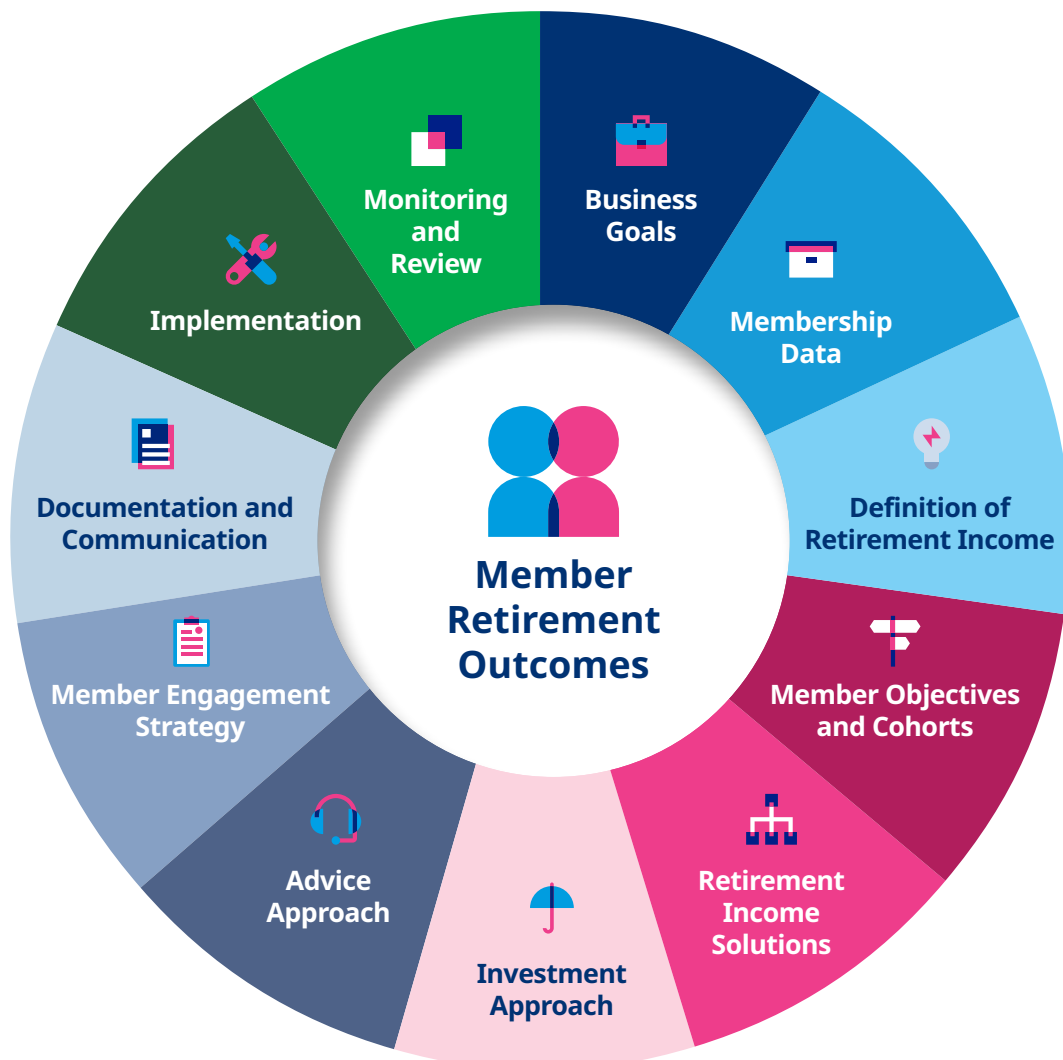


# Designing your retirement income strategy

The Retirement Income Covenant requires trustees to formulate, review regularly and give effect to a retirement income strategy that achieves and balances three retirement objectives for fund members who are retired or approaching retirement:

- **Maximise expected retirement income** over the period of retirement;
- **Manage expected risks to the sustainability and stability of their retirement income**, including longevity risks, investment risks and inflation risks;
- Have **flexible access to expected funds** over the period of retirement.

Trustees are required to have formulated their retirement income strategy by 1 July, 2022. To help you be better prepared for 1 July, we have created an innovative framework based on our in-depth global knowledge of superannuation to support you in designing and subsequently executing your retirement income strategy.





### Business Goals

There are many different approaches funds can take to meet the retirement income needs of members. Mercer will work with you to understand your broader business strategy and goals so we can work together to construct an aligning retirement income strategy.



### Membership Data

Covenant requires the Trustee to take reasonable steps to gather general information about its members necessary to inform the formulation and review of its retirement income strategy. Using your fund membership data coupled with external data sources, Mercer can perform deep analysis to reveal key insights on the members who are approaching retirement. This will enable you to offer your members more appropriate retirement income solutions.



### Definition of Retirement Income

Covenant requires the Trustee to determine and document the meaning of retirement income and period of retirement for the purposes of its retirement income strategy. These can differ by different cohorts of members.



### Member Objectives and Cohorts

Using insights from your membership data, Mercer will work with you to establish what your members will be looking for from a retirement income perspective and whether you have different retiree cohorts with a diverse range of retirement savings, wants and needs.



### Retirement Income Solutions

Mercer can help you review your existing solutions, identify any gaps and how those gaps could be addressed. This assessment will aim to balance the competing objectives of income requirements, risk appetite and life expectancy for each member cohort. Outputs can include the implications of incorporating an allocation to longevity protection for different cohorts of members and how it impacts income sustainability, risk management and flexibility.



### Investment Approach

As a key driver of income, the Account Based Pension forms an integral part of any retirement income solution suite. This phase will look at the most appropriate investment and drawdown options for your members taking into consideration any allocations to longevity products as well as Age Pension entitlements.



### Advice Approach

When members are presented with a multitude of options, inertia can take hold. This phase considers members access to tools and strategies including guidance and advice, and how that could impact the different solutions offered.



### Member Engagement Strategy

With few members accessing personal financial advice in retirement, a robust and persistent engagement program including access to simple and effective retirement planning tools is necessary, before, during and after the point of retirement. Mercer has deep experience in the full range of retirement solution tools that can be leveraged to grow and retain your membership. Mercer will leverage our local and global experience to help you plan and deliver this.



### Documentation and Communication

Trustee's retirement income strategy needs to be positioned and clearly communicated so as to engage members. You will need to consider not only how the retirement income strategy is summarised on the Fund website, but how it brings the strategy to life for your membership. Mercer can assist with suggestions to consider as potential enhancements to member engagement strategies.



### Implementation

The technical design and rollout of your retirement strategy could require significant changes to your offer over time including product, decision making support and system changes. Mercer can guide you through this process to ensure successful delivery.



### Monitoring and Review

Trustee's will be expected to review the outcomes of its Strategy annually and the Strategy itself every three years. Mercer can support you with the ongoing monitoring and review process.

## Discover how Mercer can assist you

### Contact:

#### Tim Jenkins

Partner - Superannuation Advice  
timothy.jenkins@mercer.com

#### Angie Hartl

Retirement Income Specialist  
angela.hartl@mercer.com

#### Clayton Sills

Superannuation Investments Leader  
clayton.sills@mercer.com



[www.mercer.com.au](http://www.mercer.com.au)

This content is intended to inform clients of Mercer's views on particular issues. It is not intended to be provided to any person as a retail client and should not be relied upon or used as a substitute for professional advice specific to a client's individual circumstances. Whilst Mercer believes the prospective information and forward looking statements made by Mercer in this brochure are based on reasonable grounds, they are predictive in character and may therefore be affected by inaccurate assumptions or by known or unknown risks and uncertainties. This content has been prepared by Mercer Consulting (Australia) Pty Ltd (MCAPL) ABN 55 153 168 140, Australian Financial Services Licence #411770. Any advice contained in this content is of a general nature only and does not take into account the personal needs and circumstances of any particular individual. Prior to acting on any information contained in this content you need to take into account your own financial circumstances, consider the Product Disclosure Statement for any product you are considering and seek advice from a licensed, or appropriately authorised financial adviser if you are unsure of what action to take. References to Mercer shall be construed to include Mercer LLC and/or its associated companies. 'MERCER' is a registered trademark of Mercer (Australia) Pty Ltd ABN 32 005 315 917.

Copyright 2022 Mercer LLC. All rights reserved.

A business of Marsh McLennan