



Retirement market review 2023

Benchmarking of superannuation fund trustees' retirement income strategies

Plan For Life

Since the commencement of the Retirement Income Covenant (RIC) on 1 July 2022, registrable superannuation entity (RSE) licensees have published summaries of their retirement income strategies (RIS).

Following on from Plan for Life's (PFL) initial review of published RIC strategies *Retirement Market Review 2022* (2022 Review), PFL conducted a subsequent review based on the position at 31 December 2023.

As was the case previously, there is a large degree of variation amongst the RSEs, with some of the strategies minimal—comprising less than a page while others are more expansive—taking up to three pages, while in a few cases, longer summaries have been released.

To inform the market and provide transparency of progress to date, PFL again undertook independent analysis and benchmarking that examines each RIS and scores seven underlying factors. The seven benchmarking factors were developed from criteria set out in the Australian Government's *Retirement Income Covenant Position Paper*, 19 July 2021 and *Implementation of the Retirement Covenant*, 7 March 2022.

This whitepaper examines 57 RSE licensees' strategies repre-

senting over 100 superannuation funds, including virtually the entire Australian retirement market covered by the RIC.

Note: MySuper funds and SMSFs are not required to comply with the Covenant.

In much of retail superannuation and partly in public sector superannuation, there are funds with one common trustee and hence one RIS, which is why the number of funds is much larger than the number of strategies. Superannuation funds that provide defined benefits as well as having accumulation segments were covered in the review, but four dedicated defined benefit funds were not included.

Overall benchmarking results across the industry

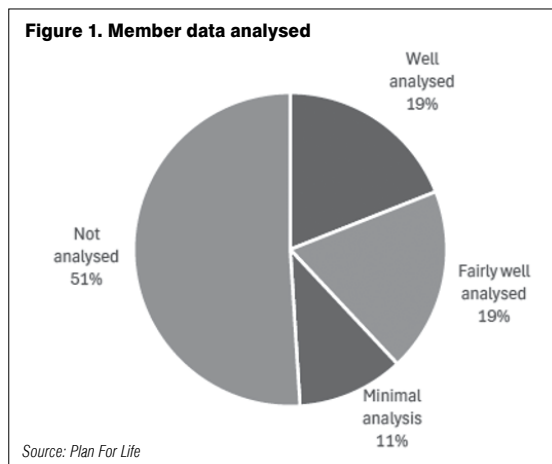
The seven benchmark factors—focused on the key criteria for comparing the retirement income strategies (RIS) formulated by registrable superannuation entity licensees, are:

- member data analysed
- member cohort definition
- provision of calculators and tools
- products and meeting longevity
- member services
- general and personal advice
- strategy approach and application

Member data analysed

The extent to which member data has been analysed.
 The benchmarking analysis shows that 51% of the industry has “Not analysed” member data, 11% have conducted “Minimal analysis”, whereas 19% have “Fairly well analysed” data using a few parameters—for example, age and account, and 19% have “Well analysed” data analysed using several parameters.

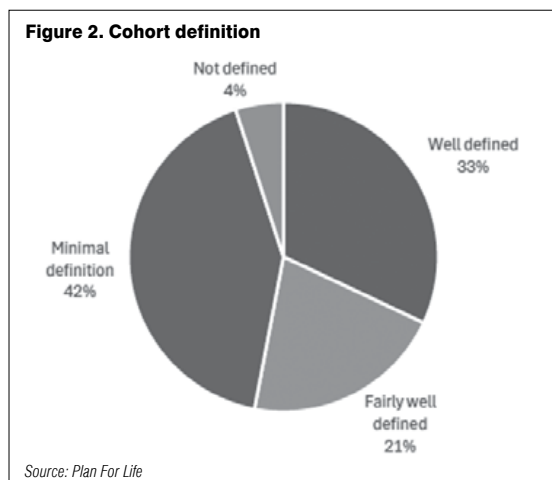
These results show some degree of change from the 2022 Review which reported —57%, 9%, 14% and 20% respectively for the four categories.



Member cohort definition

The extent to which member cohorts have been determined or defined.

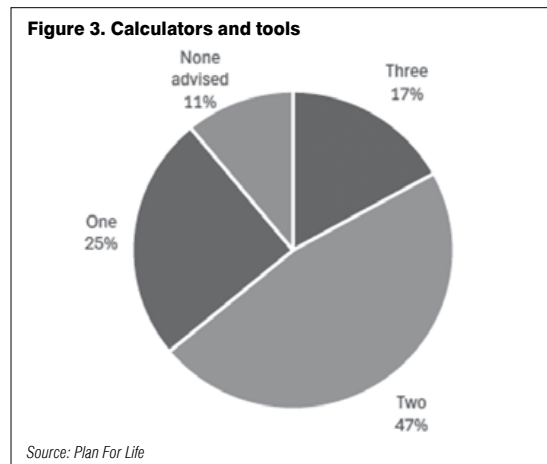
The benchmarking analysis shows that 4% have not used a Cohort definition, 42% of the industry use a “Minimal definition” of cohorts—one to two cohorts, 21% use “Fairly well defined”—three cohorts, and 33% were “Well defined”—four cohorts and over; age pension based; asset-based. Some improvement in defining cohorts has occurred since 2022 when 6%, 51%, 20% and 23% respectively were recorded for the same four categories.



Provision of calculators & tools

Provision of three types of calculators or tools e.g., Risk profile, benefit projection, longevity, projection, planning projection.

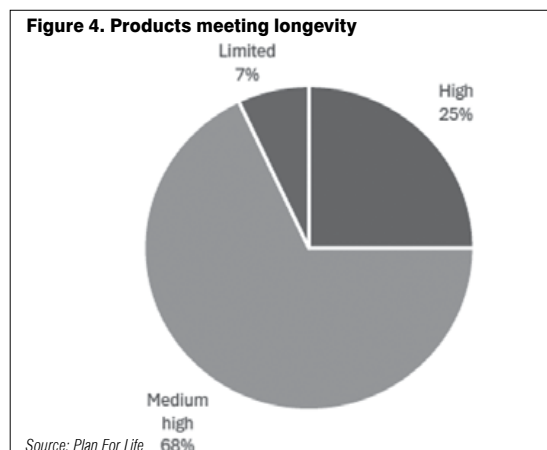
The benchmarking analysis shows that 47% of the industry provide “Two” types of calculators or tools, 17% have “Three”, 25% have “One” and 11% have none advised. In the case of this benchmark there was a decline in the percentage with two calculators from 2022 —57% down to 46%, while for one calculator, the 2023 percentage rose 12% up to 25%.



Products and meeting longevity

The range of income-generating available

The benchmarking analysis shows that 68% of the industry offer a pension with ready-mix and choice options plus extra features, 7% offer a very limited number of options, and 25% offer a pension with ready-mix and choice options, annuity or group pension or other longevity based income-stream products and availability of other investment strategies and product selection. In 2022 the corresponding percentages were 74%, 3% and 23%. The measure of RSEs offering a ‘High’ level of products with longevity protection is stricter than in 2022, where previously RSEs which offered bucketing and smoothing were included in this category.



The quote

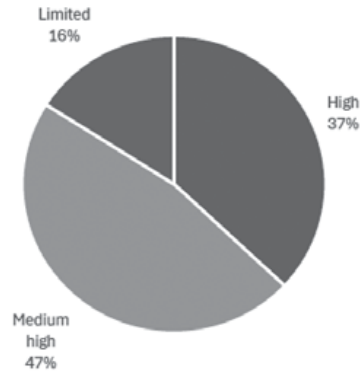
Benchmarking analysis shows that 51% of the industry has “Not analysed” member data - slightly lower than 57% as reported in the 2022 Review.



The quote

77% of the industry offer a 'High' range of, or access to, both general and personal advice, 5% to a 'Medium-high' range, 16% to a limited range and 2% where there is no mention of advice available.

Figure 5. Member services



Source: Plan For Life

Member services

The extent of member services provided, ranging from no services advised, a limited number of services—website with some retirement-type information, a much fuller set of service—website, webinars, seminars and education—and a very full set of services with availability of additional advice and planning assistance on the use of innovative products such as group lifetime pensions.

The benchmarking analysis shows that 47% of the industry offer a 'Medium-high' range of member services, 37% offer a 'High Range' and 16% have a limited range. These results show an improvement from the 2022 Review that recorded 83%, 6%, and 11% respectively for the categories, demonstrating a significant shift from Medium-high into High.

General and personal advice

The range extends from no advice provided, provision of very limited general advice, some general and personal advice but with the onus on the member to seek the latter and provision of higher access to both general and personal advice.

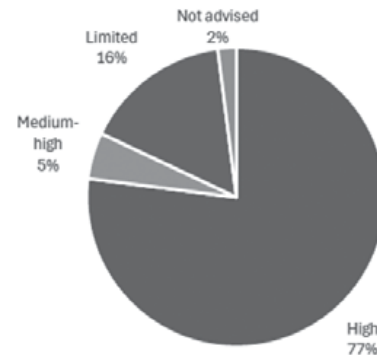
The benchmarking analysis shows that 77% of the industry offer a 'High' range of, or access to, both general and personal advice, 5% to a 'Medium-high' range, 16% to a limited range and 2% where there is no mention of advice available. Some improvement has occurred 2022 when 78%, 8%, 11% and 5% respectively, were recorded for the same four categories.

Benchmarking methodology

The *Retirement Income Covenant Position Paper*, 19 July 2021 set out a number of components of the RIC while its implementation was further clarified when the Australian Securities and Investments Commission (ASIC) and the Australian Prudential Regulation Authority (APRA) issued a joint letter to all RSE licensees on the implementation of a new retirement income covenant.

RSE licensees were asked to consider this document

Figure 6. General and personal advice



Source: Plan For Life

when developing their strategies and in particular the indicative implementation pathway 2022–2025 with key considerations that was provided. As from 1 July 2022 the components of the Retirement Income Covenant became part of the *Superannuation Industry (Supervision) Act 1993* (SIS Act).

In December 2023 Treasury published the Discussion paper: *Retirement phase of superannuation* that included the results of investigations into 15 trustees by APRA and ASIC. The most notable finding being that seven had made longevity protection products available to members, while six were still considering introducing such products. The Discussion paper called on interested parties to submit their views on three key areas: supporting members to navigate the retirement income system, supporting funds to deliver better retirement income products and services and making lifetime income products more accessible.

These latest developments made the most recent PFL Review especially timely. As mentioned, PFL methodology is based on identifying six key factors of the RIC which are capable of being benchmarked and scored using a quantitative approach, together with a seventh factor—Strategy approach and application—that is derived from the six factors, resulting in a total score for each individual strategy. This approach provides a reasonable way to view the extent to which the strategy and the factors defined by PFL have been fulfilled by each RSE.

Scoring the factors

Member data analysed

This is a measure of the extent to which member data has been analysed. There are several possibilities: Data not analysed, Data minimally analysed, Data analysed using a few parameters, using a slightly more detailed analysis such as by members' age and account balance, and Data analysed using several parameters, where a very detailed analysis using several parameters including age, sex, account balance and withdrawal pattern was undertaken.

Table 1. Member data analysed – maximum 10 points

Conditions	Result	Points
Data analysed using several parameters	Well analysed	10
Data analysed using a few parameters e.g. age and account	Fairly well analysed	8-9
Data minimally analysed	Minimal analysis	7
Data not analysed	Not analysed	0

Source: Plan for Life

Member cohort definition

This is a measure of the extent to which member cohorts have been determined or defined. The range extends from no cohorts, a cohort of two—member below 50 and 50 and over, a cohort of three—members under 55, members 56 to 65 and members 66 and over and a well-defined cohort of three with subdivision, which might be by male/female, or a cohort of four or more.

Table 2. Cohort definition – maximum 10 points

Conditions	Result	Points
Four cohorts and over; age pension based; asset-based. Three cohorts acceptable if more detail within the cohort is provided.	Well defined	9-10
Three cohorts	Fairly well defined	8
One to two cohorts	Minimal definition	7
No cohorts	Not defined	0

Source: Plan for Life

Provision of calculators and tools

This measures the number of types of calculators or tools e.g., risk profile, benefit projection, longevity projection, planning projection. The range lies from No calculators, One or Two provided to Three or more calculators/tools. To be scored, calculators and tools must be readily available in websites or associated links.

Table 3. Provision of calculators and tools – maximum 10 points

Conditions	Points
Three calculators or tools	10
One or two calculators and tools	7
No calculators	0

Source: Plan for Life

Products and meeting longevity

This measures the range and type of income-generating products available. Pension accounts with only a premix/ready-mix of funds available lie at the low end of the range; accounts with both ready-mix and choice/sector funds are next highest and may score higher if there are extra features, while accounts where an effective form of maximising investment earnings such as ‘bucketing’ is provided to members may score higher still. At the top end of the range are those accounts where in addition to ready mix or multiple investment options, members have access to annuities, lifetime pensions and other longevity-based income stream products.

Table 4. Products and meeting longevity – maximum 20 points

Conditions	Result	Points
Pension with ready-mix and choice options, annuity or group pension or other income-stream products		
Availability of other investment strategies and product selection	High	17 – 20
Pension with ready-mix and choice options, plus extra features	Medium-high	14 – 16
Pension with ready-mix only	Limited	13

Source: Plan for Life

Member services

The extent of member services provided, ranging from no services advised, a limited number of services—such as solely a website with some retirement-type information, a much fuller set of services—such as a website, webinars, seminars and education and a very full set of services which include all of those mentioned plus services whereby members receive information, advice and planning assistance on the use of innovative products such as group lifetime pensions.

Table 5. Member services – maximum 15 points

Conditions	Result	Points
Range of services including website education/information, seminars, webinars, newsletters, Information, advice or planning on the use of innovative products	High	15
Range of services including website education/information, seminars, webinars, newsletters	Medium-high	14
Limited range of services.	Limited	13
No services advised	Not advised	0

Source: Plan for Life

General and personal advice

The range extends from No advice provided, provision of only general advice and provision or access to both general and personal advice.

Table 6. General and personal advice – maximum 5 points

Conditions	Result	Points
Provision of, or access to, both general and personal advice	High	5
Provision of only general advice	Medium	4
Limited provision of advice	Limited	3
No mention of advice provided	Not mentioned	0

Source: Plan for Life

Strategy approach and application

The Strategy approach and application score was determined from the total score achieved by the other six factors—which score a maximum of 70 points. Because these factors have different maximum scores—such as 15 points for Member service, 20 points for Product and meeting longevity—their total score contains the appropriate weights for each factor. The Strategy approach and application score was then derived on a sliding scale from the following table, where the closer the six factors’ score was to 70, the greater the additional points scored, up to a maximum of 30.



The quote

The use of longevity-style products in superannuation funds has been steadily increasing in recent times, with thirteen RSEs now including these products compared to eight in 2022.

Table 7. Strategy approach and application – maximum 30 points

Score range of six factors	Result	Points Range
68-70	High	28-30
66-67	High	27
60-65	High	26
54-59	Medium-high	25
52-53	Medium-high	24
50-51	Medium-high	22-23
47-49	Medium	19-21
45-46	Limited	18

Source: Plan for Life

Mergers

During the last 15 months [up to 31 December 2023] there have been nine significant mergers of funds, one partial merger, one RSE added to the report and one closed fund excluded—as shown in Table 8.

Table 8. Superannuation fund mergers

RSE merged	Merged with
AGM	Acclaim
Australian Catholic	UniSuper
Christian Super	Australian Ethical
EISS	Cbus
Holden	Mercer
Lutheran	Mercer
Maritime	Hostplus
Mercy	HESTA
Suncorp	Brighter Super
Partial merger	
BT (part of funds)	Mercer
RSE added	
Vanguard	
Closed fund excluded	
Zurich	

Source: Plan for Life

Benchmarking scoring results

In Table 9—RSE licensee strategies are listed in order of total benchmarking score. RSEs which had significant parts of the six factors missing or unadvised and consequently had scores below 42, before considering the seventh factor—Strategy approach and application—were not scored.

Table 9. Benchmark ranking by RSE licensees' strategies

RSE licensees' strategies	Provider type	Benchmarking Total Score
Colonial First State	Retail	96
Vision Super	Public sector	93
AMP	Retail	91
BT	Retail	91
Commonwealth Super Corporation	Public sector	90
NGS Super	Industry fund	88

RSE licensees' strategies	Provider type	Benchmarking Total Score
Telstra	Corporate fund	88
Australian Retirement Trust	Industry fund	87
CARE Super	Industry fund	87
Cbus	Industry fund	87
Emergency Services Super	Public sector	87
Equip	Industry fund	87
AMIST Super	Industry fund	86
Russell Investment Management	Retail	86
HUB24	Retail	84
Mine Super	Industry fund	83
AvSuper	Industry fund	82
Aware Super	Public sector	82
Macquarie Investment Mgt	Retail	82
Spirit Super	Industry fund	81
UniSuper	Industry fund	81
Bendigo	Retail	80
Mercer	Retail	80
Rest Super	Industry fund	80
Brighter Super	Public sector	79
Clearview	Retail	79
NULIS Nominees (Australia)	Retail	79
Active Super	Public sector	77
AustralianSuper	Industry fund	77
Future Super	Retail	77
HESTA	Industry fund	77
IOOF	Retail	77
Legal	Industry fund	77
OnePath	Retail	77
Alcoa	Corporate fund	76
Challenger	Retail	76
Hostplus	Industry fund	74
ANZ Australian Staff Super	Corporate fund	73
Electric Super	Industry fund	73
Government Employees Super Fund (WA)	Public sector	73
Fire & Emergency Services Super Fund	Public sector	72
FIRST Super	Industry fund	70
BUSS(Q)	Industry fund	69
REI Super	Industry fund	69
netwealth	Retail	68
Prime Super	Industry fund	68
Qantas Super	Corporate fund	68
TWUSUPER	Industry fund	67
Acclaim Wealth	Retail	63
Australian Ethical Super	Retail fund	Not scored
Guild Financial Services	Retail	Not scored
ING Direct	Retail	Not scored
Meat Industry Employees Super	Industry fund	Not scored
NSW Electrical Super Scheme	Public sector	Not scored
Perpetual Funds	Retail	Not scored
Super SA	Public sector	Not scored
Vanguard	Retail	Not scored

Source: Plan for Life

Benchmark scoring by market sector

The extent to which RSE licensees' strategies in each market sector met the scoring criteria is set out in Table 10:

- At the lowest end of the scale, eight strategies only contained partial information, with several key items missing. Scores were determined for some of the elements—where information was available—but not in total.
- The seven strategies with scores lying between 60 and 69 points generally lacked an element such as Member data analysed, had a minimal Cohort definition and had only one calculator or tool.
- Of the eighteen strategies lying between 70 and 79, a few lacked one of the elements, typically Data analysed, but made up for this by having higher scores for the other elements; in most cases all of the elements existed but there were several that scored at the low end of the range.
- Of the nineteen strategies lying between 80 and 89, all elements existed and generally scored highly, with a few that scored at the low end of the range.
- Of the five strategies in the 90 and above range, all elements existed, and all scored well.
- Public sector fund strategies scored the highest, with eight out of ten (80%) scoring 70 and over, while Industry fund strategies had the next highest level, with seventeen out of twenty-two (77.3%) scoring 70 and over.
- Corporate fund strategies followed, with three out of four (75%) scoring 70 and over.
- Retail fund strategies were fourth, with fourteen out of twenty-one (66.7%) scoring 70 and over.
- As more aspects of the strategies are undertaken, especially Member data analysis and Cohort definition, so scores will increase, and one can expect to see more RSE licensees' strategies lying in the higher parts of the scoring range.

Table 10. Benchmark scoring by market sector

Total benchmarking score: Points range	Industry	Retail	Public	Corporate	Total
Not scored	1	5	2	-	8
60 – 69	4	2	-	1	7
70 – 79	6	6	4	2	18
80 – 89	11	5	2	1	19
90 – 99	-	3	2	-	5
Total number	22	21	10	4	57

Source: Plan for Life

Use of longevity products

For benchmarking, additional points were scored where lifetime annuities, fixed term annuities, group pensions and non-annuity income-stream products were made available. Funds which incorporate defined benefit lifetime pensions were excluded from this analysis, except where these were available together with accumulation products, in which case additional points were scored.

The use of longevity-style products in superannuation funds has been steadily increasing in recent times, with Table 11 showing thirteen RSEs now including these products compared to eight in 2022.

Table 11. Lifetime and fixed term annuities

Fund	New in 2023	Annuity insurer	Product type description
Active Super		Challenger	Lifetime and fixed term
AMP	Yes	TAL	MyNorth Lifetime Pension
ART		QInsure	Group Lifetime Pension
BT		Challenger	Lifetime and fixed term
CARE Super		Challenger	Lifetime and fixed term
Challenger (closed)		Challenger	Lifetime
Colonial First State		Challenger and Resolution*	Lifetime and fixed term*
Hostplus		Appears to be internal	Closed Lifetime and fixed term for ex-Statewide members
HUB24	Yes - Allianz	Allianz & Challenger	Allianz: AGILE Lifetime Pension Challenger Lifetime and fixed term
Legalsuper	Yes	Challenger	Lifetime and fixed term
netwealth		Challenger	Fixed Term 1-50 years
Telstra	Yes	Challenger	Lifetime – immediate, deferred, market linked
UniSuper**	Yes	UniSuper	Group Lifetime Income

Source: Plan for Life

Five funds added longevity cover to their product offerings in 2023. Suncorp previously advised that its fund offered longevity cover, but since merging with Brighter Super, there is no mention of this.

* CFS' Challenger products are assumed to include both lifetime and fixed term while Resolution currently only sells fixed term.

**UniSuper self-funds its Lifetime Income Product which it advised is only available to current members of its fund.

Bucketing and Smoothing

Six superannuation funds offer bucketing in which a growth-style option is combined with a cash or lower growth option—this is down from eight funds in 2022. Typically, pension drawings are taken firstly from the cash option until exhausted, then successively from the next lower growth option, enabling the higher growth option to maximise returns.

As shown in Table 12, one fund provides a smoothing option where a portion of excess earning are set aside in an investment fluctuation reserve and are available later to assist in smoothing investment returns. Additional points were scored for these features.

Table 12. Bucketing and smoothing

Fund providing bucketing/smoothing	Product description
Equip Super	Three investment types - bucketing
Fire & Emergency Super	Smoothing
HESTA	Two investment types - bucketing
NULIS	Varies (Cultivator, automated income stream)
Vanguard	Rebalancing across a series of life-stages
Vision Super	Three investment types - bucketing

Source: Plan for Life

Transfer rewards and bonuses

Twelve superannuation funds—listed below—have a facility to add rewards or bonuses when members transfer their accounts from accumulation to retirement income-streams; the amounts added depend on factors such as the period for which accounts were accumulated and the tax position of the overall fund. Thirteen funds offered these in 2022.

- Australian Retirement Trust

- Australian Super
- BUSS (Q)
- Cbus
- HESTA
- NGS Super
- NULIS Nominees
- OnePath
- Rest Super
- Spirit Super
- Telstra
- Vision Super **FS**

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