

15 June 2018

Manager CIPRs
Retirement Income Policy Division
The Treasury

Attention Rebecca McCallum

By email: superannuation@treasury.gov.au

Dear Rebecca,

COTA Australia is the peak body representing the interests of current and future older Australians. We appreciate the opportunity to comment briefly on the Retirement Income Covenant Position Paper issued by Treasury.

As you are aware I was a member of the consumer and industry advisory group that provided advice to Treasury on possible options and scope of a retirement income covenant. I appreciated the opportunity to present a consumer perspective into that process.

COTA Australia broadly supports the proposals in the Position Paper. In particular COTA Australia supports the two Covenant Principals and the eight Supporting Principles.

There are several matters to which we wish to give specific support, and one we need to query within the Position Paper's commentary on the Supporting Principles. These are as follows:

- a. At page 7, para 2 - We strongly agree that CIPRs must provide income beyond life expectancy, they should provide "income for life"
- b. At page 7, para 4 - We support the need for flexibility to provide access to capital. While in general we place greater priority on a higher income stream than utilisation of capital, access to capital can be important for the reasons stated and also specifically for access to residential aged care
- c. At page 7 last para - COTA strongly supports that trustees should be able to offer up to three flagship CIPRs without the offer constituting financial advice. The paper says, "based on an individual's account balance"; we believe this should also be "and/or based on members varying general circumstances".
- d. At page 10, Principle 8 - We are not confident that a balance of \$50,000 is sufficient for a CIPR, we have generally been regarding a balance of \$100,000 as the threshold, given the need to have some access to capital in addition to any deferred product. WE are open to advice on this.

In addition to the above comments we want to underline the importance in the "Future consideration" section of the paper of developing a "Lifetime engagement" principle, which in our view is sadly lacking in the experience of most superannuation members.

As a final comment in relation to the proposed later “Safe Harbour” principle and the final paragraph on page 11, we believe that trustees should not be open to claims for loss in such circumstances provided they have provided a full and transparent information and general advice about the CIPR option.

We trust these brief comments have been of use and would be happy to discuss these or any other matters that may have arisen during your consultation,

Best regards

Yours sincerely,

A handwritten signature in black ink, consisting of several loops and a vertical line, positioned below the text "Yours sincerely,".

Ian Yates AM
Chief Executive