

SUBMISSION

Treasury – Guidance on Best Practice Principles for Superannuation Retirement Income Solutions

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To the Director,

TREASURY – Best Practice Principles for Superannuation Retirement Income Solutions

The Association of Superannuation Funds of Australia (ASFA) is pleased to provide this submission in response to the current Treasury consultation on the proposed Best Practice Principles for Superannuation Retirement Income Solutions (the Principles).

About ASFA

ASFA, the voice of super, has been operating since 1962 and is the peak policy, research and advocacy body for Australia's superannuation industry. ASFA represents the APRA regulated superannuation industry with over 100 organisations as members from corporate, industry, retail and public sector funds, and service providers. We develop policy positions through collaboration with our diverse membership base and use our deep technical expertise and research capabilities to assist in advancing outcomes for Australians.

We unite the superannuation community, supporting our members with research, advocacy, education and collaboration to help Australians enjoy a dignified retirement. We promote effective practice and advocate for efficiency, sustainability and trust in our world-class retirement income system.

Opening Comments

ASFA looks forward to continuing its engagement with Treasury on the ongoing development of the Principles, in enhancing the offerings, outcomes and practises of Australia's vital superannuation sector.

Provided below in **ATTACHMENT A** are ASFA's initial remarks, which speak to several issues relating to clarity of language, avoiding prescription and facilitating flexible application, cohort determinations, and potential implications from current related reform processes.

ATTACHMENT B provides ASFA's responses to the consultation questions on the proposed Principles.

Key Recommendations

ASFA presents the following key recommendations for consideration:

1. Clarify language on providing access to products

ASFA recommends where references are made on providing members with access to certain products (e.g., LIPs), that the language be drafted to clarify that, where a fund does not offer the product, providing a pathway to that product where appropriate (e.g., identified through personal advice that considers their individual circumstances) will still be considered as meeting best practice.

2. Avoid prescriptive language and facilitate flexible application

ASFA recommends ensuring that the Principles exhibit appropriate language, flexibility and adaptability, and avoid unnecessary prescription and rigidity which could present complexities in their application.

3. Consider the impact of related reforms in delivering the Principles

ASFA recommends the second tranche of the Delivering Better Financial Outcomes (DBFO) reforms and any relevant potential implications be considered in the context of the Principles, in seeking to ensure strong alignment and successful delivery.

4. Enable funds to determine the appropriate number of member cohorts

ASFA recommends removing from the Principles references to a specific number of member cohorts, and that the Principles allow for the number of cohorts to be defined by individual funds, which are already well-positioned to make such a determination.

ASFA supports the fundamental intentions of the proposed Principles and looks forward to further collaborating with Treasury on their development, in seeking to ensure good member outcomes and providing access to the best retirement solutions possible.

Should you have any questions on our recommendations, or wish to discuss them further, please feel free to reach out to ASFA Policy Manager, Luke O'Donnell, at lodonnell@superannuation.asn.au or on 0407 486 877.

Yours sincerely

James Koval

ASFA Chief Policy and Advocacy Officer

ATTACHMENT A: INITIAL REMARKS

Principles-based Regulation

ASFA supports the fundamental intentions of the proposed Principles and considers them to be soundly representative of core, fundamental objectives which should guide registrable superannuation entities (RSEs) in their aim of delivering good member outcomes and providing access to the best retirement income solutions possible.

As stated in the consultation paper¹, these intentions are to:

1. Deepen understanding of their membership and their retirement income needs, to support the design of quality retirement income solutions, guidance services and engagement strategies.
2. Design a robust suite of products and product settings that allow trustees and members to build quality retirement income solutions.
3. Combine products and product settings to construct retirement income solutions appropriate for identified cohorts.
4. Foster member engagement in retirement to support informed choice and improved retirement outcomes.
5. Review and improve their trustee-directed retirement income solutions.

Notwithstanding ASFA's support of these intentions, we note while some Principles exhibit the expected characteristics of a principle, such as being flexible, adaptive to contextual elements, and with broad applicability, a number of the Principles do not.

In defining Principles-based regulation, the Australian Law Reform Commission (ALRC) states²,

“Principles-based regulation can be distinguished from rules-based regulation in that it does not necessarily prescribe detailed steps that must be complied with, but rather sets an overall objective that must be achieved. In this way, principles-based regulation seeks to provide an overarching framework that guides and assists regulated entities to develop an appreciation of the core goals of the regulatory scheme.

A key advantage of principles-based regulation is its facilitation of regulatory flexibility through the statement of general principles that can be applied to new and changing situations. It has been said that such a regulatory framework is exhortatory in that it emphasises a ‘do the right thing’ approach and promotes compliance with the spirit of the law.”

Relating the ALRC definition to the proposed Principles, the second Principle³ reads,

“Regularly use data and behavioural research to inform the design of information, engagement strategies and guidance services.”

¹ Treasury, ‘Guidance on best practice principles for superannuation retirement income solutions: Consultation paper’, ([August 2025](#))

² Australian Law Reform Commission, ‘For Your Information: Australian Privacy Law and Practice (ALRC Report 108)’, ([16 August 2010](#))

³ Treasury, ‘Guidance on best practice principles for superannuation retirement income solutions: Consultation paper’, ([August 2025](#))

This Principle presents as clear, concise, and exhibiting expected characteristics, such as being flexible and adaptable, contingent by design, and with broad applicability.

However, there are several Principles which are not as clear, and which present as considerably more prescriptive. For example, Principles five and six read⁴,

“Best practice for designing the products and product settings to build quality retirement income solutions means a trustee will:

5. *Provide their members with access to:*
 - I. *A lifetime income product that is not the Age Pension.*
 - II. *An account-based pension.*
 - III. *Lump sums.*
6. *Design product settings that allow for the construction of retirement income solutions that meet members’ retirement income needs, including:*
 - I. *Lifetime income product settings that have regard to member preferences around expected risk and return, for example managing longevity or investment risk.*
 - II. *Account-based pension product settings that help to manage expected risks, for example sequencing, market and inflation risks.*
 - III. *Trustee-designed drawdown pathways for account-based pensions that more efficiently convert superannuation balances into income than the legislated minimum drawdown rates.”*

Here, ASFA also notes it is not entirely clear if the phrase ‘providing access to’ would permit funds, and particularly those which may not offer a lifetime income product (LIP) directly, to offer a pathway to this product which, under appropriate circumstances (for example, where the member is receiving financial advice), could see members provided with specific guidance and/or referred to an appropriate third-party provider.

This pathway would facilitate access to LIPs for members where it is identified (through personal advice that considers their individual circumstances) that a fund's offerings are not suitable for the member, without requiring costly development of products that will not be utilised by the majority of members.

ASFA observes that this kind of flexibility is often present in similar materials published by regulators.

For example, RG 132.45 of the Australian Securities and Investments Commission (ASIC) *Regulatory Guide 132 – Funds management: Compliance and oversight*⁵, states,

“AS ISO 37301:2023 outlines the broad range of external and internal issues that affect the organisation’s ability to achieve its intended compliance outcomes.

⁴ Ibid.

⁵ Australian Securities and Investments Commission, ‘Regulatory Guide 132 – Funds management: Compliance and oversight’, ([June 2025](#))

Accordingly, we do not take a ‘one-size-fits-all’ approach to what is required for a compliance management system. We acknowledge that what a responsible entity, corporate director, wholesale scheme operator, IDPS operator or MDA provider should do to comply with its compliance and oversight obligations will vary according to the nature, scale and complexity of its organisation and activities.”

An inflexible, ‘one-size-fits-all’ approach, as acknowledged by ASIC, fails to recognise the varying nature, scale and complexity of individual organisations, and may present a number of complexities in compliance.

In considering the above, ASFA recommends where references are made on providing members with access to certain products (e.g., LIPs), that the language be drafted to clarify that, where a fund does not offer the product, providing a pathway to that product where appropriate (e.g., identified through personal advice that considers their individual circumstances) will still be considered as meeting best practice.

Further, we recommend ensuring that, when finalised, the Principles exhibit appropriate language, flexibility and adaptability, and avoid unnecessary prescription and rigidity which could present complexities in their application.

Sequencing

Consideration of the sequence in which the Principles are finalised and delivered will be necessary in ensuring successful delivery, and particularly in considering the ongoing development of the *Treasury Laws Amendment Bill 2025: Delivering better financial outcomes* (DBFO reforms)⁶, which only recently were the subject of public consultation⁷ and have the potential to impact on their application.

The second tranche of DBFO reforms encompass elements including intra-fund advice, fund member engagement, and Client Advice Records (CARs). This means the operating environment for the Principles is potentially susceptible to change, posing the risk of misalignment with future regulatory settings.

ASFA recommends consideration be given to how the finalisation of the Government’s DBFO reforms may impact the Principles, in ensuring clear alignment and regulatory harmonisation.

Minimum Drawdown Behaviour

ASFA notes one of the core assumptions which underscores several of the proposed Principles is assumed low drawdown behaviour. As stated in the consultation paper⁸:

“The retirement phase of Australia’s superannuation system is currently characterised by low drawdown behaviour, with many retirees not efficiently maximising the benefit of their superannuation.”

⁶ Treasury, ‘Exposure Draft - Treasury Laws Amendment Bill 2025: Delivering better financial outcomes’, ([21 March 2025](#))

⁷ Treasury, ‘Improving access to affordable and quality financial advice’, ([21 March 2025](#))

⁸ Treasury, ‘Guidance on best practice principles for superannuation retirement income solutions: Consultation paper’, ([August 2025](#))

In regard to this assumption, we highlight recent ASFA research – which analyses HILDA survey data – which shows that in 2022, most people aged sixty and over when they died had no superannuation. In addition, less than 10 per cent of people aged 80 and over and only around 30 per cent of those aged 70 to 79 had superannuation when they died⁹.

This point demonstrates the pervasive survivorship bias in estimates of the percentage of retirees who drawdown at the minimum required rate which ignore the substantial proportion of retirees who, following a mix of minimum drawdowns, withdraw larger lump sums resulting in the closure of their superannuation accounts.

Reporting Requirements & the need for a Consolidated Framework

In ensuring the ability of funds to satisfy those Principles concerned with the use of data in decision making, ASFA reiterates the critical need for a single framework which consolidates the myriad superannuation data collection activities and reporting requirements administered by different regulatory authorities.

These requirements, which are currently detached from one another and operating within their own regulatory spheres, can create significant challenges for funds in navigating between this complex web of obligations.

ASFA notes that such a framework is already under development in the UK, with its Pension's Regulator stating in March this year¹⁰,

“As government creates the National Data Library, making it easier to find and reuse data across public sector organisations, we will create an internal data ‘marketplace’ where our staff can access relevant data from one central location. This will allow our data to feed into the National Data Library and the wider ecosystem.

By updating and improving our data processes and controls, and sharing data more efficiently and effectively, we aim to reduce the burden on schemes.”

As such, ASFA submits that superannuation reporting requirements should be housed within a single reporting framework which aggregates requirements and provides a clear, holistic view of these to all stakeholders.

A Data Reporting Framework may include elements such as:

- An integrated multi-agency approach to collection, reporting, and sharing.
- Data collecting, sharing and accessing principles.
- A single consolidated data portal accessible to all relevant stakeholder groups.
- Analysis of all current and proposed data collection activities (i.e., purpose, usefulness, duplication).
- Cross-jurisdictional data-flow management practices (i.e., regulators, scheme administrators, funds, etc.).
- Taxonomies and calculation methodologies.

⁹ *ASFA analysis of HILDA data, research publication forthcoming

¹⁰ The Pensions Regulator, 'TPR data strategy: Transforming our data for better saver outcomes', ([March 2025](#))

This Framework would not only reduce the overall reporting compliance burden but enhance opportunities to integrate data into decision making processes to the benefit of members.

ATTACHMENT B: CONSULTATION RESPONSES

Purpose of the Framework

Question Three: Are there any changes to the principles that would better support trustees to deliver higher quality outcomes to members?

ASFA recommends that any references to specific retirement products in the Principles acknowledge that their provision should be subject to an assessment undertaken by individual funds on a case-by-case basis, which considers the demand for the product within the context of their own unique memberships.

This will ensure that funds are not put in a position where complying with Best Practice means providing a specific retirement product which may not only be unsuitable for members but could potentially result in poorer outcomes than what might have been achieved otherwise.

An assessment which appropriately considers relevant contextual elements will enable funds to facilitate solutions which are best suited to their unique member profiles, as opposed to being compelled via Best Practice to deliver specific products and solutions being championed by the Principles without regard for such context.

Question Four: Are there any impediments to trustees implementing the principles?

Demographic variations between fund memberships are not appropriately considered by certain Principles. For instance, and as iterated above, where a Principle references the creation of an LPP, this does not adequately consider variables of an individual's situations which can impact decision-making.

As an example, where some members – due to experiencing economic and/or social inequalities – reach retirement age with a comparatively lower superannuation balance, this would potentially inhibit any decision to select this particular type of product.

When combined with the demographic differences between fund memberships, this raises questions as to the appropriateness of enshrining the provision of specific retirement products as best practice.

Understanding the membership base

Question Five: Are trustees able to construct a minimum of three cohorts based on information held?

ASFA notes the Principles, as per the background provided in the consultation paper¹¹, are ultimately intended to enhance benefits to members via high-quality retirement income solutions.

The consultation paper also states¹² in regard to the needs of members and factors relevant to their individual situations,

“...on transition to the retirement phase, the needs of members become more heterogenous. Factors such as household structure, income requirements, Age Pension eligibility, risk appetite, and

¹¹ Treasury, 'Guidance on best practice principles for superannuation retirement income solutions: Consultation paper', ([August 2025](#))

¹² Ibid.

additional sources of income will impact how members' may choose to balance the objectives of the Covenant in crafting their retirement income."

ASFA submits that the identification of a specific – and quite small – number of cohorts stands in contrast to the Principles' central focus on members and the explicit acknowledgement of the many differences which can exist between them.

As such, we recommend removing from the Principles references to a specific number of member cohorts, and that the Principles allow for the number of cohorts to be defined by individual funds, which are already well-positioned to make such a determination.

Question Six: What member information are trustees currently using to inform and construct their cohorts?

ASFA notes that funds utilise a range of data and information collected through an array of different channels to enhance their understanding of members and their needs, and also in the development of their Retirement Income Strategies.

This can include (but is not necessarily limited to):

- Member data held in individual databases
- Bespoke member surveys
- Net Promoter Score (NPS) and Customer Satisfaction Score (CSAT)
- Communications performance indicators (for example, open and click-through rates for digital content)
- Contact centre interactions via multiple communications channels
- Relevant external research activities

This information is then subject to various analyses in providing a clearer view of memberships and in turn, used to enhance member-related decision-making processes.

Question Eight: Are there other important factors to segmenting and cohorting members that should be considered best practice?

As previously stated, ASFA highlights the need for flexibility within the Principles in ensuring funds are able to approach cohort design processes free from external pressures and with the ability to consider contextual elements most relevant to their own memberships.

Additionally, ASFA notes that making product recommendations based on initial cohorting processes provides limited value to members.

With the information provided by a new member in the first instance being used to place them in a cohort which is considerably broad in scope, this is unlikely to afford funds the ability to develop a retirement solution which is adequately tailored to member's individual needs and circumstances.

Making a suite of retirement products and features more accessible to members

Question Ten: Are trustees able to construct products and product settings in a way that supports both the offering of trustee-designed solutions and individually tailored solutions?

Funds should retain the ability to make decisions around product development on a case-by-case basis, which considers the demand for products and product settings within the context of their own unique memberships.

Engaging advised members

Question Twelve: What barriers, if any, exist in aligning current fund practices with the principles?

As previously iterated, demographic variations between fund memberships and other contextual elements are not adequately considered by some Principles.

For instance, where a Principle stipulates the provision of specific products, this may be prohibitive where such products do not align with the needs of a fund's membership, effectively reducing the broad application which should be sought across all Principles.

Question Fourteen: Are there other elements of communicating with members that should be considered?

As previously highlighted, consideration should be given to related policy reform processes currently underway in ensuring any potential impacts of such reforms to the Principles are accounted for.

In relation to the current DBFO reform currently underway, ASFA notes that some of the proposed measures are expected to have a material impact on how funds communicate with members, such as the proposal to allow superannuation funds to provide targeted prompts to members to drive greater engagement with superannuation at key life stages¹³.

Such reforms necessitate careful consideration regarding potential implications in delivering the proposed Principles.

¹³ Treasury, 'Improving access to affordable and quality financial advice', ([21 March 2025](#))