Australian Government
The Treasury

Strengthening the Annual Superannuation Performance Test

Following consultation announced in the 2026–27 Budget, the Government has developed targeted reforms to strengthen the performance test, keep it fit for purpose and address unintended barriers to investment.

The performance test is a critical part of ensuring Australia's superannuation system is delivering for members, and these targeted reforms will strengthen the test, reduce investment constraints and broaden performance scrutiny.

The reforms could unlock up to $90 billion of investment in emerging assets with strong potential returns for members and will expand protections against underperformance for up to 1.4 million additional members.

These changes do not change funds' obligations to act in members' best interest, and there is no requirement for funds to make use of the new benchmark which will be set independently by the Australian Government Actuary and administered by APRA. Analysis by Treasury shows that under reasonable assumptions, this change would not have materially changed past outcomes or failure rates.

These changes are intentionally targeted and narrow in scope to ensure they strengthen protections and do not in any way water down the test. The reforms will be implemented in stages, with consultation on implementation arrangements including draft regulations over coming months.

Background on the Performance Test

The performance test was introduced in 2021 and plays a critical role in protecting Australians' retirement savings by holding trustees to account for the investment performance they deliver and the fees they charge.

The test methodology involves calculating a performance measure for each superannuation product, encompassing a product's net investment return over the past ten years compared with a benchmark return, and the product's representative administration fees and expenses compared with the median for products in the same cohort.

The number of products failing the test has declined significantly since its introduction in 2021. This has contributed to a substantial reduction in the number of members in underperforming products, from around 16 per cent of products in 2021 to 2 per cent in 2026. In 2026, the test applied to 547 products, representing around 61 per cent of the APRA-regulated superannuation sector by value.

Reforms to Strengthen the Test

In recent years, stakeholders have questioned whether the test remains fit for purpose as the superannuation system has grown in scale and complexity. Stakeholders have suggested the design of the test discourages investment in assets that are not well represented by the benchmarks and limits trustees' ability to pursue longer-term investment opportunities in members' best financial interests.

The Conexus Institute has previously estimated an opportunity cost to members of over $3 billion per annum from lower expected returns due to 'benchmark hugging'. Particular investment classes not well represented include venture capital, renewable energy, and social and affordable housing. The Australian Investment Council has estimated increased venture capital and private equity investment could improve a representative member's retirement balance by around $20,000.

Stakeholders have also raised concerns about the coverage of the test. While the test applies to 547 products, representing around 61 per cent of member benefits in APRA-regulated funds, many products remain outside its scope. In particular, research by the Conexus Institute shows that superannuation platforms have experienced increased competitive inflows over time, indicating they are playing an increasingly important role in member outcomes and market competition. Broader application of the test has the potential to provide greater transparency and scrutiny of performance in parts of the system that are currently untested, improving outcomes for members.

To progress potential reform pathways, Treasury convened an industry working group in late 2025 and undertook extensive engagement with stakeholders to examine these issues and identify practical reform options. In May and June 2026, the Government undertook public consultation on targeted options which informed the final proposed changes.

1. Introduce a supplementary CPI-plus benchmark

- The Government will introduce a new benchmark for a class of eligible assets not adequately represented by the market indices currently used in the performance test, helping ensure members do not miss out on investment opportunities by reducing barriers to investment in emerging and alternative assets.
- Eligible assets would be determined based on sector-neutral principles-based criteria, including that the asset type is not represented in available indices, and subject to APRA oversight.
- The Government will consult further on the specific eligibility criteria for assets being assessed against the CPI benchmark and on legislative design.
- Trustees will retain discretion about whether or not they choose to use the new asset class and benchmark. All investment decisions will remain subject to trustees' best financial interest duties and general investment governance obligations. The test will continue to be administered by APRA to ensure high standards continue to apply.
- The new benchmark will comprise of CPI plus a margin set based on independent Australian Government Actuary advice, with different margins reflecting the return characteristics of growth and defensive assets.
- Trustees will be able to allocate up to 5 per cent of their fund's investment portfolio to be assessed against the new benchmark, which could unlock up to $90 billion of investment. Trustees will be able to invest in emerging assets beyond this allocation, with additional investment tested against the existing benchmarks as they are under the current test.

- The benchmark will apply prospectively to new investments and will not affect historical performance test outcomes.
- The new benchmark is intended to be available for use in the 2028–29 performance test.

2. Expand the coverage of the performance test

- The performance test will be extended to externally directed accumulation products (EDPs) to address a significant coverage gap in its application. This will strengthen consumer protection by introducing a consistent, objective measure of performance across comparable products.
- The cohort of EDPs to be brought within the test will align with the principles underpinning the existing trustee directed product (TDP) definition, focussing on diversified products. There will be specific exclusions for products for which the performance test is less appropriate, including retirement products, single-sector products, separately managed accounts and defined benefit products and any additional product cohorts where the test cannot provide a meaningful product assessment supported by reliable data.
- The Government will consult further on defining these exclusions to ensure the scope of products being brought in is appropriate.
- Bringing comparable EDPs into the test, alongside MySuper and most diversified trustee-directed choice accumulation products (TDPs) that are already within scope, will further expand the performance test's coverage of the APRA-regulated superannuation sector, which already exceeds 60 per cent.
- Around $1.8 trillion of superannuation assets were subject to the performance test in 2026 and a further $60 billion across 1.4-million member accounts could be brought within the test as a result of these changes.
- The release date for performance test outcomes will be changed from August to September, recognising the greater number of products to be tested.
- The EDP expansion will be implemented in two phases, with an initial transparency phase for the 2027-28 performance test, where APRA will publish performance data but no test consequences will apply, followed by full implementation for the 2028-29 performance test onward.

3. Improve the comparability of administration fees

- The administration fee benchmark will be expanded to include platform TDPs and EDPs, creating a single benchmark representative of administration fees and expenses across platform products for the 2027-28 performance test.
- The representative member balance used to calculate the platform benchmark will be updated to better reflect the characteristics and account balances of the broader scope of platform products.
- As an interim measure for the 2026–27 performance test, the platform TDP benchmark representative administration fees and expenses (BRAFE) will be calculated based on existing fee data for a broader cohort of comparable platform products, to provide a more comparable and robust benchmark and improve the reliability of test outcomes.

4. Flexibility around benchmark indices

- The market indices used in the existing benchmarks will be able to be specified through an APRA legislative instrument or similar, rather than exclusively in the *Superannuation Industry (Supervision) Regulations 1994*. This will enable more timely and responsive updates as markets, indices and providers change.
- This will provide greater flexibility to maintain and update benchmark indices, support competition between index providers and help reduce index access costs, while retaining Government oversight of key policy settings.
- Timing for implementation will be subject to final design and transition arrangements, with any changes to benchmark indices applying prospectively.

5. Establish a review mechanism

- Following the implementation of these reforms, Treasury will conduct periodic, non-statutory reviews of the performance test every three to five years, supported by technical advice from APRA and consultation with industry and other stakeholders.
- A program of periodic reviews will provide certainty and stability of performance test settings, with structured, transparent and predictable process for assessing the performance test framework over time.
- Future reviews would consider the broader impacts of the test on investment behaviour, capital allocation trends and market impacts, and assess whether the performance test framework remains appropriate and fit for purpose, after allowing a meaningful period for these reforms to take effect. They may also consider detailed policy settings such as benchmarks, asset class definitions, fee methodologies, and representative member balance assumptions to ensure these settings remain appropriate over time.