



SMC calls for balanced governance reforms, cautions against regulatory overreach

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The Super Members Council (SMC) has welcomed reforms that strengthen governance across the financial services system, but cautioned against regulatory overreach that risks undermining governance practices that are delivering strong returns for members.

In its detailed submission to the [Australian Prudential Regulation Authority's Governance \(APRA\) Review](#), SMC has backed a principles-based approach to good governance that empowers super funds to find the most efficient and effective ways to meet regulatory responsibilities, rather than overly prescriptive standards.

In the submission, SMC supports:

- Proposals on regular board performance reviews, signalling the sector's strong commitment to accountability, transparency and boosting trust among members.
- Clear illustrative guidance to improve role clarity that encourages delegation while balancing board strategic oversight and accountability.
- Documenting director skills and capabilities to allow flexibility, enable succession planning and strategic alignment with organisational goals, without undermining collective board decision-making.
- A director-tenure limit of 12 years at any individual fund, with a positive obligation on trustees to demonstrate reasons for extending tenure for one additional term in exceptional circumstances.
- Criminal history and compliance checks as important steps in assessing fitness and propriety.

But urges APRA to:

- Ensure a full breadth of skills and expertise is reflected on boards. An overemphasis on niche specialised technical skills for individual directors could lead to an overreliance on individual directors and undermine collective board responsibility.
- Not proceed with extending regulatory reach into interviewing prospective director candidates for regulated entity boards.
- Not proceed with adding highly subjective terms such as reputational risk, perceived conflicts, and personal affiliations into the prudential standard on fitness and propriety assessments.

SMC CEO Misha Schubert said good governance is fundamental to advancing the interests of the 12 million Australians with retirement savings managed by profit-to-member super funds.

"New research shows profit-to-member super funds with equal representation boards have consistently and significantly out-performed retail funds with nonequal representation boards. They also retain more members, indicating stronger member trust and satisfaction," she said.

The top 10 performing super funds over the decade to 30 June 2024 were all profit-to-member funds with representative governance models.

Over the past four years, super funds with equal representation boards generated \$26 billion in extra value for members above a benchmark portfolio. In contrast, funds with non-equal representation boards lost \$300 million relative to the same benchmark.

For a member with a \$50,000 balance, this equates to an extra \$1,589 in value for members of equal representation funds; and a loss of \$155 for members of non-equal representation funds.

"The strength of profit-to-member super funds is that their equal representative governance model delivers a diversity of skills, experience and perspectives into board decision making, and puts members at the very centre of their purpose. Governance reforms should enhance this model, not undermine it," she said.