



Australian Government
The Treasury



Guidance on best practice principles for superannuation retirement income solutions

Consultation paper

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In the spirit of reconciliation, the Treasury acknowledges the Traditional Custodians of country throughout Australia and their connections to land, sea and community. We pay our respect to their Elders past and present and extend that respect to all Aboriginal and Torres Strait Islander peoples.

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Consultation Process

Request for feedback and comments

Interested stakeholders are invited to comment on the issues raised in this paper by **18 September 2025**. Submissions may be lodged electronically, linked below. For accessibility reasons, please submit responses via a Word, PDF or RTF format.

Submissions may be shared with other Commonwealth agencies where necessary. All information (including name and address details) contained in submissions may be made publicly available on the Australian Treasury website unless you indicate that you would like all or part of your submission to remain in confidence. Automatically generated confidentiality statements in emails are not sufficient for this purpose.

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Online	https://consult.treasury.gov.au/c2025-685228
Enquiries	Enquiries can be initially directed to the director of the Retirement Income and Adequacy Unit at retirement@treasury.gov.au
Phone	02 6263 2111

The principles outlined in this paper have not received Government approval.

Introduction

The Government is committed to reforming the retirement phase of superannuation to ensure the retirement income system delivers a better retirement for more Australians. A more effective retirement income system will empower Australians to make the most of their retirement as they live longer and healthier lives. These reforms are aimed at giving Australians more choice.

The best practice principles for superannuation retirement income solutions (the principles) provide guidance for trustees of registrable superannuation entities (trustees) on the design and delivery of high-quality retirement income solutions to their members. The principles support the Government's expectation for Australians to have access to well-rounded retirement income solutions that meet their needs in retirement.

The principles outline actions trustees can voluntarily adopt in designing and delivering retirement income solutions as part of their retirement income strategy, under the Retirement Income Covenant (the Covenant). The principles are intended to complement existing trustee obligations and are not intended to replace, override or vary obligations under existing law.

Background

Australia's superannuation system

Superannuation is a core pillar of Australia's retirement income system and plays an increasingly important role in providing income to Australians in retirement, consistent with the objective of superannuation – to preserve savings to deliver income for a dignified retirement, alongside government support, in an equitable and sustainable way.¹ Over the past 33 years, Australia's superannuation system has grown significantly to \$4.1 trillion in assets and is equivalent to around 160 per cent of gross domestic product.² This growth will support current and future retirees to boost their retirement income and reduce reliance on the Age Pension. To make the most of their superannuation saving, retirees will need assistance to convert balances into retirement income and uplift their outcomes.

With over 2.5 million Australians estimated to move into the retirement phase over the next decade, members and trustees need to think differently about the role of superannuation in retirement outcomes.³

As superannuation forms a larger part of retirees' retirement income, members access to quality retirement phase offerings will be critical to their ability to manage risk, maximise retirement income and engage in decision making. Trustees have a central role in providing and fostering a decision making environment that allows members to do so.

1 *Superannuation (Objective) Act 2024*

2 APRA, [APRA releases superannuation statistics for March 2025](#) | APRA, [Quarterly superannuation performance statistics December 2004 to 2024](#), 2024. ABS, [Australian National Accounts: National Income, Expenditure and Product](#), Table 1 Key National Accounts Aggregates – Gross Domestic Product: Chain volume measures, March 2025

3 Treasury, [Superannuation in Retirement](#), 2023

Retirement phase of superannuation

The retirement phase of Australia's superannuation system is currently characterised by low drawdown behaviour, with many retirees not efficiently maximising the benefit of their superannuation.⁴ Low drawdown behaviour conflicts with the legislated objective of superannuation – to deliver income for a dignified retirement – and leads to poorer retirement outcomes. The complexities of navigating the superannuation system and pervasiveness of 'nest egg' framing of superannuation are making retirees reluctant to draw down on their superannuation savings.⁵

In 2022, the Covenant was introduced to improve retirement outcomes for superannuation members, while enabling choice and competition in the retirement phase. The Covenant intends to broaden industry's focus on members' outcomes beyond the accumulation phase and requires trustees to implement strategies that consider the needs of members in retirement. It creates a positive obligation for trustees to assist their members who are in or approaching retirement by formulating, regularly reviewing and giving effect to a retirement income strategy. A retirement income strategy must help members achieve and balance the following three objectives:

- maximising their expected retirement incomes
- managing expected risks to the sustainability and stability of their expected retirement income
- having flexible access to expected funds during retirement.

In July 2023, the Australian Prudential Regulation Authority (APRA) and Australian Securities and Investments Commission (ASIC) conducted a thematic review on the implementation of the Covenant. Despite positive steps towards expanding assistance and support for members in and approaching retirement, the review highlighted slow progress and insufficient urgency from trustees in embracing the Covenant to improve members retirement outcomes.⁶

In July 2024, APRA and ASIC conducted a pulse check on the superannuation industry's progress towards implementation of the Covenant, which found that while trustees had increased efforts to better understand members' needs, only incremental progress had been made in tracking and measuring the success of their retirement income strategies. This highlighted the need for further improvement in trustees' retirement phase offerings and metrics for measurable success in the provision of retirement services to Australians approaching and in retirement.⁷

In December 2023, the Government released the *Superannuation in Retirement* discussion paper and sought feedback on the opportunities, barriers and challenges to improving retirement outcomes for members.⁸ In response to stakeholder feedback on the discussion paper, the Government is delivering the following four initial reforms to uplift the retirement phase of superannuation:

- **Enhanced independent guidance:** With expanded resources and tools on the Moneysmart website. The updates, to be made by ASIC, will allow retirees easy access to reliable information and general guidance on superannuation and retirement options.

4 Treasury, [Retirement Income Review](#), 2020

5 Treasury, [Retirement Income Review](#), 2020

6 APRA and ASIC, [Implementation of the retirement income covenant: Findings from the joint APRA and ASIC thematic review](#), 2023

7 APRA and ASIC, [Pulse check on retirement income covenant implementation](#), 2024

8 Treasury, [Superannuation in Retirement](#), 2023

- **Better retirement products:** By improving the existing innovative income stream regulations. The reforms will support innovation in quality retirement products, giving members more options that meet their needs and helping them make the most of their super.
- **Best practice principles:** A new set of voluntary best practice principles will guide the superannuation industry in designing modern, high-quality solutions that support Australians' financial security in retirement.
- **Increased transparency:** A new retirement reporting framework will build upon the Covenant and ensure greater transparency for member outcomes across the retirement phase of superannuation.

The principles will work alongside the Government's ongoing reforms to financial advice through the Delivering Better Financial Outcomes (DBFO) package, which will help increase the affordability and accessibility of advice to all Australians. In particular, the proposed legislation will assist trustees to service members in retirement by providing clear rules on what advice topics can be collectively charged for via superannuation and allowing trustees to provide targeted prompts to members.

Purpose of the principles

The principles are intended to help trustees design and deliver a suite of high-quality retirement income solutions for members. Retirement income solutions are an integrated set of products, product settings, and services that align with the objectives of the Covenant. For trustees, this includes offering appropriate engagement and guidance services that empower members to make informed choices. This recognises the key role of trustees in promoting retirement outcomes through quality retirement offerings.

The principles are voluntary, designed to be read and implemented holistically. Trustees can adopt and implement the principles in the manner most appropriate to providing their members with high-quality retirement income solutions and satisfying their obligations. There will be no additional compliance action associated with trustees' adherence to these principles (compliance would only relate to existing legal or prudential obligations). However, trustees are ultimately responsible to their members and should be able to explain to members why a principle has not been adopted and implemented.

The principles complement and build on existing trustee obligations under the current legislative and regulatory framework. While the principles do not replace, override or vary a trustee's obligations under existing laws, they are intended to be clear and practical guidance on how a trustee can adapt their retirement phase offering to the composition of a fund's membership.

This consultation paper discusses themes relevant to the principles and seeks views on the draft principles included at **Appendix A**. The consultation questions below seek comment on the principles as a whole.



Consultation questions

1. Are there any additional areas relevant to the construction and offering of quality retirement income solutions that should be included in the principles?
2. Are there any areas covered by the principles that are not relevant to the construction and offering of retirement income solutions?
3. Are there any changes to the principles that would better support trustees to deliver higher quality outcomes to members?
4. Are there any impediments to trustees implementing the principles?

Understanding the membership base

Members have different needs in accumulation and retirement. In accumulation members generally share a relatively consistent goal – growing their superannuation balances. However, on transition to the retirement phase, the needs of members become more heterogeneous. Factors such as household structure, income requirements, Age Pension eligibility, risk appetite, and additional sources of income will impact how members may choose to balance the objectives of the Covenant in crafting their retirement income.

In formulating a retirement income strategy under the Covenant, trustees are expected to identify the retirement income needs of members and present a plan to build their capacity and capability to service those needs. Trustees also have the discretion to develop sub-classes, or cohorts, and differentiate the strategy for these cohorts. This recognises that, at a high level, certain characteristics across the membership base can be broadly grouped to allow strategies to be more tailored to cohorts needs.

Understanding the membership base represents an important building block for designing quality retirement income strategies. It is the basis for being able to select the appropriate suite of products and product settings, engagement strategies, and guidance services to meet members' retirement income needs. The principles support trustees to more deeply understand their members to ensure they have the right product building blocks in place to form quality retirement income solutions.

Constructing cohorts based on information held by the trustee

While individual members circumstances will vary, for the purpose of the principles, trustees can use commonly held data points as a reasonable starting point for constructing broad member cohorts that allow for differentiation between product offerings and settings. The principles encourage trustees to proactively engage members to learn more about their retirement income needs (*principle 3.II*) and be able to develop at least three distinct cohorts for the purposes of developing trustee-directed retirement income solutions that reflect the composition of the membership based on information available to trustees (*principle 4, 4.I and 4.II*). Trustees may choose to incorporate other characteristics into their cohorts based on their engagement with members or other available research and relevant data.

Engagement strategies and guidance services are also essential supports provided by the trustee to facilitate members' education, choice and achieving more appropriate outcomes. Trustees may provide a higher quality service by seeking to understand members' engagement preferences and knowing where they are in their retirement journey (*principles 3.I and 3.III*). Collecting this information complements cohorting practices by informing the design of engagement strategies and guidance services that better allow members to navigate options and choice.

The principles encourage trustees to provide solutions and support to members across the engagement spectrum, so that all members are informed and supported to improve their outcomes over retirement. The goal under the principles is that every member can be placed in a cohort based on information known to the trustee. Consistent with standard practice for other types of member

information, trustees should ensure they meet cyber security requirements in accordance with the statutory and regulatory frameworks.

Consultation questions

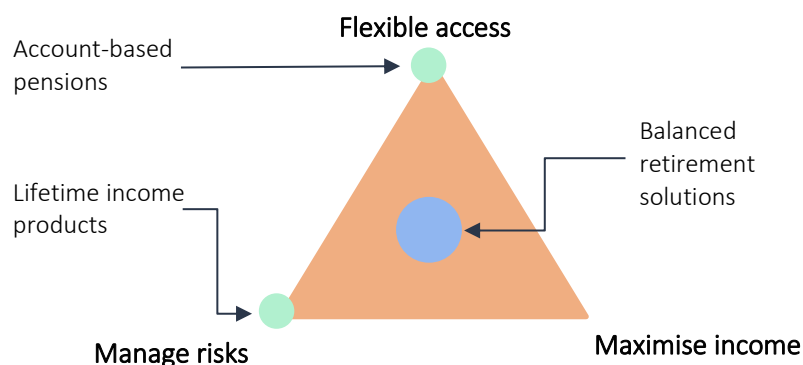
5. Are trustees able to construct a minimum of three cohorts based on information held?
6. What member information are trustees currently using to inform and construct their cohorts?
7. How are trustees currently using cohort information to inform retirement income strategy design and determine their suite of products?
8. Are there other important factors to segmenting and cohorting members that should be considered best practice?


Making a suite of retirement products and features more accessible to members

Balancing different objectives and risks

The Covenant requires trustees to support members to balance three key objectives (Figure 1). For many members, one product alone may not effectively balance these objectives. For example, an account-based pension (ABP) can provide flexibility and access to lump sums, but settings may be less well calibrated to maximising income and managing risks to the sustainability and stability of retirement income. Conversely, a lifetime income product can provide risk management features but comes at a trade-off to flexible access to capital. Quality retirement income solutions that balance the objectives of the Covenant will likely include combining access to a range of products and product settings (Figure 1).

Figure 1: Desired features of retirement income solutions





As retirees have more limited ability to recover from financial losses, risk management measures that minimise potential losses are an essential component of a quality retirement income solution. Risks to retirement income can include:

- **Investment risk:** the risk related to variability in returns and the possibility that returns on investments are below expectations.
- **Sequencing risk:** the risk of lower returns and losses occurring when a person needs to withdraw their capital.
- **Inflation risk:** the risk of living expenses increasing more than expected.
- **Longevity risk:** the risk of a person outliving their savings.

The principles recognise the competing objectives of the Covenant and the range of risks to retirement income, with *principle 5* outlining the product classes trustees should make available to retirees to facilitate the balancing of the objectives, including access to lump sums and a lifetime income product.

Role of lifetime income

Ensuring stability of income and managing risks to income throughout retirement requires consideration of how a retirement income solution as a whole is delivering for members. Under current settings, many retirees rely on an investment strategy within an ABP and modest drawdowns to self-manage risks to their retirement income.

Research by the Australian Government Actuary suggests that incorporating a longevity component into a person's retirement income solution can boost income by 15–30 per cent (when compared with drawing the minimum amount from an ABP)⁹, while delivering more stable income over time. Providing access to a lifetime income product supports greater member choice in maximising their retirement outcomes. The principles also consider how trustees should make lifetime income products available to their identified cohorts (*principle 6.I*).

Role of account-based pensions

Historically, investment and sequencing risk within ABPs have been managed via investment options and asset allocation. Successive reductions in the statutory minimum drawdown rate (MDR) during periods of market volatility suggest that this approach alone may not be effective in supporting members to manage risk within their ABPs. Since the introduction of ABPs in 2007, MDRs have been reduced for 9 out of the 18 years they have been in effect¹⁰. With around 86 per cent of APRA regulated retirement phase assets in ABPs¹¹, it will remain important that trustees design ABPs and ABP settings that better support members to manage risks to the stability and sustainability of their income. *Principle 6.II and 6.III* asks trustees to consider how ABP settings can be better calibrated to address the spectrum of risk that retirees face.

⁹ Australian Government Actuary, *Data provided to Financial System Inquiry*, October 2014

¹⁰ Australian Taxation Office, *Payments from Super*, June 2025

¹¹ APRA, *Annual Superannuation Bulletin June 2025*, Table 8. Calculated value is the proportion of total pension member benefits held in account based and allocated pensions.

Flexibility for trustees and members in design of retirement income solutions

Treasury analysis suggests that many retirees die with their superannuation balances largely unchanged in the 5 years preceding death. Updated analysis by the Department of Social Services shows a similar finding, with the majority of Age Pensioners maintaining or increasing their assets in the five years prior to death.¹² With a large proportion of retirees drawing at the MDR,¹³ which leaves around two-thirds of assets unspent by life expectancy, current settings are not effectively supporting retirees to maximise their income and their living standards¹⁴. There is scope for retirement income solutions to better support members to achieve higher living standards while balancing the objectives of the Covenant.

The principles seek to provide flexibility for products and product settings to be combined in a number of ways to support members to receive better quality outcomes than those delivered under the status quo (*principle 8*).

Trustee-designed solutions

Combining products and product settings into a retirement income solution requires trade-offs between the objectives of the Covenant. These trade-offs may differ by cohort and as new generations enter retirement with different needs over time. The principles recognise the role of the trustee in supporting member choice through the construction of high-quality trustee-designed retirement income solutions that meet the broad needs of each identified cohort. *Principle 9* outlines elements that should be included in trustee-designed solutions.

Individually-tailored solutions

While some members may choose a trustee-designed solution that meets their retirement income needs, others may wish to make adjustments to settings to craft a solution that better meets their needs. They may choose to do this either by using a trustee-designed solution as a starting point before applying greater customisation or by using components of the trustee's product and product setting offerings to construct an individually-tailored solution. For members who wish to craft a more individualised solution for their circumstances, the principles encourage trustees to consider how to best support member choice through the services that they make available to them.

¹² Department of Social Services analysis, 2025

¹³ Feedback received during preliminary stakeholder consultation process for Best Practice Principles indicates this falls in the range of between 30 to 60 per cent of members, March 2025

¹⁴ Grattan Institute, [Simpler Super: Taking the stress out of retirement](#), January 2025

Consultation questions

9. Do the principles adequately cover the relevant issues related to constructing products and product settings to manage each of the objectives under the Covenant?
10. Are trustees able to construct products and product settings in a way that supports both the offering of trustee-designed solutions and individually-tailored solutions?
11. Should the principles consider other risks in the design and delivery of retirement income solutions?

Effectively communicating with members

Unlike in the accumulation phase, it takes an active decision from members to enter the retirement phase of superannuation. For many members, retirement may be the first time that they have engaged in depth with their superannuation. Current retirement phase settings do not provide the same level of defaults and guardrails to support members to achieve good outcomes as is present in the accumulation phase (for example, through the SG rate, MySuper products and default allocation). This compounds the complexity of the task for members.

In selecting a retirement income solution that suits their needs, members need to first become aware of their eligibility to enter their retirement phase before then:


- identifying their retirement income needs;
- understanding the purpose and trade-offs of different products and products settings; and
- reaching a decision based on available options.

Trustees have the opportunity to support member choice through:

- the construction of solutions that broadly meet member needs;
- the provision of services such as guidance or advice to help members personalise solutions; and
- the provision of information and support in the lead up to, and throughout, the retirement journey.

Supporting member engagement

The principles envisage that trustees will engage with members on retirement related issues throughout their retirement journey, beginning in the accumulation phase with education and information, moving to more proactive engagement approaching retirement and identifying opportunities for adjustments during retirement. Key focus areas are described in terms of supporting members to prepare, plan, decide and adjust the retirement income solution that is right for them.



The principles call for trustees to engage members during the accumulation phase with the intent of helping them start to consider their retirement income needs and familiarise themselves with relevant concepts and information (*principles 13 and 14*).

The principles seek to support positive member outcomes regardless of a member's level of engagement. In doing so, the principles ask trustees to engage with members on its trustee-designed retirement income solutions, and with information that can help members better understand different products and product settings to support individual decision making. This includes providing members with information that is relevant to their cohort (*principle 14.I*), trustee-designed solutions (*principle 14.II*), retirement products available through the fund (*principle 14.III*) and available advice and guidance services (*principle 14.IV*).

Finally, the principles ask trustees to engage with retired members who may have outdated or inappropriate product settings. *Principle 17* suggests that trustees proactively engage with retirees who have drawn at the minimum legislated rate for a period of three years to ensure they are aware they are able to select their own drawdown rate that is above the legislated minimum and have the option of choosing an alternative drawdown rate.

Government reforms to support engagement practices

The most recent tranche of the Government's DBFO reforms, released for exposure draft consultation between 21 March 2025 and 2 May 2025, aims to facilitate more meaningful communication between trustees and their members through Targeted Superannuation Prompts (nudges) to cohorts. Subject to introduction and passage of legislation, this will support trustees to elevate the quality of their engagement by providing strategic and settings recommendations that are tailored to member cohorts, without needing to meet the usual requirements for providing personal advice. For example, use cases for nudges as described in the explanatory memorandum include:

- Advice prompts on whether, based on their cohort, a member's current drawdown rate is suitable and the benefits and risks of changing their drawdown rate.
- Prompts to members over the age of 65 still in accumulation phase, highlighting the tax benefits that may be available if they were to move their interest into the retirement phase.
- Prompts to members approaching retirement on retirement income solutions, including combinations of retirement product types, that could be suitable for members of that cohort.

The DBFO reforms will also provide trustees greater clarity around when super funds can collectively charge for advice. In particular, the inclusion of 'retirement' as an allowed advice topic is intended to give trustees greater comfort around providing collectively charged advice to members on retirement phase issues thereby assisting with *principle 15* – 'provide access to financial advice services that reflect the composition and preferences of the membership'.

Taken together, changes to advice rules and charging obligations under the Government's DBFO package aim to give trustees an expanded toolkit with which to engage members proactively and provide advice on retirement phase matters.

Engaging advised members

Some trustees have a large proportion of their membership in an ongoing financial advice relationship. These members generally have an individually-tailored retirement income solution, developed in consultation with their financial adviser, that takes into account their broader circumstances and goals. The role of the trustee in supporting members in advised relationships to achieve positive retirement outcomes may be more complex due to the high degree of tailoring that these members receive.

The principles call for trustees to ensure that their suite of products and product settings are appropriate for the characteristics of their members and member cohorts, which includes advised members. Whilst recognising the benefits to the member from an advised relationship, the principles suggest trustees have scope to support advised members to achieve positive outcomes by including advised members in member engagement efforts with members approaching retirement, including information on the trustee-designed retirement income solutions and products available through the fund (*principle 16*).

In doing so, trustees may provide insights on options in retirement and empower members to have more informed discussion with their financial advisers. This information is particularly valuable for members who may exit an advised relationship over time or do not have an ongoing financial advice relationship to ensure these members can achieve and maintain good retirement outcomes.

It is not suggested that this information should be provided by the trustee in a repeated or ongoing fashion. In acknowledgment of the existing client-advisor relationship, the principles suggest engagement can state that a member may already have a tailored retirement income solution.

Consultation questions

1. What barriers, if any, exist in aligning current fund practices with the principles?
2. Do trustees have the capability in place to support members across different stages of life, including ahead of retirement? If yes, provide a brief overview of current practice. If not, why not?
3. Are there other elements of communicating with members that should be considered?

Appendix A: Draft best practice principles

Guidance on best practice principles for superannuation retirement income solutions

Superannuation is one of the core pillars of Australia's retirement income system. It will play an increasingly important role in providing income to Australians in retirement, in line with the objective of superannuation which has been enshrined in law: to preserve savings to deliver income for a dignified retirement, alongside government support, in an equitable and sustainable way.

The guidance services, product offerings and product settings offered by the trustee of a registrable superannuation entity (the trustee) should assist members to select a retirement income solution that meets their retirement income needs.

As superannuation forms a larger part of retirees' assets, the way in which trustees' retirement phase offerings support members to manage risk and maximise retirement income will become increasingly critical to the quality of outcomes delivered to members.

Trustees have an existing legal obligation under the Retirement Income Covenant (Covenant) to have a retirement income strategy that assists members in and approaching retirement to maximise expected retirement income, manage expected risks, and have flexible access to expected funds. These principles provide guidance to trustees on how they can better meet this legal obligation and deliver fit for purpose retirement income solutions for their members.

The Covenant operates alongside broader trustee obligations in the *Superannuation Industry (Supervision) Act 1993*, prudential standards and other relevant guidance. These set out the requirements for how a trustee should develop and implement their retirement income strategy, to support appropriate outcomes for members who are retired or approaching retirement.

The overall objective of this guidance is to provide trustees with a set of principles that they can use to improve the design and delivery of superannuation retirement income solutions as part of their strategy. They are designed to be read and implemented holistically. The principles, which are voluntary to adopt, support trustees in their considerations of how to:

- Deepen understanding of their membership and their retirement income needs, to support the design of quality retirement income solutions, guidance services and engagement strategies.
- Design a robust suite of products and product settings that allow trustees and members to build quality retirement income solutions.
- Combine products and product settings to construct retirement income solutions appropriate for identified cohorts.
- Foster member engagement in retirement to support informed choice and improved retirement outcomes.

- Review and improve their trustee-directed retirement income solutions

The principles are intended to complement trustee obligations, and articulate steps and actions that a trustee could take in satisfying existing legal obligations. They do not replace, override or vary trustee obligations under existing law. The Australian Prudential Regulation Authority (APRA) and Australian Securities and Investments Commission (ASIC) will continue to monitor compliance with existing obligations.

There will be no compliance action associated with trustees' adherence to these principles to the extent they do not overlap with existing legal or prudential obligations. However, it is expected that trustees would consider the appropriateness of individual principles for their membership. Where a trustee chooses to not implement a principle, they should be able to justify this decision to their members.

Trustees remain accountable to their members for the quality of their retirement income solutions, and their guidance services to support members into quality retirement outcomes.

Understanding members' retirement income needs

Best practice for understanding members' retirement income needs means a trustee will:

1. Undertake regular research to ensure an up-to-date understanding of the composition of the membership base and how member characteristics, engagement preferences and retirement income needs are changing over time.
2. Regularly use data and behavioural research to inform the design of information, engagement strategies and guidance services.
3. Improve understanding of the membership base by:
 - I. Identifying members who are at or approaching retirement.
 - II. Gathering information on characteristics relevant to its members' retirement income needs, including in the lead up to retirement.
 - III. Asking members about their engagement preferences, including in the lead up to retirement.
4. For the purpose of the principles, develop at least three cohorts that reflect the composition of the membership at or approaching retirement.
 - I. Base cohorts on information held and gathered by the trustee.
 - II. Use characteristics relevant to the development of trustee-designed retirement income solutions to develop cohorts, such as account balance and age.

Designing the elements of a quality retirement income solution

Best practice for designing the products and product settings to build quality retirement income solutions means a trustee will:


5. Provide their members with access to:
 - I. A lifetime income product that is not the Age Pension.
 - II. An account-based pension.
 - III. Lump sums.
6. Design product settings that allow for the construction of retirement income solutions that meet members' retirement income needs, including:
 - I. Lifetime income product settings that have regard to member preferences around expected risk and return, for example managing longevity or investment risk.
 - II. Account-based pension product settings that help to manage expected risks, for example sequencing, market and inflation risks.
 - III. Trustee-designed drawdown pathways for account-based pensions that more efficiently convert superannuation balances into income than the legislated minimum drawdown rates.
7. Allow all members that meet a relevant condition of release¹⁵ access to a retirement income solution that includes an account-based pension component, irrespective of account balance.
8. Ensure these products and product settings can be used to construct both trustee--designed retirement income solutions and allow members to tailor their own retirement income solution.

Constructing retirement income solutions that meet members needs

Best practice for constructing retirement income solutions that meet members retirement income needs means a trustee will:

9. Construct a separate trustee-designed retirement income solution for each identified cohort, that balance members' need to maximise expected retirement income, manage expected risks, and maintain flexible access to capital. These should include:
 - I. A lifetime income product component in at least one retirement income solution, that has regard to likely Age Pension eligibility.
 - II. For most solutions, a drawdown pathway that is higher than the legislated minimum drawdown rate.


¹⁵ For this purpose, a relevant condition of release refers to the member having reached a nil cashing restriction, such as retirement upon attaining preservation age, or reaching age 65.

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- III. Where a solution includes a lifetime income product, include trustee-designed drawdown pathways for the account-based pension component that reflect the stability of income delivered through the lifetime income product.
 - 10. Ensure each trustee-designed retirement income solution is broadly calibrated to the financial characteristics of a retiree cohort.
 - 11. Design guidance services that assist members to understand and select the components of their retirement income solution, for example through personas or assisted choice tools.

Supporting member engagement with retirement income solutions

Best practice for supporting members to choose a retirement income solution means a trustee will:

- 12. Support all members to understand their retirement income needs by providing forecasts or projections of income in both annual and pay-cycle terms, including through:
 - I. Annual member statements.
 - II. Budgeting tools or expenditure calculators.
- 13. Foster member engagement during the accumulation phase by providing information and tools that can help members prepare for and understand their retirement income needs, including on:
 - I. Moving into the retirement phase of superannuation.
 - II. Classes of retirement products and drawdown pathways.
 - III. Guidance services offered by the trustee.
 - IV. Government resources on retirement related topics, including information on non--superannuation sources of income in retirement such as the Age Pension and access to home equity.
- 14. Engage with members approaching retirement, to:
 - I. Provide them information that is relevant to their cohort.
 - II. Provide information on trustee-designed retirement income solutions and a description of the financial characteristics used to inform each solution.
 - III. Inform them of how to access information on all retirement products offered by the fund.
 - IV. Encourage further engagement with information and guidance services to help inform members' choice of retirement income solution and better facilitate individual tailoring of retirement income solutions.
- 15. Provide access to financial advice services that reflect the composition and preferences of its membership.

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16. Include members that receive personal financial advice in its engagement with members approaching retirement, including information on trustee-designed solutions and retirement products.
 17. Notify members who have withdrawn the minimum drawdown rate amount for three consecutive years about their ability to draw down at a higher rate.

Review and improve

Best practice for review of its retiree cohorts and trustee-designed retirement income solutions means that a trustee will:

18. Assess the effectiveness of its trustee-designed retirement income solutions in meeting the needs of its cohorts and consider relevant data on measurable outcomes, usage, engagement and member behaviour to improve the quality of its retirement income solution offerings.
19. Have regard to the changing needs of members approaching retirement (over the short and medium term) when assessing the ongoing settings of trustee-designed retirement income solutions.

Glossary

Term	Description
<i>Behavioural research</i>	Research in the social and behavioural sciences in health policy, social work, and management that deals with human behaviour in real-world settings. Focused on factors that influence choices made by individuals.
<i>Cohort(s)</i>	A classification of members in a superannuation fund who have similar characteristics and retirement income requirements, such as account balance and age.
<i>Drawdown pathway</i>	Settings chosen for an account-based pension product that determine the rate and amount of money drawn as an income stream.
<i>(Member) Engagement</i>	The level of involvement and knowledge that a member has about their superannuation, and reciprocated communication from a member to their fund.
<i>Engagement preferences</i>	Members' preferences for method and frequency of contact from the trustee regarding the information they want to receive.
<i>Expected risk</i>	The anticipation of risks that may undermine the sustainability and stability of a retirement income, such as longevity risk, investment risk or inflation risk.
<i>Guidance services</i>	Trustee services, excluding personal financial advice, that support members to make a more informed choices about their retirement income solution. Common examples include educational materials (types of products or changes associated with age-related milestones) and member self-direction tools (personas or assisted choice tools).
<i>Lifetime income product</i>	A financial product which provides a member with a regular income over their lifetime or nominated period in retirement. Products could include features such as: regular payments that are fixed; indexation of payments with inflation or on investment performance; adjustments to payments for mortality experience of a pool of members; or other relevant factors.
<i>Persona(s)</i>	An avatar that represents certain characteristics or risk profiles relevant to member financial circumstances and preferences.
<i>Personal financial advice</i>	Advice given to a member about their financial situation that considers (or might be expected to consider) one or more of their objectives, personal circumstances or needs. The advice is intended to (or could be reasonably regarded as intended to) influence the person's decision about financial products or their interest in financial products.

<i>Product setting(s)</i>	Adjustable features of a financial product, or the investment allocation of a product, that can be altered to suit the needs of a cohort or an individual.
<i>Product(s) (retirement)</i>	The financial products offered by a trustee that are not in the accumulation phase and are designed to pay superannuation income streams in the retirement phase as defined in section 307.80 of the <i>Income Tax Assessment Act 1997</i> . Examples include lifetime income products and account-based pensions.
<i>Retirement income</i>	Income during retirement from all sources, including income streams and withdrawals from superannuation, the Age Pension, and income generated by non-superannuation assets.
<i>Retirement Income Covenant</i>	Under section 52 of the <i>Superannuation Industry Supervision Act 1993</i> (SIS Act), APRA regulated superannuation entities are required to formulate and regularly review a retirement income strategy for members at or approaching retirement. The strategy should balance three objectives: maximising expected retirement income, managing expected risks to sustainability and stability of expected income, and having flexible access to capital.
<i>Retirement income solution(s)</i>	An integrated solution for members that includes retirement products, product settings and guidance services designed to assist members with making choices about their retirement income. The retirement income solution(s) should align with the objectives of the Retirement Income Covenant to maximise retirement income for members, manage expected risks for the sustainability of retirement income, and provide flexible access to funds over the period of retirement.
<i>Retirement phase</i>	Generally, refers to the period between the start of retirement or when an individual begins to draw down on their superannuation as an income stream (or lump sum), and the end of their life.
<i>Trustee-designed retirement income solution</i>	A retirement income solution designed by the trustee for its identified retiree cohorts, with consideration for the financial characteristics and preferences of the members within those cohorts.