



# TelstraSuper Retirement Income Strategy

November 2023



# 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. We also continue to support our retired members as they progress through their retirement years.

Our Retirement Income Strategy 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.

A handwritten signature in black ink, appearing to read 'Chris Davies'.

**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



managing funds of around \$25 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.

## Retire with the Pension Fund of the Year



TelstraSuper was awarded the Chant West Pension Fund of the Year for 2022 and 2023, and the SuperRatings Pension of the Year 2023.

# Strategy principles

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



## Retirement adequacy

Help members achieve retirement savings and income to support a comfortable lifestyle.



## Risk management

Help manage retirement income risks through relevant product design, advice, guidance, and online tools.



## Maximise income

Build member confidence in retirement spending. Assist with drawdown of super balances through guidance, education, advice, and appropriate products.



## Member support

Provide financial advice, communication, education, engagement, administration, and servicing to help members achieve retirement income objectives.



## Access to capital

Provide retirement income solutions with income flexibility. Provide adviser-led initiatives and operational processes for efficient access to funds.



# Informing our strategy

## Who benefits from our strategy?

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

Everyone's journey is different and not all members fall neatly into any particular category. That's why we consider age, employment status and product membership to give us an indication of where a member may be in their retirement journey. We also consider a members balance, financial literacy and engagement with TelstraSuper to further refine our approach.

In most cases, transitioners are age 50 to 64, or may be older but still receiving employer contributions. Retirees are generally invested in our RetireAccess or Lifetime Pension income streams, or they may be over 65 and no longer receiving income from employment.

There are both similarities and differences among categories of 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 longer. 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 longer; a trend that is likely to continue.

At TelstraSuper, we define the 'period of retirement' from when a member becomes a 'retiree' by either starting an income stream or attaining age 65 and no longer receiving an income.

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

## Retirement income – our definition

At TelstraSuper, we have based our definition of 'retirement income' on Australia's three-pillar retirement system which includes:

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

We have defined 'retirement income' as including all sources of income, including income from TelstraSuper, from the age pension, and from investments and savings outside the superannuation environment. Home ownership may also be leveraged to provide a source of income.



**“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

# Our solutions

Our solutions have been designed to help our members balance the following three retirement objectives:

- maximise income
- manage expected risks to the sustainability and stability of retirement income; and
- have flexible access to funds.

We also offer members a range of complementary solutions to use in combination to meet their personal needs:

- retirement income products
- member communication, education and digital services
- guidance and advice

## Our retirement income products:



RetireAccess – retirement income stream for retired members



Transition to retirement (TTR) income stream for members who are still working but moving towards retirement



RetireAccess Lifetime Pension providing a guaranteed income for life\*

## Retirement income products and investments

When it comes to designing the most suitable products and services for our members, we look at balancing the needs and circumstances of each member group with overall value for all members.

We have developed a range of investments and products that can be used as building blocks. Members can choose a combination of products, with the support of advisers if they wish, to tailor an overall solution to achieve their goals.

We offer retirement investment options specifically designed to address market volatility concerns, called our Lifestyle investment options. We also offer our Direct Access platform for members who are comfortable making their own investment decisions. This platform provides access to term deposits, ASX 300 listed shares, and a range of Exchange Traded Funds (ETFs).<sup>^</sup>

Our Lifetime Pension is an annuity-style product providing members with a guaranteed, tax-free income for life.

Through this combination of products, we provide flexible and fixed income streams to assist in managing risks which affect retirement savings (including longevity, investment, and inflation). These products can be used to support many different members with different starting balances, ages, health status, gender, wealth outside superannuation, marital/family situations and lifestyle preferences.

Members may also benefit from a Retirement Bonus upon commencement of a Retirement income stream.

\* The benefits provided by RetireAccess Lifetime Pension are supported by a life insurance policy issued to Telstra Super Pty Ltd, the trustee of TelstraSuper (“Trustee”) by Challenger Life Company Limited (ABN 44 072 486 938) (AFSL 234670) (“Challenger”). The Trustee, as issuer of the RetireAccess Lifetime Pension product, does not provide any guarantee whatsoever in respect of the product. The guarantee is provided by Challenger Life under the life policy issued to the Trustee. The Trustee relies wholly on Challenger Life to pay your pension and will not pay your pension under a RetireAccess Lifetime Pension if Challenger Life is unable to.

<sup>^</sup> It is important to note that TelstraSuper is not making any recommendation to any person to acquire any ETF product and makes no representations and/or warranties as to whether a particular ETF product will meet any individual’s investment needs and requirements.

### Member communication, education and digital services

We provide tailored, engaging educational content to our members to help them understand and make choices about their retirement, including building awareness of and access to appropriate products and services.

We engage with members through targeted communications in newsletters, emails, on our website, via direct mail and relevant messages in annual members statements and via members' online accounts.

Our digital services include our secure member portal SuperOnline, our app, and comprehensive online tools and calculators. These allow members to easily engage with, understand and manage all aspects of their superannuation and are the largest touchpoint for members initiating engagement and interactions with the Fund.

Our contact centre staff are trained to identify if and when a member needs to be referred to an appropriate advice team 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 via seminars and webinars on topics such as preparation and readiness for retirement, budgeting and cashflow, and contributions. 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.

### Guidance and advice

Members who are both approaching and in retirement are supported through the range of guidance and financial advice services. We provide solutions to the broader membership group including those who may have smaller balances.

Designed as a service specifically for our pre-retiree and retired members, our Guidance Specialists provide in-depth general advice to assist members with all aspects of their retirement journey. A combination of content, tools and advice from our Guidance Specialists can assist members to understand and model the impacts of balancing various retirement objectives, for example how withdrawals impact retirement income and adequacy.

We believe that financial advice is 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. 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, provided by TelstraSuper Financial Planning. Personal advice 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.

### Future initiatives

We're constantly striving to improve our products, services and advice to address the needs of members approaching and in retirement.

In recent years we have introduced several enhancements for our transitioners and retirees, including:

- our new Guidance Specialist Team,
- lifestyle investment options for our retirement income stream members
- making Direct Access available to our RetireAccess retirement income stream members,
- developing our Lifetime Pension product and Lifestyle investment options, and
- enhancing our suite of tools and calculators.

New tools include our Investment Choice Selector, Lifetime Income Calculator and Retirement Drawdown Calculator. We've also updated our Retirement Lifestyle Planner.

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

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

- deliver a unique online experience,
- provide pre-retiree and retiree members with a one-stop destination
- improve member engagement via online platforms, and
- continue to provide a targeted and personalised experience for our members.

Our education and advice teams are regularly assessing available topics to ensure we are responding appropriately to member's needs. Changing legislation, particularly in the advice space, may provide opportunities for us to further enhance our offerings.



### 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.

### 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, risk appetite, income and how long members spend in retirement. Information about home ownership, marital status, assets outside super, age pension eligibility and life expectancy all help to inform our strategy.

We'll also continue to research our members' views, preferences and priorities on issues like income and lump sum needs, retirement spending expectations, risk concerns and desired retirement income product features.

### 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. The enhancements we have delivered in recent years, including products and investments options, as well as communication, education, guidance and advice, have been designed to help members address these risks.

To address investment volatility risk, members are offered a broad range of investment options to meet their 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, like 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.

Our Lifetime Pension has been developed to help members address the risk of outliving their pension which is another key concern for many which can lead to members being unnecessarily frugal in retirement. Withdrawal and death benefit options are available and help to address common concerns members may have about lack of access to capital with these types of products.

### Review of strategy

TelstraSuper's Retirement Income Strategy will be reviewed at least every three years and the outcomes will be reviewed annually. This will include a review of take-up of our retirement income products and a review of services, education and guidance that members are using to help to navigate retirement.



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