

CPA Australia Ltd
ABN 64 008 392 452
Level 20, 28 Freshwater Place
Southbank VIC 3006 Australia
GPO Box 2820 Melbourne
VIC 3001 Australia
T 1300 737 373
Outside Aust +613 9606 9677
cpaaustralia.com.au

6 January 2022

Mr Mark Fitt,
Committee Secretary
Senate Standing Committees on Economics
PO Box 6100
Parliament House
CANBERRA ACT 2600

Via email: economics.sen@aph.gov.au

Dear Mr Fitt,

Corporate Collective Investment Vehicle Framework and Other Measures Bill 2021 [Provisions]

CPA Australia represents the diverse interests of more than 168,000 members in over 100 countries supported by 19 offices globally. We make this submission on behalf of our members and in the broader public interest.

Our comments in this submission relate solely to Schedule 9 of the Corporate Collective Investment Vehicle Framework and Other Measures Bill 2021 ("the Bill"), which is the part that outlines the retirement income covenant requirements for Australian Prudential Regulation Authority (APRA)-Regulated superannuation funds.

The proposed Retirement Income Covenant (RIC) is a duty which is designed to further develop the retirement phase of superannuation. The covenant will require trustees to regularly formulate, review, and implement a retirement income strategy, outlining how they plan to help their members to balance key retirement income objectives. The key objectives of this strategy are to maximise expected retirement income, manage stability and sustainability risks (such as longevity, investment, inflation and other similar), provide flexible access to savings and balance these three items.

CPA Australia does not support the proposed new covenant for several reasons:

1. The complexity of retirement planning results in a process which is convoluted and difficult for many to navigate. We believe that it would be more efficient for this process to be streamlined and simplified prior to subjecting trustees to increased compliance costs.
2. We disagree with the assertion at paragraph 17.6 of Explanatory Memorandum that, "existing legal obligations of superannuation trustees focus primarily on the accumulation phase and there are no specific obligations to consider the needs of beneficiaries in retirement".

The proposed RIC requirements are already contained in obligations with which trustees must comply, including but not limited to, general trust law obligations, the best financial interests duty, the sole purpose test, requirements regarding the formulation and maintenance of investment strategies and the new Design and Distribution Obligations (DDO)¹. We are concerned that requirements for trustees to consider their members' non-superannuation investments is beyond their remit.

3. The recommendations requiring trustees to provide appropriate guidance to their members is likely to create a substantial additional compliance cost burden. In addition, a grey area is created where what policy makers may

¹ Located in Part 7.8A of the *Corporations Act 2001*

consider is general financial product advice may be perceived by members as personal financial product advice. This may conflict with existing member engagement strategies, as well as business planning at the trustee level.

We are of the view that the creation of a retirement income covenant for superannuation funds at this time is unnecessary, as this new covenant will add to the costs of running superannuation funds and will be of little or no practical benefit to fund members, trustees, regulators or the government.

APRA data shows that retirees deplete their superannuation retirement savings in retirement. We consider that retirees spending their non-superannuation monies in retirement is not the business or concern of a superannuation fund trustee. Finally, we have significant concerns about the implication in the Bill that superannuation fund trustees will be required to effectively offer a form of financial advice to retired members and members "close to retirement".

As Schedule 9 of the Bill is substantially unchanged from the Exposure Draft consulted on by Treasury in September 2021, our comments above reflect our position in response to Treasury's early consultation. The reasoning behind our position can be found in the [submission](#) we lodged jointly with Chartered Accountants Australia and New Zealand in October 2021².

If you have any queries on this submission, please do not hesitate to contact Richard Webb, Policy Advisor Financial Planning and Superannuation on [REDACTED].

Yours sincerely

[REDACTED]

Dr Gary Pflugrath FCPA
Executive General Manager, Policy and Advocacy
CPA Australia

² CPA Australia and Chartered Accountants Australia & New Zealand, 2021. *Retirement Income Covenant exposure draft legislation submission (online)*.