24 September 2025

Superannuation Efficiency and Performance Unit
The Treasury
Langton Crescent
Parkes ACT 2600

Email: retirement@treasury.gov.au

Dear Sir/Madam,

Consultation: Guidance on best practice principles for superannuation retirement income solutions

The Actuaries Institute (**Institute**) welcomes the opportunity to provide feedback on the Treasury Consultation paper '***Guidance on best practice principles for superannuation retirement income solutions'*** (**Consultation**).

The Institute is the peak professional body for actuaries in Australia. Our members work in a wide range of fields, including insurance, superannuation and retirement incomes, banking, enterprise risk management, data science and AI, climate change impacts and government services. The Institute has a longstanding commitment to contribute to public policy discussions where our members have relevant expertise.

The comments made in this submission are guided by the Institute's Public Policy principles that any policy measures or changes should promote public wellbeing, consider potential impacts on equity, be evidenced-based and support effectively regulated systems.

Broad Support for the Best Practice Principles

The Institute supports the Government's intent for the best practice principles for superannuation retirement income solutions (**best practice principles**) to provide guidance for superannuation trustees (trustees) on the design and delivery of high-quality retirement income solutions to their members.

With clarity in objective, legislative alignment and regulator support, the best practice principles should help Australians access well-rounded retirement income solutions that meet their needs, provided this is accompanied by removal of the barriers that constrain trustees from developing and delivering high quality retirement income solutions to members.

To better achieve this, we make the following high-level recommendations.

1. **Better clarify the purpose of the best practice principles:** We suggest framing the purpose of the best practice principles as helping trustees to deliver **better** member outcomes with respect to the three objectives of the Retirement Income Covenant (the **Covenant**). The best practice principles should also explicitly consider the role of superannuation funds (and trustees) with the wider retirement ecosystem such as interaction with aged care and housing. The broader ecosystem must work together to support the overall quality of retirement.

2. **Define what success looks like over different time horizons:** We suggest the best practice principles also cover what success looks like. We suggest success should be defined with respect to **member outcomes in retirement** (which is about how well members balance the three objectives of the Covenant), instead of any fiscal considerations given the audience of the best practice principles are individual trustees. To measure success, we note the proposed Retirement Reporting Framework would capture information around the quality of trustee offerings and member take-up of retirement products and services.
3. **Ensure flexibility for trustees on how best to apply the best practice principles:** We do not support the best practice principles having the same status as a mandatory standard to be rigidly followed. Instead, we support voluntary adoption both in spirit and in practice. This allows trustees to have the flexibility to consider and implement the best practice principles in the manner most appropriate to their membership and within practical constraints.
4. **Trustees need to support both active choice makers and those requiring assistance:** We support the definition of retirement income solutions[1], and the need for both trustee-designed and individually tailored solutions. Trustee-designed solutions reflect the reality that not all members will actively engage, research and select their own retirement income solution. We note under current settings some level of explicit member action is required to move from accumulation into retirement.
5. **Ensure an appropriate sequence of concurrent reforms:** As recognised in the Consultation, the Government is delivering complementary reforms including the Delivering Better Financial Outcomes (DBFO) package and a Retirement Reporting Framework. In particular, the most recent tranche of DBFO clearly defines "Targeted Superannuation Prompts (nudges)" to **make the boundaries clear** to avoid breaching advice laws. As outlined in our prior submissions responding to these reforms (DBFO submission and Retirement Reporting Framework submission), we broadly welcome both initiatives, and also suggest a framework for clearer boundaries between help, guidance and advice to members. As DBFO will likely influence how super funds service and advise their members and the Retirement Reporting Framework will help measure system success, we suggest that the next tranche of DBFO be delivered first, followed by the finalisation of the best practice principles and then the design of the Retirement Reporting Framework.
6. **Publish endorsement from regulators:** Trustees will need clear assurance that considering and implementing the best practice principles as appropriate for their membership (including the consequences of following the principles) are seen as good practice by the regulators in meeting their Covenant requirements.
7. **Consider specific guidance on retirement income solution development and meeting Best Financial Interest Duty (BFID) requirements:** It has been a practical challenge for trustees to justify developing retirement income solutions while meeting their BFID requirements. Typically, we observe that expenditure decisions are often justified in relation to BFID requirements in terms of fund growth and scale benefits – with competing priorities and limits on access to capital, development of retirement income solutions can be a multi-year proposition. We believe expenditure decisions in relation to retirement income solutions should also assess the expected uplift in members' retirement incomes.

[1] A retirement income solution(s) is an integrated solution for members that includes retirement products, product settings and guidance services designed to assist members with making choices about their retirement income. The retirement income solution(s) should align with the objectives of the Retirement Income Covenant to maximise retirement income for members, manage expected risks for the sustainability of retirement income, and product flexible access to funds over the period of retirement.

8. **Ensure the cohorting principles support good member outcomes:** Without meaningful engagement from members, cohorting should not be used as a rigid method to allocate members into a trustee-designed retirement income solution, nor should cohorting exclude members from accessing particular retirement products or solutions. Hard defaults or 'one option fits all' approaches would not be appropriate. Having a clear minimum number contained within the best practice principles may lead to a temptation to focus on the number of cohorts, instead of focusing on the underlying rationale and purpose for segmenting the membership base into cohorts.
9. **Encourage trustees to determine cohorts through member choice by persona self-identification:** We support a persona-based approach to drive member engagement and action. Through self-identification, members can make an informed choice between several flagship trustee-designed retirement income solutions based on trustee-designed personas (alternatively, members can create their individually tailored solution). We note that trustees can still develop (initial) cohorts based on their knowledge and understanding of a member's financial circumstances, preferences and needs. In addition, trustees might also benefit from further guidance on what member information or factors could be requested to develop trustee-designed solutions (in a similar way to the attributes of MySuper design) without breaching personal financial advice regulations.
10. **Support member engagement for members in retirement phase:** Moving into retirement is often a transitional phase, and members may move between cohorts as their personal circumstances change. In addition, funds should continue to engage with members throughout retirement, not just at the period of transition. Overall, communication should reflect that retirement is not a "set and forget" event. Members' needs evolve over time, particularly for early retirees.
11. **Consider learning from other industries:** With further retirement income solution development, we support consideration of how the principles could encourage trustees to simplify product offerings (e.g., standardisation of product naming and terminology for trustee-designed retirement income solutions), ultimately to improve accessibility and engagement of retirement income solutions for consumers.

Response to Consultation Questions

The attachment to this letter includes our further feedback on the questions raised in the Consultation.

If you would like to discuss any aspect of this submission, please contact the Institute via (02) 9239 6100 or public_policy@actuaries.asn.au.

Yours sincerely

(Signed) Elayne Grace
Chief Executive Officer

Attachment – Responses to Consultation Questions

Area	Question	Response
Overall	1. Are there any additional areas relevant to the construction and offering of quality retirement income solutions that should be included in the principles?	The best practice principles currently do not explicitly consider the role of superannuation funds (and trustees) within the wider retirement ecosystem such as interaction with aged care and housing. The broader ecosystem must work together to support the overall quality of retirement, as well as appropriately alleviate budgetary pressures. The best practice principles may also provide further guidance to trustees about the key considerations when determining drawdown paths that are higher than the legislated minimums. A Principle that creates some basis for funds to determine those rates is likely to provide funds with the confidence required to provide trustee-designed options that are likely to result in retirees access most or all their account balance if they live well beyond expectancy at retirement. For example, the research on "spend your decennial age" as a rule of thumb for higher and sustainable retirement drawdown rate relative to the legislated minimum could be a useful reference[1]. The current version of the best practice principles does not provide a steer as to best practice for managing these members other than a triennial notification if they continue to draw down at minimum rates. There is also room for the best practice principles to be more explicit about best practice for trustees who are managing non-engaged members. Despite best endeavours from a range of stakeholders, it is highly likely that some retiring members will still not actively engage with their superannuation in the lead up/at/through retirement. See Recommendations 1 and 2. [1] *De Ravin et al, "Spend your decennial age: a rule of thumb for retirement", research paper presented to the Actuaries Institute Actuaries Summit 2019.*
	2. Are there any areas covered by the principles that are not relevant to the construction and offering of retirement income solutions?	No
	3. Are there any changes to the principles that would better support trustees to deliver higher quality outcomes to members?	The focus of the best practice principles should be around facilitating action from both trustees and members to achieve **better** member outcomes and avoiding inaction for the fear of not necessarily the highest possible outcome. It is important that the best practice principles support trustees to take some form of action rather than holding off for a perfect solution, which necessitates a focus on membership uptake and overall outcomes. The best practice principles should also clarify what "success" looks like, over the medium and longer-term, which could be a combination of factors such as the proportion of members spending more confidently, fewer large bequests or greater retirement preparedness/confidence/readiness. See Recommendations 1 and 2.

Area	Question	Response
	4. Are there any impediments to trustees implementing the principles?	Trustees face several impediments, including legislative risk, regulatory risk, financial risks (by way of higher costs and the BFID justification of spending that money for developing and maintaining longevity product), integration challenges (including when solutions include products offered outside the fund), the potential loss of scale benefits and data availability. Uncertainty around the boundaries of advice, particularly when distinguishing the distinction between information, prompts, help, guidance and personal advice is another barrier. See Recommendations 5, 6, 7 and 11.
Understanding the membership base	5. Are trustees able to construct a minimum of three cohorts based on information held?	Yes, trustees can construct at least three cohorts of members at retirement age. In practice, many trustees already segment members into more than three cohorts for a range of other purposes. Typical approaches consider age-related milestones such as preservation age, condition of release at 65, and work test requirements at ages 67 to 74, alongside account balance, gender and product holdings. With a clear minimum number contained within the best practice principles, there may be a temptation to focus on the number of cohorts, instead of focusing on the underlying rationale and purpose for segmenting the membership base into cohorts. See Recommendations 3, 8 and 9.
	6. What member information are trustees currently using to inform and construct their cohorts?	Trustees typically rely on information such as a member's age, account balance, gender, product holdings and contact preferences. In some cases, they also consider whether a member is advised or unadvised, along with indicators of member engagement. Further refinement is currently difficult for many trustees, due to the inability to collect certain pieces of information at a widespread level. In line with superannuation being an important pillar of Australia's broader retirement income system, we continue to encourage Government to consider the merits of a data-sharing framework across the pillars of the retirement income system. Any data-sharing framework must employ appropriate privacy protection, strong cyber safeguards and involve the necessary release authority from the relevant individual. In particular, there are potentially significant benefits for consumers if relevant individual and household retirement information held by the Australian Taxation Office is shared. See Recommendation 9.
	7. How are trustees currently using cohort information to inform retirement income strategy design and determine their suite of products?	Cohort information is used in various ways by trustees, including to: • understand the likely distribution of member characteristics for a range of purposes, including when conducting SPS Member Outcomes Assessment; • inform product design and the spectrum of help, guidance and advice available; • guide communication strategies, marketing campaigns and product roadmaps; and

Area	Question	Response
		• assess member outcomes and demonstrate benefit uplift across the membership.
	8. Are there other important factors to segmenting and cohorting members that should be considered best practice?	Inappropriate cohorting can worsen member outcomes. Cohorting should not be used in the following ways: • To allocate individuals to products without their meaningful engagement. For example, using account balance alone can be misleading, as it may not reflect a member's total superannuation holdings, household financial situation, expenditure needs or risk appetite. • To exclude all people in trustee-designed cohorts from accessing certain products. For instance, assuming low-balance members do not need lifetime products ignores the diversity of member preferences, risk tolerances and family circumstances. • To recommend individual solutions based solely on segmentation. This approach risks breaching personal advice and anti-hawking legislation and is less effective than guiding members toward personalised solutions. See Recommendations 8 and 9.
Making a suite of retirement products and features more accessible to members	9. Do the principles adequately cover the relevant issues related to constructing products and product settings to manage each of the objectives under the Covenant?	The principles broadly address the relevant product-related issues when it comes to making products and features more accessible to members. See Recommendations 6, 7 and 11.
	10. Are trustees able to construct products and product settings in a way that supports both the offering of trustee-designed solutions and individually tailored solutions?	While the principles will facilitate the development of retirement income solutions that are both trustee-designed solutions and individually tailored, it is unclear whether trustees will ultimately offer the products and product settings required. The retirement income solutions delivered to members will still require potentially complex financial decision making by retirees, which often goes beyond their financial literacy and historically being seen by the industry as requiring personal financial advice for everyone. But superannuation is not the only sector where consumers are expected to make decisions on (sometimes) complex matters. Private Health Insurance policy approaches this problem by standardising the number and label of comprehensive solutions (such as Bronze, Silver and Gold) as well as some product parameters for each solution (such as coverage, excess amount and benefits cap). Other examples in insurance, are the policy-led standardisation of flood cover in general insurance and the industry-led standardisation of minimum-severity medical definitions for cancer, heart attack and stroke for Trauma insurance products. Superannuation policy in the retirement phase, where solutions should be catered more to individuals in line with their financial risks and appetite, could learn from adjacent insurance industries and apply the learnings within its context. See Recommendations 5, 6, 7and 11.

Area	Question	Response
	11. Should the principles consider other risks in the design and delivery of retirement income solutions?	Yes. In particular, the best practice principles should consider the management of regulatory and distribution risks, with a particular focus on the impacts of 'stranded' or 'legacy' products. Trustees should be expected to have clear, viable exit strategies when designing and delivering new retirement income solutions. Where viable exit strategies do not currently exist, trustees should not be expected to provide those solutions. Note there are existing obligations related to this in SPS515 and CPS190.
Effectively communicating with members	12. What barriers, if any, exist in aligning current fund practices with the principles?	The key barrier lies in the lack of clarity around advice boundaries. The distinction between factual information, guidance and personal advice is not well defined, which makes it difficult for trustees to confidently implement the types of nudges envisaged by the principles. It is essential for reforms under the Delivering Better Financial Outcomes package to remove this barrier and enable effective member engagement. The Institute believes that the inaugural best practice principles should only be finalised when the DBFO package is sufficiently confirmed or in place. See Recommendations 4 and 5.
	13. Do trustees have the capability in place to support members across different stages of life, including ahead of retirement? If yes, provide a brief overview of current practice. If not, why not?	Capability varies across the industry. Larger funds are increasingly developing specialist retirement teams and leveraging segmentation to support members at different stages of their working and retirement journey. Smaller funds may lack equivalent capacity, although most have the data and technology to segment members by life stage.
	14. Are there other elements of communicating with members that should be considered?	Standardising the naming of product categories and features would help consumer understanding. Examples may include: • Account-based pension (includes allocated pension, allocated annuity) delivers flexible income. The drawdown options available include statutory minimum, nominated dollar amount and the suggested trustee's designed rate). • Lifetime income product (includes longevity product, lifetime annuity, group-self annuity etc) delivers income for life. The income payment may be a fixed dollar, CPI linked, or investment linked. The mortality outcome may be insured or uninsured. There is also an opportunity to strengthen communications by introducing personas or similar mechanisms that allow members to readily associate with "people like me". This type of framing can build confidence and encourage members to take action, helping overcome the inertia and fear of "getting it wrong" that often prevents engagement. It will also be able to provide a starting position for actively engaged members to develop their individually tailored solutions, reducing the advice capacity needs. We support trustees being able to offer a range of retirement income solutions. However, clearer guidance is needed on what member information can be used to offer trustee-designed solutions without breaching personal

Area	Question	Response
		advice regulations. At present, this remains a significant internal challenge from both legal and risk perspectives. Greater clarity would allow trustees to confidently provide meaningful support to members at retirement. For Principle 14, the consultation draft only considers members approaching retirement. The reality is that moving into retirement is often a transitional phase, and members may move between cohorts as their personal circumstances change. In addition, funds should continue to engage with members throughout retirement, not just at the period of transition. Overall, communication should reflect that retirement is not a “set and forget” event. Members’ needs evolve over time, particularly for early retirees. Trustees should ensure their engagement strategies adapt accordingly, for instance by offering account-based pensions or transition-to-retirement income streams initially and later introducing lifetime income options as members age. For Principle 16, there is a risk that this principle may confuse members. In most cases, a licensed adviser’s personal recommendation will be more comprehensive than any trustee-designed solution, as advisers can incorporate factors such as relationship status, home ownership, external assets, health and personal goals. Trustee-designed solutions will rarely have access to this level of detail unless explicitly provided by the member. It would therefore be important to include clear limitation statements explaining that such solutions do not take into account individual circumstances, and to encourage members to seek advice where appropriate. At the same time, trustee-designed solutions should still be communicated to all members, including those with advisers, as these may complement or even improve upon members’ existing arrangements. There will also be practical difficulties in proactively showing the trustee-designed retirement income solutions to advised members when the advice is provided by external advisers. This is either because trustees do not have real time accurate data to identify if their members have received independent financial advice or because it is outside the trustees’ control in terms of what the independent financial advisers will show to their clients. For Principle 17, any required communication about drawdown levels should be carefully balanced. Members should be informed of limitations and sustainability risks while also being directed to education tools or advice services. If trustees have developed alternative drawdown pathways, these should be highlighted alongside the statutory minimum to give members a clearer picture of their options. See Recommendations 4, 5, 8, 9, 10 and 11.