

Super Update

May 2025



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ASIC review of death benefit claims handling released

At the end of March, ASIC released a comprehensive report into super funds' handling of death claims handling practices. This follows a warning letter issued to fund CEOs in November 2024 and the commencement of legal actions by the regulator against Cbus and AustralianSuper alleging poor claims handling practices.

ASIC's report covered 10 trustees across a range of fund types, sizes, levels of death benefit complaints and operating models. Many of the claims did not involve an insured component. Any trustee that was being considered for enforcement investigation was excluded from the final phase of the review and from the final report.

While some examples of better practices were identified in the report, overall ASIC found evidence of a number of problems with funds' claims handling practices, including:

- Excessive delays — 78% of the claims reviewed by ASIC had been delayed by processing issues that were within the trustee's control
- Poor service, with more than a quarter of the claim files examined by ASIC containing evidence of issues such as calls not being returned or queries being dismissed
- Gaps in data held by trustees and in reporting — none of the funds included in the review monitored or reported on end-to-end claims handling times that encompassed the administrator, insurer and fund
- Unclear and inconsistent processes and procedures, such as a lack of appropriate guidance to staff on how to handle complex claims and claims packs that did not seek all necessary information or were not tailored to the circumstances of the claim, resulting in irrelevant information being requested
- Member communication that was insensitive, difficult to understand or not tailored to the member's circumstances. Several trustees also failed to provide ASIC with evidence that they issued progress updates to claimants, and ASIC found examples of communications with First Nations claimants that were not culturally sensitive.

Unpublished APRA data obtained by ASIC indicated that the average time taken by an insurer to process a death benefit claim under a group superannuation policy was 24 days, with some of the insured claims examined by ASIC being processed much more quickly than this. ASIC concluded that insurer processing times were not a significant contributor to claim delays.

The report examined trustees' policies around claim staking. The trustees who processed death claims the fastest claim staked around 1% of all claims. One of the slowest trustees claim staked 92% of all claims. The faster trustees regularly waived the claim staking process (either as a formal policy or on a discretionary basis) where the claim was considered low risk. But 33 of the claims ASIC examined were claim staked even though the benefit was less than \$500. Fewer than 1% of all decisions were objected to, and trustees with higher risk appetite for potential payment disputes did not receive more objections and in fact had fewer complaints overall.

ASIC identified 34 focus areas that it expects all trustees to consider in order to improve their claims handling practices. They cover all aspects of the death claim function, from setting risk appetite for disputes to documenting processes, improving written and verbal communications with claimants, oversight of service providers, resourcing, monitoring claims, dealing with complaints and reporting to the Board.

The report contains both examples of poor practice and lists of actions that the surveyed trustees are taking to improve their handling of death claims. These are valuable learnings for all trustees, and we encourage all trustees to consider the report in detail.

Major update to APRA's governance requirements proposed

On 6 March 2025, APRA released a discussion paper containing proposals to strengthen the governance arrangements for all regulated entities including super funds.

The proposals relevant to superannuation include:

- Lifting requirements for boards to ensure they have the right mix of skills and experience to deliver the fund's strategy
- Raising minimum standards around the fitness and propriety of responsible persons, and requiring significant financial institutions (SFIs), as well as non-SFIs that are under heightened APRA supervision, to engage with APRA on succession planning and potential responsible person nominations prior to appointment or public announcement. APRA proposes to require entities to consider additional factors in fit and proper assessments, such as time capacity for responsible persons to fulfil the role, criminal and conduct records, reputational risk or character or regulatory references to evaluate performance in other roles, including the financial and reputational performance of previous organisations
- Requiring trustees to actively manage perceived or potential conflicts and those that affect the reputation of the entity as well as actual conflicts
- SFIs will be required to commission an external independent third-party performance assessment at least every three years which covers the board, committees and individual directors and includes a range of matters including conflicts management and effectiveness of overall decision-making. The report will have to be submitted to APRA and the board chair will have to take a leading and accountable role in ensuring recommendations are addressed appropriately
- Clarifying APRA's expectations around the roles of boards, the chair and senior management. The existing requirement that bank and insurer boards have separate risk and audit committees will also be expanded to include SFI trustees. The intention of these proposals is to reduce burdens on boards and assist them to delegate certain regulatory requirements to board committees and senior management
- Introducing a lifetime tenure limit of 10 years for non-executive directors, with APRA to permit a two year extension on a case by case basis in exceptional circumstances by direct application to the regulator. Trustees will also be required to establish a robust forward looking process for board renewal that considers the full cycle from nomination and appointment through to succession planning.

APRA has assessed that governance practices have improved in recent years, but there remain governance weaknesses, particularly around the skills and capabilities of directors, narrow approaches to assessing fitness and propriety, insufficient attention to board performance assessments, problems from overly long director tenure and inadequate management of conflicts of interest. The proposals are intended to address these weaknesses. APRA considers that the proposals are not expected to materially increase costs for entities with mature governance frameworks and practices, although it expects that the tenure limits may temporarily increase turnover of existing directors.

Consultation closes on 6 June 2025. APRA is particularly interested in feedback on the potential costs and benefits of its proposals, opportunities to simplify and streamline the proposals without compromising their objectives, implementation issues and proportionality (as noted above, some proposals will only apply to trustees of SFIs), as well as entities' capacity to recruit appropriately skilled and qualified directors. Updated prudential standards and guidance (the proposals will lead to changes to SPS 510 Governance, SPS 520 Fit and Proper and SPS 521 Conflicts of Interest) are expected to be released for consultation in the first half of 2026, with the updated framework finalised by the beginning of 2027 ahead of it commencing by 2028.

APRA noted in the discussion paper that since 2018, the regulator has had 13 occasions of imposing additional licence conditions on trustees due to governance concerns. Given the size of the superannuation industry, the much-publicised examples of issues within some funds in recent times, and the fact that the governance prudential standards have not been comprehensively updated since they were introduced in 2013, it is difficult object to the regulator seeking governance improvements. We would encourage all funds to use the lengthy consultation period to consider the proposals closely and raise any areas of particular concern with APRA.

Draft Payday Super legislation released

Treasury released draft legislation for the government's Payday Super initiative on 14 March. As expected, the changes are proposed to apply from 1 July 2026.

Employer SG shortfalls will be determined based on whether contributions have been received by the superannuation fund within seven days, with an extra 14 days to be permitted for new hires and exceptions for "out of cycle" payments that will be determined by the ATO but will likely include bonus payments, commissions and back payments.

The maximum contribution base (MCB) will continue to act as a cap on the amount of contributions payable for an employee for SG purposes. However, it will be changed from a quarterly to an annual amount against which each payment of earnings will be tested. If a particular payment of earnings is made to an employee that would cause them to exceed the MCB, the excess, and any future payments of earnings for the remainder of the year, will be deemed to be equal to zero for the purpose of measuring the employer's SG obligation.

The draft legislation will align the salary definition used for SG compliance with that used for determining how much SG charge is payable when an employer has failed to comply. In addition, the current administration component of SG charge will be replaced with a scalable model that is intended to encourage employers to voluntarily disclose non-compliance.

Employers with employees in defined benefit schemes will continue to obtain a benefit certificate in order to meet their SG obligations. Defined benefit funds will be deemed to have received a notional contribution on the due date for applicable employees where the employer is covered by a benefit certificate. There will also be no change to the arrangements for "deemed defined benefit funds", i.e. those accumulation funds where the employer's SG contributions are being allocated to members from surplus or reserves in the fund.

There are several other related changes included in the draft legislation. Reduced time frames will apply to some SG-related activities conducted by super funds. There will also be a ban on advertising super products during employee onboarding. The ban will apply from the time the employee accepts an offer of employment to the time the employer first complies with the choice of fund requirements in the SG legislation for that employee. Exceptions will apply for the employer's default fund, and for any other MySuper product that passed the most recent performance test. The MySuper exception will be subject to various disclosure and other conditions that will be in regulations that have not yet been released for consultation. So the details remain to be seen, although they are expected to include requirements to clearly label advertising material, include appropriate disclaimers and disclose any fees or payments.

Extensive changes will be required to payroll and onboarding systems, as well as super fund administration systems, to meet the new Payday Super requirements. Given the likely timeframe before the legislation is passed by parliament, we would encourage the government to consider extending the start date for Payday Super, in order to ensure funds and employers have sufficient time to make these changes once the final form of the legislation is known.

News in brief

Next batch of draft advice legislation released

On 21 March 2025, Treasury released the next batch of draft legislation in response to the Quality of Financial Advice review. This batch will, if passed:

- Clarify the advice topics for which members of a super fund can be charged collectively
- Replace the statement of advice with a new client advice record
- Create a framework for funds to send targeted prompts to members to drive greater engagement at key life stages.

Consultation closed on 2 May.

The government also announced that it intended to release another batch of draft legislation which would be introduced to parliament at the same time as this one. That batch will include the proposed modernisation for the best interests duty and create the new class of financial adviser announced earlier this year.

ASIC proposes to publish firm-level complaints and breaches

On 10 April, ASIC commenced consultation on proposals to publish two dashboards containing firm-level data on reportable situations (breaches) and internal dispute resolution reports (complaints). Users will be able to search and filter the dashboards to obtain information on particular firms, and some data may also be downloadable. The dashboards will be accompanied by a glossary of terms and other contextual information. For example, ASIC proposes to include a statement that large numbers of complaints or reportable situations does not necessarily suggest a higher incidence of non-compliance or customer dissatisfaction, but may in fact reflect stronger compliance systems.

The consultation paper, CP 383, includes tables listing the data proposed to be published. Importantly, ASIC will not take any steps to confirm or verify the accuracy of the data submitted to it (other than in exceptional circumstances where the regulator becomes aware that a report was submitted in error). Reportable situation data will be published annually, and complaints data half-yearly.

Consultation closed on 14 May.

New ASIC Regulatory Guide on sustainability reporting

ASIC has finalised a new Regulatory Guide on sustainability reporting, along with a response to submissions and some guidance for small businesses that fall within the value chain of reporting entities. For “group 2 entities”, which includes super funds with assets of at least \$5 billion, the requirements commence from the first reporting period that starts on or after 1 July 2026.

In addition to guidance on the content of sustainability reports, new RG 280 discusses sustainability information that may need to be included in PDSs. There is also guidance on ASIC’s power to grant relief from the sustainability reporting obligations. ASIC will take a proportionate and pragmatic approach to supervision and enforcement of the requirements in the early years following commencement. The regulator has acknowledged that sustainability reporting is new for Australian firms, and both market practice and policy will continue to develop on this topic.

Proposed financial sector levies for 2025-26

APRA has released the proposed financial sector levies for 2025-26, with consultation on the proposals closing on 25 April 2025. The proposed levies for the 2025-26 year are set out below, compared with the actual levies for the 2024-25 year and the percentage change.

	2024-25 (actual)	2025-26 (forecast)	Change (%)
Restricted:			
Rate (%)	0.00776	0.00721	-7.1%
Minimum (\$)	12,500	12,500	—
Maximum (\$)	900,000	950,000	5.6%
Unrestricted (%)	0.003272	0.002593	-20.7%

The levy amount for Small APRA Funds is unchanged at the flat rate of \$590 per fund.

Superannuation thresholds for 2025-26 released

The ATO has released the new thresholds that will apply for the 2025-26 financial year:

Threshold	2024-25 (\$)	2025-26 (\$)
Concessional contribution cap	30,000	30,000
Non-concessional contribution cap	120,000	120,000
General transfer balance cap	1,900,000	2,000,000
Defined benefit income cap	118,750	125,000
SG maximum contribution base (per quarter)	65,070	62,500
Co-contribution thresholds:		
Lower threshold	45,400	47,488
Higher threshold	60,400	62,488

APRA superannuation statistical publications released

Highlights of APRA's December 2024 Quarterly Superannuation Performance publication, issued on 27 February, included the following:

	Dec 2023 (\$ billion)	Dec 2024 (\$ billion)	Change (%)
Total Superannuation assets	3,737.6	4,166.9	+11.5
Total APRA-regulated assets	2,558.3	2,916.6	+14.0
Total self-managed super fund assets	958.9	1,017.8	+6.1

Benefit payments increased by 12.0% to \$124.4 billion over the year. This increase was the result of lump sum payments rising by 7.8% to \$68.2 billion and pension payments increasing by 17.5% to \$56.2 billion.

APRA's MySuper statistical publication for the December 2024 quarter was also released on 27 February. This report contains data relating to product profile, asset allocation targets and ranges, investment performance and net returns, as well as fees and costs and some surance premium data.

On 11 March, APRA released the December 2024 editions of its new series Quarterly Superannuation Product Statistics, Superannuation Industry and Fund-level Statistics publications:

- The Product Statistics publication lists all superannuation products offered by each APRA-regulated superannuation fund and the investment menus and investment options available through these products, along with granular information on fees and costs, investment performance, investment strategy and asset allocation for a range of products and investment options
- The Super Industry publication contains data on superannuation products, investment options, member demographics and industry investments by asset class
- The Fund-level Statistics publication contains detailed member demographic information and total fund investments by asset sector types for each APRA-regulated fund with more than six members.

Legislative update

The new parliament has not yet commenced after the Federal election held on 3 May 2025. The bill which would create the new Division 296 tax on earnings on balances greater than \$3 million has lapsed and must be resubmitted for approval by both Houses once the new parliament commences.

Since the last edition of Super Update, the following regulations relevant to superannuation have been made:

- Family Law (Superannuation) Regulations, which commenced from 1 April 2025
- Family Law (Superannuation) (Methods and Factors for Valuing Particular Superannuation Interests) Approval, which also commenced on 1 April 2025 and continues the existing Family Law valuation methods and factors approved by the Minister pending updated factors being approved for applicable funds
- Family Law (Superannuation) Amendment (Technical Amendments) Regulations, which correct two errors in the original Family Law (Superannuation) Regulations referred to above.

A guide to key changes

The dates that follow were correct as at the time of publication of this edition of Super Update.

Date	Change
1 Jul 2025	SG to increase to 12.0%.
1 Jul 2025	Commencement of revised version of SPS 515 Strategic Planning and Member Outcomes.
1 Jul 2025	Commencement of CPS 230 Operational Risk Management.
1 Jul 2025	Commencement of revised version of SPS 114 Operational Risk Financial Requirement.
1 Jul 2025	Proposed commencement of Division 296 tax — additional earnings tax on super balances over \$3 million.
1 Jan 2026	Commencement of section 29QC of the SIS Act.
1 Jul 2026	Proposed commencement of Payday Super requirements.
1 Jul 2026	Commencement of climate-related financial disclosure obligations for group 2 entities including super funds.
1 Oct 2027	Start date for publication of product dashboard for certain Choice products.
1 Oct 2027	MySuper product dashboard to be included in periodic statements.

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