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## Strengthening the superannuation performance test

Thank you for the opportunity to make a submission on how to strengthen the superannuation performance test.

National Seniors Australia (NSA) is the leading advocacy organisation for older Australians. Through our research and advocacy activities, NSA works to improve the wellbeing of all older Australians, including self-funded retirees, pensioners, part-pensioners, veterans, and carers.

According to APRA, total superannuation assets is approaching \$4.5 trillion in assets, with over \$3 trillion in large superannuation funds. Ensuring there are appropriate returns on these assets is important to the retirement incomes of all Australians.

We are encouraged that the Treasury is considering ways to improve the superannuation performance test. However, we recommend the Treasury adjust the focus. The performance test was intended to reduce underperformance, but the consultation paper is focused narrowly on how to maximise performance from alternative investments. There remains significant underperformance in the sector, yet some products continue to pass the test. The bar should continue to be raised to encourage better performance and retirement outcomes for all Australians.

As Treasury notes, half of APRA-regulated superannuation assets are not subject to a performance test because they sit in retirement phase products. This is illogical. Performance does not end when retirement starts, if anything it even more important. As such we call for the inclusion of retirement products in the performance test as a critical priority.

Yours Sincerely



**Chris Grice**  
Chief Executive Officer

## **What is the superannuation performance test?**

The superannuation performance test is an annual calculation performed by the regulator APRA comparing the returns and fees of many superannuation products against benchmarks.

Superannuation products, not entire funds, receive either a pass or fail. Currently a fail is set at – 0.50% against both benchmarks; that is, the fund can consistently perform below the benchmarks and still pass the performance test.

## **Retirement phase products should be included in the performance test**

While we support the extension of the performance test to externally directed products (versus investments directed by the fund trustees) as raised in the consultation paper, in our view this should be a secondary consideration to extending the performance test to retirement products.

It is disappointing that the consultation paper acknowledges the issues with retirement products being excluded from the performance test (as raised by Super Consumers Australia), yet does not consider taking action to rectify this deficiency.

When considering extending the test to externally directed products, it is only proposed to “Test externally directed accumulation products”. The paper justifies excluding retirement products by stating, “the design and scope of any test should be calibrated to support innovation in retirement products and appropriately balance other retirement priorities.”

While ‘innovation’ is something that some superannuants might want in from their super fund – in reality, what they want most is confidence that their superannuation is producing good and stable returns with low fees.

As a recent NSA research report on older people’s views on superannuation found, superannuants overwhelmingly view strong returns, low fees and certainty and stability of investments as the most important things they want from their super fund (and ipso facto, their super fund’s products).

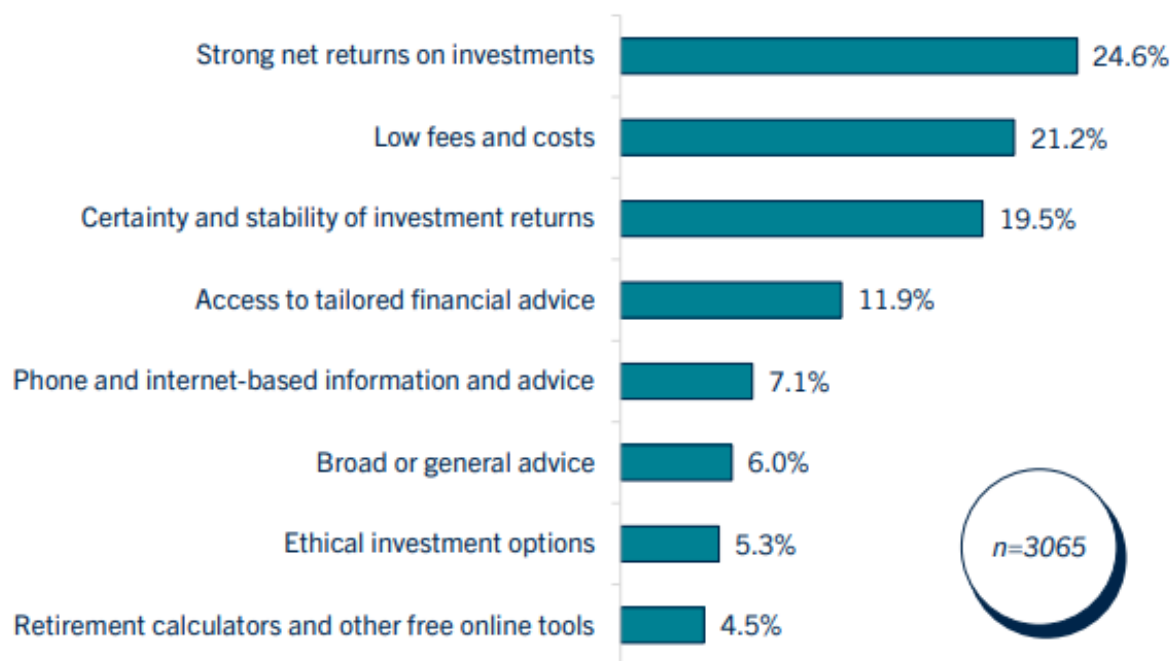


Figure 1: Ranking of super fund outcomes by survey respondents. The numbers represent weighted percentages of support and add to 100%. Source [NSA 2025](#)

If this is the case, then why does the performance test ignore retirement phase products on the grounds that this might stifle innovation?

As the paper states, people age 55 and over hold more than half of total APRA-regulated superannuation assets. It is unclear why such a large portion of assets should be ignored from the performance test, pending more data becoming available via the Retirement Reporting Framework “from 2028”.

While there have been moves, in recent years, to bring attention on the retirement phase, retirement phase products continue to be excluded from the performance test. This does not improve outcomes for superannuants at a time that they need, and want, to safely and securely maximise returns and minimise fees.

### Focus on underperformance

The consultation paper raises the risk that “trustees may forgo higher-returning investment opportunities to more closely align with benchmarks and reduce the likelihood of underperformance”. While superannuation should seek the highest returns for the level of risk, the performance test should not be focussed on the funds which could have been even further above the benchmark, but on the funds with returns already below the benchmark.

In the latest test, 15 MySuper products underperformed the benchmark. These products have over 3.6 million members.

Though we acknowledge that some of this underperformance may be an issue with the design of the test – such as how recent improvements in performance are treated equal to past underperformance. But this is a further argument for refinements to the underperformance focus of the test.

We are concerned that the performance test could be being gamed by some funds which know they can consistently underperform the benchmarks and still pass the test. The performance test, currently 0.50% below the benchmarks, should rise over time to require funds to continue to improve their performance.

From the 2025 annual superannuation performance test:

- 0 MySuper products failed the test
- 0 Non-platform Trustee Directed Products (TDP)<sup>1</sup> products failed the performance test
- 7 Platform TDP products failed the performance test, including 4 repeat fails

However:

- 17 MySuper products had a negative performance test measure (while still within the pass level)
- 80 Non-platform TDP products had a negative performance test measure, including 6 within 0.1% of failing.
- 97 Platform TDP products had a negative performance test measure but within the pass levels, 70 of which were within 0.1% of failing, including 30 which were only 0.01% above failing.

We also note the above underperformance relative to the benchmark for the Platform TDP products is despite the significantly higher fee benchmark: the benchmark for non-platform TDPs is 0.24%, for platform TDP it is 0.47% - an almost doubling of administration fees.

**This leads us to ask, is the performance test measure set to encourage better performance, or to tell the industry what level of under-performance is acceptable?**

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<sup>1</sup> There are multiple categories of superannuation products included in the APRA superannuation performance test. MySuper products are those approved to receive default superannuation contributions for new employees. Trustee Directed Products are superannuation products where the fund trustee decides on the investment strategy (as compared to Externally Directed Products (EDP) where the trustee does not control the investment strategy but someone else fulfill this role, such as a financial advisor). Platforms and non-platforms are different ways of administering the holdings of the super fund.

The consultation paper says that around \$1 billion of assets were held in the products that failed the performance test. Though we note that over \$225 billion of member assets is held in funds that underperformed the benchmarks as above.

**While it is appropriate to further refine the performance test, including through a routine review of the benchmark as raised in the consultation paper, the primary focus should be on the substantial areas of underperformance or non-testing of retirement phase superannuation products.**