

## PRINCIPLE 9:

# Fast Track Implementation Guide for Super Funds



A practical guide to implementing Treasury's proposed Best Practice Principle 9: Clear pathways for super funds to evolve the longevity component of their retirement solutions – from simple referral to seamless integration or full in-house manufacture.

# lifetime income product

['laɪf.taɪm 'ɪn.kʌm ,prɒ.dʌkt]

*noun*

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1. A financial product which provides a member with a regular income over their entire lifetime. Products can include features such as: regular payments that are fixed; indexation of payments with inflation or linked to investment performance.

2. A key component of Treasury's proposed Best Practice Principle 9, helping super funds balance income, risk, and flexibility for members in retirement.

*Synonyms:* lifetime income stream (LIS), longevity solution, lifetime annuity, lifetime pension, innovative retirement income stream (IRIS).



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# Introduction

Treasury's proposed Best Practice Principles for retirement solutions lift the bar when it comes to the design and delivery of quality retirement solutions for superannuation members in retirement.

Treasury have made it clear that, for many members, one product alone may not effectively balance the three key objectives, being:

- Maximise their expected retirement income
- Manage risks to the sustainability and stability of their retirement income
- Having flexible access to expected funds during retirement

The proposed best practice principles 5, 6 and 9 all include a lifetime income stream (LIS) product. Research by the Australian Government Actuary suggests that including a LIS component in a retirement income solution can safely boost income by 15-30 per cent. In addition, retirees who are subject to Centrelink means testing can often see an instant increase in the Age Pension income through use of a LIS.

This guide aims to help trustees with this task.

## Optimum Pensions

[Optimum Pensions](#) and its philanthropic partner, the [Orford Foundation](#) have a mission to improve Australians' retirement income, happiness, spending power, lifestyle etc through increasing use of lifetime income streams that maintain their purchasing power over time. Its focus is on improving longevity literacy across the industry and supporting this through open education and research which is available free of charge to everyone [online](#).

Optimum Pensions has written a book "[Retirement Income for Life: Solving the longevity equation](#)" available on Amazon. Although oriented toward financial advisers, many others will also understand its messages. Chapter 6 contains worked examples of blending different product types to align with member's key objectives.

Among its initiatives is an online [Lifespan Calculator](#) – a tool used by more than 30,000 Australians to date. Other organisations can white label and offer it on their websites.

Optimum Pensions also offer a "white label" retirement income product design that can be licensed by qualifying product providers. This design has been implemented by Generation Life, one of Australia's leading financial services innovators.

## With input from Generation Life

Generation Life is a specialist listed Australian insurer recognised for its success in creating and scaling innovative financial products — most notably as a market leader in investment bonds. Building on that expertise, it launched its investment-linked lifetime income product in 2022.

The pathways in this guide are based on an investment-linked lifetime income annuity offered by Generation Life, in part supported by Optimum. We've set out an example of what is possible if a superannuation fund partnered with Generation Life as the longevity insurer. Similar pathways could be potentially designed with other products/providers.

Generation Life have reviewed this guide to contribute practical insights to help superannuation trustees apply the best practice principles efficiently and responsibly — sharing market experience to support a stronger and more effective retirement income system for all Australians.



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# The Accumulation Phase Option

Trustees may be aware of the “Accumulation IRIS” concept – a product that acts like a regular superannuation account in the accumulation phase but can transition into a lifetime income product at retirement.

Pioneered by AMP, this design can start accruing incentives for a higher Age Pension straight away as it is an “innovative retirement income stream” (IRIS) under current Age Pension rules.

Such a product can potentially be created by a superannuation fund if it also issues a lifetime income stream (LIS).

Issuing a LIS can be done either of two ways:

1. The super fund can do it by itself - by using Group Self Annuitisation, where members pool the longevity risk;

or by

2. Appointing an insurer to insure the longevity risk as “LIS partner”, thereby creating a lifetime annuity.

This guide addresses both options for producing a LIS, with the main focus being on option of partnering with a LIS Partner.

## In this guide we outline:

1. Treasury Principle 9
2. The Fast Track Pathways
3. The Three Main Implementation Options
4. The Solution Stack: Three Layers of Integration
5. Key Regulatory Themes for Lifetime-income Innovation
6. White Label Integration Pathways
7. Next Steps + P9 Readiness Checklist
8. Conclusion



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# Treasury Principle 9

*Note: Treasury's Best Practice Principles are currently in consultation (August 2025) and have not yet been finalised. However, they reflect the direction of future regulatory and policy expectations for the retirement phase of superannuation.*

To support trustees in meeting the obligations of the Retirement Income Covenant, Treasury released, in August 2025, a consultation paper outlining Best Practice Principles for Superannuation Retirement Income Solutions.

These proposed principles are designed to encourage trustees to develop practical, cohort-based retirement income solutions that balance income, risk, and flexibility. Principle 9 is the cornerstone of this guidance. It defines what a trustee-designed retirement income solution should include for each identified member cohort:

- A lifetime income stream (LIS) component – at least one retirement income solution should include a product that provides income for life, taking into account likely Age Pension eligibility and incentives for this product type.
- An integrated approach – for most solutions, drawdown pathways should exceed the legislated minimum rates. Where solutions include a LIS product, the trustee-designed pathway for the account-based pension (ABP) component should reflect the stability of income delivered through the lifetime income product.

## The Fast Track Pathways

The challenge with Principle 9 is how to do this efficiently, effectively, safely, and at scale — without diverting significant resources from the fund's core operations or taking on unnecessary manufacturing risk.

Superannuation funds have three main pathways to implement a lifetime income stream product into some of their retirement income solutions. Each pathway varies in complexity, cost, control, and member experience.

The table below summarises these implementation options — from simple referral models to full in-house product development — so trustees can identify which approach best suits their strategy, resources, and member profiles. The right pathway depends on each fund's appetite for product ownership, control, integration, and speed to market.

Trustees should consider legacy implications when making this decision. Lifetime income products are, by definition, lifelong obligations — once a member commences a lifetime product, those commitments remain in force for life. This permanence can strongly influence whether to build, partner or outsource to a provider that has made a long term commitment to maintaining a longevity book. Legacy products (meaning a product which is no longer actively promoted, but needs to still be supported) can potentially be sold to other funds if, for example, they don't reach scale.

# The Fast Track Pathways

## What your board will ask:

- “What is the cost of implementing the Best Practice Principles?”
- “Why this option (refer / integrate / build)?”
- “What’s the legacy/exit position?”
- “What’s the impact on FUM and admin?”
- “Are APRA/ASIC likely to see this as consistent with RIC + SPG 515?”

Options	Lifetime income stream (LIS) component:		
	1. Refer to External LIS Product	2. Integrate a LIS Product	3. Build a LIS Product
Product Issuer	LIS Partner	LIS Partner	Super Fund
Description	LIS as is, but could be Super Fund branded. Similar to Challenger on CFS or Hub24.	Lifeline with a menu of LIS Partner’s investment options. May be able to invest in investment options created by the super fund (meaning the fund keeps the FUM).	<ul style="list-style-type: none"> <li>• Super Fund creates a new segregated division of its fund that issues a lifetime solution that is (ideally) insured and administered by LIS Partner (Group Life contract). <sup>[1]</sup></li> <li>• Investment options created for the Lifetime Division.</li> </ul>
Tailoring	<ul style="list-style-type: none"> <li>• Branding of PDS and Portal</li> <li>• Application Form</li> </ul>	<ul style="list-style-type: none"> <li>• Super fund can determine key design elements around spouse’s benefits, number of investment options, increase rate design</li> <li>• Branding of PDS and Portal</li> </ul>	<ul style="list-style-type: none"> <li>• Super fund can determine and easily modify all design elements including spouse’s benefits, investment options, increase rate design etc. associated APRA Approval.</li> <li>• Branding of PDS and Portal.</li> </ul>
Speed to market	Short to medium term depending on IT integration with Super Fund portal and level of badging required.	Medium: <ul style="list-style-type: none"> <li>• LIS Partner product rule changes</li> <li>• Super fund portal integration</li> <li>• Finalise investment options</li> <li>• Unit pricing integration</li> </ul>	Medium to long: <ul style="list-style-type: none"> <li>• Group life contract development and associated APRA Approval.</li> <li>• Legal work to create new Lifetime Pension, PDS and associated IT, administration, marketing, fund accounting and material outsourcing arrangements.</li> </ul>
Benefits for Super Fund	<ul style="list-style-type: none"> <li>• Quick to market</li> <li>• No legacy product risk</li> </ul>	<ul style="list-style-type: none"> <li>• Retain FUM</li> <li>• Unique value proposition</li> <li>• No legacy product risk</li> </ul>	<ul style="list-style-type: none"> <li>• Retain FUM</li> <li>• Unique value proposition</li> <li>• Maximum control</li> </ul>

Each approach has trade-offs:

- Refer to an External LIS Product is the simplest, lowest-effort option — appropriate for funds seeking a quick, compliant hand-off but offering less control, integration and cohesion.
- Integrate a LIS Product allows trustees to partner with an experienced provider to develop a ready-made yet tailored product while sharing expertise, governance and infrastructure. This option offers the potential for streamlined member experience, data integration and a safe path to market while potentially enabling the trustee to manage the assets.
- Build-it-yourself offers maximum control and customisation, but likely to be more costly, slower and heavy on regulatory, investment, marketing, education, actuarial and IT resources. It also carries legacy risk - once a member commences a lifetime product, those commitments remain in force for life – unless transferred to another provider.

[1] Alternatively, a fund may choose to the Group Self Annuitisation option, where the fund fully self-insures longevity risk and allow retirees’ incomes to vary with actual mortality experience e.g. if members live longer than budgeted then incomes would decrease. This can carry significant risk to retirees e.g. if members live a long time because of randomness or if population life expectancy increases rapidly. European longevity insurers define eight future health scenarios to help visualise possible future life expectancy scenarios. These are called: “Back to the 50s”, “Challenging times”, “Low for Longer”, “Improvement decline”, “Alzheimer’s wave”, “Health cascade”, “Cancer revolution” and “Extended youth”. Each scenario has a different impact on any longevity pool. <https://www.optimumpensions.com.au/wp-content/uploads/2023/04/OP-Insured-vs-Uninsured-Retirement-Products-042023.pdf>

# The Solution Stack: Three Layers of Integration

Delivering Principle 9 is not just about choosing a product — it's about how each layer of the retirement income solution fits together. A successful implementation requires three distinct layers:

- 1. Member Experience:** how members see, understand, and interact with the various components of their retirement income.
- 2. Product & Rules:** how the underlying product components are designed, priced, and work together.
- 3. Administration & Plumbing:** where a retirement solution includes a lifetime component: how the systems, data, and operations support the delivery of the overall retirement income solution.

The question for each superannuation fund is: which layers do we want to own, and which should we leverage through a partner who has already solved them? The following table helps superannuation trustees think through the 'stack' of components that should be considered.

It might be that trustees start by working with an external LIS then move to a more integrated LIS or even manufacture their own LIS in the future – depending on retiree demand - which might be a function of education, product attractiveness etc. Moving to one of the more integrated options might be motivated by a need to retain funds under management.

<p><b>Layer 1 Member Experience</b></p>	<p>This layer covers all touchpoints with members — how the solution is explained, presented, and serviced over time. It includes tools and communications that make the income solution understandable and actionable.</p> <p>Typical components:</p> <ul style="list-style-type: none"> <li>• Retirement calculators and tools (e.g. lifespan or income simulators)</li> <li>• Application processes</li> <li>• Income payments and annual reset</li> <li>• Statement and portal integration showing ABP and lifetime income together</li> <li>• Proof of life checking process – for lifetime product</li> <li>• Death benefit processing e.g. on early death or reversion</li> <li>• Advice, guidance, and potential prompts (under DBFO reforms)</li> </ul> <p><b>Key insight:</b> Integrating the lifetime income stream into the fund's digital and service environment helps to create continuity and confidence for members.</p>
<p><b>Layer 2 Product &amp; Rules</b></p>	<p>The design of the product components, settings, and rules that combine each component to deliver income for life.</p> <p>Typical components:</p> <ul style="list-style-type: none"> <li>• Account-based pension drawdown pathway calibrated to complement the lifetime income stream</li> <li>• Lifetime income product structure and features (pricing, design of longevity guarantees, investment options, indexation design, reversionary benefits)</li> <li>• Potentially an 'Accumulation IRIS' for working members. This is an accumulation account that is designed to transition into a lifetime income stream at retirement. Because of this, under current rules, it may begin accruing Age Pension incentives for members from a much earlier age</li> <li>• Compliance with APRA, ASIC and SIS obligations</li> </ul> <p><b>Key insight:</b> Aligning combinations of the ABP and lifetime product design around each cohort's objectives delivers the true intent of Principle 9 — stable, sustainable income, not just separate products.</p>
<p><b>Layer 3 Administration &amp; Plumbing</b></p>	<p>Behind the scenes is the operational infrastructure and mechanics.</p> <p>Typical components:</p> <ul style="list-style-type: none"> <li>• Registry and unit-pricing systems</li> <li>• Payment and income re-set engines</li> <li>• Proof-of-life and death-benefit processing</li> <li>• Data feeds, API integration and reporting</li> <li>• Operational-risk management (CPS 230) and business-continuity controls</li> </ul> <p><b>Key insight:</b> Building this infrastructure internally can be resource-intensive and slow. Partnering with a provider that already has tested systems and processes can dramatically reduce cost, risk and time to market.</p>

# How the Layers Align Across the Three Pathways

Solution Layer	Lifetime income stream (LIS) component:		
	1. Refer to External LIS Product	2. Integrate a LIS Product	3. Build a LIS Product
Member Experience	LIS Managed almost entirely by the external provider; the fund focuses on education and referral.	Fund-branded experience with streamlined digital and communication integration to the partner's platform.	Fully owned and delivered by the fund, including calculators, portals, and retirement communications.
Product & Rules	LIS provider-owned design and compliance framework.	Shared design — the fund defines cohort and drawdown logic; the partner supplies the LIS product and compliance framework.	Designed and manufactured internally; fund assumes all regulatory, actuarial, and pricing responsibilities. LIS partner operates like a Group Life provider.
Administration & Plumbing	All LIS operations handled by the external provider; minimal internal lift for the fund.	LIS Provider delivers core infrastructure, lifetime guarantees and operational processes with data/API integration into fund systems.	In-house registry, payments, proof-of-life, and reporting systems — high complexity and long-term obligations.

## Why meet with us

We have already implemented the lifetime income product described here, including IT integration, administration processes, decision tools and member communications. Meeting with us lets your team see and think through a full working model rather than designing from scratch.

# Key Regulatory Themes for Lifetime-Income Innovation

The following major regulatory frameworks affect innovation under the Retirement Income Covenant and the proposed Best Practice Principles for Superannuation Retirement Income.

Solutions must consider how all of these, and other frameworks influence design decisions. The retirement income space is embedded in an intricate regulatory ecosystem. The Australian Law Reform Commission highlighted the navigational challenges created by the complex interconnected nature of legislation, regulations and defined terms across multiple Acts. This complexity makes it difficult for even experts to understand their obligations and rights within the system.

Regulatory Framework	Focus Area	Implication for Lifetime Income Product Design
SPS 515 – Strategic Planning & Member Outcomes / SPG 515	Governance, strategic alignment, measurable member outcomes	Any new product should link to the fund's retirement strategy, have clear KPIs and monitoring mechanisms.
CPS 230 – Operational Risk Management	Operational resilience, outsourcing, incident response	Innovation often involves new systems, partners and processes — the operational risk framework must be built in and monitored.
Treasury Laws Amendment (Delivering Better Financial Outcomes) Act 2024 (DBFO) + advice reforms	Advice models, fee-deductions from super, conflicts of interest	Solutions are likely to require member guidance or advice services that are delivered in an evolving regulatory framework as well as the fund's duty to act in members' best financial interests.
RG 274 – Product Design & Distribution Obligations (DDO)	Target market, distribution pathways, lifecycle reviews	A lifetime income solution must manage its lifecycle: target cohort definition, distribution channels, member review.
Best Financial Interests Duty (BFID) / SIS Act trustee covenants	Member value, fairness of cost and benefit, and improvement in member outcomes.	Trustees must ensure the chosen path meets the member's best financial interests — innovation doesn't justify lower standards.

The regulatory landscape can appear forbiddingly complex, yet much of the groundwork for lifetime income solutions has already been traversed by specialist providers.

Superannuation funds may benefit from a partnership with an experienced provider to remove or streamline many of the structural and compliance hurdles that make innovation difficult for trustees. Established lifetime income providers have already satisfied prudential capital, product-governance and advice-framework obligations, and bring to the partnership tested operational-risk systems (CPS 230), established product governance processes (RG 274) and their own compliance solutions to the table.

Different funds will have different preferences, but many will value the opportunity to build on an existing compliance foundation rather than develop parallel capability from scratch.

This approach allows trustees to focus their effort on member strategy, cohort design, communication and targeted financial advice (as every member might be different), rather than regulatory engineering. In this way, collaboration becomes not a compromise but a catalyst — enabling Principle 9 to be delivered faster, with less risk, and with confidence that the foundations are already sound.

# White-Label Integration Pathways

For many superannuation funds, the white-label integration model is thought to offer the fastest, safest, and most scalable route to implementing Principle 9. There is no “First Mover Advantage” as some 14 funds and product providers are already in the market<sup>[1]</sup>. It can be better to be a quick than a late follower.

Trustees can leverage pre-tested designs and frameworks that have already been operating in the market. This reduces development time and risk while preserving control over communication, member relationships and FUM.

The process can be visualised as a simple six-step pathway:

## Why it works:

The pathways leverage actuarial, legal and technological designs that have already been market-tested. This can help trustees minimise administrative strain, accelerate compliance sign-off, and shift the focus toward member strategy, engagement, communication and (importantly) retention and satisfaction.

<sup>[1]</sup> [www.retirementedge.com.au/providers](http://www.retirementedge.com.au/providers)

### 1. Define cohorts

As per the Retirement Income Covenant, use member data and insights to identify the cohorts who will most benefit from a LIS component as part of their retirement solution. Consider factors such as retirement balance, risk preferences, and Age Pension interactions.

### 2. Design retirement income solutions

For each cohort, design solutions that maximise expected income, manage risk, and preserve reasonable access to capital. Where a lifetime income component is included, align the drawdown pathway and investment settings so that total income remains stable and sustainable — the core intent of Principle 9.

### 3. Select LIS integration depth

Decide the level of integration: from simple referral, to seamless white-label integration, through to full in-house manufacture. Use the pathways outlined in this guide to determine the approach that best matches your fund’s strategy, resources, and member needs.

### 4. Implementation

Move from design to delivery by establishing the full implementation framework — legal agreements, operational processes, compliance checks and IT integration. Configure data links and reporting through proven templates and APIs. Align administration and governance protocols under CPS 230 and SPG 515 to ensure secure, compliant and efficient operation from day one.

### 5. Pilot and refine

Run a limited pilot with selected members or cohorts. Measure engagement, understanding, operational flow, user-journeys and member satisfaction. Use findings to refine communication, digital touchpoints and internal processes before full rollout.

### 6. Review and scale

Once tested, funds can embed the solution as part of a more proactive offering for members approaching and entering retirement, pending finalisation of the DBFO framework. This connects with Proposed Principle 11, which calls for trustee-designed guidance services (such as member personas and assisted-choice tools), Principle 13, which emphasises early engagement through information and planning tools, and Principle 14, which supports members approaching retirement to understand their options and make informed decisions. Embed an ongoing review process that tracks outcomes, usage, and member behaviour to drive continuous improvement in quality, efficiency, and member experience.



# Next Steps + P9 Readiness Checklist

Every fund's journey will look different, but the steps to Principle 9 readiness are remarkably consistent.

Use this checklist to confirm your foundation is in place before proceeding towards implementation.

- Cohorts defined – Key retiree segments identified and supported by data, behavioural insights and retirement-income objectives.
- Solutions designed – Product component weightings, lifetime-income product selection, drawdown pathways and investment options modelled for each cohort.
- Lifetime-income component selected – At least one retirement-income solution includes a suitable LIS product aligned with cohort needs and likely Age Pension eligibility.
- Integration decision made – Chosen approach confirmed (refer, integrate or build) and implementation requirements scoped.
- Business case approved (SPG 515-aligned) – Objectives, expected member outcomes, cost-benefit analysis and governance sign-off completed.
- Implementation framework established – Layers defined:
  - Layer 1 – Member Experience
  - Layer 2 – Product & Rules
  - Layer 3 – Administration & Plumbing
- Compliance and governance framework confirmed – Requirements of APRA, ASIC, ATO and DSS addressed; measurable member outcomes, KPIs and reporting mechanisms set; operational-risk and assurance frameworks in place.
- Launch, review and improvement cycle established – Pilot parameters, member communications, feedback loops and periodic reviews scheduled to test, measure and refine the solution.
- Effectiveness validated and board reporting embedded – Member-outcome metrics assessed post-launch; results, insights and improvement plans tabled to the board and integrated into annual strategic planning and SPG 515 reviews.

# Conclusion

Australia's retirement system is entering a new era — one focused on delivering its true purpose: retirement itself.

Success will be measured not just by funds under management, but by retiree member satisfaction, which in turn depends on the quality and stability of income retirees enjoy throughout life.

Treasury's proposed Best Practice Principles offer a blueprint for this change: blending lifetime income, sustainable drawdown, and member flexibility into coherent, trustee-designed solutions.

Implementing Principle 9 doesn't have to mean reinventing the wheel. By building on proven frameworks and established expertise, super funds can direct their effort where it matters most — member strategy, cohort design, and communication. The opportunity now is to lead, not follow: to shape the next generation of retirement solutions and deliver better outcomes for every member.



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