

TIME IS RIGHT TO PREPARE SUPER FOR THE TASK OF GIVING RETIREES THEIR MONEY BACK SAFELY

The lack of a retirement framework for superannuation needs to be rectified.

The super system has now reached critical mass with over \$760 billion in retirement and more than 700 Australians retiring each day, yet there remains significant under-development in the post-retirement market, says a Challenger submission to the Treasury consultation on a proposed retirement income covenant.

Commenting on the submission, Jeremy Cooper, Chairman, Retirement Income at Challenger, said: "Providing income in retirement is fundamental to the purpose of super, but currently there is no retirement-specific governance framework."

"Our super system is more mature than most people realise. It's doing the first part of its job, allowing people to accumulate assets through their working lives, with typical household super wealth at retirement in the \$350,000-\$500,000 range and increasing. This wealth was accumulated to provide income in retirement, but the system is not yet set up to do this next phase successfully."

Challenger supports a Treasury proposal to introduce a covenant in the superannuation laws to ensure the legislative arrangements for the retirement phase of super keep pace with the size and importance of the system.

It backs the approach of developing the covenant ahead of the other regulatory measures needed to implement the retirement income framework because setting appropriate standards that place emphasis on the needs of members in retirement is a critical first step.

The Challenger submission says that a Treasury proposal that superannuation funds assist older members by developing a retirement income strategy for the fund will plug a significant gap in the Superannuation Industry (Supervision) Act. Currently retiring members do not have the benefit of such a provision and neither do fund trustees.

It adds that the development of comprehensive income products for retirement (CIPRs) will provide better outcomes for retirees by delivering higher income through pooling mechanisms that reduce the risk of running out of money in retirement, as well as the benefits of longevity protection and capital flexibility

The submission adds that while superannuation funds should make a CIPR available, it should be completely a matter of choice for members as to whether they take it up.

Mr Cooper said that the CIPR proposal was not a revolutionary change, but a necessary enhancement for a system that will have \$1.3 trillion heading toward retirement by 2030.

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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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