



TelstraSuper Retirement Income Strategy

June 2022



Message from the Chief Executive Officer



Providing sustainable retirement income solutions for our members is an important responsibility of Australia's superannuation funds. At TelstraSuper we take this very seriously and it has been an important focus of the Fund for many years. We're committed to further developing our Retirement Income Strategy for our members.

Retirement means different things to different people – some of us can't wait to finish work as soon as we can, others want to transition gradually, while others keep working and never retire. Whatever retirement means to our individual members, TelstraSuper is here to help and support them.

Many of our members, with an average age of just over 50, are moving towards retirement age and, therefore, being able to confidently plan for their retirement years is more important than ever. Our support continues to our current retiree members as they progress through their retirement years.

Our Retirement Income Strategy for members recognises that many elements need to be considered. These include achieving the right balance between risk, return and longevity issues; recognising that everyone's needs and life situations are different and catering for these differences. It's also about acknowledging that planning for retirement is often not easy and members need our support and assistance to guide them through the process.

We have members at different stages of their journey towards and in retirement. Some are approaching and transitioning towards retirement, while others are retiring now or have already retired. They have different needs and objectives and we have incorporated these into our plans.


TelstraSuper's members tend to be very engaged with their super. In fact, 89 percent of members actively engage by contributing, rolling over or transferring funds into their account. This engagement extends to retirement planning as they seek our guidance through education and advice from TelstraSuper Financial Planning.

We have products in place to help our members achieve and support their retirement and we're broadening this range with other options. We'll also be supporting members with further guidance to help them make the right decisions for their personal circumstances.

We support the Government's initiative in creating the Retirement Income Covenant and look forward to continuing the development of TelstraSuper's Retirement Income Strategy to give our members and their families the confidence to enjoy a better retirement.



Chris Davies
Chief Executive Officer

 **“We're here to give our members and their families the confidence to enjoy a better future than they ever imagined.”**

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About this guide

This document outlines TelstraSuper's Strategy to meet the requirements of the Retirement Income Covenant within the Superannuation Industry (Supervision) Act (SIS).

TelstraSuper snapshot

TelstraSuper is



a specialist fund dedicated to helping members achieve the best retirement outcome possible



a profit-to-members fund established in 1990



with funds under management of around \$24 billion

Background

All superannuation funds are required to formulate, regularly review and implement a Retirement Income Strategy. This strategy needs to be for the benefit of the members of the Fund who are retired or who are approaching retirement. It needs to address how the Fund Trustee will assist those members to achieve and balance three objectives:

- to maximise their expected retirement income;
- to manage expected risks to the sustainability and stability of retirement income over the period of retirement such as:
 - longevity risks
 - investment risks
 - inflation risks, and
- to have flexible access to funds during retirement.

TelstraSuper's response is set out in our Retirement Income Strategy, which outlines our considerations, plans and strategy to provide sustainable retirement incomes for our members leading up to and in retirement.

This document sets out TelstraSuper's summary of our Retirement Income Strategy.



Award-winning income stream

TelstraSuper was recently awarded the Chant West Pension Fund of the Year 2022.

Strategy principles

TelstraSuper's Retirement Income Strategy is based on the following principles:



Retirement adequacy

Members should have adequate retirement savings and derive income from these savings to support their life in retirement.



Risk management

Members should be supported in the management of risks to maintain the reliability, stability and sustainability of their retirement income.



Maximisation of retirement income

Members should be supported to maximise their retirement income in the drawdown of their accumulated super balances through guidance, education, advice, and access to appropriate products. This could lead to greater member confidence in spending and consumption during retirement.



Member support

Members should be supported in the achievement of their retirement income objectives through engagement, education, advice and guidance that helps them understand and make choices about the retirement income products and services offered by the Trustee.



Access to capital

Members should have the flexibility to retain some ability to access capital during their retirement so they can pay for unexpected events or activities in addition to living needs.

Informing our strategy

Member profile – who are our members?

TelstraSuper's Retirement Income Strategy is designed to support members who are 'transitioners' – approaching retirement – and 'retirees' – those who are already retired.

Everyone is different and members reading this report may not fall neatly into a 'category' but considering age and eligibility for superannuation conditions of release help us develop strategies and solutions for retired members and those approaching retirement.

In most cases, transitioners are aged 50 to 64. If you're aged 65 and over, and are invested in the RetireAccess income stream, you're likely to be 'retired'. There may also be members who are still employed and may have different needs from those members who are no longer receiving income from employment.

There are both similarities and differences among members. For example, younger transitioners, aged from 50 to 54, may still have 10 years or more to increase their super balances before retiring. In the retiree group, the younger 65 to 70 year olds may still be in paid employment which may help them increase their super balance and supplement their super income.

What does retirement mean?

Retirement can no longer be narrowly defined as a fixed point in time at which people leave the paid workforce permanently. The nature of retirement has changed and the reasons for retiring vary considerably. The pathways also vary and, for many people, the transition from full-time work to permanent retirement is gradual rather than abrupt.

Some people retire more than once, others are involuntarily retired, while other people transition with reduced hours of work. Common reasons for retiring include reaching preservation age or age pension eligibility age, the desire for more leisure time, the person's own or someone else's ill health, and/or difficulties finding appropriate work.

The average age of retirement in Australia is currently around 62-65 years, with women tending to retire one to three years before men. However, some people are staying in the workforce to older ages. The labour force participation rate of people aged 60-64 has increased by 22 percentage points between April 2000 and April 2020 (*Retirement Income Review, Australian Treasury Nov, 2020*). Improved health outcomes, greater workplace flexibility and higher average levels of educational attainment have all contributed to some people staying in the workforce to older ages; a trend that is likely to continue.

At TelstraSuper we define the 'period of retirement' as including the time between reduced participation in the paid workforce (for example, through reduced working hours and temporary employment) and leaving it altogether - when a member has stopped gainful employment and doesn't intend to be gainfully employed again.

This means many TelstraSuper members could be expected to spend more than 20 years in retirement, based on the current life expectancy Australian life tables.

Retirement income – our definition

At TelstraSuper we define 'retirement income' as all sources of income someone can access in their retirement including income from super and from an age pension, consistent with Australia's three-pillar retirement system, which includes:

- an age pension*
- compulsory superannuation and
- voluntary savings.



“We're here to help give you and your family the confidence to enjoy a better retirement.”

* Means tested age pension under the Social Security Act 1991

Current solutions

We support our members to achieve their retirement income objectives through:

- advice and guidance
- communication and
- education

to help members understand and make choices about their retirement, including awareness of and access to appropriate products and services.

TelstraSuper currently offers two retirement income products:

- Retirement Income stream for members who have retired, and
- Transition to Retirement Income stream for members who are still working but moving towards retirement.

Within the Retirement income stream we offer investment options specifically designed for members who are in retirement. These options are designed to address market volatility concerns.

TelstraSuper was recently awarded the Chant West Pension Fund of the Year 2022.

Communication and education

We engage with members and prospective members through targeted communications in newsletters, on our website, via direct mail and relevant messages in regular member statements.

TelstraSuper's Contact Centre staff are trained to identify where a member's needs might be best served by advice, and the member is referred to the appropriate advice channel if they require further assistance. Our outbound call team helps educate members through relevant marketing campaigns and member education initiatives. Education is offered to members approaching retirement through seminars on topics such as preparation and readiness for retirement. For members who are already retired, education in topics such as estate planning, the age pension, aged care and retirement income stream products is available.



Advice and guidance

TelstraSuper members have access to a full range of financial advice services from simple limited financial advice about their interest in TelstraSuper through to comprehensive financial advice.

At TelstraSuper we believe that financial advice is a key to improving member outcomes in retirement and offers the best chance for a member to maximise their retirement income, manage risks during their retirement and identify appropriate products to provide liquidity.

Future initiatives

How we'll support the future retirement income needs of members:



specific retirement income products



tools such as projection and expenditure calculators



factual information about key retirement topics



engagement and guidance through digital advice journeys including retirement calculators and estimates.

Products

A range of factors need to be balanced to design the optimum products and services for our members, including balancing the needs and circumstances of each member group with overall value for all members. When developing new products we'll consider the options as a whole and seek to offer a range of solutions members may use to meet their personal needs.

We plan to develop a range of investments and products that can be used as building blocks. Members will be able to choose a combination of products, with the support of advisers if they wish, to tailor an overall solution that balances and achieves their individual objectives.

Future solutions will focus on flexible and fixed income streams to assist in managing risks which affect retirement savings (including longevity, investment, and inflation). They will support a variety of members with different starting balances, ages, health status, gender, wealth outside superannuation, marital/family scenarios and lifestyle preferences.

Fees and costs

TelstraSuper actively and regularly reviews its administration fees and investment costs. We believe keeping these fees and costs as low as possible will improve member outcomes.

Investments

Members can invest directly in shares, Exchange Traded Funds (ETFs), Listed Investment Companies (LICs), term deposits and cash through TelstraSuper's Direct Access investment platform which is currently offered to members in the accumulation stage and is planned to be added for retired members.

Advice and guidance

Members who are approaching retirement, and those already in retirement, are supported through the range of financial advice services available. We aim to provide solutions to the broader membership group including those who may have only smaller balances and are unable to afford the most expensive advice service.

The comprehensive financial advice service allows us to assist members to implement investment strategies and product solutions that address longevity, investment and inflation risks associated with the member's retirement income.

We'll continue to support members through a range of ways to educate themselves about their retirement income including digital scenarios, calculators, tools and phone services.

Engagement

Enhancing digital engagement is a key element of TelstraSuper's strategy. We plan to:

- deliver a unique online experience, to provide pre-retiree and retiree members with a one-stop destination
- improve the ability for members to engage with the Fund and manage their super via online platforms, and
- continue to provide a targeted and personalised experience for our members.

Understanding our members

Understanding our members by gathering more information about them will help determine the strategies to assist members approaching and during retirement. We'll focus on enhancing our information by gathering data on retirement ages, super balances at different stages, variation by gender, risk appetite, income while employed and how long members spend in retirement. Information about home ownership, marital status, assets outside super, age pension eligibility and life expectancy is all information which would be helpful in informing our strategy.

We'll also continue to research our members' views, preferences and priorities on issues such as their income and lump sum needs and desires, retirement spending expectations/consumption patterns, risk concerns and retirement income product features wanted and/or needed.

Risks

At TelstraSuper we acknowledge there are retirement risks faced by all members including longevity or outliving savings, investment volatility, inflation and sequencing, or the timing of poor market returns. We'll continue to provide retirement income solutions to assist you, our members, to address these risks.

To address investment volatility risk, members are offered a broad range of investment options to meet a range of risk profiles and objectives. TelstraSuper's Lifestyle investment options have been designed specifically to meet the needs of retirees. They are diversified investments designed to produce a higher level of income and help retirees manage retirement risks such as the risks associated with the need to draw down on savings during a market downturn. The Lifestyle investment options offer an optional cash allocation feature which can help provide investment flexibility by allocating some of the selected options to the cash investment option each month.

Longevity risk is a key area for future product opportunities and any future product solutions will consider how we can assist members to manage this risk.

Review of strategy

TelstraSuper's Retirement Income Strategy will be reviewed at least every three years and the outcomes will be reviewed annually.



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