



Australian Government
Commonwealth Superannuation Corporation

CSC's Retirement Income Strategy

A summary for our customers

Issued 1 July 2022



Commonwealth
Superannuation
Corporation

If you're about to retire or you've retired and you're accessing your super, our new Retirement Income Strategy, or RIS, has been designed for you.

Your retirement is well-deserved. Making the most of it requires some careful planning. All our customers are different – from their employment situations and their stages of life, to their future retirement needs. At CSC, we're here for all our customers.

As we start and progress through our careers, retirement is often the last thing on our minds. We often see it as winding down, especially after the energy of youth (the 1st Act) and the maturity of adulthood (the 2nd Act). People talk about it as a time where we look back at our accomplishments, continue to treasure our families and friends, and take a well-earned break. But there's much more to retirement ([the 3rd Act](#)) than meets the eye.

CSC's Retirement Income Strategy: When it comes to your retirement CSC can provide you with the products, support and guidance you need, no matter what path you take to select your retirement income solution:

- Financial Advice: You can speak to a CSC¹ or an external [financial planner](#) to help you design a retirement income solution that's right for you.
- You may wish to choose from one of our retirement income solutions which will be released in 2023.
- Consider building your own retirement income solution using CSC's [retirement income products](#).

CSC's Retirement Income Strategy Summary

This summary includes:

- what CSC's RIS is and why it's in place
- how we've researched CSC customer preferences and sought input to shape the RIS
- the factors that can help determine a suitable retirement income solution for each customer
- how the RIS will provide customers' retirement income choice
- how we'll enhance our pre and post-retirement customer support and guidance
- how the RIS will continue to evolve as a living strategy, underpinned by strong governance to keep it relevant and effective.

As we develop and enhance the CSC RIS over 2023, our three key areas of focus will be to:

1. Develop a number of retirement income products and solutions tailored to different customers' needs, based on grouping our customers into 'retirement profiles'. Retirement profiles were informed and guided by our CSC customer research and independently reviewed by an external specialist.
2. Enhance the support and guidance solutions we provide to CSC customers, before and after retirement. We want to help our customers make informed decisions that maximise their benefits in retirement and meet their specific needs.
3. Work with the Australian Government's Department of Finance & Department of Defence to enable CSC to offer an account based pension product, such as CSCri, to our ADF customers.

¹ Our authorised financial planners are authorised to provide advice by Guideway Financial Services (ABN 46 156 498 538, AFSL 420367). Guideway is a licensed financial services business providing CSC financial planners with support to provide customers with specialist advice, education and strategies.

What's the RIS?

What's the RIS?

From 1 July 2022, we've introduced our RIS, a new framework that will govern and drive an expanded range of product and service offerings for CSC customers who are retired or about to retire.

In general, we considered customers aged:

- 45 or older to be approaching retirement, and
- 50 or older to be actively planning for retirement (analysis of customer feedback at retirement shows a customer's 50th birthday is a trigger to begin planning their retirement).

Why are we introducing a RIS?

The RIS will guide our approach as we continue to develop retirement products and services for CSC customers. Under the RIS, our customers remain at the centre of our product and service design.

Who is the RIS for?

The RIS products and related support and guidance are being developed for CSC's:

- PSSap, ADF Super and CSCri customers, and
- Defined benefit customers who
 - continue to make or receive contributions, or
 - have a preserved account balance.

The table below shows the CSC super schemes that are covered by the RIS.

Short name	Scheme name	Scheme type
PSSap	Public Sector Superannuation accumulation plan	Accumulation
ADF Super	Australian Defence Force Superannuation	Accumulation
CSCri	Commonwealth Superannuation Corporation Retirement Income	Retirement Income Stream
PSS	Public Sector Superannuation Scheme	Defined Benefit
CSS	Commonwealth Superannuation Scheme	Hybrid product (part accumulation and defined benefit)
MilitarySuper	Military Superannuation and Benefits Scheme	Hybrid product (part accumulation and defined benefit)
DFRDB	Defence Force Retirement and Death Benefits Scheme	Defined Benefit

RIS objectives

The purpose of the RIS is to achieve and balance the following objectives over the period of a customer's retirement:

- To maximise expected retirement income over the whole period of retirement.
- To manage expected risks—like the risk of outliving super money, investment risks and inflation risks—so that retirement income is sustainable and stable.
- To provide flexible access to super to meet unforeseen needs in retirement.

How we developed our RIS

As the superannuation fund trustee for current and former members of the Australian Public Service and the Australian Defence Force, it's our goal to understand our customers' super and retirement needs and wants. This helps us to develop and provide product and service solutions that reflect our customers' personal situations and provide benefits to them.

How we developed our RIS

We undertook research to understand customer preferences

We started with a period of careful research and analysis.

The first step was to gain a deep understanding of our customers' current needs and wants, before and during retirement. We did this by conducting qualitative and quantitative research with PSSap, ADF Super, PSS and MSBS customers.

We gathered information in two ways:

- **Qualitative research:** By directly engaging customers using surveys and interviews.
- **Quantitative research:** By commissioning an external, independent and specialised review of CSC's customers' needs compared to the needs of the general public. To compare, we used data from:
 - the Australian Bureau of Statistics (ABS): Household Income and Wealth (historical data from 2003–04 to 2017–18), and
 - the 19th release of the Household, Income and Labour Dynamics in Australia (HILDA) Survey (for high-level expenditure information).

Besides undertaking research to understand our customers' needs, we have also conducted extensive qualitative and quantitative research to determine appropriate retirement income solutions for our customers.

Qualitative research enabled us to determine the ranking of the three legislated objectives for each retirement profile using the assumed characteristics of these customers. The solutions suggested for each retirement profile will be aligned with the assumed priority and based on the “scoring” of the success metrics selected for the three objectives.

Quantitative modelling techniques allowed us to test different investment solutions against selected success metrics by simulating different customer scenarios² —for example, we could see what happened over time if a customer opted for flexible access to their retirement money over income maximisation.

Evaluating the effect of investment trade-offs that customers may make based on financial needs and wants was an important input into our solution design. This will make sure our solutions find the right balance.

We developed customer retirement profiles

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 Your financial personality is part of who you are³, so how do we match your needs to make it easier for you to select your retirement income strategy? The answer is in the data analysis.

During our research and review, we detected strong common and differentiating characteristics across different customer groups.

This enabled us to develop ‘retirement profiles’ (called ‘sub-classes’ in the RIS legislation) for customers, which align to a range of financial circumstances and needs. From there, we designed a set of retirement income solutions for each retirement profile.

The following table documents our seven retirement profiles, and includes a short description of the key defining characteristics.

Our seven retirement profiles are designed to be mutually exclusive for as many of our customers as possible. Some customers may still find that more than one of our retirement profiles looks like you. That's ok, in 2023 when we release our retirement income product and investment solutions, we'll also provide customers with the tools and guidance required to help you choose the retirement profile that's right for you.

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² We used financial modelling to help make investment decisions. This modelling forecasts the probability of various outcomes under different conditions, using random variables.

³ <https://impact.monash.edu/superannuation/retirement-savings-more-than-dollars-and-cents>

How we developed our RIS

CSC RIS: Customer retirement profiles		
Retirement profile Name/No.	Description	Financial profile
<p>Retirement profile 1:</p> <p>Higher than average cost of living Lower than average super balance</p>	<p>I'll need much more than super</p> <ul style="list-style-type: none"> Has essential retirement costs that are higher than other profiles, potentially for rent or mortgage payments. Prioritises flexible access as spending needs are high and other income is low. Is likely eligible for the full Age Pension. Is less likely to seek financial advice. 	<p>Has two asset positions.</p> <ol style="list-style-type: none"> Asset Position 1 (Home owner) Super balance ranges: < \$200k (individual); < \$350k (couple) Other Financial Assets: \$63k-145k Asset Position 2 (Renter) Super balance ranges: < \$324k (individual); < \$486k (couple) Other Financial Assets: \$87k-145k
<p>Retirement profile 2:</p> <p>Higher than average cost of living Medium super balance</p>	<p>I'll need more than super</p> <ul style="list-style-type: none"> Has essential retirement costs that are higher than other profiles, potentially for rent or mortgage payments. Has income and super balances that are higher than retirement profile 1. Is likely eligible for a part Age Pension. Is less likely to seek financial advice. 	<p>Has two asset positions.</p> <ol style="list-style-type: none"> Asset Position 1 (Home owner) Super balance ranges: \$200k-\$400k (individual); \$350k-\$840k (couple) Other Financial Assets: \$63k-145k Asset Position 2 (Renter) Super balance ranges: \$324k-\$400k (individual); \$486k-\$900k (couple) Other Financial Assets: \$87k-145k
<p>Retirement profile 3:</p> <p>Income Maximiser Low-to-medium super + assets, low cost of living</p>	<p>I'll make it last</p> <ul style="list-style-type: none"> Is highly dependent on super for income in retirement. Is likely eligible for a part Age Pension. Has lower essential spending needs than retirement profiles 1 and 2. Is less likely to seek financial advice. 	<p>Has two super balance asset positions, with the lower end of super balances prioritising flexible access over stability.</p> <ol style="list-style-type: none"> Asset position 1 Super balance ranges: \$180k-\$400k (individual); \$360k-\$700k (couple) Other Financial Assets: <\$69k (individual or couple). Asset Position 2 Super balance ranges: \$400k-\$750k (individual); \$700k-\$1.1m (couple) Other Financial Assets: <\$69k (individual or couple).

How we developed our RIS

CSC RIS: Customer retirement profiles		
Retirement profile Name/No.	Description	Financial profile
<p>Retirement profile 4:</p> <p>Flexible Access</p> <p>Low super balance, will use it to top up</p>	<p>It's nice to have when I need it</p> <ul style="list-style-type: none"> • Has majority of income outside of super (Age Pension or other income). • May not need super to last long. • May need super for discretionary spending (e.g. large ad-hoc withdrawals). • Is likely eligible for the full Age Pension. • Is less likely to seek financial advice. 	<p>Super balance ranges: < \$180k (individual); < \$360k (couple)</p> <p>Other Financial Assets: <\$69k (individual or couple).</p>
<p>Retirement profile 5:</p> <p>High Expense at Retirement</p> <p>Low-to-medium super balance, good for planned spending</p>	<p>I'll need a big chunk early</p> <ul style="list-style-type: none"> • Is planning to withdraw a large lump sum from their financial assets outside of super (> 20% of super balance) within five years of retiring. • Could be in ill health, paying off a mortgage or home renovations, or has other large expense. • Will likely move to another profile following withdrawal. (Likely Flexible Access or Income Maximiser). • Is likely eligible for a full or part Age Pension. • Is less likely to seek financial advice. 	<p>Super balance ranges: \$180k-\$420k (individual); \$360k-\$900k (couple)</p> <p>Other Financial Assets: \$173k-276k before a large lump sum withdrawal (individual or couple).</p>

How we developed our RIS

CSC RIS: Customer retirement profiles		
Retirement profile Name/No.	Description	Financial profile
<p>Retirement profile 6:</p> <p>Financial Advice</p> <p>High super, but low reliance on it</p>	<p>I'm sorted, but should I do more with it?</p> <ul style="list-style-type: none"> • Has other sources of income, which could include a defined benefit pension, rental income or other savings (has a more complex financial situation). • Is not solely dependent on super for income in retirement. • Has relatively low income needs from super. • Is unlikely to be eligible for a full or part Age Pension. • Is likely to seek financial advice. <p>CSC customers in retirement profile 6 include:</p> <ul style="list-style-type: none"> • Contributor/Preserver defined benefit customers who seek financial advice • Customers who retire early or have to retire because of illness who seek financial advice. • Non-defined benefit customers who are retired and who seek financial advice. • Customers who hold a CSC defined benefit and a PSSap/ ADF Super account. 	<p>Super balance ranges: >\$750k (individual); >\$1.1m (couple)</p> <p>Other Financial Assets: >\$356k (individual or couple).</p>
<p>Retirement profile 7:</p> <p>Customers who don't fall into profiles 1-6 and are unlikely to seek financial advice</p>	<p>CSC customers in the retirement profile 7 include:</p> <ul style="list-style-type: none"> • Defined benefit contributor and preserver customers who don't seek financial advice. • Non-defined benefit customers who are already retired who don't seek financial advice. 	Not applicable

How we developed our RIS

CSC solutions for different retirement profiles

Retirement profiles 1–5

For CSC customers who identify with the characteristics described in profiles 1–5, CSC will develop retirement income solutions that are based on the stated profile characteristics. Retirement income product and investment solutions are designed to support our customers throughout their retirement, whether they do or don't seek financial advice.

These solutions are due for release in 2023. CSC will also continue to enhance our support and guidance solutions for these customers.

Retirement profiles 6 and 7

CSC will continue to enhance our support and guidance solutions for customers in profiles 6 and 7. These customers will continue to have access to CSC's existing suite of retirement products. Where eligible, these customers will also be able to access the retirement income products and investment solutions being developed for retirement profiles 1–5 in 2023.

Identifying the customer's retirement profile

We matched retirement profiles to RIS objectives to formulate our strategy.

These retirement profiles:

- help us to group customers with similar financial needs, wants and circumstances. For example, some customers rank flexible access to their retirement income as being more important to them than maximising their retirement income, while others are more interested in making super last by minimising risk. These different circumstances call for different investment strategies.
- keep our customers front of mind as we design and build retirement investment and product solutions, and the support and guidance model that will help our customers over their life with CSC, pre and post-retirement.
- let us formulate investment strategies that are designed to generate an appropriate level of retirement income while balancing customer preferences around RIS objectives.

Customer inputs determine the RIS

Determining the retirement income strategy that applies to our customers has three key inputs:

1. The customer's profile (see the [CSC RIS: Customer retirement profiles](#) on pages 5-7)
2. The make-up of their income in retirement
3. The length of their retirement income periods.

Determining the make-up of the customer's income in retirement

For the purpose of CSC's RIS, the meaning of retirement income includes:

- pension income payable from CSC's defined benefit (PSS & DFRDB) and hybrid products (CSS & MSBS)
- pension income payable from CSC's income stream product (CSCri)
- annuity income payable from lifetime annuities (both immediate and deferred) purchased through CSC
- the Australian Government Age Pension
- investment income from other non-super, income-generating assets (e.g. managed funds, shares, rental properties), and
- pension income from other non-CSC retirement income stream products.

We believe these are the common sources of income available to our retired customers. We made this determination based on legislative requirements, the materiality of income source, CSC's average account balance, comparisons of CSC customers and the average Australian across different circumstances, and income source estimates.

Customer inputs determine the RIS

Determining the length of the retirement income period

Two different definitions of periods of retirement apply to CSC customers:

Retirement profiles 1–5

The period of retirement is defined as the period between the following two dates:

- The retirement start date, which is age 60 or the actual retirement date of the beneficiary, whichever is later.
- The retirement end date, which is age 100 or the date the CSC customer dies (or if they are survived by a spouse, the date their spouse dies), whichever is earlier.

Retirement profiles 6 or 7

The period of retirement begins on the date the customer retires and ends on the date they die (or if they are survived by a spouse, the date their spouse dies).

We make these definitions because of:

- the median retirement age and projected lifespan of CSC customers
- the uniqueness of CSC's Defined Benefit customers
- legislated **conditions of release** of super benefits
- taxation obligations on super withdrawals
- age pension eligibility
- the government actuary's proposed retirement projection period.

How will the RIS provide retirement income choice?

The personal and financial circumstances faced by each retiree varies greatly.

With this in mind, CSC's RIS focuses on helping customers to achieve and balance key retirement income objectives by providing: access to financial advice, offering retirement income products, as well as a number of retirement income solutions. CSC's retirement income solutions are tailored to the customer's preferred ranking of the RIS objectives.

In formulating our RIS, we have also applied our existing product and service design and operating principles, which include:

- a desire to reflect our specific customers' characteristics and preferences,
- a commitment to doing this in a way that is simple, practical, flexible and cost-effective in product design and choice, and
- an undertaking that our solutions and services will be routinely assessed and adapted to ensure they remain commercially viable and sustainable over our customers' lifetimes.

Our retirement income solutions for retirement profiles 1–5 will be made available to CSC customers in 2023 and will include:

- investment strategies (including any purchase of annuities) tailored to the attributes of each retirement profile. We will provide tools to help guide customers in selecting the profile that best fits their needs and circumstances.
- sets of age-based, pension drawdown rates for different retirement profiles to help answer customer questions about how much to withdraw each year, and
- the estimated level of income schedule that's appropriate for each customer's financial situation, based on their retirement profile.

How will the RIS provide retirement income choice?

We will help our customers to balance the three RIS objectives by:

- presenting key outcome measures or ‘success metrics’ for each RIS goal so they can compare RIS objective benefits to trade-offs, and
- including an assumed ranking of the three objectives by retirement profile in our support and guidance material. This aims to help customers understand the reason behind CSC’s retirement income solutions.

We will enhance pre and post-retirement support and guidance

The design of CSC’s RIS and the related support and guidance solutions will be customer led. This puts us in the best position to serve our customers at any point in their pre and post-retirement journey.

In 2023, CSC will make a number of enhancements to the existing support and guidance we offer to keep customers at the core of our design.

We’ll continue to personalise our communication to customers about:

- support and engagement activities that are available to them
- how their input and insights have shaped and will keep shaping the RIS solution design process.

How we’ll keep the RIS relevant

We’ve designed our RIS using a strong governance approach, to make sure it’s relevant and lasts over time.

CSC is committed to developing, evolving and maturing our RIS so that it best meets our customers’ needs and aligns with industry best practice.

Having the RIS in place means we’ll check the customer outcomes of the strategy at least every 12 months through a formal review and reporting process—and we’ll do it more often if we need to. The review will include products and tools, as well as our pre and post-retirement guidance services.

This hands-on commitment to our RIS means we’ll regularly check in on how effectively we’re working for our customers. This review will provide customer-led change, which will keep the RIS relevant and effective over time.

The information provided in this factsheet is general advice only and has been prepared without taking account of your personal objectives, financial situation or needs. Before acting on any such general advice, you should consider the appropriateness of the advice, having regard to your own objectives, financial situation and needs. You may wish to consult a licensed financial advisor. You should obtain a copy of the relevant Product Disclosure Statement (PDS) and consider its contents before making any decision regarding your super.

Commonwealth Superannuation Corporation (CSC) ABN: 48 882 817 243, AFSL: 238069, RSEL: L0001397

Defence Force Retirement and Death Benefits Scheme
ABN: 39 798 362 763

Australian Defence Force Superannuation
ABN: 90 302 247 344
RSE: R1077063

Commonwealth Superannuation Scheme
ABN: 19 415 776 361
RSE: R1004649

Public Sector Superannuation accumulation plan
ABN: 65 127 917 725
RSE: R1004601

Military Superannuation and Benefits Scheme
ABN: 50 925 523 120
RSE: R1000306

Australian Defence Force Cover
ABN: 64 250 674 722

Public Sector Superannuation Scheme
ABN: 74 172 177 893
RSE: R1004595

1922 Scheme
DFRB Scheme
PNG Scheme
DFSPB
CSC retirement income