

CHALLENGER SUPPORTS NEW FRAMEWORK FOR RETIREMENT INCOME

Challenger supports major announcements in the Federal Budget that will transform the retirement phase of superannuation. The Retirement Income Framework reforms will significantly improve the standard of living for Australia's retirees.

The Government will introduce a retirement income covenant in the Superannuation Industry (Supervision) Act 1993, requiring trustees to offer Comprehensive Income Products for Retirement (CIPRs) that provide individuals with income for life, no matter how long they live.

Supporting this initiative, the announcement included new means test rules for lifetime retirement income stream products that provide clarity and certainty about the future treatment of these products.

The new means test rules will enable the development of new retirement income products, including deferred lifetime annuities, to give retirees more choice and flexibility. These products are an essential building block for CIPRs.

Challenger Chief Executive Officer Brian Benari said the announcements signalled a major step forward for the retirement phase of superannuation.

"These announcements demonstrate the Government's commitment to developing a superannuation system that better meets the needs of Australia's retirees, by ensuring pooled lifetime income stream products become a mainstream option in retirement," Mr Benari said.

"These reforms will enhance choice for retirees and make it easier for them to access solutions that deliver reliable income for life."

New means test rules for lifetime retirement income stream products

The Government's new means test rules for lifetime retirement income stream products are expected to come into effect on 1 July 2019. This means retirees who have already purchased lifetime annuities, or purchase them between now and 1 July 2019, will continue to be subject to the current rules.

Under the revised means test rules, lifetime annuities and other new lifetime retirement income products, will continue to be an important part of blended portfolios for Australian retirees, providing secure and stable income for life.

"Means testing treatment is an important consideration for many people. The Government adjusted the new rules from those initially proposed to ensure they support retirees in choosing products that will meet their needs in retirement," Mr Benari said.

“We are particularly pleased the means test rules will allow retirees to consider a wider range of retirement income products in their retirement planning. For example, deferred lifetime annuities provide an important new option, giving retirees confidence to spend their savings up to a pre-determined date, knowing their deferred lifetime annuity will provide a reliable income from then on.”

Challenger has a diverse range of annuities to suit the needs of different customers.

Fixed term annuities, which represented around 80% of Challenger’s annuity sales, will not be affected by the new rules. Challenger’s five lifetime annuities, will be subject to the new rules from 1 July 2019.

Most lifetime annuities are purchased in a blended portfolio, including a lifetime retirement income stream in combination with an account based pension. Following the new rules coming into effect, the total outcome for the retiree across the blended portfolio will often be enhanced. The specific outcomes will vary depending on customer circumstances and product selection.

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About Challenger

Challenger Limited (Challenger) is an investment management firm managing \$79* billion in assets. It is focused on providing customers with financial security for retirement.

Challenger operates two core investment businesses, a fiduciary Funds Management division and an APRA-regulated Life division. Challenger Life Company Limited (Challenger Life) is Australia’s largest provider of annuities.

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