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The Treasury
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Proposed financial institutions supervisory levies for 2026–27

Executive summary

The Super Members Council welcomes the opportunity to respond to Treasury's consultation on the proposed amounts of financial institutions supervisory levies for 2026-2027.

Australians deserve a world-class super system with their interests, and the safety and strength of their retirement savings, at its very heart. That vision relies on a strong, efficient and cost-effective regulatory framework as the foundation for system-wide consumer protections and financial stability. To that end, SMC considers a proposed 11.3% rise in the 2026–27 financial institutions supervisory levy warrants careful examination against the tests of necessity, proportionality, efficiency and value for money for members, whose compulsory retirement savings fund all such levies.

Each year, Treasury proposes the amount of supervisory levies to be paid by members of super funds. It has foreshadowed levies of $125.2 million in 2026–27 – **a proposed levy rise of 11.3 per cent or $12.7 million** on the $112.5 million paid in 2025–26. This is 42.1 per cent of total financial institutions supervisory levies.

These costs are ultimately paid by super fund members from their compulsory retirement savings. It is therefore essential that Treasury carefully assesses any proposed levy increases and publishes clear detail on the measurable additional benefits it will deliver. That includes assessing whether higher-risk pockets of financial services are bearing a proportionate share of levy costs relative to low-risk areas.

Such an assessment becomes even more critical given that super fund members were last year also forced for the first time to pay an additional special levy to fund the Compensation Scheme of Last Resort (CSLR). Treasury is now consulting on a 'waterfall' proposal to permanently impose the CSLR levy on Australians in parts of the safe mainstream super system who already fund the costs of their own regulation and operational risk reserves. SMC has advocated strongly for an alternate policy approach that aligns the CSLR levy base with the higher-risk activities from which unpaid compensation orders have arisen.

The proposed increase in this year's financial institutions supervisory levy is not a trivial sum. Any increases should only be applied where additional regulatory benefits are clear, demonstrable, and proportionate to cost. The current consultation materials do not give stakeholders clear visibility of the assumptions, methodology, and cost drivers underpinning all levy components – particularly those outside APRA's more established published framework. That information gap creates an asymmetry between regulators and the everyday Australians who are members of entities funding these activities.

For members of super funds, the proposed levy parameters increase across most settings with the restricted rate rising by 9.6 per cent, the unrestricted rate by 5.0 per cent, and the maximum levy cap increasing from $950,000 to $1.05 million, while the minimum levy remains unchanged at $12,500.

The substantial and growing non-APRA funding component offers very limited transparency about the activities being funded, the standards being applied, or how the additional revenue would translate into improved regulatory and consumer protection outcomes. It also poses a question of whether policy-driven or broader public-good functions are appropriately funded through member levies or whether these should be funded through consolidated revenue. Without access to underlying cost detail, methodology and performance benchmarks, stakeholders cannot meaningfully assess whether proposed increases are justified.

SMC makes six recommendations to strengthen the transparency and accountability of the supervisory levy framework and looks forward to engaging constructively with Treasury on implementation.

SMC recommends that Treasury:

1. Review the levy allocation methodology to ensure the proposed super levy amount is commensurate with supervisory effort, risk profile, regulatory outcomes delivered and ultimately consumer benefit. The methodology should be disclosed and testable.
2. Require clear justification for levy increases, including what additional regulatory capacity or improved outcomes the higher costs will deliver and how they will be measured.
3. Strengthen transparency in the levy-setting process by publishing the assumptions, methodology, and key cost drivers for all levy components, enabling stakeholders to meaningfully analyse proposed settings ahead of annual determinations.
4. Publish detailed cost information for all levy components before consultation opens, or at a minimum at the same time as consultation materials, including activity-level cost attribution, unit costs, volumes and explanations for year-on-year movements.
5. Reconsider whether policy-driven reforms and broader public-good functions should continue to be funded through member levies where the benefits extend beyond the superannuation system.
6. Require clear, measurable, and publicly reported performance targets for ATO-funded activities, including what additional prevention, detection, compliance and enforcement capability levy-funded compassionate release administration will deliver.

About the Super Members Council

We are a strong voice advocating for the interests of 12 million Australians who have over $1.9 trillion in retirement savings managed by 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. We produce rigorous research and analysis and work with Parliamentarians and policy makers across the full breadth of Parliament.

Assessment of the proposed levies

Where regulatory costs are recovered through levies on super funds, those costs should be assessed through a clear consumer and member-first lens. To achieve this, the supervisory levy framework should be guided by four core principles:

– levy-funded activity should be necessary and demonstrably linked to improved member or system outcomes;
– costs should be transparent and explained in a way that allows stakeholders to assess benefits obtained for the additional cost;
– the allocation of levy costs should be proportionate and reflect supervisory effort, risk and member benefit; and
– where funding supports broader public policy or cross-agency functions, Treasury should consider whether member-funded levies remain the most appropriate funding source.

Necessity: The proposed levy increases are significant. Total levies on the superannuation industry are proposed to rise to $125.2 million in 2026-27, up from $112.5 million, with the increase driven by both higher APRA supervision costs and substantial non-APRA components. SMC strongly supports effective and well-resourced regulation - and Treasury should provide a clearer line of sight between these additional costs, the specific additional supervisory or administrative activities being funded, and the expected benefits for members. Where levy growth reflects expanding regulatory scope, a more detailed explanation should demonstrate why the new costs are necessary, how they will reduce consumer/member harm and in which parts of the system, and how they will improve regulatory frameworks.

Proportionality: The proposed levies also raise proportionality issues. Super is expected to account for 42.1 per cent of total levies in 2026–27, up from 39.8 per cent in 2025–26, even though APRA's supervisory effort allocated to superannuation is approximately 32 per cent of the restricted component (around 31–33 per cent of the unrestricted component). This creates a legitimate question as to whether members in this sector are bearing a levy burden that exceeds its supervisory share - particularly once cross-agency costs are included. Treasury should review whether the current allocation methodology remains the appropriate and whether it sufficiently guards against cross-subsidisation between sectors. These questions are sharpened by the fact that superannuation members have already borne additional system costs through mechanisms such as the CSLR in the past year's special levy that pulled members in the safe, mainstream super system into a scheme to fund losses in unrelated high-risk areas of financial services – a departure from that scheme's clear design principles. This context makes the case for transparency and fairness in levy-setting critical.

Efficiency: The increase in levies also highlights the need for stronger assurance that costs are being recovered efficiently. This is particularly important for the ATO component which represents a growing share of the levy burden on super funds. Treasury's consultation paper outlines the functions being funded, but provides limited evidence of performance, productivity improvements or the benefits delivered for members. That level of detail should be published before consultation commences so stakeholders can properly review increased costs and intended benefit rather than being asked to comment without transparency of the underlying cost base and allocations.

Member benefit: Levy-funded activities should be assessed against a clear member benefit test. Some supervisory activity plainly supports members by strengthening prudential oversight, governance oversight, and improving areas such as expenditure discipline, cyber resilience and retirement income settings. However, the member benefit case is less clear where funding supports broad system administration or policy-driven functions without clear baseline measures, transparent metrics or publicly articulated goals. Treasury should explain what members receive in return for higher levy costs and require success to be measured and reported over time against clear, objective and externally visible indicators.

The issue is not simply the size of this year's levies increase. It is whether the levy-setting process gives super fund members and industry confidence that increases are grounded in a transparent and disciplined methodology – and fairly apportioned. The process should place greater emphasis on early disclosure, clearer explanation of assumptions and more meaningful consultation so future determinations are informed by robust external scrutiny rather than retrospective challenge. Strengthening the process in this way would improve accountability, support confidence in cost recovery and ensure that discussions about the levy process focus on system integrity and member value.

Australian Government Cost Recovery Policy

The Australian Government Cost Recovery Policy (Policy), as implemented through RMG 302, makes clear that transparency and accountability are not optional features of cost recovery. They are core principles that must be applied across all stages of the process. The framework explicitly requires government entities to adopt a transparent and accountable approach when designing, implementing and reviewing charging arrangements, ensuring stakeholders can understand what they are being charged, why those charges are imposed, and how they relate to the underlying regulatory activity. This establishes a clear benchmark against which current levy-setting practices should be assessed.

The policy requires Government to publicly articulate the basis for charges, including how costs are calculated and how they align with the activities undertaken. A central mechanism for this is the Cost Recovery Implementation Statement, which is intended to provide a transparent, publicly available account of cost structures, cost drivers and the relationship between revenue collected and regulatory activities delivered. Without this level of detail, stakeholders are unable to meaningfully test whether charges reflect efficient costs or deliver commensurate regulatory outcomes and are apportioned fairly.

The policy further reinforces that transparency and accountability extend beyond initial consultation to ongoing monitoring and performance reporting. Government entities are expected to report against financial estimates and performance targets, maintain up-to-date costing methodologies, and engage openly with stakeholders throughout the lifecycle of the charging activity. Together, these requirements underscore that effective cost recovery depends on continuous disclosure, measurable outcomes and informed stakeholder engagement. These are standards that must be met to ensure levy settings are justified, proportionate and delivering value for members.

Superannuation-specific issues

Growth in the ATO component

A significant share of the super levy burden now relates to ATO-administered functions, including the Lost Members Register (LMR) and Unclaimed Superannuation Money (USM) frameworks, as well as compassionate release administration. While these functions deliver member value, the consultation materials offer little detail of what will be achieved, what improvement the additional funding is expected to deliver, or how the underlying costs have been calculated. The result is an asymmetry of accountability: APRA levy components are generally supported by a structured published methodology. In contrast, a large non-APRA component is recovered without the same level of equivalent cost justification, activity-level explanation and measurable performance reporting. SMC considers that LMR and USM functions should be accompanied by clear and achievable performance targets, such as reductions in the stock of lost accounts, improved reunification rates, faster processing times and measurable improvements in data integrity. Treasury should also publish activity-level cost detail, unit costs, service volumes and explanations of year-on-year movements for these functions before consultation opens, or at the same time as consultation materials, so stakeholders can assess whether the proposed levy burden is justified. This is particularly important given the ATO has had carriage of these functions for some time.

SMC has previously highlighted growing harm and misuse risks to consumers in the compassionate release framework, including aggressive marketing by third parties, questionable practitioner certification practices, and the long-term retirement harm caused by unnecessary early withdrawals. Against that backdrop, if members are being asked to fund a substantial ATO levy component for compassionate release administration, Treasury should explain what additional preventive, intelligence, compliance and enforcement activity this funding will support, and how success will be measured. Without that detail, it is difficult to assess whether the proposed levy settings will materially reduce member harm or simply fund ongoing administration of a system with known weaknesses.

Funding of policy-driven reforms through member levies

The proposed levy settings include funding for policy-driven initiatives such as the retirement reporting framework and broader system resilience measures. SMC considers there is a legitimate question as to whether such costs should automatically be recovered from super fund members - particularly where reforms are intended to deliver broader public policy or whole-of-system benefits. Treasury should consider whether a different funding mix is warranted for measures that extend beyond core prudential supervision.

Risk concentration and platform governance

APRA’s heightened focus on platform governance, investment option oversight, expenditure discipline and retirement indicates increasing supervisory intensity in particular parts of the super sector. Where regulatory effort is concentrated on higher-risk business models or practices, the levy framework should better reflect that risk concentration. Treasury should examine whether a more targeted approach is appropriate that aligns with the required supervisory intensity for each sector and member fairness.

These concerns should also be viewed in the context of cumulative cost pressures already being borne by members including other system costs such as the CSLR special levy last year. While each measure may be justified on its own terms, the combined effect is to place additional pressure on Australians’ compulsory retirement savings, without a correspondingly clear account of the value being delivered. This reinforces the need for Treasury to adopt a transparent, rigorous and consultative approach to levy-setting with demonstrated benefit across all components.

SMC supports strong and effective regulation, while being clear that members should only be asked to fund rising levy costs with a clear and compelling case for why those costs are necessary, proportionate and delivering measurable value. Treasury should ensure the levy framework is disciplined, transparent and firmly anchored in consumer and members’ best financial interests.