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A Stronger Superannuation Performance Test

Executive Summary

SMC welcomes the opportunity to comment on Treasury's consultation paper on options to strengthen the annual superannuation performance test.

SMC strongly supports the performance test as a key consumer safeguard against excessive fees and underperformance. Since its introduction, the test has delivered significant benefits to members by removing persistently underperforming products and funds from the super system, and by reducing fees for members. Maintaining a strong and credible test is essential to protect members and support confidence in the super system. Balanced against any critiques of it, the strengths of the current framework lie in its clarity, consistency and enforceability in identifying underperformance. Proposed reforms should therefore focus on extending the reach of the test to platform products, protecting consumers from fee gaming that obscures underperformance on returns, and further improving the test's operation, rather than diluting the discipline it imposes.

SMC acknowledges the critiques identified in the consultation paper and elsewhere about imperfections in the design of the current test. These include known limitations in how the test assesses performance (most everyday Australians, for instance, would assume it measures net member returns, when it does not) and whether aspects of the current framework may distort investment decisions or create barriers to particular investments. These are important considerations in assessing how the test can continue to be strengthened over time to deliver the strongest possible long-term risk-adjusted net returns for members.

However, in addressing these issues, it is critical that any changes do not compromise the integrity of the test or weaken its effectiveness.

SMC's recommendations are guided by this principle.

Firstly, SMC strongly endorses extending the scope of the test to externally directed products on super platforms. Currently, millions of Australians are flying blind on whether (or not) their super is performing for them - with 40% of assets under management falling outside of the basic protections of the super performance test.

Second, in response to the narrow selection of alternate test design options proposed by Treasury, SMC cautions that any CPI+ benchmark approach be implemented only with very strong safeguards to preserve the integrity of the test, and that performance benchmarks be subject to regular review to ensure they remain fit for purpose.

Importantly, SMC also proposes complementary reforms outside the specific options in the consultation paper. These include aligning the assessment of administration fees with the long-term horizon of the test to end fee-gaming incentives that can blunt warning signals to consumers that their super returns are underperforming. We also advocate to improve the YourSuper comparison tool to enhance its usability, coverage and effectiveness to make it an even stronger and clearer source of trusted information for Australian consumers.

More broadly, SMC recommends further separate work continue on a quality filter for retirement products.

Taken together, these reforms would strengthen the integrity of the performance test, extend its protections across the superannuation system, and improve the system's ability to deliver for members.

Key recommendations

1. **Extend the Performance Test to Externally Directed Products**

   SMC strongly recommends extending the performance test to externally directed platform products.

2. **Align Fee Assessment with Long-Term Performance**

   SMC strongly recommends that administration fees are assessed over the same ten-year period as *investment performance to improve transparency, comparability and to protect consumers from fee gaming that obscures underperformance on returns.*

3. **Apply Strong Safeguards to any CPI+ Benchmark Option**

   If Government adopts option 1.1, it should only do so with strong safeguards to preserve the integrity of the performance test, including tight eligibility criteria, a firm cap, prospective application, a benchmark floor, close supervisory scrutiny and a sunset review.

4. **Regularly Review Performance Benchmarks**

   SMC recommends regular review of performance benchmarks to ensure they remain stable and representative, with reviews also assessing fee and tax assumptions, any new benchmarks introduced through this process, and the licence costs of relevant indices and alternatives.

5. **Improve the YourSuper Comparison Tool**

   SMC recommends making improvements to strengthen the YourSuper comparison tool, including expanding its coverage to choice investment options, simplifying the metrics and presentation, and increasing its visibility on relevant government platforms.

6. **Undertake Further Work on A Quality Filter on Retirement Products**
   Treasury should undertake further work on designing a bespoke retirement product quality filter.

7. **Take Time to Further Consider Any Application to Single Sector Products**
   Treasury should do further work to assess whether and how performance testing could be applied to single sector products, which account for 6 percent of all super funds under management.

About the Super Members Council

We are a strong voice advocating for more than 12 million Australians with over $1.6 trillion in retirement savings in profit-to-member superannuation 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.

Introduction

SMC welcomes Treasury's consultation on options to strengthen the superannuation performance test.

Aligned to our role to advocate for the interests of 12 million everyday Australians with their retirement savings in profit-to-member super, this submission has been informed by analysis undertaken by SMC with the assistance of Frontier Advisors and drawing on consultation with SMC member funds.

SMC supports the performance test as a key safeguard against excessive fees and underperformance. SMC also supports the Government's stated objective to strengthen, not water down, the performance test for the benefit of all Australians with super.

Treasury's consultation paper creates an opportunity to build on existing foundations by extending the reach and strengthening the design of the test. In this submission, SMC responds to the key reform options outlined in the Treasury paper and proposes additional ways to improve the effectiveness of the framework.

Revisiting the current test

Since its introduction in 2021, the performance test has delivered significant benefits to millions of Australians, in particular driving reductions in total fees and removing underperforming products and funds from the system.

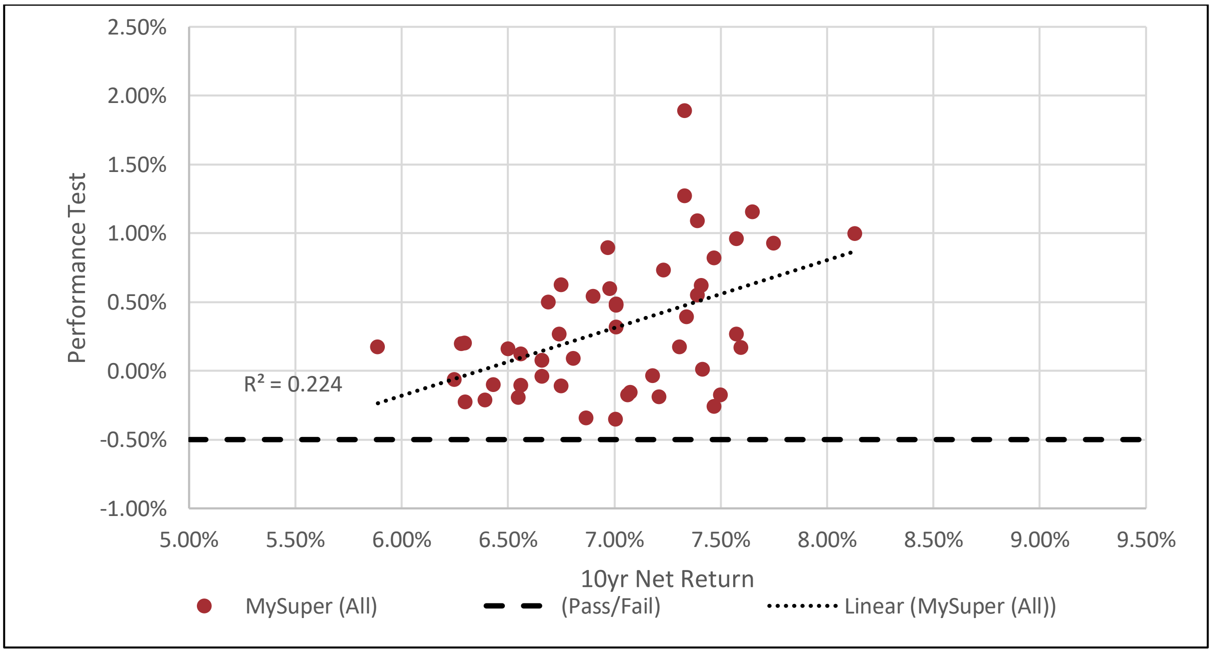
That said, in the longer term and going forward, there are genuine questions around the coverage and design of the current test to ensure it truly maximises the net benefits for members.

The current test design does not actually measure member benefits

As Treasury has previously acknowledged, the current test only partially measures product performance in a way that is meaningful to members. It tests whether trustees implement their stated investment strategy and associated fees and costs, but not whether the strategy itself is delivering strong net returns after fees. The test should be better aligned to that measure, noting everyday Australians would intuitively expect that to be what it assesses.

SMC analysis of MySuper products shows that trustees have adopted diverse investment strategies reflected by the significant spread of their 10 year SAA benchmarks – a 2 percentage point gap between the top and bottom quartiles. This indicates that it is possible to pass the current test while adopting investment strategies that deliver a broad range of results for members. All MySuper products passed the test for two consecutive years which could signal a risk that funds manage to the test rather than maximising net returns for members.

Chart 1: Performance test results against net return – MySuper products



Does the current test distort investment decisions?

The current test has been criticised for encouraging benchmark hugging and discouraging some investments in emerging or alternative assets, including private equity.

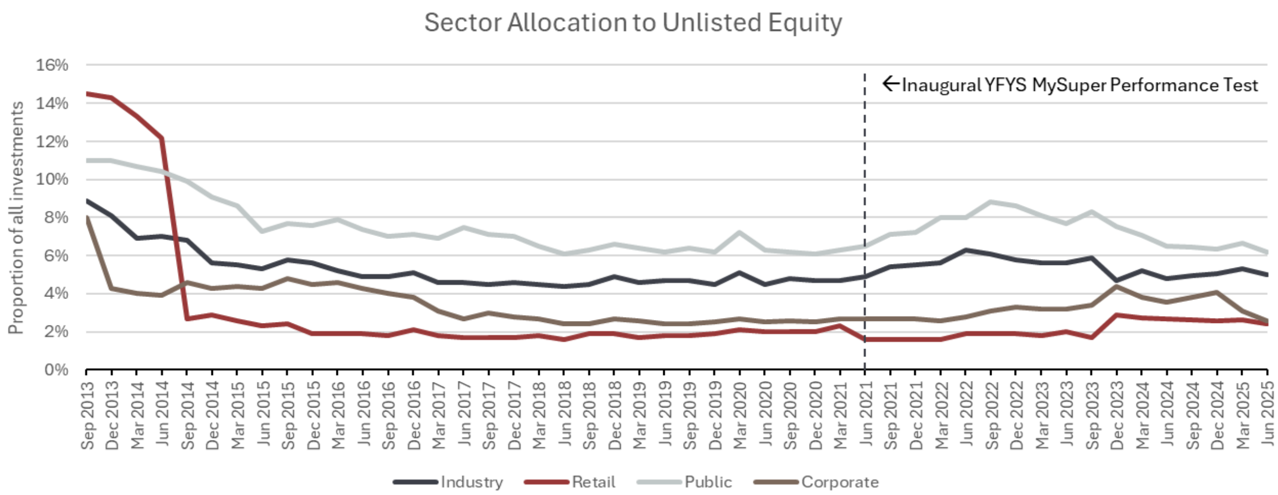
That risk arises where benchmarks are a poor fit for the available assets and trustees face much greater downside from failing the test than upside from beating it.

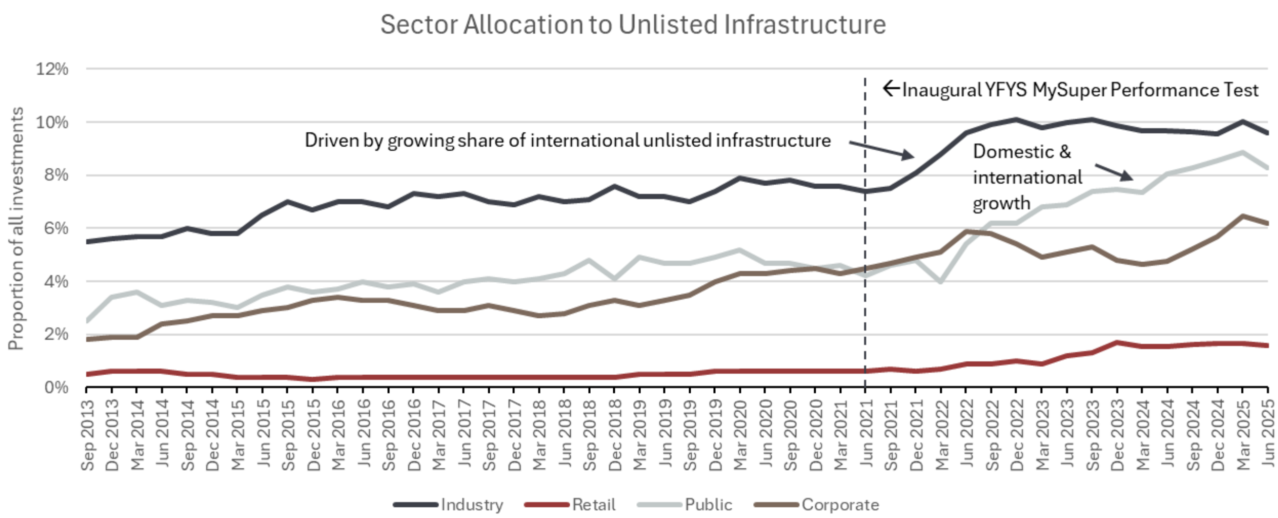
The incentive is strongest for products close to the failure threshold. Funds with more headroom are better able to hold assets that may diverge from listed benchmarks in the short term but improve long-run returns for members through illiquidity premia and diversification.

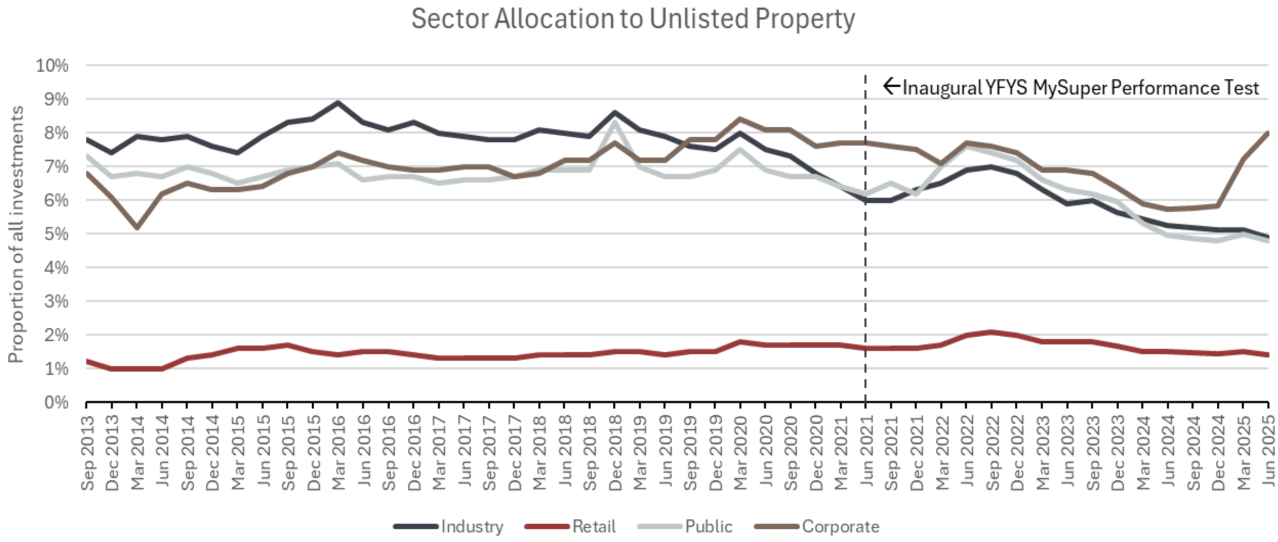
SMC consultations have revealed a diversity of perspectives about the effects of the current test on investment strategies around unlisted assets. While some SMC member funds indicated they were materially constrained, the majority indicated it wasn't a major factor behind their investment decisions.

SMC analysis of portfolio holdings disclosure data for all MySuper products does not show clear evidence of a systemic decline in unlisted investments since the introduction of the test. At the individual fund level, there is significant divergence in the portfolio holdings trends across the largest profit-to-member funds, with some funds marginally decreasing their exposure to some unlisted asset classes while for others it remained at the same level or increased.

Chart 2: Trends in allocation to unlisted asset classes – MySuper products







Several other factors are also likely to be relevant, and in many cases influential, in shaping investment decisions:

- **Fee disclosure settings.** Disclosure rules under ASIC's Regulatory Guide 97 can make some high-cost assets such as private equity look less attractive by drawing attention to fees without equivalent recognition of the higher long-term returns expected to be earned from such assets for members.
- **Scale constraints.** Some assets, including private equity and sustainable housing, are small and expensive relative to the scale of large Australian super funds and typical mandate sizes. Australia also has relatively few aggregator vehicles for these opportunities compared with larger markets such as the United States.
- **Asset characteristics and policy risk.** These investments often involve long time horizons and significant uncertainty about the eventual risk-return profile. That challenge is compounded where future policy settings may change, which is particularly relevant for some renewable energy investments.

Removing unintended barriers to investment is a worthwhile objective. However, given the range of structural factors shaping investment decisions, the relationship between performance test design and observed portfolio allocations is unlikely to be straightforward, and investment levels alone may not be the most reliable indicator of whether reforms have achieved their objectives.

Administration fees

As previously highlighted by SMC, the current test has a significant design flaw in only assessing administration fees in the most recent year of the testing period. This can mislead consumers because it obscures the true comparative performance of their fund (compared to the net returns performance of other funds). It has also led to gaming of the current test by some super platforms.

Due to the single year approach to reporting on fees, trustees that are on the cusp of failing the test are able to temporarily cut their administration fees to sidestep failure and retain members in borderline sub-standard products, without fixing their fundamental under-performance issues. This is a form of regulatory and performance arbitrage that should not be allowable.

The risk of such gaming severely undermines the integrity and credibility of the current test to achieve sustained improvements in investment performance for members and identify underperforming products. The overall outcome for members would be even worse if trustees achieve these changes to the fees by arbitraging fees across their products, with members in marginally better products subsidising members in the lower performing ones.

The risk of gaming is particularly high for platform trustee directed products, which on average have consistently performed below the SAA benchmark since the performance test was extended to them. APRA noted that the ability of trustees to issue fee rebates helped a number of trustee directed platform products pass the test in 2025.

While APRA’s attention to such tactics is welcome, the ability of those trustees to game the test in this manner would be significantly reduced if the testing period for administration fees was aligned with the rest of the performance test at 10 years.

Another unintended consequence of disproportionately weighting the last year of administration fees is that it penalises any capital investments by trustees, which might lead to a temporary spike in fees but reduce the cost to members and improve the quality of service in the near term and long run.

Aligning the assessment of administration fees with the 10-year period of the test would improve the transparency and integrity of the regime and be a significant step forward in consumer protection.

Recommendation 2	Align Fee Assessment with Long-Term Performance *SMC strongly recommends that administration fees are assessed over the same ten-year period as investment performance to improve transparency, comparability and to protect consumers from fee gaming that obscures underperformance on returns.*

Consultation paper options for reforming the test

Option 1.1

Option 1.1 requires strong safeguards to ensure that it does not compromise the integrity of the performance test, while its benefits are uncertain.

Option 1.1 has the advantage of flexibility and optionality, in that funds may be able to choose between a CPI+ benchmark and existing benchmarks depending on the nature of the asset. A CPI+ can provide funds with a clearer and more predictable return target than some of the proxy benchmarks currently used for assets that are hard to classify. This could reduce barriers to investing in some assets where current benchmarks are a poor fit.

However, any such benefit would not arise because CPI+ is better aligned to the underlying investments. A CPI+ target is a blunt benchmark, not designed to track the risk and return characteristics of the underlying investments, particularly for market-linked assets. As charts 3 and 4 illustrate, compared to asset class indices, CPI+ benchmarks do not adequately capture market cycles or the variability in returns, and can therefore be a poor proxy for assessing performance over time.

Chart 3: CPI compared to investment return on simplified equity/bond portfolios – 10-year rolling averages

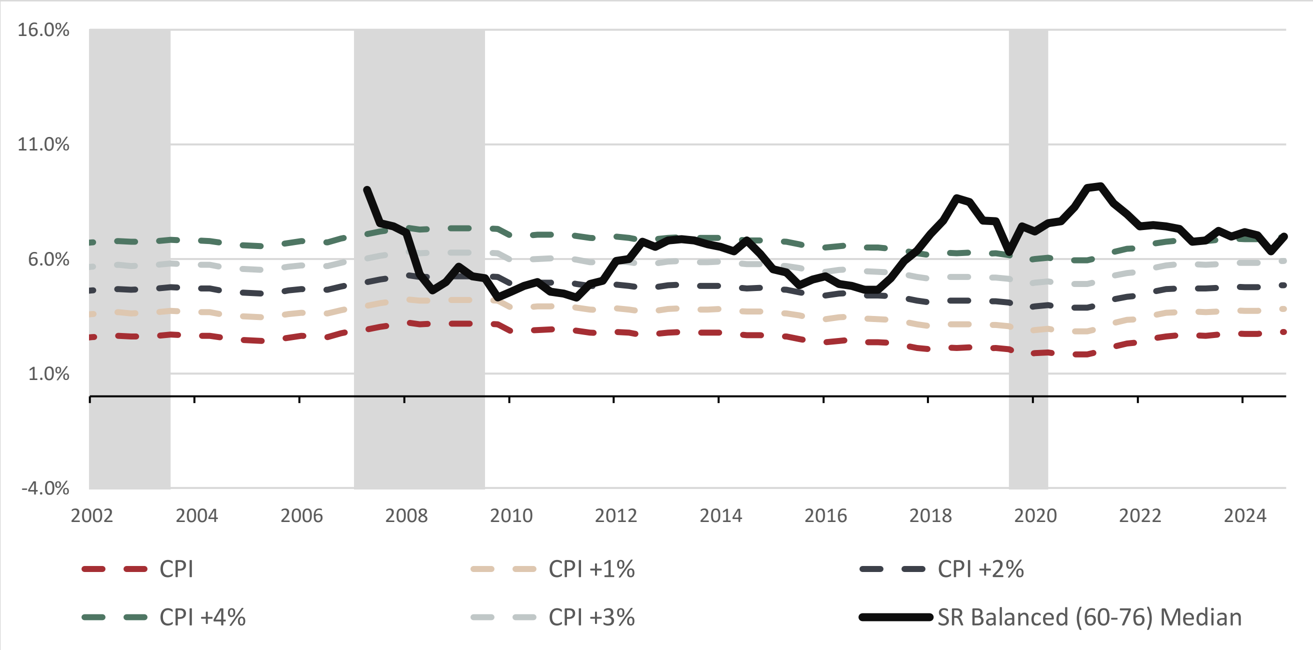
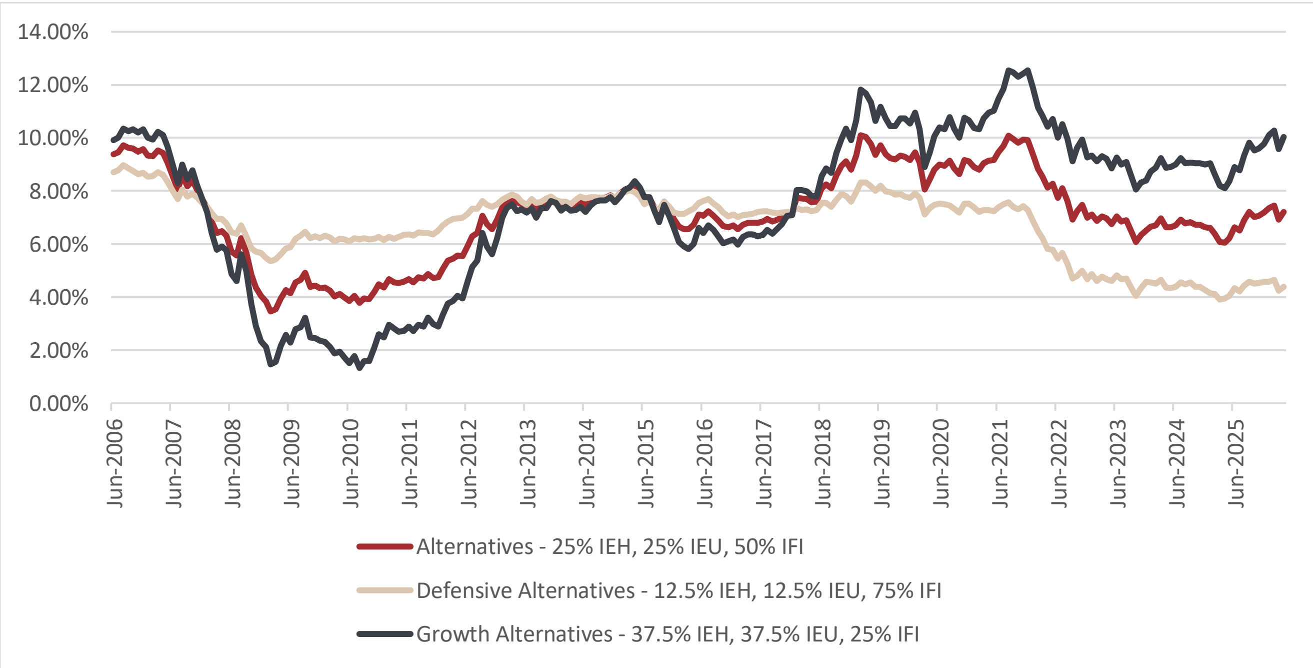


Chart 4: Performance of current SAA Alternatives benchmarks – 10-year rolling averages



In practice, the extent to which this option changes investment incentives would largely depend on how permissive the CPI+ benchmark is set relative to existing benchmarks.

By way of illustrative example, adding 5 per cent of total assets into an ‘emerging assets’ asset class benchmarked at CPI+1% (a very permissive benchmark) would be expected to deliver a ‘performance test bonus’ of 8 basis points compared to the defensive alternatives benchmark. This would be a meaningful incentive for products on the cusp of failing the test, but not for the majority of products that are currently above their benchmark, and are between 50 and over 200 basis points (with a median of 74 basis points) from failing the test.

On the other hand, this approach could create a real risk of compromising the net returns achieved for members by weakening the discipline of the test for assets placed in that bucket, particularly for the products that are already close to underperforming.

In sum, option 1.1 is unlikely to have a significant impact on investment decisions for most funds, and it would require a very low benchmark to deliver this. If Government adopts this approach, it should do so with strong safeguards to deter gaming and prevent dilution of net returns for members.

Safeguards to prevent gaming and protect members

A combination of safeguards could mitigate the risk of compromising the test.

Eligibility and caps. The regime should include prescribed eligibility criteria for assets that can be allocated to the CPI+ category, alongside a firm allocation cap to ensure this portion remains tightly constrained. The criteria are critical to ensuring the test is not gamed and should require a clear demonstration of why existing benchmarks are unsuitable to cover the assets. The cap should be set no higher than 5% of the total portfolio, which would be commensurate with current industry-wide MySuper product allocations to each of Unlisted Equity and Unlisted Property asset classes.

Prospective application. The regime should operate on a prospective basis only, applying to new investments and not permitting the reclassification of existing assets. This would reduce the risk of trustees shifting underperforming assets into a more permissive category.

Benchmark floor. A regulatory floor should be set for the benchmark to prevent the category from becoming overly permissive and weakening the discipline of the test. The floor should be set with consideration of the performance of alternatives benchmarks, so that it is not lower than the historic benchmark level.

Supervisory scrutiny. There should be close supervisory oversight of products that are below their overall benchmark to ensure the CPI+ category is not being used to artificially improve results or enable those products to pass the test.

Sunset review. The ongoing need for the CPI+ category should be assessed as part of the first scheduled review of benchmarks (option 3, discussed below). If the category is not being used, or is not serving a clear purpose, it should be removed.

Recommendation 3	**Apply strong safeguards to any CPI+ benchmark option** *If Government adopts option 1.1, it should only do so with strong safeguards to preserve the integrity of the performance test, including tight eligibility criteria, a firm cap, prospective application, a benchmark floor, close supervisory scrutiny and a sunset review.*

Option 1.2 Improvements to existing Alternative covered asset class

SMC does not support this option. The consultation paper provides limited information on what specific improvements could be made to materially distinguish it from option 1.1, either in asset classification or the benchmark itself.

On the other hand, this option introduces additional risks for members and the sector over option 1.1.

Unlike option 1.1, this approach cannot operate on a prospective basis or be subject to the discipline of a cap. All existing assets within the alternatives asset class would be captured. As there is no clear mechanism to improve the tracking of “emerging” or hard-to-classify assets within that framework, any attempt to reduce barriers to investment would need to rely on setting a more permissive benchmark for the entire alternatives asset class. This would dilute the discipline of the test to a greater extent than option 1.1, and without the safeguards that could be applied under a more targeted approach.

In addition, this approach would lack the flexibility and optionality of option 1.1 and hence be more disruptive for the super system. The alternatives asset class is already well understood by funds and is embedded in existing asset allocation decisions and portfolio construction. Changes to its definition or benchmarking would therefore be inherently disruptive and could introduce unnecessary complexity and transition risks.

Option 2: Risk adjusted comparison to SRP frontier

SMC does not support this option as a standalone replacement for the current test.

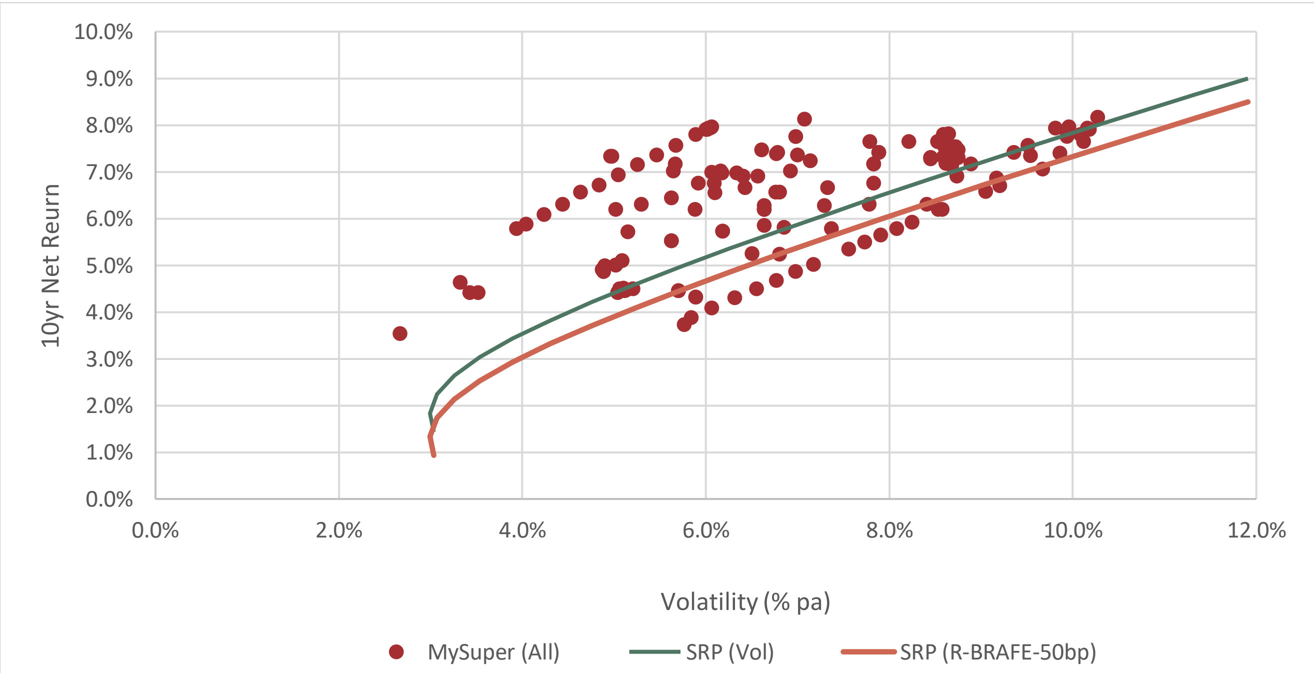
The central conceptual feature of the SRP frontier is that it shifts the assessment away from whether trustees have tracked particular asset-class benchmarks and towards whether the overall portfolio has delivered an appropriate return for the level of risk taken.

That shift has theoretical advantages over the current test. First, and most significantly, this approach targets a more comprehensive assessment of performance than the current test. The test examines the performance of the total portfolio of the trustee across all asset classes rather than only testing the implementation of the trustee's strategy within each asset class. In doing so, this approach could also provide the trustee with greater flexibility to incorporate the risk and return characteristics of bespoke assets in overall portfolio construction.

Second, the test is potentially more broadly applicable to different member cohorts and associated portfolio strategies. Unlike the current approach, which might encourage trustees to select higher risk and higher return assets within each asset class, the trustees would have more flexibility to adopt lower risk and lower return investment decisions if this is more appropriate for their member base. An example of the latter is where the product has a member cohort closer to retirement, for whom short-term volatility is a more important consideration.

Third, because the assessment is not anchored to specific asset-class benchmarks or SAA indices, it is more neutral across different asset classes and may reduce incentives for trustees to hug individual indices.

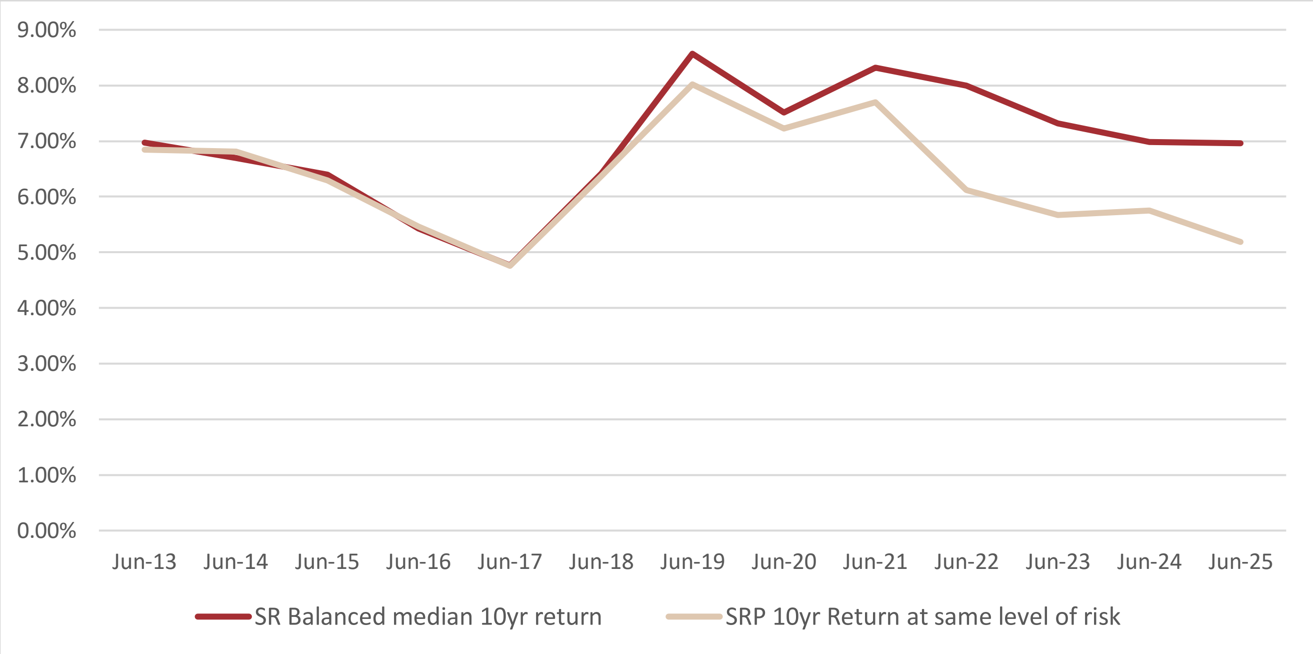
Chart 5: Risk adjusted net return against hypothetical SRP frontier – MySuper products, including lifecycle phases



SMC analysis of a hypothetical SRP frontier shows that it is relatively stable in tracking the historical performance of MySuper products over time and has generated broadly predictable results (chart 6).

The same pattern held across all 13 default products offered by SMC member funds for which historical data was available.

Chart 6: Performance of a median MySuper option relative to its SRP frontier benchmark



However, historical performance is not necessarily reflective of the incentives that would govern investment decisions if option 2 became a sole performance test metric.

While the approach removes explicit anchoring to SAA benchmarks, it introduces a different form of tracking error, because many portfolios–particularly those incorporating less liquid, unlisted or bespoke assets–will not move closely with the asset classes that define the frontier. In practice, trustees that are close to the performance threshold might respond to that risk by avoiding exposures that deviate from those reference portfolios. As a result, the framework could still discourage investment in assets that do not align well with the frontier, even though it is not explicitly benchmarked to them.

In addition, a framework that places substantial emphasis on short-run volatility can overstate the significance of interim fluctuations for members whose savings will remain invested for many years, because what ultimately matters for those members is the net return over the full investment horizon.

There are also significant practical issues in implementing option 2.

First, the calibration of the reference frontier would introduce subjectivity into the test. Unlike the current framework, which anchors performance to observable asset-class benchmarks, the frontier would be based on a modelled construct. It would require a series of design choices about asset mixes, which would have a material effect on where the frontier sits and therefore on measured performance outcomes. This creates scope for debate over whether the calibration accurately reflects the range of risk-return trade-offs available to funds in practice.

Second, there are important transition issues in moving from the current framework to an SRP-based approach. Funds have constructed their portfolios under the existing benchmark-based regime, and a shift to a different testing framework would alter the benchmark against which those portfolios are assessed. There is no clear way to manage that transition within the single metric test parameters set by the consultation paper, while preserving the discipline on fund performance.

More broadly, trustees are currently navigating a highly uncertain and rapidly evolving investment environment, shaped by technological disruption, geopolitical instability and shifting macroeconomic conditions. Introducing a fundamental change to the test in the form of the SRP frontier would add to that uncertainty and further complicate the task of managing long-term portfolios in members' best interests.

Ultimately, while the SRP frontier approach has theoretical advantages over the current test, it has its own weaknesses and also carries material implementation risks. Given those risks, the SRP frontier would be more appropriate as part of a multi-metric testing approach than as a sole metric replacing the current test.

While SMC does not support the introduction of a single metric SRP frontier test in place of the current test, it should still be incorporated into the broader performance accountability framework for superannuation products. SMC recommends that the SRP frontier is included as one of the metrics in the APRA's Comprehensive Product Performance Package.

Option 3: Regular review of performance benchmarks

SMC supports regular review of performance benchmarks as a matter of good regulatory practice. Benchmark settings should not be treated as fixed indefinitely, particularly where market structure, investment practice and product design continue to evolve over time. A degree of dynamism in the choice of indices could also be a safeguard against the incentive for trustees to hug particular benchmarks and manage to the test.

The review should test whether individual benchmarks remain stable and representative of the underlying asset class, as well as assess the fee and tax assumptions in the current benchmarks.

In addition, while it should not be the primary focus of the review, Government should examine the licence costs of particular indices and available alternatives. This could introduce some competitive tension in areas where incumbent providers of indices hold an effective monopoly and members ultimately bear the cost.

The reviews should involve structured industry consultation and publication of the rationale for any changes. In terms of timing, the first review should occur three years after any changes to the current test are implemented, followed by five-yearly reviews, consistent with the Productivity Commission's recommendation in its 2018 Inquiry into the Efficiency and Competitiveness of the Superannuation System. The first review should specifically focus on a comprehensive assessment of the suitability and utilisation of any new benchmarks introduced as a result of this consultation process. This timing would strike an appropriate balance between ensuring benchmarks remain fit for purpose and providing industry with sufficient certainty, while limiting unnecessary administrative and compliance costs.

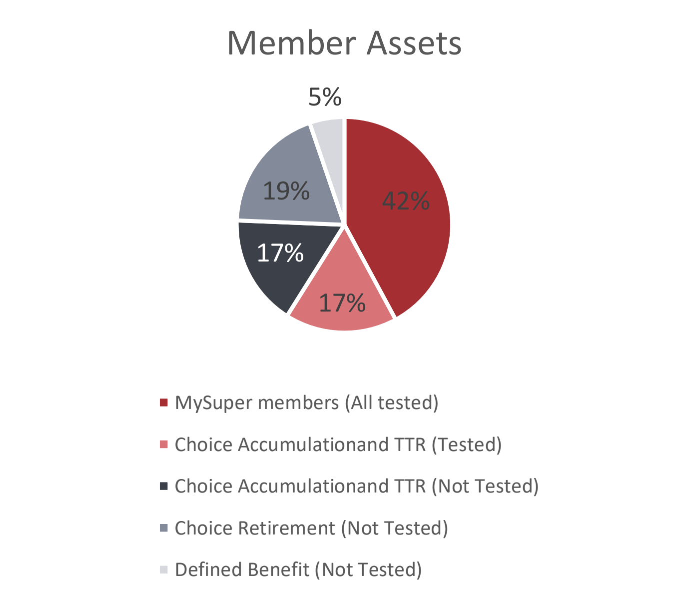
Recommendation 4	**Regularly review performance benchmarks** *SMC recommends regular review of performance benchmarks to ensure they remain stable and representative, with reviews also assessing fee and tax assumptions, any new benchmarks introduced through this process, and the licence costs of relevant indices and alternatives.*

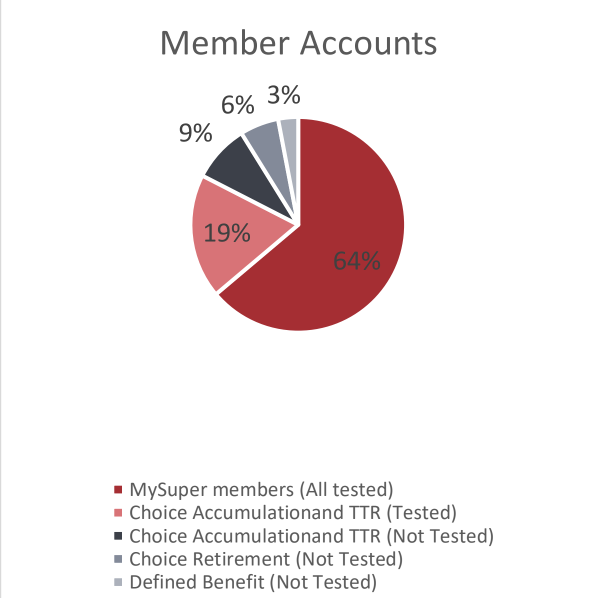
Option 4: Expanding the coverage of the test

SMC strongly supports Treasury's proposal to expand the coverage of the performance test to externally directed platform products and further work to expand such protections to other parts of the system.

SMC estimates only around 60 per cent of assets in large APRA funds are subject to the performance test. While some products (such as defined benefit products where members are guaranteed a set income in retirement) are not neatly suited to performance testing, much of the system can and should be subject to performance testing. This work should start by including all super platform products in the test, as was originally envisaged when the test was introduced. This is a key consumer safeguard in light of the scale of losses suffered by Australians whose super was invested via platforms in the Shield and First Guardian collapses – in places that were not covered by the basic consumer safeguard of performance testing.

Chart 7: Asset and account coverage of the current performance test





Closing the gap in coverage in accumulation products, particularly the multi-sector externally managed investment options offered on platforms, is an urgent short-term priority. The current settings allow providers of substandard investment options to continue to offer them through other platforms, risking harm to thousands more Australians.

SMC acknowledges some regulatory design issues would need to be addressed. However, none of the issues are an argument against expanding the test and protecting the members in such products.

SMC agrees that peer group structures would need to be considered in the design in the context of administration fee benchmarks. However, as administration fees are typically set at the platform level, it is not clear whether any material change would be required.

Some of the issues raised by Treasury as a potential risk, are in fact an opportunity to strengthen governance and accountability in the sector. In particular, the paper notes the risk of externally directed products failing the test and causing reputational damage to both the trustee and the external provider when the failure might be outside of the control of one of the parties. Relatedly, the paper raises the issue of an identical product failing the test on one platform and passing it on another due to different administration fees outside of the control of the external provider. These issues are presented as a risk to market dynamics with potentially reduced member choice or diversification. The paper also notes the challenges for trustees in obtaining timely data from external providers.

However, it is appropriate for both the external providers and trustees to be accountable for their partnership decisions that ultimately harm the member. External providers are able to ascertain the platform administration fees and trustees should clearly be alert to and accountable for hosting poor investment options on their platform. Greater accountability would be a force for good for the market.

Recommendation 1	**Extend the performance test to externally directed products** *SMC strongly recommends extending the performance test to externally directed platform products.*

Whether to test single sector products

SMC supports Treasury considering further work into whether and how to extend the test to single sector products. As a general principle, the test should apply to all investment-linked products and, at 6% of system assets, single sector products are a significant gap in test coverage.

SMC acknowledges a range of concerns that have been raised around testing single sector products, including challenges in benchmarking and the role of single sector options in portfolio construction by members. However, these need to be examined carefully against the evidence of current practices and outcomes.

For example, Treasury should test its comment that single sector options have varied investment objectives, which are difficult to benchmark, by examining what proportion of the single sector universe is indeed unique from the corresponding asset class of the diversified product offered by the same provider.

Similarly, Treasury and APRA should investigate the potential consumer risks of allowing members to use underperforming single sector options for the hypothetical benefit of constructing a better portfolio. A key test would be whether a member replicating a diversified product of their provider through single sector options would pass the performance test. More evidence is also needed on the prevalence of members whose entire portfolio (or the vast majority of it) consists of a single sector option.

Ultimately, the member-directed nature of portfolio construction should not justify weaker expectations on trustees of performance and fees at the building-block level.

Recommendation 7	**Take Time to Further Consider Any Application to Single Sector Products** *Treasury should do further work to assess whether and how performance testing could be applied to single sector products, which account for 6 percent of all super funds under management.*

A quality filter for retirement products

Developing a quality filter for super products in the retirement phase is also a significant priority that requires a transition path and integration into work by trustees under the Retirement Income Covenant. SMC supports the development of a retirement product quality filter that incorporates a performance assessment element alongside other elements that are also important to members in retirement.

The relevance and application of a bespoke performance test within the quality filter would vary depending on the fundamental characteristics of the retirement product and its objectives. That said, a significant proportion of existing retirement phase products are account-based pensions which are similar to an accumulation product and in many cases replicate an accumulation product offered by the trustee.

As quoted by Treasury, analysis by Super Consumers Australia showed that between 2023-2025, 91 per cent of investment options that failed the performance test were also offered as retirement phase products at the time they failed the test.[1]

For those products, there is a strong case to apply a similar assessment framework and the same member protections as apply in accumulation.

SMC acknowledges that even account-based pensions might in some cases have material differences to currently tested accumulation products, as the investment strategy might be managing a different set of risks, including liquidity and sequencing risks. There are also differences in tax settings, as well as in the nature of administration services, and hence, fees. These considerations reinforce the need for a fit-for-purpose retirement product quality filter rather than simply replicating accumulation settings.

However, in the interim, SMC supports APRA's commitment to report the performance of account-based retirement products in its CPPP in 2026[2] and recommends intensified supervision for products that underperform against key metrics. The performance of account-based retirement products should also be reported in the YourSuper comparison tool (discussed below).

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[1] Super Consumers Australia (2025), Securing Australia's retirement: It's time to protect retirees from dud investment options, p. 3.
[2] APRA (2025), 2025 CPPP Insights Paper.

Recommendation 6	**Undertake Further Work on A Quality Filter on Retirement Products** *Treasury should undertake further work on designing a bespoke retirement product quality filter.*

A complementary measure to support the Performance Test – improving the YourSuper tool

The objective of the YourSuper comparison tool is to enable consumers to make simple informed choices about their super and to put competitive pressure on funds to improve performance. The tool is an important complement to the performance test, but it is not currently operating as well as it could.

SMC commissioned consumer testing of the YourSuper tool in October 2025. The findings indicate that while the tool is a trusted source of information, there is significant scope for further improvement to make it more useful and user friendly. These findings are broadly consistent with previous research and findings of the Behavioural Economics Team of the Australian Government.[3]

Particular areas for improvement include:

- **Improving user comprehension** through the use of simple consumer friendly measures and including definitions of key terms.
- **Simplifying the selection of funds for comparison** through improvements to the filter and search functions. This includes making the filter function more prominent and making the tool searchable by common **fund** names (rather than their less well known full legal names).
- **Making product performance classification more relevant** by replacing the 'performing' label with **performance** categories such as poor, average and good and making underperforming products more readily identifiable.
- **Adding a more intuitive performance metric** such as dollar value added on a representative portfolio compared to a benchmark.
- **Simplifying the comparison table** by **removing** irrelevant data points and simplifying the presentation of the performance of life cycle products.
- **Expanding the scope of the tool** to **include** choice options with appropriate adjustments for comparability.

SMC also advocates for more to be done to lift public awareness of the tool, given continued low uptake. Recent responses by the Australian Taxation Office (ATO) to questions on notice from the Senate Economic Legislation Committee indicate that the ATO does not have any key performance indicators or targets associated with consumer engagement with the tool. Most recent data shows under 4 million total site visits since the tool was introduced in 2021.[4] This contrasts with 11.7 million visits to the ASIC MoneySmart website in 2024-25.[5] Actions to raise public awareness of the tool could include presenting it more prominently on the MoneySmart website and other relevant Government platforms.

Recommendation 5	**Improve the YourSuper Comparison Tool** *SMC recommends making improvements to strengthen the YourSuper comparison tool, including expanding its coverage to choice investment options, simplifying the metrics and presentation, and increasing visibility on relevant government platforms.*

[3] BETA (2022), YourSuper Comparison Tool: Results from a survey and two survey experiments.
[4] Australian Taxation Office (2025), Response to Senate Economics Legislation Committee Question on Notice SBE082.
[5] Australian Securities and Investments Commission (2025), Annual Report 2024-25.

Conclusion

SMC supports a strong performance test to continue to help strengthen the super of millions of everyday Australians. It is a key safeguard to protect Australians with super – the members in the system - and drive performance. SMC's response to Treasury's consultation paper is guided by the principle that the test should remain a strong and credible safeguard, with targeted changes that improve its operation without weakening the discipline it imposes. This includes supporting refinements to the test that close gaps in coverage, address identified design issues, while ensuring any new options are subject to robust safeguards. This will ensure that the framework continues to operate effectively as the system evolves.