



Australian Government
The Treasury



Incoming Assistant Treasurer brief

Retirement Income and Superannuation Division

Superannuation system - overview



\$4.3 trillion¹



145% of GDP²



**4th largest
pension system³**



**18 million
members⁴**



**\$190,000 median
retiring balance⁵**



**2nd largest form
of savings⁶**

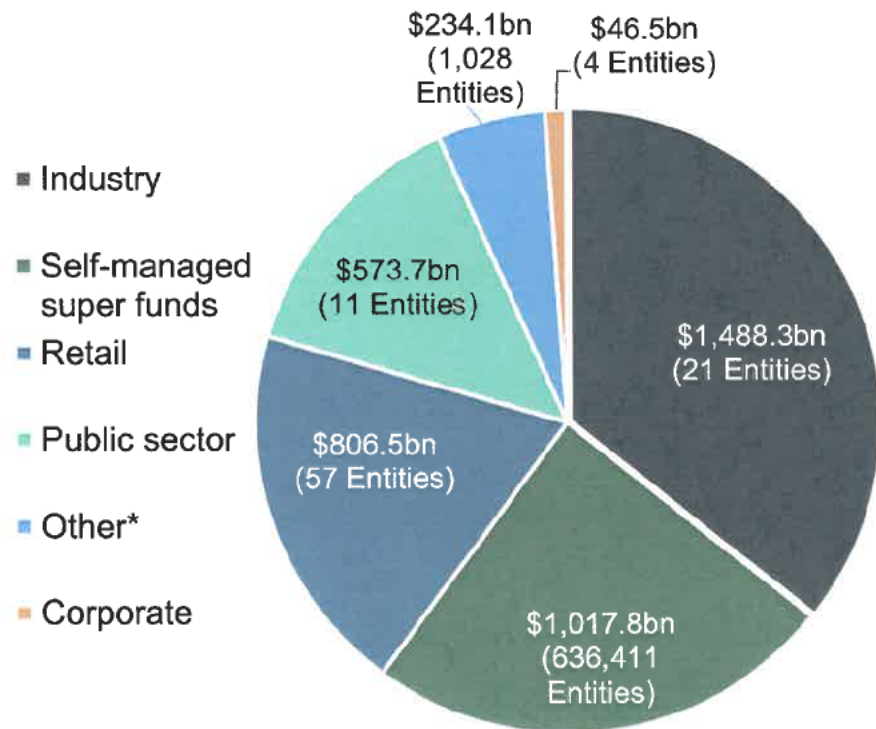
¹ APRA Quarterly Superannuation Statistics, June 2025(KeyStats). ² APRA Annual Superannuation Bulletin, June 2024, Table 6.

³ OECD Pension Markets in Focus, 2024. ⁴ ATO Super data: multiple accounts, lost and unclaimed super, June 2024. ⁵ Age 60 - 64 years old, ATO 2021-22 Taxation Statistics, Snapshot 5, Chart 12. (issued 16 June 2024)⁶ ABS Household Wealth and Wealth Distribution, 2019-20, Table 2.4 (issued 28 April 2022)

Types of superannuation funds

- The main types of APRA regulated superannuation funds:
 - **Retail funds** (trustee may be a profit driven entity with shareholders, e.g. a bank)
 - **Industry funds** (traditionally tied to specific employment sectors; generally profit is returned to members)
 - **Public sector funds** (generally restricted to public servants; mostly defined benefit schemes)
 - **Corporate funds** (membership restricted to employees of a specific company)

Investments by fund type:



APRA Quarterly Superannuation Statistics, December 2024, Keystats.
 * 'Other' consists of 'Exempt public sector superannuation schemes', 'Balance of life office statutory funds', 'Small APRA funds' and 'Single-member ADFs'

Superannuation system - Regulators



Australian Securities and Investments Commission (ASIC)

Regulates conduct of superannuation trustees to protect consumers.

Responsible for market integrity, disclosure and record-keeping.

Authorises financial service licenses.



Australian Prudential Regulation Authority (APRA)

Responsible for protecting member's interests by ensuring system stability.

Balances objectives of financial safety, efficiency and competition.

Authorises specific superannuation licenses and administers the performance test.



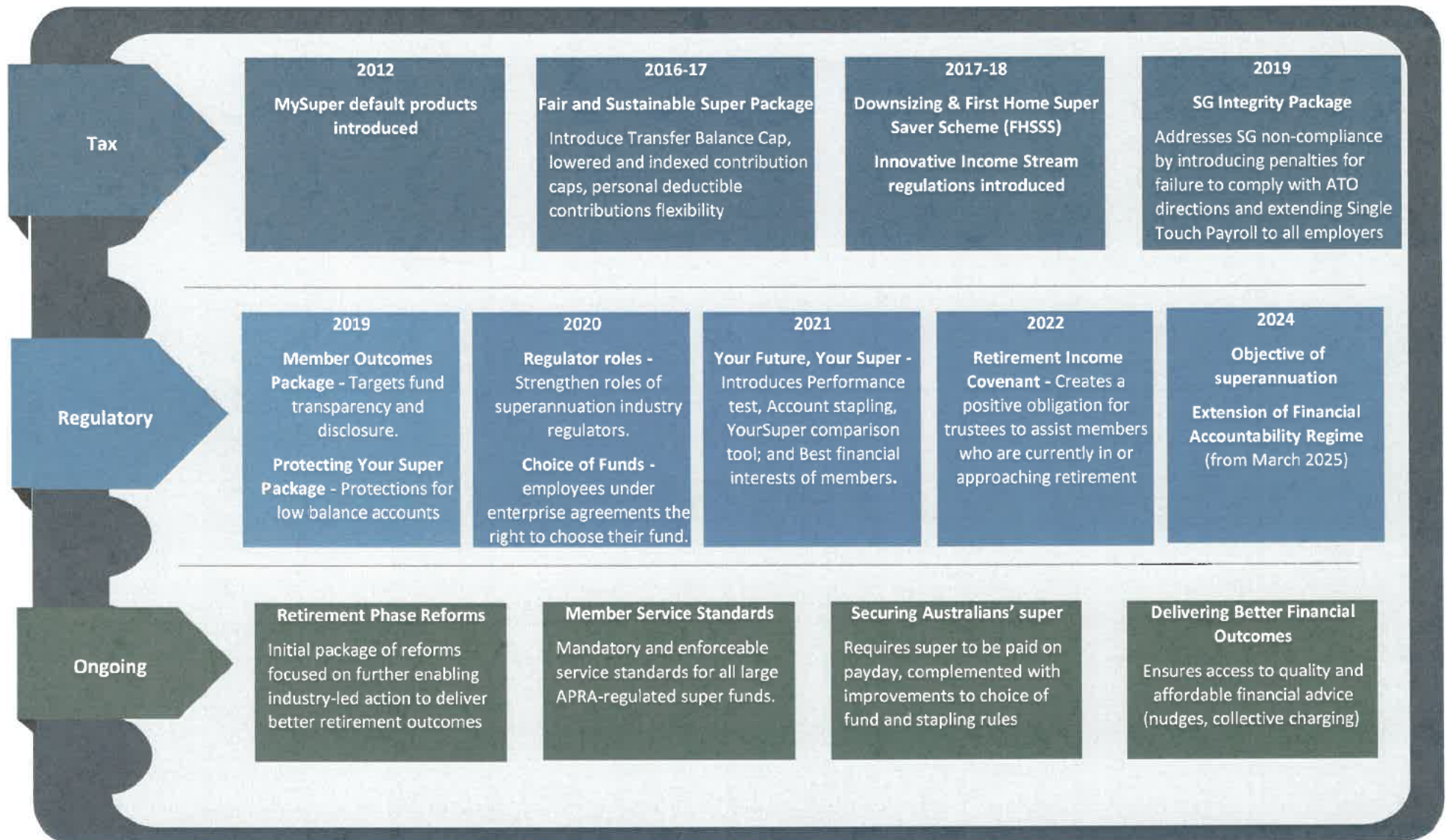
Australian Taxation Office (ATO)

Responsible for enforcing compliance with taxation laws.

Responsible for the superannuation guarantee (employer contributions).

Regulates self managed superannuation funds.

History of reforms

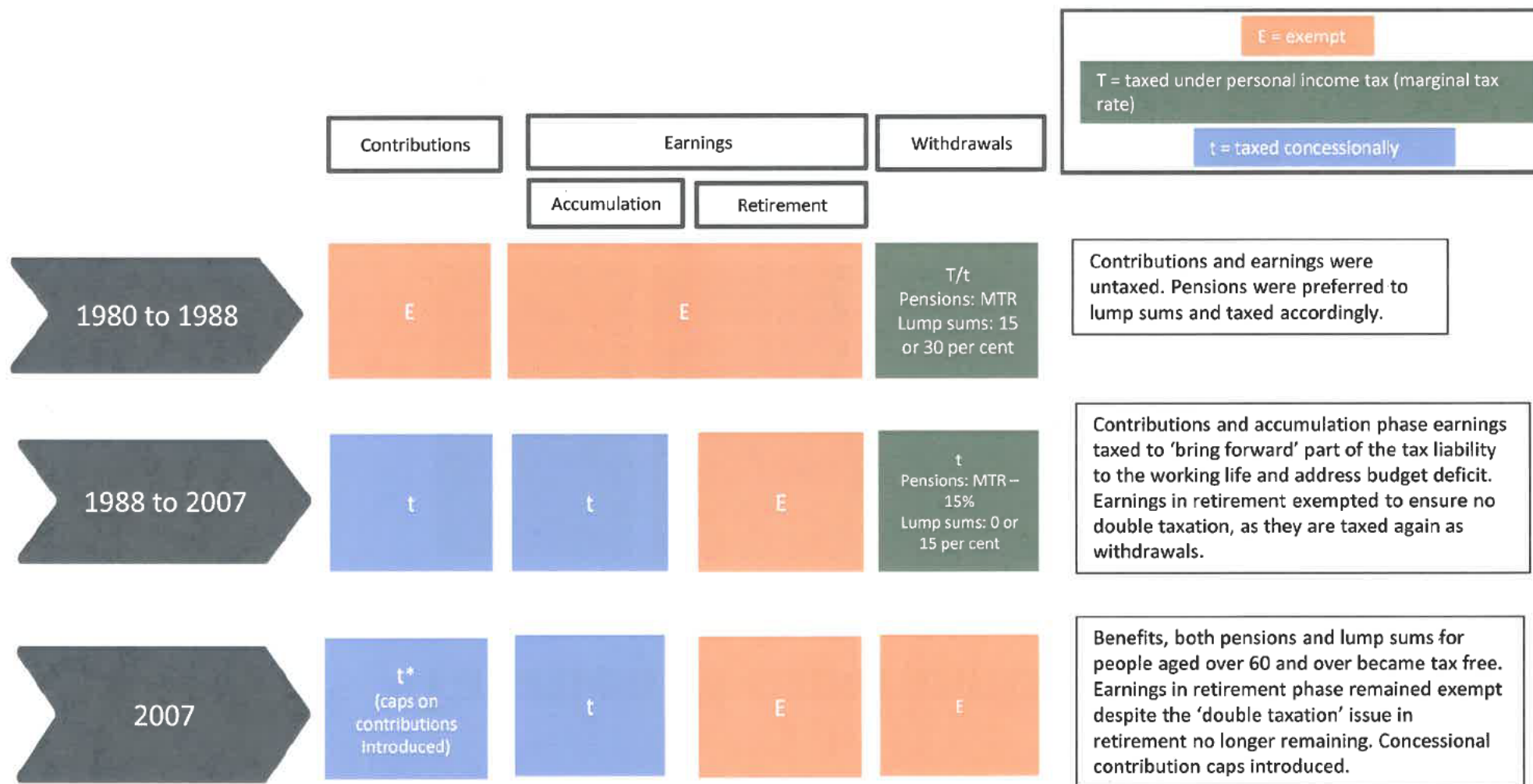


Taxation of super

Taxation of superannuation

Taxing points: For each you can choose to tax at marginal tax rate, concessionally or make it exempt.	Contributions (Superannuation guarantee, plus voluntary contributions)	Earnings		Withdrawals
		Accumulation	Retirement	
Basic settings in Australia	Concessional	Concessional	Exempt	Exempt
	15 per cent	15 per cent	0 per cent	> 60 yrs - 0 per cent

Overview of Australia's superannuation tax structure over time



Changes to super tax settings since 2007 have improved the progressivity of the super tax system

- **2012 – Division 293 tax and the Low income superannuation tax offset (LISTO)**
 - Imposes an additional 15 per cent tax on contributions of very high income earners (income plus contributions above \$250,000), increasing the effective rate to 30 per cent for amounts above the threshold.
 - LISTO refunds taxes paid on superannuation contributions by low income earners. This ensures that low income earners receive a tax concession for their contributions.
- **2016 – Introduction of the Transfer Balance Cap (TBC)**
 - The TBC places a limit (currently \$2.0 million) on the total amount of superannuation that can be transferred into a tax-free retirement phase of superannuation.
- **2025 (proposed) – Better Targeted Superannuation Concessions (BTSC)**
 - From 1 July 2025, the government will reduce the concessions at the top end by applying an additional 15 per cent tax to future earnings for super balances above \$3 million (0.5 per cent of members; 80,000 people).

Reforms in train

Current issues

Retirement Phase Reform Package

- **Issue**

- Current retirement system settings are not sufficiently mature or robust, both in terms of products and services, to support good outcomes for the 2.5 million people expected to retire over the coming decade. Trustees need to be encouraged to do more.

- **Action**

- On 20 November 2024 Government announced **an initial package of reforms** to support industry-led action to deliver better retirement outcomes, including:
 - Refreshing and expanding resources on the Moneysmart website;
 - Enhancements to existing innovative income stream regulations;
 - Developing a reporting framework on retirement outcomes (RRF), and;
 - Developing a voluntary set of best practice principles to guide industry development of retirement income solutions (BPPs).
- Reforms work in tandem with the Delivering Better Financial Outcomes package (DBFO), which will clarify the topics that may be collectively charged through superannuation and introduce targeted superannuation prompts (nudges).

- **Timing**

- s 47C, s 47E(d) Public consultation on IIS; BPPs and RRF has been undertaken Aug/Sept 2025.
- Exposure draft legislation for superannuation aspects of DBFO occurred from 21 March to 2 May 2025.

s 47C, s 47E(d)

Mandatory member service standards

- **Issues**

- Rising complaints, regulator enforcement and media scrutiny have highlighted that super funds are failing to provide services that meet community expectations.
- Compared to banking and insurance, super funds have underdeveloped operational and administrative functions.
- Disengaged members limit competitive tension.

- **Action**

- On 28 January 2025, the Government announced that it would introduce mandatory and enforceable service standards for all large APRA-regulated super funds.
- Standards to target critical areas where complaints data shows the greatest need for improvement: **death benefits claims; insurance claims; and communications with members.**

s 47C, s 47E(d)

Regulator actions to support standards

Consultations

APRA Governance review

- Discussion paper proposing new standards to uplift industry practices, with a specific focus on skills and capabilities of directors.

ASIC Member services review

- First focus: member communications and failings in death benefit claims processing

Enforcement action

- Cbus: ASIC suing for insurance claims handling failures, APRA additional license conditions due to governance failures, and an investigation into fund expenditure management.
- AustralianSuper: \$27m fine for failures to merge multiple accounts; sued by ASIC for delayed processing of death benefits claims.

Payday Super

Issue

- \$5.2 billion of super entitlements go unpaid in a single year
- Quarterly-in-arrears regime means employers delay payment for cashflow, fall behind

s 47C, s 47E(d)

Action

- Increasing the frequency and timeliness of superannuation guarantee contributions.
- Contributions to be made at the same time as salary/wages using a 'due date' model; contributions must be received by the fund by a 7-day due date.
- Investment in ATO data-matching engine for real-time detection of non-payment, early intervention
- Law reform to encourage prompt rectification of missed payment

s 47C, s 47E(d)

Timing

- Headline policy announced 2023-24 Budget
- Policy details and ATO investment (\$403 million) settled in 2024-25 MYEFO
- Announced commencement date of 1 July 2026

Performance Test

- Introduced in 2021, the annual superannuation performance test holds funds accountable for the investment performance they deliver, and the fees they charge to members.
- Products which fail the performance test 2 years in a row are closed to new members.
- The test initially covered MySuper products only; it was expanded to test Trustee Directed Products in 2023. Accumulation phase only.
- Of the 14 MySuper products which have failed, 13 have exited the market. The performance test has had its intended impact, removing the tail of underperforming products from the system and reducing fees.

2025 Annual Superannuation Performance Test Results	Number of products tested	Number of products failed
MySuper Products	52	0
Non-Platform Trustee Directed Products	374	0
Platform Trustee Directed products	137	7

Performance Test

- **Issues**

- Stakeholders have raised concerns:

- test incentivises benchmark hugging which may lead to lower returns for members
 - discourages investment in assets that are not well-represented by the test, such as residential housing and the energy transition.
 - more recently, driving overvaluations in ASX ^{s 47C, s 47E(d)} and not allowing funds to divest from overseas markets (US markets)


- **Action**

- On 8 March 2024, consultation paper was released seeking industry views on how to refine the test to ensure super funds provide the best possible returns for their members.
 - Consultation sought feedback on following alternative models: multi-metric and alternative single-metric test – for risk adjusted returns (Sharpe ratio).
 - No stakeholder consensus on how test should be reformed.
 - Following the August 2025 Economic Reform Roundtable, the Treasurer announced the Government would have another look at the performance test settings to ensure they are not creating unnecessary barriers to investment.

Victims of Domestic and Family Violence – death benefits

- **Issue**
 - Perpetrators of domestic and family violence can claim the superannuation death benefits of their victim unless they are directly responsible for their death.
- **Action**
 - The Government will consult on how to improve superannuation death benefit settings in cases of domestic and family violence.

s 47C, s 47E(d)



Access to Offenders' Superannuation

- **Issue**
 - Offenders in cases of child sexual abuse can be incentivised to make large contributions to their superannuation accounts to defeat compensation claims. There are a number of reported and high-profile instances of this occurring.
- **Action**
 - Victims of child sexual abuse with unpaid compensation orders can apply to a court for the release of 'additional' contributions made to the offender's superannuation since the abuse first occurred.
 - Prior to applying to the court, victims can submit a request to the ATO for visibility of the value of additional contributions made by the offender.

s 47C, s 47E(d)

First Nations – kinship and visibility of super

- Issues

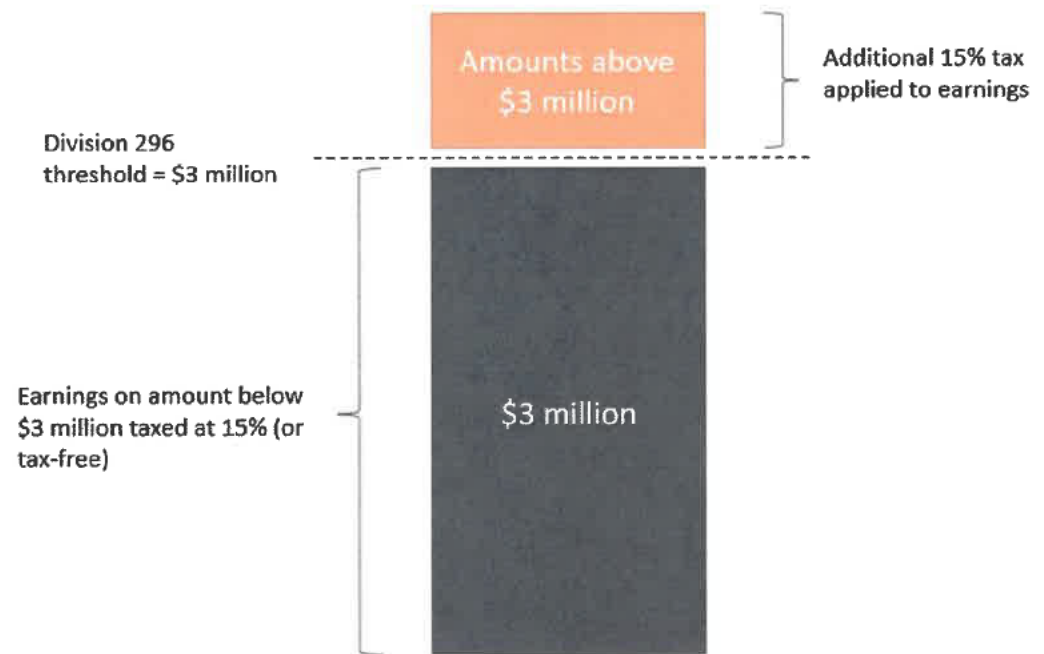
- First Nations Australians miss out on access to death benefits due to red tape and the system failing to recognise their cultural and family structures (e.g. traditional adoption).
- ATO tax secrecy provisions prohibit disclosure of the fund in which a deceased member held superannuation, preventing likely beneficiaries from seeking out death benefit entitlements.

s 47C, s 47E(d)

Better Targeted Superannuation Concessions (Division 296 tax)

- Division 296 reduces the concession for individuals with large super balances by placing an additional 15% tax on the proportion of earnings attributable to balances over \$3 million
- Earnings on amounts below this threshold continue to be taxed at 15% (or tax free).
- Will impact around 80,000 people or 0.5 per cent of individuals with a super account in 2025-26

Individual with a Total Superannuation Balance above \$3 million



s 47C, s 47E(d)