

The need for a retirement licensing regime

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¹ Before I step too far into this session, I want to reflect. We released our Green paper on a RLR 4 months ago. Since then around 80,000 people have retired. How many ended up with a good quality director into an appropriately blended solution?

Outline

1. Current state
2. Six challenges to overcome
3. How a retirement licensing regime (RLR) would work
4. How a RLR would help to overcome the challenges
5. Feedback thus far
6. Next steps

→ TIME

~~So as~~
As you digest this presentation, consider laggard funds in the industry (most of 

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which aren't here), and think about their members.

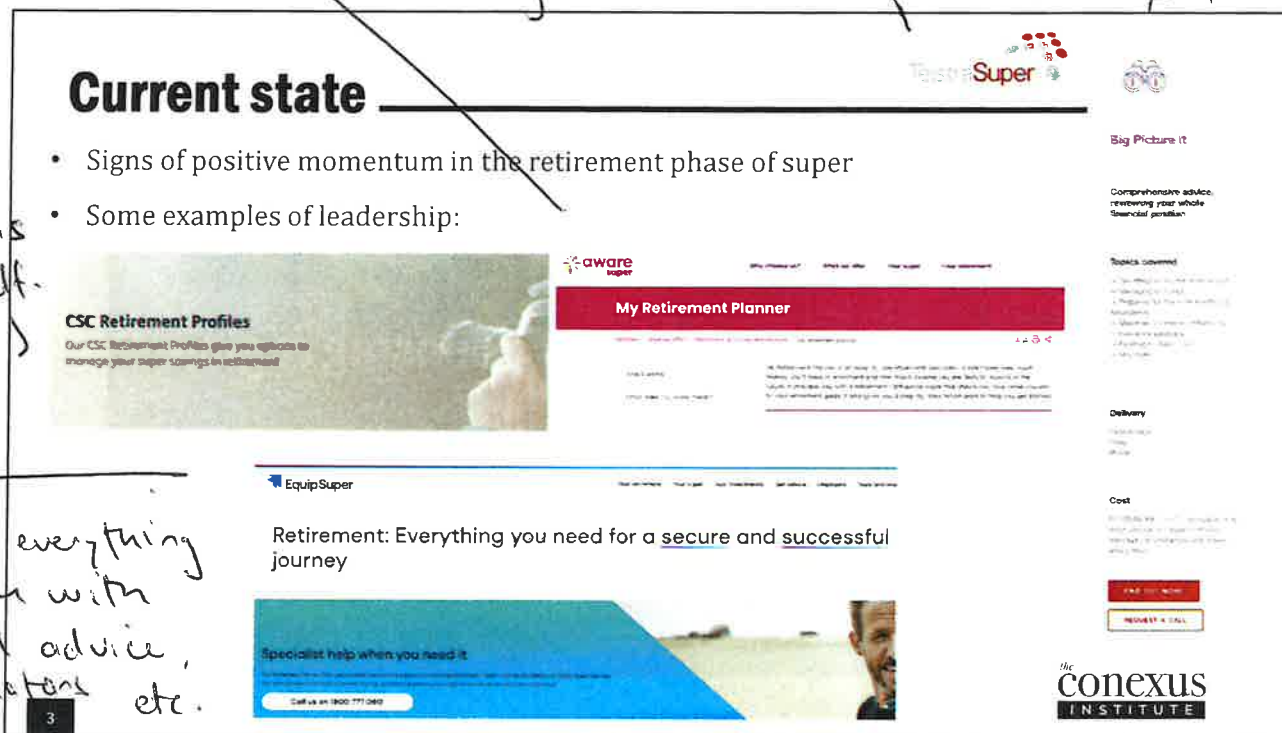
→ AND LAGGARD FUNDS₁

③ Digital SOA
CFS / Otivo tie-up
is also very interesting

④ Comprehensive
advice from \$1,100
C BUS partner \$990

② Personas
(but self-selected)

① Doing everything
700 can with
general advice,
calculators etc.



3 → Other funds in this comp.

② Major concerns raised about calculators and their usability.
Many funds failing across multiple, sometimes all of 5 criteria

→ This is concerning as we ~~think~~ view calculators and self-serve as the lowest hanging fruit

Current state

- Through a member lens progress is slow
- Dispersion in progress across funds

% OF SUPER FUNDS OFFERING THESE FEATURES	
Investments - different to super	20%
Product - higher drawdown rate option	7%
Product - lifetime products	11%
Advice - on simple retirement including spouse for under \$1,000	11%

Source: Ian Fryer, Chant West, for Retirement Magazine



Connexus Institute In-brief
Account-based pensions: Minimum application size
Scope to improve access to account-based pensions for low balance retirees

14 September 2024
David Bell and Geoff Warren

⑤ Optional - Retirement Proprietary

③ Criteria for an advanced retirement offering (Chant West)
④ Concerns around low balance member support and cross-subsidisation challenge
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We focused on funds still to do stuff over next one year or longer. This means 3yrs after RIC came into effect. Likely scenario that half of all funds:
① We are still skill needing to do data work to understand their members
② Still looking to uplift advice provision
③ Still needing to incorporate 2 RIC into business planning

Six challenges to overcome

resume choice
ve competition
switching?
characteristics
reference
how they will engage

Future regulations and assessed
Impacts business case
and timing

1. Market forces won't drive progress

4. Policy and regulatory uncertainties

2. Catering for diverse member needs

5. Role of funds in closing advice gap

don't push
policy
enablement
not there
yet

3. Lack of prioritisation by super funds

6. Collection of 'retirement frictions'

Not convinced a top 2 priority
Cross subsidisation challenges

ABP - can't easily open
- can't contribute
- can't easily switch / consolidate
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How a retirement licensing regime would work

Three components underpin our vision of a RLR:

1. ^{Make clear what to do}
Establish clear capability-based criteria as licensing requirements for RSEs to be able to provide retirement services

required

2. ^{Make clear how funds will be assessed}
Regulatory assessment linked to the licensing requirements

3. ^{Provide}
Opt-out option for RSEs that choose not to provide retirement services to their members

You don't have to be a retirement fund
But if you are you must meet these
minimum standards.
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Group progress criteria

How a RLR would help to overcome the challenges

Challenge inhibiting progress	How addressed
#1: Market forces won't drive progress	✓ Establishing minimum standards of delivery
#2: Catering for diverse member needs	✓ Capability to effectively cater for <i>all</i> members can form part of the licensing conditions
#3: Lack of prioritisation by some funds	✓ Funds are required to either commit, or exit
#4: Policy and regulatory uncertainty	✓ Frames up what is expected from trustees ✓ Linking licensing conditions to assessment
#5: Role of funds in closing the advice gap	✗ Separate policy reform required (e.g. DBFO II)
#6: Collection of retirement frictions	✗ Separate policy reform required (e.g. contributory ABPs)

Group progress criteria
 Weak
 Potentially
 weak
 No guarantee
 X
 X



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And that's assuming successful collaboration

Feedback thus far

1. Desire for clarity around future regulatory assessment
2. Why not establish capability-based assessment criteria instead of a RLR?
 - We believe a stronger prompt is required to remove laggard funds
3. Concerns over additional regulatory burden
 - The RLR would only be formalising capabilities funds should have
4. Too late by the time a RLR comes into effect
 - Funds would respond to requirements as they are announced, not at the point of licensing

Some funds have said a RLR would provide this



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Next steps

- We really want your feedback
- We will be undertaking further research
- We will return with a white paper — and we are open-minded about what this will look like.

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The logo for The Conexus Institute, featuring the word "conexus" in a bold, sans-serif font with a small "the" above it, and "INSTITUTE" in a smaller, all-caps font below it, all contained within a dark rectangular box.

Welcome your questions and feedback

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How good is this industry at collaborating?

~~would any~~
The starting point ~~would be~~ is a super industry with ^{competitively against each other} 3 primary industry bodies plus many other groups.

I've ~~really~~ had some very mixed experiences.

- + Once I led a collaborative project where one of the super funds involved told me that the group solution wouldn't be best for them and that they were going to pull out and actively go ~~the~~ to the regulator and lobby against it.
- + Recently I was part of a TFS working group where an industry body wouldn't do all the work to be discussed because it hadn't been produced by them, and so was viewed as competitor work.
- + ~~My~~ My litmus test is this: would any of you sign a ~~deed~~ deed of entry into a working group ~~that~~ along the lines of "I accept that the outcomes may be best for Australians overall but not optimal for my fund"?