# SUBMISSION

## Pre-Budget Submission

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## Overview

The superannuation system is working well on behalf of the 18 million Australians with superannuation accounts.

Today, the superannuation sector holds around $4.5 trillion in total in assets, and delivers strong retirement outcomes for millions of Australians. Superannuation is growing steadily, Australians are becoming even better off in retirement, and many of the long-standing equity gaps, particularly around gender, have seen strong policy measures introduced in recent years.

**Therefore, the sector's primary call is for stability. Stability with regards to tax settings, stability with regards to policy settings, and stability with regards to regulatory burden.**

The compulsory superannuation system has now been delivering better retirement outcomes for the Australian population and the economy for well over 30 years. Through delivering investment returns for fund members, super is having a positive impact on the broader economy from the listed and unlisted investments that the sector supports, and through improving private retirement savings pressure is taken off the Age Pension.

With respect to the retirement prospects of individuals, the compulsory superannuation system underpins higher standards of living in retirement than otherwise would be the case. Australians are far better off in retirement because of superannuation than at any point in the past.

In 2024-25 the Australian Government made $62.2 billion in Age Pension payments. Over the same period superannuation funds with over 6 members made $73 billion in lump sum payments and $59 billion in pension payments. Including Self-Managed Superannuation Funds the total figures for superannuation were $99 billion in lump sum payments and $93 billion in pension payments.

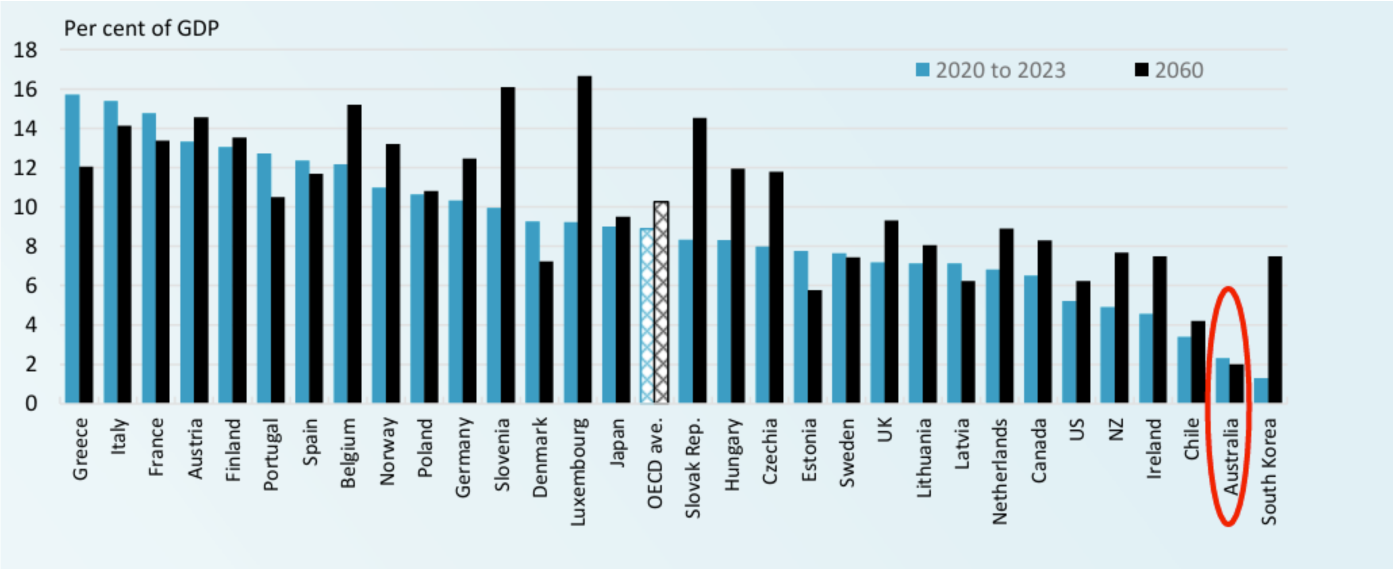
Superannuation also underpins the longer term fiscal sustainability of the Budget. Compulsory superannuation improves the sustainability of the Age Pension and takes pressure off future federal government budgets. Over coming decades, the proportion of Australians who are of working age will decline, while the proportion of people of retirement age and older will increase. By 2060, ongoing population ageing means that there will be just over three working age people for each person of retirement age and older, compared with over four today and around seven just two generations ago.

Notwithstanding the fact that the proportion of Australians of Age Pension age will increase over coming decades, the superannuation system will help contain future Age Pension expenditure. Looking ahead, Commonwealth expenditure on the Age Pension is expected to remain relatively stable, at low levels, over coming decades. The government projects that Age Pension spending will fall from 2.3 per cent of GDP in 2022-23 to 2.0 per cent of GDP over the period to 2062-63.

Even when the cost of superannuation tax concessions is added to Age Pension costs, the total cost to government is still relatively low and sustainable. The cost of tax concessions for contributions is projected to remain stable at around 0.9 per cent of per cent of GDP, while the cost of tax concessions for investment earnings is projected to rise from 1.0 per cent of GDP to 1.5 per cent of GDP by 2062-63.

Overall, the total cost of the Age Pension and tax concessions for superannuation are projected to rise marginally – from 4.2 per cent of GDP to 4.4 per cent of GDP by 2062-63. This is remarkable given the expected ageing of Australia's population. This means that the cost to government of Australia's retirement income system will remain more affordable than almost every other OECD country.

Australia, both currently and in prospect, has among the lowest levels of public expenditure (in terms of per cent of GDP) on income payments to the aged in the world. Across the OECD, government expenditure on public pensions averages around 9 per cent of GDP, and is projected to increase to around 10 per cent on average by 2060 (Chart 1). Some European countries already have four times the level of Australian expenditure, with this projected to rise further.




Source: OECD.

In regard to future superannuation policy settings, the May 2026 Budget will be important to build on the strengths of Australia's compulsory superannuation system and to acknowledge its goals. As well, it will be an opportunity to further improve retirement outcomes for those individuals who have not had continuous periods of involvement in the paid labour force. Noting the importance of maintaining stability in relation to superannuation policy settings, there is both scope and need to make marginal, but still impactful, changes.

The recommendations in ASFA's submission if adopted would lead to greater equity and financial security in retirement:

- Equity issues should be at the forefront, with measures to improve the position of those on low incomes and/or interrupted time in the paid labour force, especially women
- Employees should receive the superannuation contributions that they are entitled to and in cases where an employer becomes insolvent unpaid superannuation is dealt with in the same way as unpaid wages
- Innovation in regard to superannuation products in the retirement phase should be supported by appropriate government programs and policy settings

It must be acknowledged and celebrated the significant reforms to improve the superannuation sector in recent years. The introduction of superannuation payments on government-paid parental leave, alongside the unfreezing of the Low Income Super Tax Offset payment are two substantial policy changes that will improve equitable outcomes for low-income Australians heading towards retirement, particularly women.

The increase in the superannuation guarantee to 12 per cent is another important milestone. ASFA estimates that a 30-year-old median earner today, with $30,000 in their balance and receiving 12 per cent super will retire with $610,000, above the $595,000 needed for a comfortable retirement under Retirement Standard calculations.

The following recommendations, if adopted by the Government, would lead to better retirement outcomes for Australians, particularly low- and middle-income earners. Importantly, such reforms would align with the recently legislated objective of superannuation, which enshrines the purpose of superannuation as to preserve savings to deliver income for a dignified retirement, alongside government support, in an equitable and sustainable way.

## Supporting low-income earners by increasing the upper threshold for the Low Income Superannuation Tax Offset

### Background

The Low Income Superannuation Tax Offset (LISTO) is a government superannuation payment of up to $500 that helps people earning $37,000 or less a year save for retirement. Until 2019-20, the $37,000 ceiling for LISTO corresponded with the top of the second lowest tax bracket. However, the top of the second lowest tax bracket was increased to $45,000 for 2020-21 and following years.

The current maximum amount of $500 is equivalent to 15 per cent – i.e. the concessional tax rate – of 9 per cent of $37,000, which was in line with the 9 per cent SG when the LISTO was introduced. and the 15 per cent concessional tax rate on contributions. The first tax bracket ($0-$18,200) incurs a zero per cent rate of tax and the second ($18,201-$45,000) currently incurs a 16 per cent rate of tax. For those on the 16 per cent rate there is also the 2 per cent Medicare levy.

It is equitable that individuals on the lowest tax bands receive concessional tax treatment for superannuation that is commensurate with the rate of assistance for higher income earners. With the increase in the upper threshold on equity grounds it is reasonable to provide those earning between $37,000 and $45,000 with a tax concession in line with what they received prior to the change in the taxation rate structure.

In this context ASFA welcomes the announced changes to the Low Income Superannuation Tax Offset, increasing both the maximum amount payable and the upper income threshold for payments. Low income earners have long been unfairly disadvantaged by the delayed updates to the thresholds and maximum amount. The announced changes to address this are a positive measure for superannuation fund members.

The Government has indicated that the changes to LISTO will be included in the legislation introducing the Division 296 tax on investment earnings derived from that part of superannuation balances over $3 million. No further details of the legislative drafting have been released at this stage.

ASFA considers that LISTO should be adjusted in line with any future changes in relevant tax thresholds. To this end, we suggest the legislation provide that:

- LISTO is payable if a person's adjusted taxable income does not exceed $45,000 OR the second tax threshold for resident taxpayers, whichever is higher.
- The maximum LISTO payment should be equivalent to 15 per cent of the Superannuation Guarantee contribution payable to someone whose superannuation ordinary time earnings (OTE) is the same as the highest adjusted taxable income for the LISTO.

For a person aged 35 and retiring at age 67 who is on a wage of $44,000 a year, receiving a LISTO payment to their superannuation account of $790 a year would lift their superannuation balance at retirement in today's dollars from around $293,000 to $342,000, a substantial increase.

### The number of people benefiting

In 2023-24 around 2.36 million individuals received a total of around $670 million from LISTO, down from 2.7 million individuals two years earlier. Based on ATO data, increasing the upper threshold to $45,000 would lead to around 1.2 million additional individuals receiving LISTO with expenditure on LISTO increasing by about $800 million a year. There are a considerable number of part--time workers who have income in the $37,000 to $45,000 range. Around 55 per cent of those who would benefit are women.

**Recommendation 1:**

ASFA recommends that the upper threshold for the LISTO be increased to the upper threshold for the second lowest income tax rate (currently $45,000 a year) and that the maximum LISTO payment should be equivalent to 15 per cent of the Superannuation Guarantee contribution payable to someone whose superannuation ordinary time earnings (OTE) is the same as the highest adjusted taxable income for the LISTO. This would mean that LISTO is future proofed in regard to any future changes in personal income tax brackets.

## Ensure superannuation can be recovered in cases of business insolvency

### Background

The Fair Entitlements Guarantee (FEG) provides for the Commonwealth to pay an 'advance' on certain unpaid 'employment entitlements' in cases where an individual's employment ended in circumstances connected with the insolvency or bankruptcy of their employer, and the individual cannot obtain payment of their entitlements from other sources. However, the types of 'employee entitlements' currently covered by the FEG are limited and do not include unpaid superannuation contributions. There have been a range of high-profile cases where businesses have become insolvent with unpaid superannuation contributions.

Compulsory superannuation contributions are part of an employee's remuneration and are vital for achieving dignity in retirement. Without government assistance in regard to unpaid superannuation contributions due to employer insolvency many Australian employees will have a substantial shortfall in their superannuation savings and lifestyle in retirement.

### Addressing the problem

While recent and proposed changes to reporting and payment requirements for employers give greater visibility to the ATO for unpaid employer contributions, and greater attention is being given to contributions in arrears, it is likely that even after the implementation of Payday Superannuation there will be continuing cases where there are unpaid contributions when businesses become insolvent.

Unpaid superannuation should be treated the same way for the purposes of the FEG as unpaid wages as both make up the remuneration of employees. If the ATO is subsequently able to raise an SG charge against an employer this could be used to offset any SG related payments made though the FEG arrangements.

### The number of people benefiting and the budgetary cost

ASFA estimates it would cost around $150 million per year to include unpaid SG in the FEG, with around 55,000 employees a year benefitting.

**Recommendation 2:**

ASFA recommends unpaid SG entitlements be included in the definition of unpaid 'employment entitlements' for the purposes of the Fair Entitlements Guarantee

## Better steps to pursue unpaid Super

### Background

The non-payment and underpayment of superannuation by employers risks the retirement income of millions of Australians. Non-payment and underpayment of superannuation is equivalent to wage theft and has significant impacts on retirement outcomes.

For 2022–23 the ATO has estimated a net super guarantee (SG) gap of around $6.2 billion or 6 per cent of estimated theoretical SG liability.

In 2021–22, the ATO undertook around 670 audits and reviews across a representative sample of the active employer's population. Employers considered at higher risk of shadow economy behaviour were represented as well as employers with lower risk of shadow economy behaviour. Given the number of employers active in Australia relatively few audits and reviews are being undertaken. The results of this activity informed the estimation of the gap for 2022-23.

In the sample, the incidence of adjustment was 41 per cent. The median increase to employers' SG contributions was approximately $8,000. While individually this amount may not be large, it is extrapolated across a population of over 1 million employers. As well, there would be shadow economy employers not captured by the ATO SG review activity. Therefore, further compliance activity is likely to uncover unpaid or under-paid superannuation contributions, with those contributions then being made to employees.

From 1 July 2026, employers will be required to pay their employees' super at the same time as their salary and wages. Payday super will also make it easier for employees to keep track of their payments, and harder for ongoing under-payment or non-payment to occur. The change will particularly benefit those in lower paid, casual and insecure work who are more likely to miss out when super is paid less frequently, predominantly women.

### Addressing the problem

Payday super will make non-payment of SG more visible in cases where wages are being paid, with the ATO being provided with additional funding to collect and match relevant data. However, there will be ongoing issues relating to superannuation contributions in regard to employees who are either not being paid their due wages or wages are not being reported by employers to the ATO (such as in cash economy employment arrangements). As well, once contributions shortfalls are identified there is a need for the ATO to take action to recover unpaid superannuation.

### The number of people benefiting

In 2023-24 ATO SG compliance activities led to around 15,500 employers being checked with around 280,000 employees having SG entitlements increased as a result. An increase in compliance and recovery activity could result in up to an additional 100,000 or more employees benefitting, depending on the increase in compliance activity and the targeting of that work.

**Recommendation 3:**

ASFA recommends that the Australian Taxation Office be provided with additional support to undertake greater compliance activity in regard to employer Superannuation Guarantee obligations

## Expanding superannuation contributions to all under 18 employees

### Background

Employees aged under 18 currently do not have an entitlement to Superannuation Guarantee contributions if they work less than 30 hours a week. However, some employers pay SG contributions in regard to all employees as a matter of policy both on equitable grounds or to minimise the administrative burden of separating payments for under 18s.

Census data for 2021 indicates in the week prior to Census night there were 18,250 full-time individuals aged under 18 working full-time with a further 228,711 employed part-time. During the course of a financial year the number aged under 18 who worked part-time at some stage, not just in the week prior to Census night, would be substantially higher. ATO data indicate that in 2022-23 around 163,000 individuals aged under 18 had employer contributions made in regard to their employment, with total contributions of $109 million, an average of $670 per employee.

### Addressing the problem

Removing the exclusion from compulsory superannuation of those aged under 18 and working less than 30 hours a week would remove a current inequity in the system. Given the long period until retirement the benefits from compound investment returns would be significant. Protection from fees for accounts under $6,000 would protect individuals from erosion of account balances. Default insurance arrangements also do not apply to those aged under 18.

The removal of the $450 a month wages threshold for SG contributions reflected the equity of applying compulsory superannuation to all wages.

The under-18s exclusion pre-dates the creation of digital payroll software. Its intent was to stop fees and insurance premiums from eroding low-balance accounts. However, today there are strong protections applying to low-balance accounts, so continuing to exclude under-18s who work less than 30 hours a week from SG contributions now lacks justification.

### The number of people benefiting

In excess of 200,000 employees might benefit from SG obligations applying in regard to all employees aged under 18, this would provide additional superannuation contributions averaging $800 or more a year for those employees.

Research indicates that women in particular would benefit from the change given the pattern of part-time work by those aged under 18.

**Recommendation 4:**

ASFA recommends that Superannuation Guarantee obligations apply in regard to all employees aged under 18, beyond the small minority in that age group who work more than 30 hours a week

## Reducing the superannuation tax impact on individuals claiming early release of superannuation

### Background

Early release of superannuation before preservation age is allowed in certain limited circumstances.

*Hardship and compassionate release of superannuation*

Hardship release is available to individuals who have been on specified government payments for the previous 26 weeks or more. Compassionate release is available to individuals for certain medical or related expenses or in order to avoid foreclosure on a mortgage on their home. The Australian Taxation Office administers compassionate release applications while individual funds administer hardship applications.

There is evidence that some individuals rollover amounts between superannuation funds in order to obtain more than one hardship release in a year although the arrangements are designed to allow only one release a year. Currently there is no central register of hardship releases made to individuals. Establishment by the ATO of such a register or preferably the ATO taking over administration of hardship release payments would provide a mechanism to control such multiple releases.

Any super withdrawn prior to age 60 can be subject to tax with the tax amount deducted from the lump sum payment. For those aged under 60 years old, tax at the rate of 22 per cent is deducted when the payment is made. When the individual lodges their tax return tax on the payment is assessed at the lower of the individual's marginal tax rate or 22 per cent, whichever is less. Many recipients of such payments are in difficult financial circumstances and do not anticipate that there will be tax deducted and/or eventually paid.

As well, in the past some individuals had no real tax concession in regard to superannuation contributions due how LISTO operated (see discussion in regard to Recommendation 1) with tax on hardship or compassionate releases in effect being at a punitive level.

*Disability superannuation payments*

There currently are range of complexities and inequities in regard to the tax treatment of superannuation insurance payments. These include:

- Application of tax-free uplift. Whilst the taxable component of an insurance in super payout is taxed at 22 per cent, the tax-free uplift significantly increases the tax-free portion of a benefit, thereby reducing the effective tax rate of the payment. The application of the tax-free uplift is substantial for younger members and recognises the future service a member would have provided had they been able to work until preservation age. However currently the tax-free uplift is only applied when a member either withdraws a lump sum or makes a rollover to another super fund of a disability superannuation benefit (ie, where because of ill-health, it is unlikely the member can ever be gainfully employed in a capacity for which they are reasonably qualified).
- If a member chooses to retain their superannuation amount within their existing fund and commences an account-based pension the tax-free uplift is not applied. This can result in reducing the after-tax amount available for their beneficiaries. In contrast, the member can however rollover to another super fund and commence an account-based pension with their new fund and the tax-free uplift is applied upon rollover. A member should not be penalised for commencing an account-based pension with their existing fund.

**Recommendation 5:**

ASFA recommends that there should be a review of the tax rates for superannuation payments made to members aged less than 60 with the aim or reducing or eliminating tax on payments made to those experiencing significant financial hardship.

## Further expanding information and guidance on superannuation

### Background

On 20 November 2024 the Treasurer announced that the Government that it would expand and refresh resources on the Moneysmart website, ensuring retirees have easy access to independent, reliable information on superannuation and retirement options. This included new and updated resources, such as guides and calculators, which will help Australians understand key decision points when planning for retirement.

ASIC also is undertaking a consumer education campaign targeted at Australians approaching retirement and in retirement to boost their engagement with retirement planning.

There have been recent cases involving superannuation fund investors where lead generation activities on the internet followed by the provision of poor financial advice have led to substantial investment losses for those concerned. The failure of the Shield and First Guardian managed investments involved total losses of $1 billion spread over 12,000 investors.

While there is a role for increased activity by regulators to help reduce the chances of similar cases occurring in the future, there also is a role for providing consumers with the knowledge and the tools to help them avoid being caught by such mis-selling of investments.

Given the need for financial information and guidance ASFA suggests that additional funding be provided for such government programs focused on the financial risks of leaving pooled investment arrangements in large funds for largely untested and risky investment options in Self-Managed Superannuation Funds or individual investment options facilitated by superannuation platforms and the like.

### Addressing the problem

Provision of relevant and accessible information and guidance on the websites such as the ASIC Moneysmart together with targeted media campaigns has the potential to provide relevant and useable information for hundreds of thousands, if not millions, of Australians. Superannuation fund members should be supported to go to reputable sites on the internet rather than lead generation tools for fraudsters.

Greater consumer awareness and knowledge in regard to superannuation and investment matters will also help mitigate risks for superannuation fund members and consumers more generally in areas such as cyber risks, fraud, and financial abuse. To help reduce the incidence of scams (including high risk and/or fraudulent managed investments), ASIC should apply their knowledge and understanding of these risks to educate consumers. ASIC should also regularly monitor and measure the effectiveness of their scam and fraud awareness and education activities, and use the results from their reviews to inform their approach to future scam awareness and education activities.

Another topic for provision of financial information could be the risks and responsibilities of rolling over a superannuation balance from an APRA regulated fund to an SMSF, including the potential risks for women in a spousal relationship rolling out of a personal superannuation account to one where their spouse potentially will exercise control through the management of the SMSF.

ASIC could also share such materials with superannuation funds for inclusion on fund websites.
There is also scope for additional financial literacy material and teaching to be imbedded in the curriculum of secondary schools. The risk of over-burdening school curriculums could be mitigated by making financial literacy a part of traditional subjects, such as Maths and English, through the use of worked examples and comprehension materials.

Currently there are some limited programs in schools addressing financial literacy. Talk Money with Ecstra Foundation is designed to help Australian students learn money lessons for life, to be confident talking about money and to make informed financial decisions. This program offers facilitator led workshops for Years 5-10 students and additional resources to reinforce learning and key concepts in class and at home. The program is provided at no cost to schools.

The Ecstra Foundation is funded by community benefit payments which form part of ASIC enforced undertakings from financial institutions. This necessarily limits the amount of annual funding for the school based financial literacy activities. Providing additional funding from the Budget could expand these activities to every secondary school in Australia.

As well, this additional activity by ASIC should be funded out of the Budget rather than being funded by way of levies on financial institutions. The information provision should be a government responsibility.

In addition, ASFA has supported reforms announced by the Government which would make high-quality financial advice more affordable and accessible, ensuring Australians receive the guidance they need to achieve better retirement outcomes. These include modernising the Best Interests Duty, introducing a New Class of Advisers expanding the supply of financial advice, particularly through financial institutions, allowing superannuation funds to provide helpful 'nudges' to improve member engagement at key life stages, and clarifying the rules on what advice topics can be paid for through superannuation

### The number of individuals benefiting

All of the 18 million Australians with superannuation could potentially benefit from additional superannuation information and guidance being provided.

**Recommendation 6:**

ASFA recommends that:

- ASIC be provided with further funding for an information campaign on superannuation.
- Funding be provided out of the Budget to support financial literacy programs in every secondary school.

## Reducing the superannuation tax impact on those employed under the Pacific Australia Labour Mobility (PALM) scheme

### Background

The Pacific Australia Labour Mobility (PALM) scheme allows eligible Australian businesses to hire workers from 9 Pacific islands and Timor-Leste when there are not enough local workers available. Through the PALM scheme, employers can access both short-term workers (up to 9 months) and long-term workers (between one and 4 years). As at November 2025 there were around 32,400 PALM workers in Australia, mostly in modestly paid jobs in agriculture and meat processing.

Individuals who have worked in Australia on a temporary visa who have accumulated superannuation that has been paid by their employer are eligible to have their super paid to them (less tax) as a departing Australia superannuation payment (DASP) after they have left the country.

The tax on DASP payments is 35 per cent, bringing the total effective rate on superannuation contributions to around 45 per cent. This is much higher than the marginal personal income tax rate applying to PALM workers, which is generally only 16 per cent income tax rate with relatively few PALM workers on a 30 per cent marginal tax rate.

A number of major Australian superannuation funds have been pursuing policy options to make payment of superannuation to departed PALM workers much easier. Options being pursued relate to facilitating payments to the home countries of PALM workers and also in regard to reducing the tax imposed on such payments.

### Addressing the problem

One method for addressing the problem of excess taxation on these low-income workers would be to allow transfer of superannuation without any tax imposed to a fund in the home country of the worker. Such arrangements are being put in place for Cook Island citizens. However, implementation will take months if not years and arrangements in regard to other countries covered by the PALM scheme have not even commenced.

A quicker approach would be to facilitate payments to home country bank accounts of PALM workers and also to reduce the DASP tax rate for individuals covered by the PALM scheme to zero, or at the very least to 10 per cent.

### The number of people benefiting

Around 30,000 individuals a year would benefit from a reduction in the tax rate for superannuation payments for PALM scheme workers.

**Recommendation 7:**

ASFA recommends that the tax rate for superannuation payments made to PALM scheme workers when they have departed the country be reduced to zero and that the ATO pay unclaimed superannuation amounts to foreign bank accounts or foreign pension fund accounts (where applicable) when there is no evidence of an Australian bank account still being held.

## Enabling a superannuation account that works for life

### Background

There currently are nearly 700,000 Australians aged 65 and over who hold accumulation superannuation accounts and who have employer or personal contributions made to their accounts. Such individuals automatically qualify to open a retirement income account but they need to maintain an accumulation account as well for contributions to be made. Some individuals will retire and move their savings into pension phase, but then return to work. Also, there are individuals aged under 65 who have a pension account after establishing a condition of release but who subsequently have contributions being made in regard to them.

### Addressing the problem

The overall cost and complexity for individuals of superannuation arrangements would be reduced by allowing individuals to have a superannuation account that works for life (subject of course to individuals being able to exercise choice of fund). This would include allowing individuals to make contributions directly into a pension phase superannuation product. Such a change would be much simpler for members compared to the current requirement for a member to close a pension account and then start a new account if they want to top up their pension account.

### The number of individuals benefiting

Initially over 700,000 individuals might benefit from there being only one superannuation account for life. Eventually all of the 18 million Australians currently who have superannuation could potentially benefit from a single account.

**Recommendation 8:**

ASFA recommends that regulatory settings for superannuation accounts be changed to allow contributions to be made to a pension account

## Funding the shortfall in Compensation Scheme of Last Resort levies

### Background

The Compensation Scheme of Last Resort (CSLR) pays compensation to claimants where an eligible determination issued by the Australian Financial Complaints Authority (AFCA) remains unpaid.

For each levy period the CSLR operator, having regard to actuarial principles, makes an 'initial claims, fees and costs estimate' setting out the levy amount payable for each of the four sub-sectors covered by the scheme (broadly: credit provision, credit intermediaries, financial advice and securities dealing).

The law sets a 'scheme levy cap' of $250 million on the total amount of levy that may be imposed for a levy period, and a 'sub-sector levy cap' of $20 million on the total amount of levy that may be imposed across all members of a particular sub-sector. On 1 July 2025, the CSLR operator made a revised claims, fees and costs estimate for the 2025-26 levy period. The revised estimate was $75.7 million of which $67.2 million was attributed to the financial advice sub-sector. On 4 July 2025, the CSLR operator notified the Minister of the excess, enlivening the Minister's powers to deal with the $47.3 million excess of the $20 million cap applying to the financial advice sub-sector.

The Minister has determined the special levy provisions for 2025-26, including a levy allocation of $6.1 million to the 'superannuation trustees sub-sector', which comprises Registrable Superannuation Entity licensees. Options for future funding arrangements are also being explored by the Government, including superannuation fund trustees potentially paying substantial contributions to the levy shortfall in future financial years. If this were to occur the levy would be passed onto superannuation fund members by way of increased fees on fund members.

**Addressing the problem**

A Government financial contribution to the 2025-26 special levy to assist in addressing the compensation shortfall would be appropriate given the extent of the shortfall and what arguably was delay in regulatory supervision and enforcement in regard to the causes of the unpaid claims. In addition, it is unreasonable for members of superannuation funds who will never at any stage experience unpaid compensation awarded against their superannuation fund to pay for unpaid claims relating to financial advice firms. The levying of superannuation monies is particularly inappropriate given superannuation represents the mandated retirement savings of Australians for the purpose of providing income in retirement rather than funding broader social costs.

Similarly, there should be a contribution from the Budget in the years ahead in cases where a shortfall arises. This should include the attribution of ASIC enforcement penalties (on impacted sectors) to fund the levy, that would otherwise contribute to consolidated revenue and may also include direct funding.

Further to this, the Government should explore an update to its Statement of Expectations for ASIC to prioritise compensation orders over civil penalties in instances of consumer loss.

We would also encourage the resourcing of a discrete agency to focus on loss recovery via the exhaustion of all possible avenues prior to scheme utilisation.

It also should be noted that the Budget is receiving substantial civil penalties from superannuation funds, including $27 million in 2025 from one major fund. As well, in 2024-25 APRA regulated funds paid around $129 million in regulatory levies. Rather than going to consolidated revenue such penalty amounts and at least part of regulatory levies should be applied to CSLR funding shortfalls.

**Recommendation 9:**

ASFA recommends that the shortfall in 2025-26 CSLR levies be funded by the Government through the Budget.

## Support the establishment of the superannuation sector's Cyber and Financial Crime Coordination Framework

**Background**

With superannuation on track to hold more than $5 trillion in retirement savings by the end of 2026, proactive steps to maintain the safety of the superannuation sector should be undertaken.

Cyber risk has been identified as one of these growing threats, as outlined in the Government's *2023-2030 Australian Cyber Security Strategy*. As this risk grows, ASFA notes government and regulator calls to strengthen efforts to mitigate this risk through greater coordination and collaboration.

The response has so far been sector-led with the superannuation sector, coordinated by ASFA, developing the Superannuation Cyber and Financial Crime Coordination (SC3) Framework.

The SC3 Framework is the superannuation sector’s collaboration initiative to strengthen protections for members against cyber threats, fraud and scams. It has been developed in response to increasing cyber and financial crime risks affecting critical infrastructure sectors.

The Framework has been informed by proven collaboration models in other financial services sectors, aligns with the NOCS Financial Sector Playbook, and is intended to support the objectives of the Government’s Cyber Security Strategy, including enhanced information sharing and coordinated response across critical infrastructure sectors.

**Addressing the problem**

ASFA continues to work closely with the Government on improving coordinated superannuation sector responses to cyber security threats. The development of the SC3 framework is a substantial undertaking and will see an ongoing sustained uplift in the resilience of the superannuation sector to cyber risks.

The Government’s Cyber Security Strategy identifies that: *The Government will also support industry threat sharing by investing in a Threat Sharing Acceleration Fund to support the development of sector-specific [technology solutions] in Australia. This fund will help build industry capabilities for intelligence collection and dissemination.*

ASFA further notes that in 2024 a grant of $6.423 million was provided to the health sector to assist in their combined efforts in this space following the Medibank cyber attack in October 2022.

ASFA asks that similar consideration should be given to supporting the superannuation sector to deal with these issues.

**The number of people benefiting**

18 million Australians, across approximately 22 million accounts, would benefit from strengthened cross-sector cyber resilience.

**Recommendation 10:**

ASFA recommends the Government should consider supporting cross-sector initiatives designed to strengthen cyber resilience in the superannuation sector.