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Retirement Income Reform: Now the Hard Part

Australia's leading experts in retirement income policy have laid down a challenge to political leaders to think beyond the short-term budget and political cycle in building a more sustainable, adequate and efficient post-retirement system.

The Committee for Sustainable Retirement Incomes (CSRI), an independent and non-partisan body, brought together more than 20 industry, academic and policy-making experts in a [roundtable discussion](#) on Friday that considered far-ranging reforms to deal with an aging population.

"We now have agreement that the goal for superannuation should be retirement incomes," said CSRI executive director Patricia Pascuzzo. "But it doesn't stop there. We now have to work out how to ensure people have adequate incomes that take into account increasing longevity."

The Sydney roundtable was well-timed, coming just over two weeks before the federal budget, which is widely expected to feature changes to superannuation. The event included representatives of Treasury, ASIC, APRA and the Department of Social Services, alongside leading academics, social researchers, fund managers and superannuation executives.

"We have longer-term challenges than how to fix the deficit," said Ms Pascuzzo. "How do we deal with longevity risk? How do we encourage product innovation beyond account-based pensions and simple annuities? How do we balance the need for simplicity with flexibility?"

Fundamental issues raised at the Friday forum included:

- How to deal with a high proportion of disengaged super fund members, most of whom do not seek financial advice. Can "robo-advice" play a role for these people?
- Growing super balances in an ageing population demand more innovative retirement products, but the government has been slow to remove regulatory impediments.

- Longevity risk management will require pooling of risk, but that may take a paradigm shift for Australians taught to believe that super is “their” money.
- Is it enough, as the government is now proposing, to merely “facilitate” new comprehensive income products (the Murray review used the word “require”).
- How to motivate trustees to offer these products given risks of making a “wrong” call?
- Because Australia was an early adopter of a DC framework, there is no ideal international model for post-retirement. Everyone is grappling with this same issue.
- We have the opportunity to lead the world, and while our focus is squarely on benefits to members, success also offers the potential for spin-off benefits to the industry.

The CSRI roundtable was the third of three such events in recent weeks. The previous two dealt with the issues of adequacy of income, sustainability, equity and self-sufficiency.

The outcomes of the roundtables will lead to a series of position papers that in turn will be subjected to debate and scrutiny at the CSRI Leadership Forum in August. The aim is to build a broad coalition of support for a holistic reform agenda for the Australian retirement income system.

The CSRI argues that good long-term policy is more likely to help overcome many of the problems plaguing the system – like poor targeting of tax concessions, excessive complexity, waning community support, limited sustainability and inadequate longevity risk management.

“Yes, wealth accumulation is necessary for improving retirement incomes, but it isn’t a sufficient condition for achieving financial security in retirement,” Ms Pascuzzo said. “How accumulated superannuation balances are transformed into income streams and how longevity risk is hedged are critical for income security and lessening reliance on the age pension.”
