FSC
FINANCIAL SERVICES COUNCIL

MEDIA RELEASE

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FSC welcomes performance test investment flexibility, urges caution on expansion

The Financial Services Council (FSC) welcomes the Government's announcement on the superannuation performance test but cautions that expanding the test to more investment options on platforms risks undermining investment choice and the role of financial advice.

CEO of the FSC Blake Briggs said, "The Treasurer's announcement today that the performance test will include growth and defensive CPI + X benchmarks for a defined portion of portfolios will give superannuation funds greater scope to invest in assets that are not appropriately captured by the current benchmarks but still require funds to act in members' best financial interests.

"The FSC had previously proposed that flexible inflation linked benchmarks could form a part of the performance test, and we are pleased the Government has adopted this recommendation and taken a targeted and consultative approach to increasing the flexibility of the test while maintaining strong protections for consumers."

The FSC also welcomes greater flexibility for APRA to update benchmark indices and the adoption of a transparency approach for retirement products that recognises their different objectives. The FSC would welcome consideration of competitive index provider pricing as part of APRA's selection and review process, alongside suitability and quality.

The FSC is encouraged by the Government's decision to change how platform administration fees are assessed. For the 2026–27 test, fees will be compared against a broader range of similar platform products, addressing the narrow comparison currently used. From 2027–28, trustee-directed and externally directed platform products will share a common fee benchmark, with the account balance used in the calculation also updated to better reflect platform members' savings.

"Platform products typically have members with higher balances and as balances increase, fees decrease as a proportion of their total balance. These changes will make the test fairer and more representative. We are pleased the Government has acknowledged this issue ahead of the wider expansion."

The Government has also announced an expansion of the test to externally directed accumulation products, bringing more investment options available through platforms into the scope of the test. The FSC welcomes the Government's recognition that many investment options are not suited to the current test, including the Government's proposed exclusions for single-sector products, separately managed

accounts and “any additional product cohorts where the test cannot provide a meaningful product assessment supported by reliable data.” Consultation on these exclusions will be important to address the FSC’s concerns about applying the test to investment options used as building blocks within broader portfolios.

“The FSC supports robust performance testing and greater transparency around the performance of superannuation products, particularly in the MySuper sector, where members tend to be unadvised and more disengaged, and where these measures have contributed to lower fees and the removal of consistently underperforming products.

“The platform choice context should be distinguished from MySuper products. Advisers and members who are more engaged with their superannuation, exercising active choice, use investment options as building blocks for a wider retirement strategy. This differs from MySuper products, for which the test was originally designed, which generally provide a complete diversified investment strategy.

“The current benchmark test requires careful calibration to reflect the characteristics of platform products. Testing individual investment options in isolation can give an incomplete or misleading picture of a member’s overall investment outcomes. An option may ‘underperform’ a benchmark test while still meeting the objectives for which it was included within a diversified portfolio such as capital preservation or managing risk. Getting the scope and settings right will be important to ensuring the expanded test delivers meaningful assessments and the consumer protections intended.

“It is important the scope and performance test settings are correct before expanding the test to the thousands of externally directed products available through superannuation platforms,” Mr Briggs said.

The FSC will engage constructively with the Government as it consults further on the expansion of the test, to ensure any expanded test on platform investment options avoids discouraging investment strategies that meet members’ needs, reflects the outcomes delivered by financial advice and platform products, while preserving strong accountability and consumer investment choice.

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About the Financial Services Council

The Financial Services Council is a peak industry body which sets mandatory Standards for its Full Members and develops policy in one of Australia’s largest industry sectors, financial services. Full Members represent Australia's retail and wholesale funds management businesses, superannuation funds, platforms and financial advice licensees. Supporters represent professional services firms such as ICT, consulting, accounting, legal, recruitment, actuarial and research houses. The Associate category provides access to industry tools. The financial services industry is responsible for investing more than $4.5 trillion on behalf of over 17.8 million Australians. The pool of funds under management is larger than Australia's GDP and the capitalisation of the Australian Securities Exchange and is one of the largest pools of managed funds in the world.