



14 June 2018

Manager, CIPRs
Retirement Income Policy Division
The Treasury
Via email: superannuation@treasury.gov.au

Dear Sir/Madam,

TAL Life Limited (**TAL**) is pleased to respond to the *Retirement Income Covenant Position Paper* dated May 2018 (**Position Paper**).

About TAL

TAL is Australia's largest specialist life insurer. Last year, we protected over four million Australians and paid out over \$1.6 billion in claims. Helping provide financial security to our customers in the most difficult of times, when they need us most, is a responsibility we take very seriously.

TAL is owned by the Dai-ichi Life Insurance Company (**Dai-ichi**) in Japan. Dai-ichi is one of the world's leading providers of retirement income products.

We have therefore examined the Position Paper from our unique life insurer perspective. In particular, this perspective has been applied in reviewing the technical aspects of the proposed retirement income covenant, such as mortality trends and longevity risk.

Depending on the outcome of this consultation, including the legislative framework introduced, TAL intends to participate in the retirement income market in Australia, working both with superannuation funds and directly with retail customers.

TAL submission

We support the overall objective of the Position Paper to introduce a retirement income covenant in the *Superannuation Industry (Supervision) Act 1993 (SIS Act)* and a retirement income framework that includes the provision of a Comprehensive Income Product for Retirement (**CIPR**).

We believe the Position Paper is an important step forward. However, legislative and regulatory certainty will be critical to the successful development of a retirement incomes market which provides all Australians with a dignified retirement. To this end, product providers should not be unduly restricted or inhibited by legislative constraints in the development of new and innovative retirement income products. This is particularly the case, given that this market is only now at the early stages of a potentially transformative change.

Consistent with the views expressed in the Position Paper, we believe that CIPRs have the potential to improve the retirement standard of living for retirees by providing options for trustees and members to more effectively utilise superannuation savings in retirement.

TAL Life Limited

ABN 70 050 109 450
AFSL 237848

GPO Box 5380 Sydney NSW 2001
Level 16, 363 George Street
Sydney NSW

P +61 2 9448 9000
F +61 2 9448 9100
W tal.com.au

TAL considers that some of the important issues for Treasury to consider further are:

- defining less restrictive parameters (than those proposed within the Position Paper) for the definition of “*efficient, broadly constant income, in expectation*” to ensure retirement income product innovation is not unduly inhibited;
- allowing superannuation trustees greater flexibility to offer more than three CIPRs for funds with diverse memberships;
- ensuring terminology associated with “*Flagship CIPRs*” is simple and facilitates consumer understanding – as a start, this may mean using the term “Primary” (rather than “Flagship”) and “MyRetirement” (rather than “CIPR”);
- using behavioral insights in communicating any offer of CIPRs to members transitioning into retirement – this may include the concept of requiring an “informed” or active decline; and
- providing retirement income product providers and trustees with appropriate legal mechanisms to ensure there is not a proliferation of legacy or unsustainable CIPRs – to this end, development of a clear legislative framework in relation to “*Legacy products*” and “*Safe harbour*” provisions should occur prior to the offering of any CIPRs.

We believe that both retirement income product providers and superannuation trustees should have a shared responsibility when building a range of CIPR solutions. This will ensure that each CIPR is in the best interests of the targeted cohort of superannuation fund members. We look forward to working together with Treasury and our superannuation fund partners to achieve this outcome.

Contact information

If you have any questions regarding TAL’s submission, please do not hesitate to contact Darren Wickham (General Manager, Group Life Product & Pricing, Investments and Retirement) on darren.wickham@tal.com.au or Ashton Jones (Head of Investments, Retirement and New Propositions) on ashton.jones@tal.com.au.