default' sparingly and adopt the terms below, which received reasonable acceptance from a majority of participants:
  - "*Pre-set*" to describe a type of retirement solution that is standardised rather than personally tailored (and have at times been described as 'default solutions' in some quarters)
  - "*Pathways*" to describe the processes through which retirement solutions are provided to members
  - *"Opt-out"* versus *"opt-in"* as a key dividing line between pathways where members are placed into a solution and pathways where members are required to consider and accept a highlighted solution.
- **What is needed to support all members is central** – The central issue is: '*what range of mechanisms is required for super funds to effectively support all their members*'. The 'defaults' debate thus centres on the types of pre-set retirement solutions and spectrum of pathways for providing the pre-set solutions required for super funds to effectively service their member bases.
- **Extent of member disengagement is pivotal** – The size of the cohort of members who will take no action for themselves is pivotal to the need for opt-out pathways. A related issue is the number of members who would benefit from being presented a pre-set retirement solution that they can readily accept with minimal input. However, the size of these cohorts is unknown. It is clear that more research is needed.
- **Importance of engagement** – *All* participating funds view engagement by members as desirable and preferable. For many funds, the idea of suggesting pre-set solutions is seen as a mechanism to spark engagement, although some funds also view them as a backstop for members who take no action.
- **Wide dispersion in legal and regulatory risk tolerance** – There is striking dispersion in legal and regulatory risk tolerance across funds, particularly regarding whether and how members could be guided towards pre-set retirement solutions outside of a formal financial advice process.

[1] HESTA proposes defaulting members into a retirement account with opt-out once they have reached age 65 and have ceased contributing, with the intent of ensuring they do not miss out on available tax benefits.
[2] The Actuaries Institute paper, written by Nick Callil and David Knox, proposes a 'MyIncome' account in the form of an account-based pension that is offered on an opt-in basis from age 65 with compulsory transfer at age 75. The motivation is to ensure some income will ultimately be paid out of super.

1.2. Areas of agreement

Agreement exists across the majority of funds in four areas:

1. **Limited support for an opt-out approach** – Only three out of 16 funds support placing members in pre-set retirement solutions on an opt-out basis, although another three funds are willing to consider opt-out pathways if certain conditions are satisfied.
2. **'Suggestion' pathway receives broad support** – Thirteen out of 16 funds support the concept of suggesting pre-set solutions to members on an unsolicited basis as a type of 'first offer' or nudge. Seven of these 13 funds view suggestions largely as a mechanism to spur further engagement.
3. **Multiple pre-set solutions preferred** – A substantial majority of funds consider it important to offer multiple rather than single pre-set solutions to cater for member differences. Only one fund argued that a single pre-set solution suffices.
4. **Support for enabling contingency retirement accounts** – Many funds see meaningful member benefit in being able to provide contingency (or 'rainy day') accounts that are exempt from the minimum drawdown rules, including as a component of pre-set solutions.

1.3. Policy implications

A threshold issue for policymakers is the range of pathways needed to support *all* members and whether any policy adjustments or clarifications are required to accommodate the full range. Most notable is the clear consensus among funds that many members would benefit if trustees could, at their discretion, suggest pre-set retirement solutions on an unsolicited basis. However, this pathway is viewed by many funds as problematic under the existing legal and regulatory regime. Policymakers should examine this issue and determine whether action is required.

Similarly, the few funds that are calling for an opt-out do so on the basis that this pathway is needed to cater for members who will take no action if left to their own devices. A question for policymakers is whether such members form a significant cohort, even if just for particular super funds. The issue arises of potential benefit versus possible harm of opt-out mechanisms in retirement. Many of the funds arguing against opt-out pathways do so based on risk of harm.

Policymakers might also investigate whether contingency accounts that are exempt from the minimum drawdown rules should be enabled.

1.4. Roadmap

This report proceeds as follows:

- Section 2 outlines the research method.
- Section 3 notes the consensus around the need to do more to assist members with retirement.
- Section 4 describes the debate around terminology.
- Section 5 summarises the views on single versus multiple pre-set retirement solutions.
- Section 6 summarises the views on pathways.
- Section 7 highlights some notable points of difference across interviewed funds.
- Section 8 discusses a range of other matters arising from the interviews.
- Section 9 offers concluding thoughts, including commenting on policy implications.

2. Research method

Our method entailed interviewing representatives of 16 super funds[3]. The sample includes 10 profit-for-member and six for-profit funds of medium-size through to very large size. Interviews were a mix of in-person and virtual, attended by between one and five representatives (average of 2.3), typically lasted 45 minutes, and were recorded thus generating transcripts with an undertaking to delete these records after the project was completed. Participants were provided questions and a framing diagram, both of which were updated after earlier meetings indicated opportunities for improvements.

Exhibit 1 presents the questions following updates made as the interviews progressed. In most cases the questions acted as a guide or prompt for free-ranging discussion.

Exhibit 1: Questions provided to participants prior to interviews

1. What are your thoughts on the **provision of retirement 'defaults'** by super funds, and what form they might take? You might refer to the diagram over in framing your response.
2. How retirement defaults might be **implemented** both at a system level and by your fund?
3. What do you identify as possible **benefits** of retirement defaults? What type of members would a retirement default assist?
4. What do you see as possible **detractions** from retirement defaults?
5. Is there **anything else** you would like to add?

Exhibit 2 (see over) presents the framing diagram, which is a revised version of that appearing in *Retirement defaults: What, when and how*[4]. This version refers to pre-set (previously 'standardised') solutions and includes additional information on the pathways under the 'status' heading.

Findings involve overviewing themes and viewpoints that emerge from the interviews, supplemented by counts of how many of the 16 participants agreed (or disagreed) with concepts. We also extract selected anonymous quotes from the transcripts, which are lightly edited to enhance interpretability while being careful not to alter the meaning or intent of the comment.

3. The need to do more

We encountered broad consensus around the need for super funds to do more to assist members towards suitable retirement solutions. No one argued that what is currently being done by either their own fund or the industry is sufficient. Discussion centred on the form this assistance should take, with the following flashpoints emerging:

- Whether there could be a role for single pre-set solutions, or if some level of tailoring is essential.
- Whether opt-out pathways need to be made available, or if it suffices to offer pre-set solutions on an opt-in basis along with other decision support such as self-help tools and financial advice.
- The depth and breadth of members disengagement, in particular how many members may take no action if left to their own devices.
- While the importance of engagement and choice is widely acknowledged, there is debate over the extent to which it can be relied on versus the need for more paternalistic approaches by trustees.

[3] Nineteen funds were invited, with two declining and one failing to respond.
[4] Exhibit 2 has been edited slightly for the purpose of this write-up relative to that shown to interview participants, largely because the discussions indicated that the diagram could be made clearer in a few areas.

Exhibit 2: Framing diagram – Type of pre-set retirement solutions and pathways

		Type of 'pre-set' retirement solution		Status		
		(A) Single 'pre-set' solution, made available to all	**(B) Multiple 'pre-set' solutions for specific member types**	**Nature of pathway**	**Opt-in or opt-out**	**Availability under policy regime**
Pathway	**1. Default**, made without prior assent of member with opt-out available	Defaulting member into a basic pre-set solution, perhaps once they reach a certain age and stop contributing	Defaulting member into a selected pre-set solution, perhaps once they reach certain age and stop contributing, based on (likely limited) member information such as balance	Default made without prior assent of member	Opt-out	Unavailable without policy change
	2. Assignment, made at the request of the member with opt-out provided	Assigning member upon request to a basic pre-set solution	Assigning member upon request to a selected pre-set solution based on available personal information	Default made at member request	Opt-out	Unavailable without policy change
	3. Suggestion, probably made with intent of spurring engagement to identify a more suitable (i.e. tailored) solution	Basic pre-set solution presented for consideration, along with invitation to engage	Selected pre-set solution presented for consideration based on any available personal information, along with invitation to engage	Solution suggested first as initial offer or nudge; coupled with offer to further engage	Opt-in	Possibly prohibited by anti-hawking as well as under DBFO T2 targeted super prompts as currently framed
	4. Baseline recommendation of pre-set solution made under a financial advice process, probably with encouragement to engage further for personal tailoring	Basic pre-set solution presented as a baseline to consider, coupled with offer to further engage over a more tailored solution	Presenting a selected pre-set solution as a baseline recommendation after collecting personal information to identify the member's type, coupled with offer to further engage over a more tailored solution	Member engages with advice process; then solution is recommended	Opt-in	Currently available under advice license DBFO T2 'Advice through superannuation' could expand scope under intra-fund advice
	5. Member self-choice of pre-set solution(s) presented via either 'join process', general communications or materials on available solution options	Making available a basic pre-set solution that may be suitable for many members, while highlighting availability of more tailored solutions	Set of pre-set solutions designed for particular member types made available for members to self-identify and choose, while highlighting situations where those solutions may be unsuitable	Member choice	Opt-in	Available

4. Terminology

It is apparent that terminology is a problem. The word 'default' itself seems to cause confusion. While some participants were happy to discuss the spectrum of pathways presented in Exhibit 2 as variations on the concept of 'defaults', some consider default to strictly refer to the opt-out pathways (i.e. pathway 1 and perhaps 2). Meanwhile others view suggestions (i.e. pathway 3) as a type of soft default. We were told that a SMCA working group is focusing on the issue of terminology.

In *Retirement defaults: What, when and how* we maintained that what really matters is to be clear about exactly the type of mechanism one is talking about. Consistent with this notion, we adopt 'opt-out' versus 'opt-in' as an important delineation between pathways, noting that 'default' is more appropriately applied only in the case of 'opt-out' pathways. We also adopt 'pre-set' retirement solutions to describe retirement solutions offered as a type of standardised solution designed for use by either all members or particular member types (i.e. member cohorts). Pre-sets may be distinguished from retirement solutions that are personally tailored for individual members in some way, such as through a highly personalised advice process or by a financial planner.

5. Participant thoughts on types of pre-set retirement solutions

Our framing diagram (i.e. Exhibit 2) proposes that pre-set retirement solutions could come in the form of either a single pre-set available to all or multiple pre-sets designed for specific member types. Two other possibilities emerged during the interviews. First is for funds to offer both. For instance, a single pre-set solution might be provided on an opt-out basis as a backstop for members who do not engage, coupled with multiple pre-set solutions made available on an opt-in basis either by suggestion or for members who engage to select[5]. Second, some funds see zero or very limited use cases for pre-set solutions as they consider personalisation and choice as primary.

Exhibit 3 allocates the funds we interviewed into three categories. Four funds see a role for single pre-sets, of which only one fund supports using single pre-sets in isolation without making multiple pre-sets available. Nine funds see a role for multiple pre-sets that provide a basic level of tailoring. Three funds (two of which were super platforms servicing advisers) are primarily focused on enabling engagement and supporting members to make active personal choices. Combining the last two groups implies that 12 out of 16 funds consider tailoring as *essential* to cater for member differences.

Exhibit 3: Support for various types of pre-set retirement solutions

Retirement solution types	Description	No. of funds supporting
Single pre-set solution would benefit some members - Possibly offered along with multiple pre-set solutions	• Single pre-set solution seen as backstop for members who take no action or require only a basic solution • Flexibility for members to exit from a single, basic pre-set solution is typically seen as desirable • Range of pre-set solutions may be made available in conjunction for those members who engage	4 *(Only one of these four funds supported single pre-sets in isolation)*
Multiple pre-set solutions that cater for different member types - Single pre-set solution cannot cater for member differences	• Set of pre-set solutions should be offered that are designed for differing member types or cohorts • Discussion of how fund can know enough about members to identify pre-set solution that is suitable	9
Personalisation and choice should be the primary focus	• No real call for pre-set solutions as personalisation and choice essential given complexity of retirement • Pre-set solutions might be useful if they assist choice	3
TOTAL		16

[5] This approach would require policy enablement.

Another way of cutting the responses is that 12 funds (three in the first group plus nine in the second group) support making multiple pre-set solutions available, three funds view personalisation and choice as fundamental, and only one fund supports making single pre-set solutions available in isolation. The following quote sums up the general sentiment around the need for multiple pre-set solutions:

> *"It's impossible to create a one-size-fits-all solution, or even one-size-fits-many. The goal should be several solutions of one-size-fits-some. You should have multiple paths."*

6. Views on pathways

A central issue is the range of pathways required to assist all members towards a retirement solution suited to their needs. Funds commented freely on the available pathways, with much of the discussion focusing on the need for opt-out pathways and suggestions as the main areas of contention. Exhibit 4 (see over) summarises the views across our fund sample. It builds on our framing diagram (i.e. Exhibit 2) by adding an 'engagement and choice' category to capture the five funds that are primarily focused on personalisation and choice. This includes the three funds listed in Exhibit 3 that emphasised personalisation and choice over the provision of pre-set solutions (i.e. member engagement is the end-goal). We also include two other funds that are receptive to making pre-set solutions available primarily to spur active choice, while considering it acceptable if a member takes up a pre-set solution without further engagement if done as a matter of informed choice.

Exhibit 4 reports the number of supportive mentions of each pathway that were made explicitly, while noting how many funds did not support a particular pathway in the last 'notes' column where appropriate. It is entirely possible that views on some pathways may have been broader than we report: we can only recognise what was said, not what was left unsaid. In particular, recommending a pre-set solution to members who go through an advice process (pathway 4) and making pre-set solutions available for members to choose (pathway 5) were not always discussed, probably because both are currently available and are hence uncontroversial. As a consequence, we do not elaborate further on pathway 4 and pathway 5.

Exhibit 4: Pathways to pre-set retirement solutions

Pathway	Description	No. of funds supporting	Notes
Opt-out pathways: 1. **Member defaulted** into pre-set solution upon certain conditions *(pathway 1)* 2. **Member assigned** to a pre-set solution upon request *(pathway 2)*	• Member placed into pre-set retirement solution without requiring any decision over the suitability that solution and only minimal action being needed • Disengaged or inactive members are moved into the retirement phase so that they receive tax benefits and retirement income • If selection made from multiple pre-set solutions, member information will be needed to identify their type • Invitation to engage likely provided • *Not currently supported*	3	13 funds stated they are currently against opt-outs – Three of these 13 funds said 'maybe later' if certain conditions are satisfied One of the three funds mentioned assignment (pathway 2) as a possibility
3. **Pre-set solution suggested to member on unsolicited basis**, coupled with invitation to engage *(pathway 3)*	• Suggestion of pre-set solution comes first, engagement second • Intent of spurring engagement • Possibility that some members may accept offer on convenience, trust or as a recommendation • *Possibly inhibited by anti-hawking and targeted super prompts as currently framed, although disputed by some (see Section 7.1)*	13	Seven out of these 13 funds view engagement as a critical component of this pathway, with many of these funds primarily seeing suggestions as a 'call to action' or nudge to spark further engagement
4. **Members offered a pre-set solution** after engaging and going through a financial advice process *(pathway 4)*	• Engagement comes first, pre-set solution recommendation second • Requires advice license and issue of a Statement of Advice • *Currently available and used by a number of funds*	5	These five funds mentioned this pathway as important to them, although not explicitly discussed. The availability of this pathway seemed taken as a 'given' by many participants.
5. **Pre-set solutions made available for member to choose** *(pathway 5)*	• Pre-set solutions designed for particular member types are made available for members to choose • *Currently available and used by a couple of funds*	4	These four funds mentioned this pathway as important to them, although not explicitly discussed. The availability of this pathway seemed taken as a 'given' by many participants.
6. **Engagement and choice** are the primary focus and objective	• Engagement and personal choice by members viewed as essential given complexity of retirement and different personal circumstances • Stance of advice-focused platforms and a few profit-for-member funds • *Currently available*	5	Three of these five funds are receptive to suggestions of pre-set solutions as a mechanism either to spark engagement or on the basis they might be taken up as an active choice. Two funds are platforms that focus on personalisation supported by financial advice

6.1. Opt-out pathways

The limited support for the opt-out pathways is a notable finding. Only three funds supported opt-outs in any form. The following quote sets out the case:

> *"The type of people who are reaching out to us for help … they're still the thin end of the wedge. … What about the thick end of the wedge who are doing nothing? … That's where we have to get directive … (which could include) defaults … forcing them into an option with as much information as we can possibly harvest."*

Thirteen funds said they did not currently support opt-outs, although three of these 13 indicated they are willing to re-consider under certain conditions[6]. A primary consideration was that fund trustees do not know enough about members and their situation to place them into a retirement solution with high confidence that doing so is appropriate and that the solution is suitable for their needs (see quote):

> *"Opt-out really only works when you know your members … well enough. Just knowing final superannuation balance isn't the answer. There's a lot more to it than that. You've got to be able to understand things like their home ownership situation, partnership status and Age Pension entitlements. I feel like if you know at least that, then you can go down the opt-out versus opt-in path. But without that …(opt-out) has got its benefits, but it comes with risks."*

Implementation challenges are viewed by many funds as another major hurdle to opt-outs, especially default without prior assent (pathway 1). Nine funds referred to the need to secure bank account details to pay income as a key hurdle. Some funds mentioned requirements around identity checks, Know Your Customer and Anti-Money Laundering.

Interestingly, we received zero mentions of the possibility of defaulting members at an older age such as 75 when they are highly likely to be retired. We found this interesting given there has been public discourse over this approach, which features in the recent paper by the Actuaries Institute. We take the lack of discussion of this possibility as a sign that it is not currently top of mind among super funds.

An agenda around opt-out 'defaults' may be currently difficult to progress given the combination of an absence of broad-based support from super funds and the resource and political constraints faced by policymakers. This situation could change, however, if the need for opt-outs becomes apparent.

6.2. Suggestions

We encountered broad support for suggesting pre-set solutions to members on an unsolicited basis (i.e. pathway 3), with 13 out of 16 funds seeing this pathway as offering potential to assist many members. The main point of difference relates to the vision for how suggestions would be used. Seven out of the 13 funds consider engagement as a critical component of this pathway, with these seven funds primarily seeing suggestions as a 'call to action' or nudge with a view to sparking further engagement.

The three quotes below provide insight into the range of views on suggestions. The first quote alludes to the need for suggestions to provide some direction to members; the second quote refers to suggestions as a way of assisting those who will not use financial advice; while the third quote talks about suggestions as simple solutions that may suit members with simple needs.

> *"Except for the very small amount of people who are going to go through proper financial advice … we're leaving it too open for them to find their own way without some kind of suggestion. I think that's problematic. Problematic for them individually. And problematic for the whole ecosystem."*

[6] One fund said opt-outs should be considered only if it becomes clear that there is a significant cohort of members who will not engage after all attempts to do so. Another fund suggested they might be willing to support opt-outs if certain implementation hurdles were overcome such as being able to establish the member has retired, access to bank account and other personal details and ability for members to easily exit the solution they are placed into.

"Advice first, or suggestion first? I think both have value for different members and cohorts and engagement levels. I'd say having the advice reforms alongside the ability to make suggestions with guardrails, etc is probably going to cover more ground. Whereas, if you just have the advice reforms there is probably still going to be a disengaged cohort that don't access advice."

"We're not talking about the 'missing middle' … we're talking about the average Australian who's got a simple situation and a simple problem set … we should be able to provide them with simple solutions … we invest heavily in our advice activities … education … but even after all of that, we still believe (some people) are not getting what they deserve … that's where we see (a role for) soft defaults … pathway three, solution B (i.e. suggestion with multiple pre-sets) … personal solutions for them to consider."

The above quotes are from profit-for-member funds. Meanwhile, some super platforms we interviewed suggest that it could be confusing for advised clients to receive suggestions directly from a super fund trustee. There is also a range of views around how suggestions may dovetail with the legal and regulatory regime, which we outline in Section 7.1.

The discussion around suggestions is a good example of the dispersion in interpretations across super funds that we encountered. Even though a large majority agree that being able to suggest solutions to members would be helpful, a wide range of positions is being taken on the role that suggestions might play within the choice architecture.

6.3. Engagement and choice

Every super fund we interviewed indicated that their first preference is to engage with their members and support them to either exercise personal choice or access personal financial advice. This is the case even for those funds that support opt-out pathways, which they clearly view as a backstop for members who do not engage and would remain inactive in the absence of strong action from the fund. However, there is considerable variation in the degree to which funds intend to lean into engagement and choice. Five of the 16 funds interviewed are primarily focused on engagement and personal choice, with their objective being to get members to engage if at all possible. Of these five, two are advice-focused super platforms while three are open to suggesting pre-set solutions either as a way of sparking engagement or on the basis that any acceptance of a suggested pre-set solution is based on informed choice. The following quotes describe the depth of commitment to engagement from two of the five funds in this sub-group, both of which indicated that they are open to suggestions (i.e. pathway 3):

"Our default position is engaging. Our preferred model is always engagement."

"Our core tenet is that retirement is personal … we see opportunities for active decision making in retirement …. Personalisation, advice and making a choice is our default."

7. Points of difference

The interviews highlighted some areas of significant difference across funds, which in turn helped underpin the significant dispersion in positions that we detect. Notable differences are described below, some of which were expressed explicitly while others were implicit in the comments made.

7.1. Legal and regulatory interpretations and risk tolerance

Differences in legal and regulatory interpretations and risk tolerance are highly influential for what funds believe they can do or are willing to do. Flashpoints include application of the financial advice rules and the extent to which suggestions would be constrained by the anti-hawking rules and the targeted superannuation prompts component of Tranche 2 of the Delivering Better Financial Outcomes (DBFO T2) reforms. Exhibit 5 describes the two ends of the spectrum of positions.

Exhibit 5: Spectrum of positions on the legal and regulatory regime

Possible constraint	Conservative position	Liberal position
General mindset	• Current regime constrains us in servicing our members • Great care is needed not to contravene any laws or regulations	• Current regime is not a significant constraint • Work out what you want to do, and then find a way • Build first and then engage with the regulators
Personal financial advice rules	• Will not adopt any position that might contravene the advice rules • Advice rules are unclear, which only compounds our wariness • Engagements should involve either member choice without guidance or occur under a formal personal financial advice process • Reluctant to use any available personal member information as engagement might be interpreted as providing personal financial advice	• Considerable latitude exists under general and intra-fund advice to guide members if done judiciously • Funds are expected to assist their members under the Retirement Income Covenant and Treasury's Best Practice Principles, while regulators are encouraging funds to do more. Sensible action to assist members should find sanction. • Certain interpretations of the regulatory environment are too extreme, e.g. that using available member information triggers full financial advice requirements
Scope to suggest or recommend solutions under anti-hawking rules and proposed DBFO T2 'targeted superannuation prompts'	• Product and solutions cannot be mentioned outside of a formal personal financial advice process • Suggesting retirement solutions to members is strictly prohibited	• Engagements can highlight solutions that the fund makes available, which may be used to direct members towards suitable solutions • Ranking of solutions can be used to convey a preferred solution, similar to how some funds offer 'smart defaults' in account-based pensions

Suggestions of retirement solutions (i.e. pathway 3) is where differences in legal interpretations and regulatory risk tolerance are most pertinent. Here the spectrum extends from a view that suggestions are strictly prohibited and will remain so without a change in the rules, to the position that funds can effectively provide what amounts to a suggestion under the existing regime if done judiciously. In between these two extremes sit funds that seem unsure of the status of the suggestions and hence are wary about looking to enable the suggestion pathway in any form.

The quotes below draw out the contrasting views that we heard. This first quote expresses a view that the legal and regulatory regime currently prohibits suggestions, and that this creates dissonance with Treasury's Best Practice Principles (and implicitly the Retirement Income Covenant):

> *"Our view is that pathway number three (i.e. suggestions) and presenting people with soft opt-in default solutions could put us foul of anti-hawking … but more definitely you walk straight into personal advice … because … you're using personal information … (Meanwhile, the) government-issued Best Practice Principles (involve catering for at least) three cohorts … (so) you've got to provide trustee solutions to people … but (the government) doesn't provide the regulatory framework for us to enable this best practice."*

The next two quotes intimate that a de facto suggestion that is tailored to the member could be provided through other mechanisms under the current regime. The first of these two quotes refers to pre-selection of settings during the application process based on what is known about the member. The second entails using a retirement calculator to present outcomes from pre-set solutions that may include products as a "factual information" rather than as a suggestion. While both these mechanisms

entail the member engaging, the implicit argument is that neither requires personal financial advice to enable a pre-set solution to be suggested to members in some manner.

> *"The way in which the application process for retirement phase products works today is … treat members as if they're a new member joining the fund and require them to not only fill out information we might already hold … but also choose from a range of settings or options available. … The most basic default … is to have all of the settings of the retirement phase product be pre-selected … that is possible under the current legislation, in my view. … All the member needs to do is to choose to take up a solution at retirement … there's actually a lot that you can do under the current legislation to tailor product settings based on what you know about (the member)."*

> *"Including a specific product within a calculator does not mean you're promoting or advertising, it's just factual information. It's (only) promoting or advertising if you are dressing it up, saying this one is better than the others … I think that there's ways to navigate the theoretical pitfalls for a trustee."*

Below are some views on the use of case studies or prompts (i.e. nudges) that are tailored based on what the trustee knows about the member to effectively suggest retirement solutions. The first quote rules this out on the basis that it cannot be done without triggering personal financial advice. The second quote suggests that tailored case studies may be presented based on personal information as long as the case study is not personalised, and that this could act as prompt to engage. The third quote puts forward a view that there is more latitude to make suggestions to particular member types than appreciated.

> *"I want to present to a member a potential case study or use-case combining, for example, an account-based pension and a longevity solution that gives them higher overall income confidence and additional Age Pension benefits based on what we know. But we can't talk to those products and retract to talking in general terms about strategies that a member is not going to (connect with) … (this is quite) impractical ... a real problem for being proactive with opt-in defaults. … As soon as we use (personalised) information to tailor that case study, there are big flags from compliance and risk around providing advice by taking into account that member's personal situation."*

> *"You can tailor the communication … If you have a 30-year-old, send them a case study that is about 30-year-olds. If they're 45, it will be about 45 … you make it relevant to the situation. Of course, you can't personalise it. But it would lead to … higher … engagement."*

> *"Most funds are not going anywhere near as hard as they really could … if you go to accumulation members who are 75 years old and say 'you can get a tax-free income stream from your super by doing this' … or however you want to frame it, that is not hawking … I don't see any regulatory barriers to doing that."*

Another stance is that the industry should work with the regulators to test the boundaries of what is possible. The participant making this comment also noted that, while the regulators are not in the position to endorse any action, they can provide specific feedback that should help to assess the "risk of compliance and enforcement":

> *"I wonder if the better path for the industry is … attempt to do something in consultation with the regulators … you would have a much better understanding of what the true anti-hawking and other risks are … Best Practice Principles would be entirely consistent with (pathway 3, suggestions) in intent … but there's an enforcement risk … it's worth the industry testing."*

While opinions differ widely, it is clear that a significant number of funds are being held back by either low tolerance for legal and regulatory risk or feeling quite uncertain over what is permitted under the existing regime. Our sense is that the majority of funds we interviewed would welcome either greater clarity around what they are permitted to do or an adjustment to the anti-hawking rules and targeted super prompts under DBFO T2 so that they can confidently suggest pre-set solutions to members without needing to do so under a cloud of legal and regulatory uncertainty.

7.2. Need for a range of pathways

The view that a range of pathways is required for super funds to assist their various member bases ran through the discussions. The quotes below illustrate how funds are grappling with this issue, including how to reach members who do not engage:

> *"Different funds will have different perspectives and different memberships. Anything that allows us to help people make a decision and then guide them to that decision in a way that is not as restricted as today is a good idea."*

> *"We still need to do something for all the people that, despite our best efforts, despite the tools, despite the nudges, do not engage. What's the backstop?"*

> *"It's nice to over complicate things and find outliers to prove that there could be a harm to an individual. But nobody is sitting and calculating the harm being done by doing nothing."*

Within the stance that a range of pathways would be helpful, a key point of discussion is whether opt-out pathways should be included in the mix. As mentioned in Section 6.1, a clear majority consider providing retirement solutions on an opt-out as too problematic; while a few funds view opt-out pathways as necessary. Beyond opt-outs, there seems broad agreement that a range of pathways would be beneficial that span from suggestions of pre-set retirement solutions on an opt-in basis through to enabling personal choice and the provision of personal financial advice in a variety of formats.

7.3. Fund type, membership and situation

Perceptions vary of what is needed to effectively service members with the type of fund and their member base. A clear distinction exists between profit-for-member funds and super platforms, while retail master trusts sit in a grey area.

- **Profit-for-member funds** – These funds tend to see most value in the option to develop a range of pathways to service differing member types. Nevertheless, disagreement exists with respect to the role for opt-out pathways. Here the nature of the fund's membership appears to have some influence. Funds with many members who have low balances and are highly disengaged are more inclined to consider opt-out mechanisms. However, this was by no means universal with some funds with many low balance members being quite resistant to opt-out pathways. This indicates that other considerations beyond fund type and membership are at play (see fourth dot point below).
- **Super platforms** – Platforms that largely exist to support financial advisers typically see no role for pre-set retirement solutions or pathways such as suggestions or opt-out default-style mechanisms (see first quote below). However, the existence of 'previously advised' members who are dealing directly with the trustee opens up a conundrum for platforms. A view was expressed that previously advised members had made a choice to seek advice at some stage and are thus likely to be somewhat engaged and should be treated accordingly (see second quote below).

  > *"There's a big difference between an intermediated (adviser) platform and a profit-for-member super fund. The assumption for … profit-for-member funds is that … (many members) are not getting advice, and so anything that can be done to promote interest or engagement is going to be a good thing. … Our position as an intermediated platform is that people only come to us via advice … they are getting good outcomes because they're getting personalised, generally holistic advice. So we don't really have a horse in the default race."*

  > *"(We are) very different to an industry fund where decisions are or have been made by the trustee … they have a membership base that is looking to get guidance from their super fund, because they've never sought advice. Our previously advised members have sought advice previously and have chosen to no longer seek advice for whatever reason … it is a very different population base to an industry fund."*

- **Master trusts** - The position of for-profit funds with master trusts is less clear. Master trusts may include members who are either sourced from a corporate arrangement or have joined directly, which places them in a position not dissimilar to profit-for-member funds. Master trusts also cater for some

members who have joined on the recommendation of a financial adviser. Overall, we detected no common position among for-profit funds with respect to master trusts on the potential role for pre-set solutions and the pathways through which they could be provided.

- **Other factors** – Fund positions also seem influenced by other factors, even if not made explicit. We sense that personal views of the participants, influential figures within the particular fund and organisational culture are important. For instance, legal and regulatory risk tolerance seems to reflect organisational culture to a significant degree. Perceptions seem to differ around the extent to which personal choice can be relied upon versus the need for an element of paternalism through nudges, hand holding or even default-style mechanisms. We also suspect that fund capabilities may be a consideration, i.e. funds are supporting only what they are currently able to deliver.

7.4. Opinions on willingness of members to engage

A key flashpoint is the size of the cohort of members who might benefit from trustees playing a stronger role in directing them towards a retirement solution, either because they are 'truly' disengaged or relying on the trustee for direction. We raised the possibility that these could be substantial cohorts in our *Pathways for directing members into retirement solutions* report of November 2023, and how this could imply the need for trustee direction in the form of pathways 1, 2 and/or 3 (as per Exhibits 2 and 4). We encountered a wide range of views on the prevalence of disengaged members.

At one end of the spectrum is the stance that members are quite likely to be engaged as they approach retirement, and that the 'truly disengaged' members are a small minority. Funds taking this stance tend to argue that engagement is all that is needed, and that the task at hand is to work out how to engage effectively. This is often accompanied by a 'let's try engagement first' stance, and the view that stronger action to assist disengaged members should be brought into play *only* if it becomes clear that there is a meaningful cohort who will not engage under any circumstances. This group of funds tends to support a range of advice and guidance services being made available so that members can engage as they wish, and that opt-in retirement solutions are not only unnecessary but could be counterproductive as they might stifle engagement and lead to some members ending up in unsuitable solutions (see Section 8.3).

At the other end of the spectrum is the stance that there is a meaningful cohort of members who are either highly disengaged or lack the capability or confidence to make financial decisions in retirement. The argument is that paternalistic measures from the trustee are needed to get these members to take action, including either nudging them through suggestions or possibly even placing them in an opt-out default-style solution. Participants taking this stance still prefer engagement and expect many members to engage but perceive the existence of a sizeable cohort who would not.

Stances taken on this issue appear largely based on opinion rather than strong evidence. Much of the existing research does not directly or effectively address the question of the number of members who will not, or cannot, effectively engage in any way: more research is needed. Encouragingly, we encountered a few funds that are intending to undertake such research.

8. Other matters

Exhibit 6 lists a selection of the other matters that participants raised. Following Exhibit 6 we discuss contingency accounts given that they were mentioned by eight funds, as well as implementation challenges and the possibility that many members could take up a highlighted pre-set solution without giving much thought to its suitability.

Exhibit 6: Other matters raised during the interviews

Matter raised	No. of funds mentioning
Standardisation	
Inconsistent terminology across the industry should be addressed	5
Pre-set solutions should be standardised across the industry	1
Lifetime income streams (LIS)	
LIS are suitable for 'defaults' / pre-sets that members may take up	6
LIS are not suitable unless there is engagement	4
LIS should be reversible in the context of opt-out pathways	4
Retirement accounts	
Supported making contingency (rainy day) accounts available	8
Call for accounts-for-life that may be transferred into retirement phase	4
Call for auto-conversion from accumulation into a tax-free account	3
Miscellaneous	
Bank account details, identity checks, etc a major challenge for opt-outs	9
Limited personal information is a significant hurdle to opt-outs and suggestions (i.e. implementing pathways 1, 2, 3)	4
Action nudges and default settings can, and already do, play an important role in guiding choice	3
Safe harbour is required if opt-outs or suggestions (i.e. pathways 1, 2, 3) are to be enabled	2
Mechanisms are needed to address changes in a member's situation during retirement	2

8.1. Contingency (or 'rainy day') accounts

Eight funds expressed explicit support for contingency (or 'rainy day') accounts, even though this was not a nominated topic. The possibility of enabling such accounts was usually raised where the discussion turned to how it may be inappropriate to 'default' members who want to use their super as a source of funds they can access as and when needed, rather than as a source of regular income. This situation is seen as applying in particular to members with low balances, although not exclusively. Enabling contingency accounts (up to a certain balance) that are exempt from the minimum drawdown rules so they can be included within pre-set solutions is being viewed as a mechanism that would help to address various issues, including enabling members to achieve their desired outcomes and facilitating moving members into the retirement phase. The quote below is a good example of the latter:

> *"If you could have an account-based pension with a $100k contingency balance, you could default every single accumulation member below $100k straight into that. (This gets over) the problem that, once you've got to do drawdowns, you (need) bank account details. For the small balance members, bang, there's your solution."*

8.2. Implementation challenges

Issues related to implementing the provision of pre-set retirement solutions were ever-present. The degree of constraint imposed by the legal and regulatory regime as outlined in Section 7.1 plays a central role, especially for suggestions (i.e. pathway 3). Effective design of pre-set solutions and pathways also receives attention.

Exhibit 6 highlights a number of matters that relate to implementation, including: the use of lifetime income streams (LIS) within 'default' and pre-set retirement solutions (where there are mixed views); various points around retirement account structures; the need for bank account details, etc to enable opt-outs; and, the requirement to access member personal information to enable some pathways. The following quote gives a sense for what is required to meet the challenge of implementing the provision of pre-set retirement solutions:

> *"Might be four and a half million individuals, but we don't have four and a half million different solutions, we only have a very limited set … surely, we should be pretty good at matching people with this little handful of solutions … (that) we should be able to present them … it is still an individual's choice and … if they say 'this is probably good enough for me', they can instruct us to implement it … or to adjust it … We want to … remove the frictions out of the system … probably have a straight through processing button."*

Views on the incorporation of LIS into pre-set retirement solutions are quite mixed. Four funds are focused on the consequences of placing members into a solution entailing a LIS that may be unsuitable for their needs or from which they cannot easily extract themselves. Six funds place much more weight on what they consider to be significant potential benefits from including a LIS in the mix. However, some of the funds supporting the use of LIS in pre-set solutions also see it as important to provide members with an ability to exit the LIS, in particular if the solution was provided on an opt-out basis.

One fund suggested industry-wide standardisation of pre-set solutions, but this was an outlier view. Most funds value highly the flexibility to address their own member base as they see fit. For instance, the majority of funds indicate a desire to specify cohorts, design pre-set solutions and use the pathways that best suit their membership and the fund's situation.

8.3. Issues related to members taking up a retirement solution presented to them

We encountered only limited discussion of the possibility of members taking up a retirement solution that is presented to them without giving it much thought and the implications of them doing so. We found this interesting as we consider this to be something of a threshold issue.

Research finds that defaults and nudges are often taken up out of convenience, trust or as an implied endorsement by 'experts' under an assumption that the option being presented is suitable. The potential for such behaviour applies in particular to the opt-out pathways (i.e. pathways 1 and 2) and suggestions (i.e. pathway 3) where a solution is being presented to members with at best limited prior engagement. The possibility that members may take up the retirement solution as presented is a double-edged sword. For some members, such behaviour could result in take-up of a solution that is suboptimal or even poorly suited to their situation while inhibiting further engagement where it may have been beneficial. For other members, presenting a solution may lead to some action being taken when none might have occurred, leaving the member in a better position than otherwise. Further discussion of the issues can be found in our Explainer #11 *Behavioural Influences on retirement decisions*.

We feel that insufficient attention is being paid to this issue. On one hand, there is considerable focus on the risks around 'hard defaults' (i.e. pathway 1) related to members being placed into unsuitable solutions and engagement being discouraged. However, we encountered minimal mention of the possibility that a solution that is presented as a suggestion (pathway 3) might be taken up as a matter of convenience, trust or implied endorsement, and whether this could be beneficial or detrimental. It was almost as if there is a presumption that opt-in pathways including suggestions are relatively safe because acceptance of a retirement solution as presented would involve an element of choice.

9. Concluding thoughts – Where does this leave us?

We undertook interviews with 16 super funds to document where the industry stands on 'default' retirement solutions. While we uncovered considerable dispersion in how super funds are approaching the topic, there are also some areas of agreement. We also discovered that the word 'default' is creating confusion and that focusing on 'pre-set' retirement solutions (or equivalent) and the role for 'opt-out' versus 'opt-in' pathways to offer a better framing of the issues.

It is clear that the industry at large (outside of advice-focused super platforms) sees a role for pre-set retirement solutions that are offered through a range of pathways on an *opt-in* basis. Here, the *ability to suggest pre-set retirement solutions* to members on an unsolicited basis is the main opt-in pathway that is not clearly enabled yet receives broad support as offering potential to prompt some members to take action and engage further. We also encountered a range of views over whether and how suggestions might operate under the legal and regulatory regime, specifically with respect to personal financial advice, anti-hawking and targeted superannuation prompts. Nevertheless, legal and regulatory uncertainty is holding back many funds from pursuing the suggestion pathway, especially those funds with low tolerance for legal and regulatory risk. In addition, we detected broad support for enabling *contingency accounts* that are exempt from the minimum drawdown rules.

For *policymakers*, our findings contain a few key messages. A central issue is what range of pathways is needed to ensure that all super fund members can find their way to a suitable retirement solution. There is a clear consensus among super funds that trustees suggesting pre-set retirement solutions on an unsolicited basis would benefit many members. However, this pathway is viewed by many funds as problematic under the existing legal and regulatory regime. While support is limited for placing members in retirement solutions on an opt-out basis, those funds that argue for this pathway consider it as necessary to cater for a significant cohort of members who will take no action if left to their own devices. Additionally, many super funds are calling for enabling of contingency accounts that are exempt from the minimum drawdown rules. The implication is that it may be worthwhile to investigate which of these currently inhibited mechanisms would be of significant consumer value, and where found to be the case, then take steps to address the legal and regulatory barriers and uncertainties.