Actuaries Institute Podcast
That's Super: Product and Innovation in Superannuation

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Interviewer: Christine Li,
Guest: Ravi Nanayakkara
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Christine Li: **Hello, and welcome to the SIPC Super Series podcast. My name is Christine Li and I am the Secretary of the Institute's Superannuation and Investments Practice Committee, also known as the SIPC. In the 'That's Super' (Formerly known as the SIPC Super) Series, we zoom out a little to explore and discuss all areas of the superannuation industry and in today's episode, we will turn our attention to product and innovation in superannuation. Joining me today on the podcast to discuss this interesting topic is Ravi Nanayakkara, Manager of Product and Innovation at Spirit Super. Welcome, Ravi. You're in Sri Lanka right now. How long has it been since the last time you visited?**

Ravi Nanayakkara: Hi, Christine. Thank you for having me. Yeah, I am in Sri Lanka now. I think it's been about two years since the last time I was here. Just prior to COVID, I managed to come back for Christmas and now a couple of years later, I'm back. Finally, the borders have opened up so we can travel again.

Christine Li: **Awesome. So, you came over from Sri Lanka originally and did your university studies in Melbourne, but then after a while, you moved over to Hobart. So how did this Melbourne to Hobart move happen? And how was it overall? And I mean, it's a big move career-wise and scenery-wise.**

Ravi Nanayakkara: Yeah, for sure. Before I moved to Melbourne, everyone was telling me, "Oh, when you move to Melbourne, you're going to get this huge culture shock, everything is going to be different," but when I actually moved to Melbourne, I didn't feel a significant culture shock, but moving from Melbourne to Hobart, I felt that as a culture shock because I moved to Hobart ten years ago and it was small compared to Melbourne. I guess what prompted the move was I found a job in Hobart and I guess being an international student working here, I was like, "Yep, wherever I have to go to start work, I'm going to do it."

Ravi Nanayakkara: So first, when I moved to Hobart, I was like, "Oh..." I'm just like, "This is so slow compared to Melbourne," and I didn't have many friends there. So I was like, "Maximum 12 months, then I'm back to Melbourne." But ten years later, I'm still here thriving. It's a beautiful place, Hobart and you should definitely come and visit if you get a chance.

Christine Li: **Well, I actually have a trip planned so, I'll definitely message you and I will need those restaurant recommendations.**

Ravi Nanayakkara: Yes, for sure. Plenty of good seafood restaurants.

Christine Li: **Yeah, I'm excited. So, right now you're in Spirit Super, which came out of the merger between Tasplan and MTAA Super earlier in April this year and this is one example of some of the few fund mergers we've seen happening in the industry. Now, as part of this newly merged super fund, can you give us an overview on your current role?**

Ravi Nanayakkara: Yeah, sure. Yeah, you're right. The superannuation industry is going through some quite drastic changes and that's been happening for the last few years and we at Tasplan merged with MTAA to create the Spirit Super organisation, which currently serves about 320,000 people and got about $26 billion in assets under management. Prior to the merger, I was working in the investments team at Tasplan and after the merger, the organisation created a new role, the role of Manager, Product and Innovation, which I went into.

Ravi Nanayakkara: I thought what the role encompasses and what it's trying to do actually suited what I want to achieve in my career and where I could actually help the most. So, this role is actually quite interesting in that sense. It sits under strategy and the focus is on trying to increase and engage our members and make our services better, but not just looking through the traditional lens of how we could do it, but looking at it from a very innovative lens. So getting yourself outside, almost outside the organisation, and sort of thinking about it a little bit more differently. That's what really attracted me to this role and, it's been hectic, but a really interesting seven months.

Christine Li: **That's awesome. So, can you tell us a little bit more about the products that you're currently creating at Horizon and mainly, what prompted you towards creating these products and what are some of the main challenges or problems that you're looking to target?**

Ravi Nanayakkara: First, when I started the role of Manager, Product and Innovation, it was just me focusing on the innovation side of things. And I guess, first couple of things that we did was we actually created an innovation incubator within the organisation and that innovation incubator, the purpose of that was to actually think outside the organisation structure. So, don't be, I guess, bound by the existing systems, processes, the way Spirit Super operates right now, but think differently. So, I have another teammate who is actually a digital designer in that team with me and we call that team 'Horizon' because I've got much more of a future focus or long-term focus with the initiatives that we are taking and so that Horizon unit actually sits outside the organisation's structure as well.

Ravi Nanayakkara: So, we actually report to a separate Executive Committee, not the same Executive Committee of Spirit Super, and there's a direct reporting to the trustee. So, we actually have a certainly different sort of an org structure than what Spirit Super's got. Currently, the team is only two, but we are pulling in resources when we require from the main business in order to, sort of, do our initiatives.

Ravi Nanayakkara: There are a couple of different initiatives that we are tackling in Horizon. One is around those of transformation. How do we actually use a lean and agile method in order to develop the technology solutions that we offer our members? So on that aspect, my colleague in the team is actually taking a pivotal role and running with a couple of those projects because he's got that expertise. I have been more closely focused on a couple of things. One is, essentially, how do we make superannuation interesting for your gen-Z's, your millennials, I guess especially with stapling coming in as well, superannuation and engaging those younger members early becomes quite important.

Ravi Nanayakkara: And so trying to get an understanding of, "Why are younger people not so interested in superannuation?", getting a better understanding of that and how do we create something that could be a little bit more engaging and appealing for younger people is one of the main items that I'm tackling. And also, I'm tackling an issue which is more around retirement as well with the retirement income covenant coming in. How do we sort of deliver and change ourselves in order to meet the requirements under the retirement covenant and also help our members, by understanding really the needs of our members and actually deliver product that our members would find interesting and useful in their lives.

Christine Li: **This is awesome, 100%, I think this is a greater push in terms of going for more financial literacy and more of that knowledge for the younger generation and I really think Super is starting to get its time in the spotlight and there's been a lot of changes, and in responding to that, there's going to be some great opportunities for innovation and you're doing some really interesting work in the space. Can you also share some of the interesting findings so far?**

Ravi Nanayakkara: Yeah, sure. So, when we started doing research on superannuation, especially targeting those younger members, a couple of the key themes that we found out is that younger members, especially when they come to that age of 25, they actually start thinking about their superannuation. So, up to that stage, maybe they've had multiple different jobs, maybe they have multiple different superannuation accounts, and they actually start awakening, and it's like, "All right, I know this is important. I need to do something about this." So, they actually put it on their to-do list, to do. Unfortunately what happens is, everything else that they want to do becomes a priority.

Ravi Nanayakkara: So, for most people, superannuation is there as something that they need to do. Maybe it's consolidating, maybe it's looking at their investment strategy, or maybe it's "Am I contributing the right amount?", so all of these questions are there and the answers aren't necessarily easy where they can go and quickly listen to something or read up something, and then they're like, "Oh, right. This is what I need to do." So, it is... the answers is a little bit complicated.

Ravi Nanayakkara: So, I guess there's this whole mental barrier around it. It's like, "Ah, Super is too complicated. It's about my future, and it's about retirement, it's way too down in the future. So, I can keep pushing it back down on my priority list." And everything else that I need to do sort of becomes a more short term priority. So, I would say for most younger people in that bracket, it's more around the mentality is, "I know it's important. I know I need to do something, but right now it's not a priority because it's way too down far on in the future and it's slightly complicated and I can't really easily find something and then go, all right, this is what I need to do and just get it done."

Ravi Nanayakkara: So, I think that's where the industry has to do better in engaging the younger members. Obviously there is that long term aspect, but the long term aspect can actually work in someone's favor because we all learn about compounding interest. And even the smallest change that we make right now, whether it's a very small contribution that's made regularly or making a change to the investment strategy that you're making, could make a significant difference in the late years when they're getting closer to retirement.

Ravi Nanayakkara: The other thing the industry should do better is trying to simplify pretty much everything. Because there's too much jargon, there's words that are being used things like 'growth strategy', 'defensive assets'... Those are not really common language. To use that type of words and language, people need to understand what we are talking about. So, I think there's a big piece that we need to do to really simplify the language and the messaging that we get across to members. Because I don't think there's actually an interest in young members to learn more about superannuation. It's not that they're completely disengaged, but I think it's too complicated. It's a bit too difficult. So, it keeps going down on their priority list and I think if we make it easy and simple enough, then people will engage and they'll have a much better experience with their superannuation.

Christine Li: **Yeah, definitely. I 100% agree with you there. When it becomes too complicated, we start procrastinating it, right? It's like, "A lot of things that happen, and you would rather watch a Netflix movie than go consolidate your Super."**

Ravi Nanayakkara: Exactly. Yeah. It's about instant gratification as well and I guess gamification has been thrown around for quite some time as well. But I think it's just a matter of how do we engage and there is a learning experience that needs to happen as well. But can we deliver that in an engaging way? Learning doesn't have to be boring. Learning about superannuation doesn't have to be boring and I think, thinking about it differently and trying to come up with a strategy where we can deliver these outcomes to our members is, sort of, by focus. So, hopefully, we'll start seeing some of these changes coming through Spirit Super as well.

Christine Li: **That's so interesting and a really, really big thing that's happening in the industry. Now, you mentioned you are also working on retirement income products. I just wanted to hear how that's been progressing or if anything's changed, given the retirement income covenant that's recently been released. And as a quick summary for everyone listening, the proposed covenant will require all Super funds to have a documented strategy, to identify the retirement income needs of fund members, and to also develop a plan to service those needs with a deadline being July 2022.**

Ravi Nanayakkara: So, that's right, Christine. The retirement income covenant, I feel like is going to force funds to significantly start thinking about all the methods. Because I think the force in the industry has been about the accumulation stage and lots of much focus has been given to the de-cumulation phase and I think with the covenant coming in, there will be much more of a focus on that de-cumulation phase and how to actually help members draw down on the wealth that they have accumulated during their lifetime, because that's the whole point and the purpose of superannuation.

Ravi Nanayakkara: So, we actually started thinking and considering a holistic retirement income strategy prior to the covenant coming in and when that Exposure Draft was issued, we were very glad to see that the approach that we were taking was actually consistent with the approach that's outlined in the covenant. So, we were very happy to see that and we fully support the way the covenant has been put forward because it's principle-based now.

Ravi Nanayakkara: I guess the covenant coming in, which is principle-based, is actually a really good thing and what we are trying to do with the retirement stage is actually trying to understand whether we could deliver a better outcome for members in retirement by the use of different retirement income products and also using different mechanisms of delivering that product too. Because for most part, most retirement income products has been delivered through financial advice and for pledged financial advice and financial advice is becoming very costly. So, how can we do and sort of deliver the retirement income products to our members in a more low-cost and efficient manner?

Ravi Nanayakkara: It's another thing that we are looking at. So, the retirement piece is so interesting and it's a huge challenge because the industry has been talking about retirement and trying to get retirement right for about 20 years and no fund, I would say, has cracked it yet. So, I feel like for each fund, because of their differences in membership, one product or one solution is not going to suit everyone. It's going to be different.

Ravi Nanayakkara: But it's so interesting because there are so many challenges, so many things that we need to think about when coming up with the right retirement product or strategy that works for our membership. And it's quite interesting, I can give you a quick example. The Age Pension qualification in Australia is means tested. So, if you have more assets, you get less in Age Pension up to a certain threshold. And after that you get no qualification. So, if you have lower assets when you go into retirement, you're likely to get a full Age Pension and that could actually work as your longevity protection as well.

Ravi Nanayakkara: Whereas if you are receiving part Age Pension, there's a very interesting dynamic where if you've invested in, say, you've got an account-based pension and invested in some growth assets and there's a market downfall, then, because the way the Age Pension and your balance interacts, you might actually see an increase in the income that you receive in the subsequent year for part Age Pension. And so, it actually works almost as a defensive buffer for market movements.

Ravi Nanayakkara: Then you've got the other end of the spectrum where people have got enough assets and they don't qualify for Age Pension. So, you can't have one single product or solution that goes across all three of those categories of members. So, it needs to be different. And also the delivery of it needs to be different because most people go into a default superannuation product. They don't have to think about their superannuation. Everything is done for them upon until they get retirement and all of a sudden, they need to be experts and they need to make a decision as to what needs to be the right product for them. So, how do we deliver that is another interesting thing. So, I feel like there are so many things that as a fund, as an industry, we need to think about and challenge, and I feel like actuaries could play a significant role in that. I find it a really interesting and fascinating area to work in.

Christine Li: **Yeah, definitely. Awesome. I agree we need to have a product and strategy that fit the experience of the members currently going through.**

Ravi Nanayakkara: Yeah, 100%.

Christine Li: **Awesome. Thank you, Ravi, for coming on to chat with us. I hope you have a wonderful time back in Sri Lanka and get to spend lots of time with your family.**

Ravi Nanayakkara: Thank you, Christine. Yeah, I've been here three days and I almost feel like I've already gained a few kilos. I've been eating way too much, but the mozzies are doing their bit. They're trying to keep my weight low.

Christine Li: **And maybe the heat as well.**

Ravi Nanayakkara: Oh, yeah.

Christine Li: **It's like a free sauna.**

Ravi Nanayakkara: Yeah. Exactly.

Christine Li: **Love to hear it. Now, that's all we have time for today. Listeners, we hope you enjoyed this discussion. You can listen to more Actuaries Institute podcasts by visiting the podcast section of Actuaries Digital or via our mainstream podcast apps. If you'd like to continue the conversation with us on social media, please follow us on Facebook and LinkedIn at Actuaries Institute, and our Instagram and Twitter at @actuariesinst. Please write in with your questions and comments on the show, we'll love to hear from you. I'm Christine Li. Bye, for now.**

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