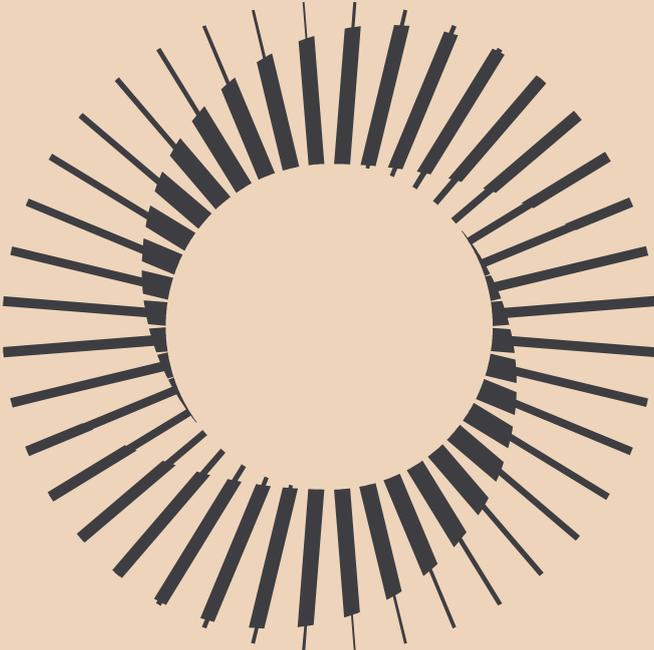


Member-first
representation:
The profit-to-member
governance advantage





Executive Summary

Australia's super system is the global standard for retirement income frameworks. It is now one of the largest, most inclusive and successful pension savings pools in the world.

Central to its success is the governance model used by profit-to-member super funds - the **representative trustee model** - which puts the fund's members at the very centre of its purpose and draws on employer and employee voices in board decision-making.

Australia's retirement income system is built on three pillars – the Age Pension, compulsory super, and private savings. Super is now the largest of these pillars - and its system design, strong regulation and effective corporate governance are at the heart of its success.

While our super system overall is highly effective thanks to these features, profit-to-member funds have consistently stood out as top performers. These funds use a governance structure in which boards are composed of equal numbers of employer and employee representatives, and some representative funds also appoint one or more additional independent directors. This model emerged from the industrial foundations of the super system and is safeguarded by law under the SIS Act. It ensures a member-centred focus, diverse skills, robust decision-making, real-world expertise, and lived experience guide decisions about member savings - all key to a long track record of strong outperformance.

Today, more than 90% of workers in Australia have super, with total savings projected to become the world's second-largest national savings pool by around 2030.

By design, boards governed under the equal representation structure:

- Ensure oversight that prioritises members over shareholders - they exist only to benefit members
- Bring diverse and balanced perspectives from workplaces, industries, and the broader economy
- Avoid groupthink by incorporating multiple viewpoints that strengthen board thinking
- Demonstrate strong behavioural capabilities such as strategic foresight, resilience, and curiosity

Profit-to-member funds operating under representative trustee governance have consistently outperformed non-representative funds. The evidence shows:

- **Stronger investment performance:** Funds with representative governance models generated \$33 billion in additional value for their members over five years, compared with losses in other sectors. For a typical \$50,000 balance, this translates to an extra \$1,900 for Australians with their savings in representative funds.
- **Lower fees and more efficiency:** Funds with representative governance models have a long-term track record of lower administration and investment cost ratios, helping to deliver their members stronger long-term net returns. Between 2004-2024, large representative trustee funds recorded an average administration and operating expense ratio of 0.35%, compared to 0.64% for non-representative peers.
- **Superior diversification:** These funds allocate more to unlisted assets such as infrastructure and private credit, delivering stronger risk-adjusted returns and more resilience during market shocks like the GFC.

Australia is not alone. Among the top-ranked pension systems in the world – including the Netherlands, Denmark, and Finland – four of the seven best performers use representative governance models. These systems prioritise balanced board structures, transparency, accountability, and strong regulatory alignment – highlighting that Australia's super governance approach reflects international best practice.

Today, super fund boards operate amid greater scrutiny, sector consolidation, technological disruption, and demographic change than ever before. Key trends include growing regulatory expectations, sector consolidation into mega-funds, 2.5 million Australians retiring in the next decade, and larger cyber, AI, and geopolitical risks. The representative model is well designed to navigate these pressures due to its member-centric culture, diversity of perspectives, and strong strategic oversight.

The representative trustee model is pivotal to world-leading retirements for Australians. It aligns decision-making with members' best financial interests, supports strong long-term performance, and reinforces public trust. As Australia's super system enters a new era of complexity and opportunity, maintaining and enhancing this governance model will be essential to safeguard and strengthen the retirement futures of millions of everyday Australians.



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About the Super Members Council

The Super Members Council advocates for the collective interests of over 12 million Australians with more than \$1.6 trillion in retirement savings in profit-to-member super funds. Our purpose is to protect and advance the interests of those millions of super fund members throughout their lives, advocating on their behalf to ensure super policy is stable, effective, and equitable.



Introduction

Australia's super system is a global success story

Australia's modern super system was born in 1992. Since its inception, it has consistently delivered on its promise to improve Australians' standard of living in retirement through higher retirement incomes.

In the decades before it was created, only 30% of Australians had super and the total pool of Australia's retirement savings was equivalent to a mere rounding error on global pension systems.

Super also wasn't portable, meaning it didn't move with a worker if they changed jobs. Payments were restricted to certain types of workers and they often had to stay with the same employer for a long time to even be entitled to the benefits.

Today, more than 90% of workers in Australia have a super account that they can take from job to job. Total super balances eclipse national GDP by 154%. By around 2030, Australia is projected to have the second largest national pension savings pool in the world (second only to the US), despite ranking 55th by population size.

The typical Australian retiring in the decades ahead will have 2.5 times more money in super savings than the average retiree today - today's average 30-year-old is tipped to have \$500,000 (in today's dollars) in super by the time they retire.

Why has Australia's super system been so successful?

Three components have laid the groundwork for Australia's highly successful super system.

1. System design.

Australia's retirement income system has three pillars which work together to deliver Australians a dignified income in retirement:

- Personal savings and assets, including property and shares.
- The Government Age Pension, a safety-net for people without other savings.
- Super, which was set up to supplement or replace the Age Pension for those with larger savings.

The three pillars work together to deliver Australians a dignified retirement, and in that process they strengthen fiscal sustainability, improve national savings and assist intergenerational equity.

The largest of these three pillars is now super. It has become the greatest contributor to Australians' income in retirement thanks to three key principles.

- Super is compulsory and paid automatically into workers' retirement savings.
- Super is preserved until retirement, preventing temptations to dip into the system early and safeguarding the ability for your super investments to snowball as they grow.
- Super is universal ensuring the benefits apply to everyone.

Research consistently shows that if it were not for these core principles working together, most Australian workers would prioritise short-term financial goals and make inadequate provision for their future. Without these key features in super, millions of Australians would be poorer.

Four other design features have also been critical to the success of super.

- Tax concessions - to encourage long-term savings for retirement, most super contributions and earnings are taxed at 15% (the average national tax rate is 25%). Further tax discounts apply to some [low-income workers](#).
- Default funds - to ensure all workers benefit from super, those who do not choose a fund must still be paid employer contributions into a named default fund.
- MySuper products - default funds must be MySuper compliant - a low-cost, low-risk product with a simple investment strategy, ensuring a fair deal for members.
- Super funds also typically include insurance, such as life, total and permanent disability, and income protection, as a standard feature of membership, which provides protection of a person's savings and income if their capacity to work is curtailed.



2. Strong regulation

Australia's super system also operates in a tightly regulated environment with oversight shared between three key regulatory bodies: the Australian Prudential Regulation Authority (APRA), the Australian Securities and Investments Commission (ASIC), and the Australian Taxation Office (ATO). The *Superannuation Industry (Supervision) Act 1993* (SIS Act) underpins how super funds operate, imposing strong legal duties on trustees to act in the best interests of fund members. APRA-regulated funds are required by law to meet high standards for investment practices, financial transparency, and benefit preservation - as well as high governance standards.

3. Well governed super funds

Governance encompasses the principles, practices, processes and behaviours that determine how entities are directed and controlled. Boards have a central role to play in ensuring good governance as they are responsible for setting the strategic direction, culture and risk appetite of an institution, and for holding management to account.

Super funds are governed by Trustee Directors. The role of a board in a super fund is governance and oversight that ensures the fund operates in the best interests of its members. The board holds the legal and fiduciary responsibility to manage and safeguard members' retirement savings with competence, diligence, prudence, and honesty.

Trustee duties are taken very seriously in Australia because the system is compulsory, there is information asymmetry, and members are vulnerable in a complex system. The exercise of these trustee duties occurs through overseeing investment strategies, service delivery, risk management, and fund operations to deliver the strongest retirement for members.

The board's key responsibilities include:

- Acting in the best financial interests of fund members at all times, prioritising member benefits over other interests.
- Monitoring and developing fund strategies, policies, and performance to protect and grow members' savings.
- Ensuring the fund complies with applicable laws and regulations.
- Overseeing the appointment and performance of external service providers including investment managers and administrators, while retaining ultimate responsibility for any outsourced functions.
- Ensuring the fund delivers transparent reporting and high standards of member service.

In 2025, APRA conducted a governance review consultation which proposed the most significant refresh of prudential governance standards in over a decade. It aimed to set clear contemporary expectations for boards and senior leaders across Australia's entire financial services industry. Feedback from the consultation process and subsequent industry engagement is shaping evolved proposals, with APRA signalling refinements on initially proposed areas of governance such as tenure caps and regulator engagement on senior appointments.

The Financial Accountability Regime (FAR) also enhances governance across the financial services sector and mandates accountability mapping, registration of accountable persons, and breach reporting, with civil and criminal penalties for non-compliance. FAR launched for authorised deposit-taking institutions in 2024 and extended to RSE licensees such as super trustees in March 2025.



Super fund governance models in Australia

What super governance models exist in Australia?

Australia's super system deploys a range of governance models that reflect a diversity of fund types across the sector. While Australia's super funds share a common trust-based legal framework, industry, corporate, public sector, retail and self-managed super funds (SMSFs) each operate under distinct structures, ownership arrangements, and governance frameworks. These differences influence how decisions are made, how member interests are represented, and how accountability is maintained.

Industry funds

Not-for-profit entities, typically established by unions and employer associations, operating under a trust structure with trustees holding duties under both the SIS Act and best financial interests' duty. They typically use an equal representation model with employer and member (often union) nominees on the trustee board. Boards are commonly composed of equal numbers of employer and member representatives, often supplemented by one or more independent directors and, in some cases, an independent chair. They have a central focus on member representation, and do not pay dividends to shareholders, with surpluses retained for members and strong emphasis on managing conflicts in a not-for-profit setting.

Corporate funds

Employer-sponsored, not-for-profit funds are established for employees of a particular company or group, operating under a trust deed and SIS Act requirements. Many use an equal representation trustee system, with employer and member representatives appointed under the fund's governing rules. Boards typically include employer nominees with deep knowledge of the sponsoring employer, alongside member or employee representatives. Governance is focused on alignment to workforce needs, and managing any employer-specific conflicts.

Public sector funds

Funds established by legislation or trust deed for Commonwealth, state or territory employees, often with defined benefit or hybrid designs and statutory governance overlays. Trustee or board structures are set out in enabling Acts, with government ministers or departments playing a role in appointments and oversight. Boards commonly include a mix of employer (government), member, and sometimes independent representatives, with specific rules on qualifications and terms set in statute. Governance must balance member interests with public sector accountability, including reporting to Parliament, complying with public finance frameworks, and managing long-term defined benefit liabilities.

Retail funds

For-profit funds generally owned by financial institutions (banks, wealth managers, insurers) and operated by a corporate trustee that owes duties under the SIS Act and Australian corporate law. Board composition is determined under general corporate governance norms and ASIC/APRA expectations, often with a majority of independent directors. Boards typically include executives of the parent group plus independent directors, with an independent chair often recommended or required by industry codes. Governance must manage tension between shareholder returns and members' best financial interests, with strong emphasis on conflicts management, related-party dealings and remuneration structures. Another model involves a third-party trustee that holds the Registrable Superannuation Entity (RSE) license and legally acts as the trustee model for multiple funds. A separate promoter handles member-facing functions, such as branding, marketing, distribution, member engagement, and investment strategy design.

Self-managed super funds (SMSFs)

Private trusts with up to six members where all members are trustees or directors of the corporate trustee, regulated by the ATO. Trustees are subject to SIS Act obligations including the sole purpose test, best interests' duties, and compliance with the fund's trust deed and superannuation law. Direct, member-controlled decision-making over investments, contributions and benefit payments, with no separate professional trustee board. Governance quality depends on trustee competence and engagement.



About the equal representative model

Trustees act on behalf of millions of everyday-Australian beneficiaries, and the profit-to-member governance model is built around a simple idea: to champion nothing but the member's interests.

This model puts members' interests first with equal numbers of trustees nominated by employee (union) and employer nominating bodies. The model is flexible and has evolved over time - for example, a growing number of funds have added independent directors to complement the core representation model.

Measured by Australians' financial interests, funds with a representative trustee model have delivered superior investment returns and operational efficiency compared to those that adopt other approaches - ultimately boosting the retirement savings of millions of everyday Australians (see page 8).

The representative model sets the global standard for pension fund governance, with leading countries adopting similar frameworks (see page 11).

As Australia's super system continues to evolve, the representative trustee model remains central to its success - as a living framework, it is positioned to meet today's challenges and boost Australians' retirement interests as a growing proportion of Australians retire into the future.

Where did the equal representation model come from?

The first formal Australian super fund was established in 1862. By the late 19th and early 20th centuries, super remained largely a benefit for public servants and select white-collar employees. Most blue-collar workers and women had little or no access to retirement savings beyond the Age Pension. This inequity drove decades of advocacy for universal retirement security.

The super system as we know it today was established through an historic accord between employers and employees, with profit-to-member funds adopting the representative trustee model stemming from these origins for their governance structure.

The representative trustee model in Australia was introduced in the 1980s as super became an award entitlement through industrial negotiation between employers and unions. Since the system was built on a productivity basis, both employers and employees have an equal say in managing those savings. As a result, trustee boards for industry funds were required to have 50% employer and 50% employee (often union-nominated) representation.¹

How it works

Board governance in the profit-to-member super sector is shaped by the representative trustee model, a framework mandated by section 89 of the SIS Act.

Under this model, fund boards are composed of an equal number of employer and employee representatives, ensuring a direct voice in the decision-making process. Typically, employer directors are nominated by employer bodies, such as business associations, or directly by a sponsoring employer. Employee directors are usually nominated by employee organisations, such as unions, or member representative groups. In some cases, the appointment of these directors is determined by specific rules set out in the fund's trust deed or governing documents. This arrangement was historically designed to promote fairness and align fund governance with the interests of those who contribute and benefit - the employers and the employees.

The appointment of directors from outside nominating organisations, especially to add to specialist skills, is able to be done where needed. Flexibility in principle-based statutory settings provide for the inclusion of independent directors, which many profit-to-member funds choose to appoint. This blend can bring together diverse viewpoints, expertise, and robust decision-making.

¹ Per Capita research paper "[The Herstory of Superannuation](#)" 2020 explains that during the 1980s, the Australian Union Movement campaigned to drive the inclusion of super in Industrial Awards. As part of the Prices and Incomes Accord between the Hawke and Keating Labor Governments and the ACTU, unions agreed to forgo a national 3% pay increase in return for employer contributions to a new super system for all employees. This agreement was legislated, and the resulting industry funds were controlled by a board comprising equal numbers of employer and employee or union representatives.



An independent director is defined by the SIS Act² and APRA's prudential standards as someone who is not a member of the fund, does not have associations with an employer-sponsor of the fund, and is not an employee or associate of an employer-sponsor. The individual also cannot be a representative of a trade union representing fund members or an organisation representing employee-sponsors.

Benefits of the representative trustee model

In both Australian and global systems, super funds that embrace the representative model have in place governance frameworks that are flexible, member-focused, and proven to deliver strong returns. This is because a board's effectiveness rests not on every member having all possible technical skills, but on the board as a collective body possessing comprehensive expertise across key domains relevant to super and a single-minded focus on member interests.

The Royal Commission into Misconduct in the Banking Superannuation and Financial Services Industry emphasised that the central governance issue for super funds is the need for the board to collectively possess the relevant skills and experience to oversee the fund and act in members' best interests. Prescriptive rules about board composition or numbers risk distracting from this primary purpose of ensuring a skilled and effective board.

Boards with both employer and employee representatives draw on a diversity of experience and viewpoints. This broadens the decision-making base, challenges assumptions, and minimises the risk of conformism. Employers and employees alike have a shared interest in the long-term health of retirement savings. Their involvement supports a governance culture focused on long-term stability and sustainable growth, benefiting workers and retirees.

Boards in profit-to-member super funds are most successful when they leverage collective expertise, foster diverse and strategic thinking, and value behavioural as well as technical skills - all in pursuit of the best retirements for members.

A successful board embodies crucial behavioural qualities such as:

- **Curiosity and courage** with the ability to critically question decisions, understand complex issues, and make sound judgments for members.
- **Leadership and communication** that sets a positive tone, encouraging open debate, and transparency to members.
- **Empathy and emotional intelligence** that builds trust both within the board and with the wider membership.
- **Strategic foresight** that influences high-quality decisions in line with organisational vision.
- **Resilience and adaptability** to respond effectively to crises and emerging challenges.
- **Openness to learning** and continuous improvement via training, peer-learning, and engagement with best practice.

Brings balanced representation and skills

Employer and employee representatives each bring unique insights into the needs and priorities of the fund membership. Union representatives understand the membership through their roles as union officials in the workplace. Employer representatives understand the businesses employing the members and market conditions in which they operate. Both understand the real economy. This alignment to the member's interest focuses their role as trustee. The mix brings a unique member focus to investment management and operational acumen. This ensures the board draws on a spectrum of views when making decisions in members' best financial interests. Where it adds value, independent directors can also add to this mix, bringing other diverse skill sets and strengthening a board's processes and decision-making.

² An independent director in the context of super funds is defined in section 10(1) of the *Superannuation Industry (Supervision) Act 1993* (SIS Act).



Promotes member-focused outcomes

The inclusion of employee representatives brings workplace insights directly to board attention, narrowing the gap between directors and the workforce. This enables them to bring practical, ground-level perspectives that may not be accessible to external or employer-appointed directors. Employee representatives help ensure the board is accountable to fund members. This minimises conflicts of interest, especially compared to for-profit funds where shareholder interests may, at times, compete with those of fund members. Employer representatives encourage strategies that align with stable employment and bring an in-depth understanding of industry trends. They often maintain direct contact with business leaders and local industry groups, bringing real-time feedback on local issues, economic shifts, and regulatory changes that impact the workforce. This helps boards to identify and respond quickly to emerging challenges or opportunities.

Supports stronger governance and accountability

This mix of directors encourages healthy debate, reduces groupthink, and leads to more rigorous challenge of proposals and better decision-making. This diversity of thought fosters innovation, transparency, and accountability at the board level.



How the equal representative model compares

“30 years ago, unions and employers came together so workers could have a sound retirement. The result? If a worker had then invested \$100,000 with the average industry fund, they would have \$44,500 more today than if they had put it in the average retail fund. Over the last 20 years, industry funds have outperformed retail funds by 1.6%. Employers and unions, working together in the interests of workers, have truly delivered. And that’s an achievement that should be celebrated.”

Stephen Ferguson National CEO, Australian Hotels Association, October 2024

Profit-to-member funds with representative trustee models combine scale, cost-efficiency, robust governance, and a long-term investment horizon to consistently deliver strong risk-adjusted net returns and stability for members’ retirement savings.

Investment performance

Over the long term, profit-to-member funds have consistently outperformed funds with non-representative governance structures. Over the past 5 years, profit to member funds generated \$33 billion in extra value for their members (above the APRA performance benchmark) compared to a \$400 million loss by their counterparts. For a typical \$50,000 balance, this translates to an extra \$1,900 for members of representative funds.³

Low fees, high operational efficiency

Profit-to-member funds have consistently operated more efficiently compared to other super funds, despite major investments in their operations and member services across the super sector. Lower costs increase the net returns delivered to members, and those cost benefits then also compounding over time. Sustained lower operating costs reflect efficient and well-run, sustainable funds. Profit-to-member funds consistently reported lower administrative, operating, and investment expense ratios when compared with non-representative funds over the long-term.

Operating expense ratios - across administration and investment expenses - are an indicator of a fund’s efficiency. They show how much a fund spends on these essential functions relative to the size of the assets they manage. A lower expense ratio indicates a lower cost per member to operate the fund. Generally, there is a strong relationship between low expense ratios and higher after-fee returns for members because low fees increase net returns, all other things being equal.

Funds and regulators, including ASIC’s Moneysmart website, frequently highlight the importance of fees to member returns. If annual fees total 2% instead of 1%, your final super balance after 30 years could be around 20% lower. For example, a projected balance of \$500,000 could be reduced to \$400,000 simply due to the extra 1% in annual fees.

Between 2004-2024, large representative trustee funds recorded an average administration and operating expense ratio of 0.35%, compared to 0.64% for non-representative peers.⁴ Similar cost advantages are evident in small and medium funds, with the greatest efficiency gap in administrative expenses between profit-to-member and other types of medium-sized funds (0.50% vs 0.87%). Investment expenses follow the same pattern, with profit-to-member funds showing greater cost-efficient outcomes at every size tier.

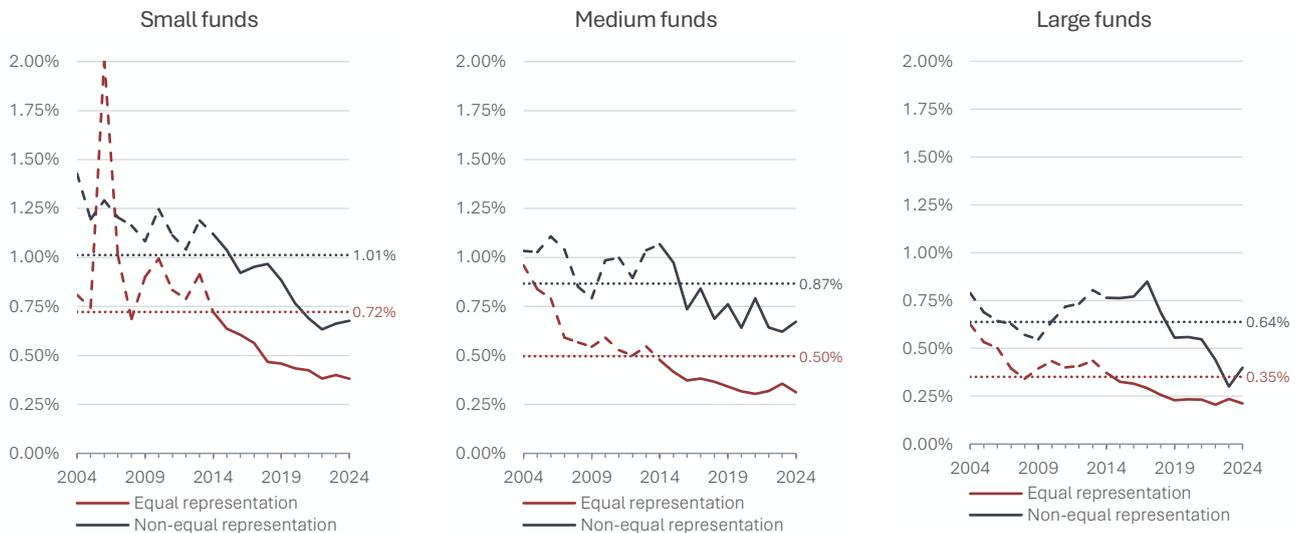
The data reinforces a broader principle: profit-to-member funds with economies of scale enjoy significantly lower cost ratios. This trend links back to separate findings on fund growth, where representative funds have grown larger and faster than their non-representative counterparts. The narrowing of cost differentials over time reflects system-level consolidation - notably the exit of underperforming funds. Despite this trend, representative funds continue to deliver cost advantages that support better net results for members and reinforce their structural sustainability.

³ Super Members Council, APRA-Governance-SMC-Submission-2025

⁴ Includes trustee-incurred advice expenses from 2014 onwards.



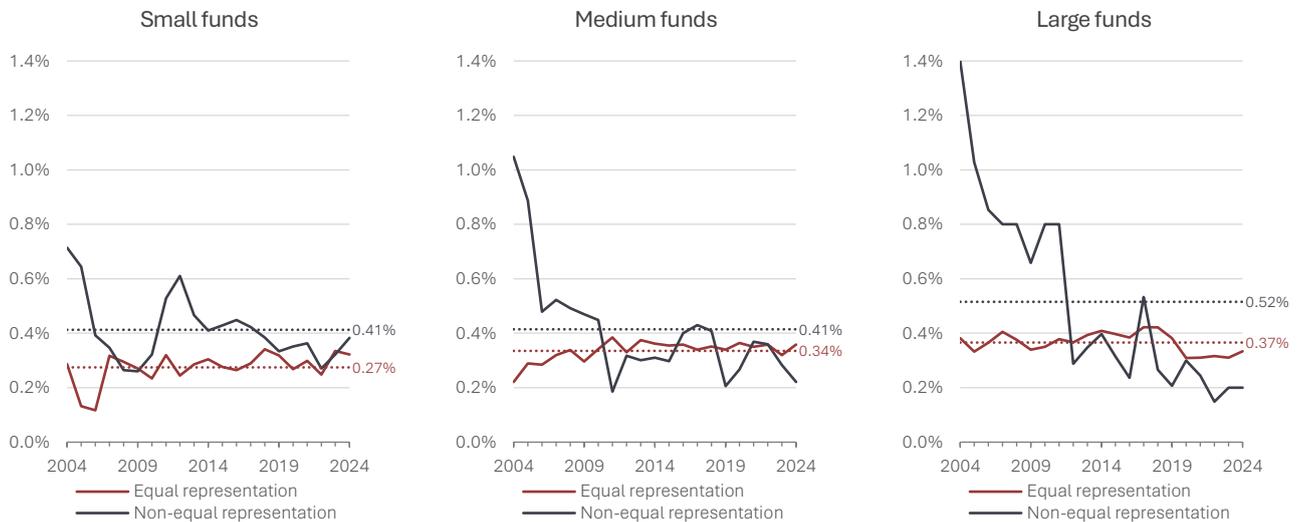
Administration and operating expense ratio



Notes: Administration and operating expense ratios include trustee-incurred advice expenses. Advice expenses are not published in APRA fund-level data prior to 2014, resulting in a series break. Fund size cohorts are dynamic and based on funds under management at the start of each year; funds may move between small, medium and large cohorts over time due to growth, shrinkage, mergers or exits. Board structure data are only available from 2014; earlier years are imputed using stable fund characteristics, noting board structures are highly persistent over time.

Source: APRA fund-level superannuation statistics June 2024

Investment expense ratio



Notes: Cohort definitions and board structure treatment are as per the panel above.

Source: APRA fund-level superannuation statistics June 2024

Diversified investment strategies

Historically, profit-to-member funds have invested in a broader range of assets with higher exposure to unlisted infrastructure, private credit, and private equity than other sectors have achieved.

Diversification helps insulate portfolios from market and economic risks, contributing to funds' strong long-term risk-adjusted returns.

There has been consistent outperformance of these funds against market benchmarks and their global peers - all while more effectively protecting their members from volatile return fluctuations.



The top ten performing super funds for balanced options in 2025 were all profit-to-member funds with a 10-year annualised return range of between 7.4% and 8.3% per year.⁵ During market shocks like the Global Financial Crisis, profit-to-member super funds historically experienced lower volatility and delivered stronger upside rebounds than other sectors.

This resilience is built by their long-term investment approach, patient capital, and absence of short-term redemption pressures, which allow them to avoid forced selling and even invest counter-cyclically when markets are distressed. In its April 2025 Financial Stability Review, the Reserve Bank of Australia highlighted that the super sector plays a crucial role in long-term capital formation for Australia and has historically supplied liquidity to the financial system during periods of financial stress.⁶ Super's impact as a "shock absorber" relies on its ability to invest with long-term certainty, channelling national savings into productive investment and supporting domestic financial markets.

In contrast, sectors facing higher withdrawal risks or redemption demands are more likely to amplify losses. The RBA further cautions that maintaining strong preservation rules is essential for super funds to sustain this stabilising role in Australia's financial system.

Advocating for system improvements to boost member savings

Profit-to-member funds typically enjoy higher levels of public trust compared to for-profit funds, due in part to their not-for-profit ethos and their advocacy leadership for policy improvements that further strengthen super so millions of everyday Australians can have an even better retirement.⁷ Real-world experience as employer or employee representatives helps identify and unpack systemic issues within the system, such as the gender super gap, unpaid super, and fairness in policy settings.

Representative boards advocate for their members to maintain strong system performance and reforms that benefit not just the members of their own fund, but the system and members across the board. Some examples include ongoing work:

- Championing reforms to increase the Low-Income Super Tax Offset, which benefits low-income earners, young people, and women. Expanding eligibility and increasing the offset would boost the super contributions of 1.2 million low-paid Australians by an average of \$400 in 2025-26.⁸ In October 2025, the Australian Government announced it would lift the LISTO, commencing 1 July 2027. Indexation is essential, however, to ensure this benefit is not eroded by inflation.
- Advocating for the abolition of the 30-hour work threshold so all workers under 18 are paid super.
- Proposing urgent reforms to prevent perpetrators of family violence from inheriting their victim's super.
- Strengthening a simplified performance test to remove barriers to further boost risk-adjusted returns and improve comparability for members.
- Working to uplift service standards for all members, with targeted initiatives for groups experiencing vulnerability.

⁵ Superguide, [Comparing super funds, best-performing-super-funds](#)

⁶ Reserve Bank of Australia, [Financial Stability Review - April 2025](#)

⁷ Australian Parliament House, [Equal Representation: Governing for Members, ISA Submission, 29 September 2017](#)

⁸ Super Members Council, [Breaking the deal: why LISTO needs to be fixed](#), 18 September 2025



How the equal representative model compares globally

The 2024 Mercer CFA Institute Global Pension Index (Mercer Global Index) evaluated the strength, sustainability, and integrity of retirement income systems in 48 nations. Notably, among the top seven highest-ranking countries, four⁹ have either mandated by law or firmly entrenched the representative trustee model in their pension governance structures.

This concentration of the representative trustee model at the top tier demonstrates that leading OECD countries, especially those with world-class, not-for-profit, or occupational pension systems, prioritise balanced employee and employer participation in oversight and decision-making. Their embrace of the representation model is not incidental, but a defining factor that underpins the transparency, accountability, and sustained excellence of their pension systems.

Netherlands

In the Netherlands, the representative trustee model is a central feature of the pension system, legislated through the Pension Fund Governance Act.¹⁰ Board models require parity (equal employee/employer representation) or a stakeholder council for oversight. This approach is deeply embedded in both law and fund best practice, reflecting a consensus-oriented social partnership.¹¹ Strong regulation and governance underpin the system. The Netherlands pension framework is transparent with robust legal frameworks, effective regulatory oversight, and well-governed pension funds, which are essential for maintaining member trust and system integrity. These are among the reasons the Netherlands tops the Mercer Global Index.

Denmark

In Denmark, the representative model is near-universal for occupational pension funds. Employers and employees are both strongly represented, making this a global benchmark for board parity.¹² Denmark's pension regime is tightly supervised, guaranteeing high transparency, sound fund governance, and the protection of members' interests.¹³ Denmark regularly achieves "A" grades on all three sub-indices on the Mercer Global Index, being adequacy, sustainability, and integrity, placing it alongside only a handful of nations at the pinnacle of the index.¹⁴

Finland

Both industry-wide pension funds and most major pension funds in Finland have structured their governing boards to adopt the representative model. By law, industry-wide pension fund boards must have at least four members, with employees selecting at least two members and one deputy member, and employers selecting the remaining members. If the board is larger, the ratio between employee and employer representatives must remain roughly equal. This requirement is mandated by the Act on Company Pension Funds and Industry-wide Pension Funds.¹⁵ Employer and employee representatives play a consensus role in system design and reform. Oversight and decision-making are strongly collaborative, with broad stakeholder inclusion. Finland's pension scheme is repeatedly ranked number one globally for integrity, assessing factors such as system governance, security of benefits, regulatory oversight, and transparency in member communications.¹⁶

⁹ The 4 countries are: Netherlands, Denmark, Australia and Finland.

g adequate stakeholder representation on pension fund boards in the Netherlands

¹¹ [Pensioenfederatie, Pension-fund-governance](#)

¹² [Jensen, S.E.H et al. Experiences with Occupational Pensions in Denmark, Duncker & Humblot, Berlin, Vol. 88, Iss. 1, pp. 11-30](#)

¹³ [CFA Institute Mercer-CFA-institute-global-pension-index 2024 highlights need for retirement improvements - 20 October 2024](#)

¹⁴ [Top1000funds, Nordic countries top Mercer CFA institute global pension index - 13 October 2022](#)

¹⁵ [TELA, Governance of Pension Providers](#)

¹⁶ [Finnish Centre for Pensions, International pension comparison: Finnish pension system 7th best - still tops the integrity sub-index, 15 October 2024](#)



Future challenges facing super fund boards

Over the decades, the super sector has further deepened its sophistication of investment practices governance in line with increasing regulatory expectations. With the system's greater maturity comes greater scrutiny and complexity, especially as the super system reaches a financial pivot point where benefit payments to retirees will accelerate as the population ages. Member service expectations will rightly continue to grow with their savings and retirement expectations.

The future of the super sector will continue to be defined by trends including greater competition, consolidation, pressure on operational costs, pressure on investment diversification with shifting demographics, tighter regulation, and a race to deliver better retirements in a world of rising expectations and shifting demographics.

Regulatory scrutiny in the Australian super sector is intensifying

As the size of the system and Australians' savings grows, APRA and ASIC are placing ever greater emphasis on governance, cost transparency, and results for members. This heightened focus is driven by reforms like the Financial Accountability Regime, which, from March 2025, extends robust accountability standards to super funds, raising the bar for board and executive conduct. Regulators are also intensifying their examination of how super funds manage and justify their expenditures. Under the best financial interest's duty, funds must demonstrate that all spending decisions directly align with members' best financial interests. Trustees are required to acquit increased obligations to document, monitor, and defend their spending, as regulators scrutinise the value delivered to members versus the outlay.

Mergers are reshaping the sector

Efficiency, cost management, and digital engagement are strategic priorities for Australia's super funds. There are strong trends of funds are investing heavily in technology, brand building, and member acquisition and retention strategies as more Australians hit retirement age over the next decade. Looking ahead, mergers are poised to continue the consolidation trend as more "mega funds" emerge and their focus is expected to shift towards further strengthening member services and innovating in retirement income (product) solutions. The future will likely see:¹⁷

- Fewer but larger funds across the system.
- Continued regulatory oversight pushing for member-first approaches and performance benchmarking.
- Increased need for clear, member-centred communication to manage expectations and maintain trust.
- Intensified focus on operational integration and excellence.

2.5 million Australians are expected to retire over the next decade

The growing number of retirees will place significant pressure on the super system to deliver effective and sustainable retirement income solutions - an evolution from the days when Australians thought about their super as a single figure or lump sum. To meet these evolving needs, funds must develop superior retirement income products and robust risk-management approaches that provide predictable income, long-term financial security, and strong support throughout retirement. Enhanced advice, education, and digital tools will be essential to match rising member expectations. At the same time, Australia's ageing population will drive higher withdrawals from the system, shifting the primary growth driver from contributions to investment returns. This transition, combined with any future policy uncertainty, the potential for lower investment returns, and increasing expectations for high-quality digital service delivery—including tailored support for older members experiencing vulnerability—creates both operational and reputational risks if not managed carefully.

¹⁷ [Oryx Consulting, The Next Wave of Super Consolidation, 28 October 2024](#)



Technology, cyber and artificial intelligence (AI) offer risks and opportunities

As the size of Australia's savings pool has grown, it has become an increasingly attractive target for cybercriminals. Regulators APRA and ASIC have ramped up their scrutiny of the super sector, mandating stricter cyber and data security measures such as robust multi-factor authentication and real-time incident reporting standards. As cyber threats targeting financial data continue to escalate in both frequency and sophistication, proactive investment in cybersecurity is essential for protecting members from fraud, and data breaches. By enhancing their cyber resilience through advanced technologies, strong governance, and regular employee training, super funds can maintain trust and confidence in the sector while meeting regulatory obligations.

The use of AI introduces a dual-edged dynamic, with funds navigating the integration of AI-driven processes without AI specific guidance from regulators. However, the opportunities are substantial: leading funds are leveraging AI and advanced analytics to enhance investment decision-making, personalised member engagement, detecting financial crime, and driving operational efficiencies.¹⁸ AI-enabled automation is streamlining processes like claims management and portfolio analysis,¹⁹ and as AI maturity grows, it promises even deeper real-time insights and the ability to predict member behaviours and market risks.

As Australian super funds invest a growing proportion of assets overseas, their exposure to geopolitical risk continues to rise

Investments now span across continents and emerging markets, making fund performance more sensitive to foreign political and regulatory environments, protectionism, and sudden shifts in international relations.²⁰ Geopolitical risk is rising on the agenda for both super funds and regulators, reflecting heightened uncertainty in a more fractured, multipolar world. Proactive risk management, diversification, and regulatory coordination are essential for protecting member retirement outcomes amid these evolving global headwinds.²¹

Other risks

Effectively managing unknown risks in the super sector calls for resilient governance structures, robust scenario planning, and agile risk management. The representative trustee model serves as a strong governance framework underpinning these attributes. From sudden regulatory shifts to unprecedented market disruptions or technological shocks, super funds must foster agility in their risk and governance frameworks. By inherently ensuring diverse viewpoints and balanced oversight, the representative trustee model helps funds identify blind spots, enabling more thorough evaluation of emerging threats. With a mindset of continuous improvement and developing flexible operational processes, the sector can safeguard results for members in a landscape where threats may emerge with little warning.

The representative trustee model is best placed to meet these challenges

As Australian super funds navigate an era marked by consolidation, technological disruption, and increased regulatory scrutiny, good governance is critical for maintaining member trust and long-term value. The representative trustee model has underpinned the strong governance of many Australian profit-to-member super funds. While the model ensures diverse perspectives and member-focused decision-making, there are practical ways its effectiveness and accountability could be further enhanced into the future.

¹⁸ Microsoft, [A super advantage: How AustralianSuper is enhancing member outcomes by boosting productivity and cybersecurity with AI](#), 19 March 2024

¹⁹ Snowflake, [Navigating the Future of Australian Superannuation: The Data and AI Imperative](#), 8 July 2025

²⁰ Australian Institute of International Affairs, [Superannuation Investment: Does Australian Policy Understand the Risks](#), 17 April 2025

²¹ APRA, [APRA Corporate Plan 2024-25, External Developments](#)



Getting a strong mix of skills is a conversation for all sectors. What the representation model does is bring people with fresh capability and experience to Australia's non-executive director pool."

Ann Sherry, Chair, Super Members Council

Enhancing skills-based selection

As funds grow and more members reach retirement, it becomes even more critical to ensure boards maintain a diverse and skilled composition. Member-centred board structures with the right collective skills, and a focus on attracting new talent and maintaining high standards of accountability and service, are essential to navigate future challenges and continue delivering the strongest retirements for Australians. Knowing the skills and capabilities on the board is crucial to assess the right blend of technical expertise, industry knowledge, and behavioural competencies needed to make sound decisions in members' best interests. This process helps to identify and fill skill gaps, support succession planning, and adapt to emerging challenges such as regulatory changes or technological advances. Robust skills assessment promotes accountability, strengthens risk management, and enhances member outcomes by maintaining a high-performing, forward-thinking board.

Skills matrices and fit-and-proper assessments guide board appointments, ensuring that all directors—however they are nominated—meet high standards of competence and professional conduct. Representative funds already take skills and experience into account when putting forward nominees from a collective skills approach, contributing directors with deep knowledge of their industries and member communities. Boards can further strengthen their collective capability by drawing on external specialists for targeted projects, emerging risks, or niche issues. This allows funds to access additional expertise when needed while preserving a representative board structure that reflects the interests and diversity of their members.

Improve transparency and accountability

Clear reporting on board composition and skills helps reassure members and regulators that governance arrangements are strong. Funds can regularly affirm skills matrices, succession plans, and the process for director selection or removal. Profit-to-member funds undertake periodic, independent board reviews to evaluate whether the model is working as intended and adopt recommended improvements. This can occur in addition to the independent reviews required at least every three years by the APRA governance standard.

Foster board renewal and diversity

Diversity targets for directors can ensure ongoing renewal of skills and perspectives. Diversity can take many forms and can include gender, age, cultural background, professional skills, experience, disability and neurodiversity, LGBTQI+ representation, socio-economic and educational background and tenure. Targets for background diversity on boards can broaden viewpoints and help avoid conformity bias. The representative trustee model already fosters broader recruitment pools, with nominated directors drawn from various industries or workplaces. These groups are typically closer to the lived realities and diversity of the workforce, making them more attuned to the need for representation of people from a wider range of backgrounds.

Maintain a member-centred focus

The representative trustee model is designed so directors are connected to the fund's member base, not distant shareholders. This focus tends to de-emphasise narrow definitions of board "fit" based on traditional corporate or financial backgrounds, and encourages consideration of broader skillsets, lived experiences, and perspectives - directly benefiting board diversity. Any changes to boards must ensure that its core focus is to act in the best interests of members, retaining the ethos that has underpinned strong long-term results and avoided conflicts common in other governance models.



Education and the role of the Trustee Director Course

Targeted board- education and training ensures that all directors, regardless of their background, understand their fiduciary duties, governance principles, and the evolving regulatory environment. Ongoing governance education keeps board members updated on best practices, risk management, compliance obligations, and ethical leadership, which is vital in a landscape of growing complexity and scrutiny. Governance training helps identify and bridge skill gaps, supporting succession planning and ensuring the board is well-equipped to address current and future challenges.

Education programs for both new and experienced board members promote a shared understanding of the fund's mission, improve collaboration between representative groups, and empower directors to make more informed, strategic decisions. Programs that highlight the perspectives of underrepresented groups, such as those experiencing vulnerability, domestic or family violence, or younger members, can improve board dynamics and advocate for broader representation.

The SMC Trustee Director Course is designed and run by SMC to meet these needs in profit-to-member funds, and gives aspiring, new, and experienced trustee directors a comprehensive grounding and continuous learning opportunities in all dimensions of leading practice governance. This includes broad legal obligations, duties, and accountabilities on strategy, risk, investment, financial sustainability, and board and institutional culture. SMC's courses emphasise the importance of trustees acting in members' best financial interests, navigating diverse views, and upholding ethical standards.

Subject matter experts deliver and facilitate the TDC programs and there is a strong emphasis on case studies and peer learning. The modules strengthen the existing culture of collaboration among employer, employee, and independent trustee directors, reinforcing the inclusive and diverse approach underpinning the representative trustee model. This learning ensures that new directors are ready to 'hit the ground running' and boards stay "future-ready"- a crucial theme in continuously elevating skills and experience of all directors to enhance the resilience of funds over both short- and long-term time horizons.

"The Advanced Trustee Directors course was engaging and informative. This well-run course was relevant, the assessments were manageable, and it deepened my appreciation of a trustee's accountability and obligations. The opportunity to collaborate, problem-solve, and learn alongside other trustee directors added significant value, offering fresh perspectives on shared challenges."

Janine Freeman, Member Director, GESB



Conclusion

The representative trustee model continues to play a pivotal role in championing the retirement interests of Australians.

Drawing on balanced representation of employer and employee voices and strong lived experience, the model delivers robust governance, strong financial returns, and lower costs for members.

Its central focus on member-centred decision-making has helped Australian profit-to-member super funds to outperform their peers, foster innovation, and maintain public trust.

As the super system faces new challenges—ranging from regulatory scrutiny and technological disruption to demographic shifts—the representative trustee model remains a proven framework for resilient, accountable, and future-ready governance.

Continued investment in board skills, diversity, and education will be essential to sustain its success and secure better the strongest possible retirement for all Australians.