Rest Super
2025–26 Pre-Budget Submission

January 2025

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Executive Summary

Rest values the opportunity to provide a 2025-26 Pre-Budget Submission.

Rest is one of Australia's largest profit-to-member industry superannuation funds, with more than two million members – or around one-in-seven working Australians – and around $90 billion in assets under management[1].

We represent around one million members under the age of 30, who are decades from retirement. An overwhelming majority of our members will retire into a post-2050 world. Many of our members work in part-time or casual jobs and tend to have lower balances by the time they reach retirement. We put our members needs at the centre of everything we do, and we are deeply committed to maximising the retirement outcomes of our members.

As a superannuation fund and a large and diversified global institutional investor, Rest's recommendations in this submission focus on the priority superannuation, finance and investment policy settings we consider are needed to improve our members' retirement outcomes and the world into which they will retire. The recommendations include matters that require funding and budget appropriation from Government, and matters (such as law reform) we recommend are pursued alongside the budget process.

Rest is a long-term investor of patient capital, and we are therefore committed to supporting actions that lead to a more sustainable future. We believe business and investment performance, and therefore the returns for our members, are unlikely to thrive in a world of poverty, inequality, unrest and environmental stress. We therefore believe it's in the financial interests of our members that we align where we can to the United Nations Sustainable Development Goals (SDGs). In that regard, we have prioritised five SDGs for action: SDG 5 (Gender Equality), SDG 7 (Affordable and Clean Energy), SDG 8 (Decent Work and Economic Growth), SDG 10 (Reduced Inequalities) and SDG 13 (Climate Action). Our recommendations in this submission align to those SDGs.

In summary, Rest makes the following 10 recommendations to the Commonwealth Government to enact in the 2025-26 Budget.

1. **Recommendation 1 (Priority Recommendation):** Legislate to extend the superannuation guarantee to all under 18s, including those working less than 30 hours per week, with an appropriate transition period for businesses.

2. **Recommendation 2 (Priority Recommendation):** Urgently progress reforms relating to financial advice and retirement, which will particularly benefit lower and middle-income Australians, including:

   a) legislating Tranche 2 of the Delivering Better Financial Outcomes (DBFO) reforms to enable affordable, accessible, clear and easy-to-understand financial advice; and
   b) changes to allow super contributions to be made into retirement-phase super accounts.

3. **Recommendation 3:** Fund and develop a framework for data sharing between government agencies and super funds, to uplift data integrity and support efficiencies across the system.

[1] As at 30 September 2024.

4. **Recommendation 4:** Update the Low Income Super Tax Offset (LISTO) policy settings as follows:

    a) raise the income threshold from $37,000 to $45,000;
    b) increase the annual cap from $500 to $810; and
    c) align future LISTO settings to the top of the second tax bracket and future super guarantee rate increases.

5. **Recommendation 5:** Commence a review to consider appropriate models for the introduction of 'Superannuation Carer Credits' in Australia, which would compensate workers for the lack of superannuation contributions due to time out the workforce engaging in unpaid caring work, closely engaging all relevant stakeholders.

6. **Recommendation 6:** Reform the law so family violence perpetrators are not able to inherit their victim's superannuation benefits.

7. **Recommendation 7:** Co-design with First Nations peoples (and consult with other relevant stakeholders including the superannuation industry) the development of a holistic 'First Nations Retirement Strategy', with such a strategy to consider reforms needed within the retirement system to close the gap in outcomes for First Nations peoples. Appropriate funding for the Strategy's development and implementation should be provided by Government.

    As part of the Strategy, Government should commit to a timeline for implementation of the following reforms:

    a) reforming superannuation binding death benefit nomination arrangements (and associated tax arrangements) to recognise kinship structures for First Nations peoples; and
    b) exploring reform options to address inequities relating to the current preservation age and the lower life expectancy of First Nations peoples.

8. **Recommendation 8:** Establish an ambitious, Paris-aligned and scientifically backed 2035 Australian Nationally Determined Contribution (NDC) in order to ensure an orderly transition to a Net Zero economy, and prioritise the release of the Net Zero Plan and robust sectoral decarbonisation plans to give investors the certainty needed to allocate capital in support of the transition.

9. **Recommendation 9:** Accelerate current work with State and Territory Governments to prioritise policy changes to encourage institutional investment in housing supply, including:

    a) improving planning and zoning systems and increasing land-availability pipelines for large-scale housing projects;
    b) reviewing and standardising definitions relating to social and affordable housing, including a national definition of essential workers, which includes retail workers, who are eligible for affordable housing; and
    c) reviewing and improving the regulatory and taxation environment for housing investments.

10. **Recommendation 10:** Outline a more detailed roadmap and provide appropriate funding for the next phase of the sustainable finance agenda, including a focus on decent work and social and economic inequality.

2025-26 Budget Recommendations

We outline below further context and detail in relation to Rest's recommendations.

1. Making super fairer for young people – Super for under 18s

Rest proudly represents more than one million members under the age of 30. We represent nearly one-in-four young people aged 18-25 in Australia, including more than a quarter of all young women aged 18-25. These members are decades from retirement and will rely on our superannuation system to provide them with a dignified retirement. We are committed to advocating for measures that will make the super system fairer for our members and improve their retirement outcomes, including in relation to the treatment of workers under 18 years of age.

Section 6 of the *Superannuation Guarantee (Administration) Act 1996* (SG Act) defines a part-time employee to be one who is employed to work not more than 30 hours per week. Section 28 of the SG Act 'Salary or wages: excluded earnings of young persons' provides that salary or wages of a part-time employee who is under 18 are not to be taken into account for the purposes of the entitlement to compulsory superannuation.

The effect of these sections is to impose a discriminatory and arbitrary requirement for those who are under 18 years of age to work 30 hours per week, before being entitled to compulsory superannuation contributions.

The overwhelming majority (93%) of under-18-year-old workers usually work less than 30 hours per week in all jobs, meaning these workers are missing out on compulsory super guarantee contributions[2]. Almost half of all under-18 workers (46%) work as 'Sales Workers', and 77% work in either the Accommodation and Food Services, or Retail Trade industries[3].

Rest strongly believes that the full benefits of our superannuation system should be extended to all workers, including under-18s who work less than 30 hours a week:

- Industry modelling shows the significant benefits of extending the super guarantee to under 18s. Extending the full benefits of compulsory super to under 18s would mean around 505,000 workers across Australia would receive, on average, $730 in additional super contributions in 2024-25, amounting to an extra $368 million in super contributions in total in 2024-25[4]. The modelling shows that this would mean the average under-18-year-old who works for at least two years would receive almost $2,200 in super contributions, by the time they reach 18, which is projected to grow to nearly $10,000 (in today's dollars) by the time they retire at age 67[5].

- We know that when young members engage with their super they feel more confident about their future. Earlier and more regular engagement can lead to better retirement outcomes. This hugely important change would mean young people start their working lives with a more positive and meaningful engagement journey with our superannuation system.

- There is overwhelming community support for this change. Rest's research has revealed that 82% of Australians think the law should be changed so that young Australian workers under the age of 18 earn super regardless of how many hours they work. 77% of Australians believe that the current eligibility rules were unfair[6]. Further, 97% of Rest members believe that super

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[2] Super Members Council (2024). Guaranteeing a Super Start to Work: Paying Super Guarantee to all workers under 18 years of age. Page 6.
[3] As above. Page 8.
[4] As above. Page 9.
[5] As above. Page 9.
[6] Research conducted by CRNRSTONE Australia, on behalf of Rest, via an online survey of 1,000 Australians aged 16-70 between Tuesday 30 April to Wednesday 8 May 2024.

should apply to all working Australians, regardless of how much they earn or how many hours they work[7].

- The change we propose would be consistent with, and further promote, the Government's now-legislated Objective of Superannuation. It would further the "equitable" component of the Objective by treating ordinary time earnings of under 18s in the same way as those of over 18s.

As a priority, Rest strongly recommends that the Government legislate to extend the superannuation guarantee to all under 18s, including those working less than 30 hours per week.

Rest acknowledges the impact that such a reform would have on business, particularly small and medium-sized businesses. Accordingly, in advance of legislating this reform, Rest recommends that the Government engage in detailed consultation, including regarding a multi-year staged and phased transition and implementation of the change, in addition to supporting growing employment and productivity for a prosperous retail sector for all Australians.

Recommendation 1 (Priority Recommendation): Legislate to extend the superannuation guarantee to all under 18s including those working less than 30 hours per week, with an appropriate transition period for businesses.

2. Urgent action on financial advice reform and retirement

Rest is determined to help our members reach their best-possible retirement and give them confidence in their financial future. Rest members are more likely to work in part-time or casual roles during their working life, which means they generally have lower balances both in the pre-retirement and retirement phases.

Consistent with Rest's unique member demographic, around 338,000 members (about 16%) are aged 50 or older, and around 155,000 (about 7%) are aged 60 or older. The median balance for members nearing retirement (60-67) is around $50,000, significantly lower than the national average. This is typically due to their backgrounds in the lower paid and casualised retail, warehousing and fast-food industries, as well as broken work patterns.

Rest members will generally rely on the full or part Age Pension for their retirement. Super provides a vital part of their financial security in retirement, but the interactions between superannuation and government income support are key to meeting our members' needs.

We are focused on understanding our members' unique situations and supporting them towards their best possible retirement outcome. We do this in a variety of ways, including access to advice that addresses what's important to them, including managing cost of living pressures and debt.

Rest proposes two priority recommendations in relation to financial advice and retirement, to particularly benefit lower and middle-income Australians.

Firstly, we believe that quality, affordable and accessible financial advice is critical to improving the retirement outcomes for our members. In that regard, we strongly support the Government's Delivering Better Financial Outcomes (DBFO) financial advice reforms, and as a priority, we recommend the Government legislate Tranche 2[8] of the DBFO reforms as soon as possible.

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[7] Research conducted by Redbridge Group, on behalf of Rest, via an online survey of 2,304 Rest members aged 18 and above between 1 July and 16 July 2024.
[8] The Treasury (December 2024). Fact Sheet: Ensuring access to quality and affordable financial advice.

The DBFO reforms provide a pathway for super funds to cost-effectively increase the scope and reach of financial advice, while also maintaining strong consumer protection for members. We think everyone should be able to access simple, convenient financial advice, especially lower and middle-income Australians like our members.

Many of our members would simply not be able to access advice if it wasn't available through Rest – so expanding financial advice within super will help more of our members make informed decisions to improve their retirement outcomes. Rest offers digital advice tools, which have allowed us to expand the reach of our financial advice service to our members. The DBFO reforms give us the opportunity to further expand the service we provide our members.

Secondly, we welcome the ongoing conversation and commitment from Government to make changes to improve the retirement phase of superannuation[9].

Our experience working with our members shows that retirement is a flexible transition, often involving movement out of and back into the workforce, and ongoing work into retirement. This reality of working patterns in retirement is inconsistent with the binary nature of the superannuation system, which does not allow contributions to be made to products in the retirement phase.

Rest recommends the Government remove the existing prohibition on making contributions to existing account-based pensions (including for retirees aged over 75 years) in order to simplify the system, provide more flexibility and choice for retirees to manage their retirement income streams and reduce the need for multiple superannuation accounts. Industry modelling suggests this change would remove duplicate fees for about 100,000 retirees[10].

Rest acknowledges that considerable consultation would be required on such changes to these products but believes that these kinds of innovations to simplify the system and products available that work for the majority of working Australians will lead to better retirement outcomes.

Recommendation 2 (Priority Recommendation): Urgently progress reforms relating to financial advice and retirement, which will particularly benefit lower and middle-income Australians, including:

a) legislating Tranche 2 of the Delivering Better Financial Outcomes (DBFO) reforms to enable affordable, accessible, clear and easy-to-understand financial advice; and
b) changes to allow super contributions to be made into retirement-phase super accounts.

3. Uplifting data integrity across the superannuation system

Challenges to service delivery, efficiency and providing members good guidance to support retirement are often driven by limited data held and available to super funds. The nature of onboarding in the super system, reliant on data provided by third parties (employers and payroll), and limited engagement early in the life of super accounts results in member data that can be unreliable, and not regularly updated over time.

Data mismatching challenges funds efforts to implement full straight-through processes, as well as efficiently manage member interactions, and provide effective guidance aligned with meeting obligations under the Retirement Income Covenant.

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[9] Rest's February 2023 submission to Treasury's discussion paper on the retirement phase of superannuation can be found here.
[10] Super Members Council (2024). Super Policy Priorities – 2025. Page 7.

Rest strongly supports the Payday Super reforms, and encourages Government to swiftly enact these changes, however we acknowledge the additional challenges that meeting the higher expectations on employers and funds will involve – funds' ability to comply with a three-day process to allocate or return contributions will be dependent on being able to ensure that contributions are straight-through processed in all possible cases.

With the increased growth and complexity of the super system, the success of Payday Super as well as the ability to uplift service delivery over the lifecycle of a member's superannuation experience is dependent on ensuring that data held by funds is complete, accurate and up to date.

Further, super funds such as Rest face ongoing difficulty in ensuring sufficient, relevant and accurate information beyond their superannuation holding is available to support members to make better decisions about their retirement. It can often be challenging for funds to identify when members require greater information or support and when they may in fact be 'retired'. The data required to effectively provide guidance is frequently related to household circumstances, and access to data for a household can be limited, often even for the individual to access.

We believe that significant opportunities exist for information sharing between government agencies and super funds. For example, the ATO has rich and more current member data, including related to work patterns through Single Touch Payroll reporting, and Services Australia has information on when a member has applied for the Age Pension.

We therefore recommend the Government engage in consultation regarding a data-sharing framework between government agencies and super funds, including consideration of systems, privacy and security impacts. Such a framework should facilitate government sharing relevant and useful data with super funds, seeking to leverage existing data interactions, for example the existing data reporting services such as the Member Account Attribution Service (MAAS) interactions with the ATO.

As part of the consultation regarding the data sharing framework, consideration should also be given to potential applications of the Consumer Data Right (CDR)[11]. This may include read-only application of the CDR for banking to super funds, which may allow access to vital information such as balances in bank loan and deposit accounts and related account information, to assist in providing relevant financial advice or help to super fund members.

Recommendation 3: Fund and develop a framework for data sharing between government agencies and super funds, to uplift data integrity and support efficiencies across the system.

4. Reforming the LISTO to benefit low-income earners

The flat 15% concessional taxation arrangements applying to superannuation generally benefits high-income earners. The top 20% of income earners receive 51% of super tax concessions, whereas the bottom 30% of households receive just 4% of super tax concessions[12].

The Low Income Super Tax Offset (LISTO) goes a small way to making super tax arrangements fairer for low-income earners like our members.

[11] Noting that Treasury's discussion paper on the retirement phase of super referenced the potential role of the CDR in better supporting members in retirement: The Treasury (2023). Retirement phase of superannuation. Page 12.

[12] The Australia Institute (April 2021). Rich Men and Tax Concessions. Page 12.

The LISTO is a hugely important measure for Rest members, with nearly half a million members receiving the benefit[13] each year. Around 65% of those members are women.

The LISTO provides a refund of the 15% tax paid on super contributions, up to $500, for those earning up to $37,000 per year. This is in recognition that low-income earners shouldn't pay more tax on their super than on their wages. The threshold of $37,000 was based on the top of the second tax bracket at the time the LISTO was introduced (which has since increased to $45,000), and the capped amount of $500 was also based on the super guarantee rate at the time, which has since increased (currently 11.5%).

The failure to update the LISTO settings over time means our members are missing out on vital additional superannuation, and some are paying more tax on super than on their take-home pay. This particularly impacts women, and particularly during ages where women are more likely to take time out from the workforce or reduce hours to care for children.

Rest strongly recommends that this inequity is remedied and LISTO settings are updated so that the income threshold for LISTO is raised from $37,000 to $45,000, the annual LISTO cap is increased from $500 to $810, and arrangements are put in place to align future LISTO amounts to the top of the second tax bracket and future super guarantee rate increases.

Industry modelling shows that these changes would make a very significant difference, particularly for women. They would mean that women in the lowest 20% of wage earners would have an estimated 11% increase to their super savings, at retirement[14].

Recommendation 4: Update the Low Income Super Tax Offset (LISTO) policy settings as follows:

a) raise the income threshold from $37,000 to $45,000;
b) increase annual cap from $500 to $810; and
c) align future LISTO settings to the top of the second tax bracket and future super guarantee rate increases.

5. Action on the Gender Super Gap – Superannuation Carer Credits

Rest proudly represents well over one million women, including more than one in every four young women aged 18-25 in Australia. Women are nearly 60% of Rest's membership. Many of our female members work in low-income part-time, casual or seasonal jobs, and take time off work to care for children or others. Our female members generally approach retirement with modest account balances that are significantly lower than their male counterparts.

The gender super gap for retirement balances for Rest members sits at over 22%[15]. We know that significant work is required to improve superannuation system settings to address this imbalance, including through dealing with the 'motherhood penalty' suffered by those (predominantly women) who engage in unpaid caring work, such as time on parental leave and other caring work.

Despite the huge economic value parents (generally women) provide to Australia through unpaid caring work, broken work patterns and time off to engage in unpaid caring work is one of the main contributors to the gender super gap.

[13] Nearly 465,000 Rest members received the LISTO in the 2023-24 Financial Year.
[14] Super Members Council (2024). Super Policy Priorities – 2025. Page 9.
[15] Based on Rest members aged 60-69, as at 31 July 2024.

Rest supports the payment of the superannuation guarantee on every dollar earned[16] and welcomed the historic passage of legislation[17] for the payment of super on the Commonwealth Parental Leave Pay scheme in September 2024. This measure was Rest's priority recommendation for the Commonwealth Government in the 2024-25 Budget and a measure which was advocated for by Rest, and many others, for many years.

Rest has also encouraged further discussion on the payment of super on employer-funded parental leave, noting many employers already choose to pay this important benefit.

However, in order to make meaningful progress towards closing the gender super gap, we believe we need to also look at the system more holistically and address the broad impacts on retirement outcomes for women because of the structural design of the super system.

The idea of a 'Superannuation Carer Credit' or payment, which would compensate workers (principally women) for the lack of superannuation contributions due to time out the workforce engaging in unpaid caring work, is not new. Many overseas jurisdictions, including the UK, Germany, France, Sweden, Finland, Italy and Japan have a form of carer credits in their public pension schemes[18]. Other jurisdictions also have forms of carer credits in their private (individual contribution-based) pension scheme, for example, the UK, Germany, Sweden, Poland and Hungary[19]. These schemes are all different, with different coverage, eligibility and funding arrangements.

There has been discussion for well over a decade regarding the potential for the introduction of a carer credit or payment in the Australian superannuation system. A 2013 Australian Human Rights Commission (AHRC) report proposed either reforming the tax treatment of super, before introducing a system of carer credits, or introducing a system of carer credits into the super system as currently designed[20].

The 2016 final report (*"'A husband is not a retirement plan': Achieving economic security for women in retirement"*[21]) of the Senate Economic References Committee discussed the option of the introduction of carer credits in Australia and recommended that mechanisms for improving the retirement incomes of carer be further examined[22].

The Association of Superannuation Funds of Australia (ASFA), of which Rest is a member, has previously proposed a 'Super Baby Bonus' whereby government would deposit $5,000 into the super account of women, upon the birth or adoption of a child[23]. Women in Super, of which Rest is also a member, includes in its policy priorities an objective to 'value paid and unpaid care work more appropriately to improve the retirement outcomes of carers,' including a priority action to explore and implement a carer credit system[24].

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[16] We note that, in its March 2022 report Systemic, Sustained and Shameful: Unlawful underpayment of employees' remuneration, the Senate Economics References Committee recommended that the Government consider amendments to the *Superannuation Guarantee (Administration) Act 1992* to require Superannuation Guarantee payments to be made 'on every dollar earned, to achieve simplicity and ease of compliance.'
[17] As contained in the *Paid Parental Leave Amendment (Adding Superannuation for a More Secure Retirement) Bill 2024.*
[18] See Australian Human Rights Commission (AHRC) (2013). Investing in care: Recognising and valuing those who care. Chapter 11, page 53 onwards.
[19] See Myra Hamilton and Cathy Thomson, Cambridge University Press (2016). Recognising Unpaid Care in Private Pension Schemes.
[20] See footnote (18) above, pages 54-55.
[21] Senate Economics References Committee (April 2016). 'A husband is not a retirement plan': Achieving economic security for women in retirement. Pages 60-65.
[22] As above. See recommendation 5.58.
[23] ASFA (February 2022). ASFA calls for super baby bonus to address women's retirement savings gap.
[24] Women in Super (October 2024). 'Policy and advocacy priorities.'

Rest supports the further development of the notion of a 'Superannuation Carer Credit' which we believe, properly designed and implemented, could significantly assist in reducing Australia's gender super gap. We believe that any eventual carer credit should be broad, covering various forms of caring responsibilities (including parental responsibilities, caring for those with disability and caring for older Australians) and be funded by government.

Given the complexity of this area of policy reform, and as envisaged by Recommendation 5.58 of the 2016 Senate Economic References Committee report, Rest recommends that the Government commence a fulsome review and consultation concerning the introduction of 'Superannuation Carer Credits' in Australia. The review should closely engage with relevant stakeholders and consider the potential introduction of carer credits in the Australian context.

Recommendation 5: Commence a review to consider appropriate models for the introduction of 'Superannuation Carer Credits' in Australia, which would compensate workers for the lack of superannuation contributions due to time out the workforce engaging in unpaid caring work, closely engaging all relevant stakeholders.

6. Dealing with financial abuse in super

Under current arrangements, it is possible for a perpetrator of family violence to inherit their victim's superannuation benefits on their death (unless they are the direct cause of the person's death). Current superannuation laws require superannuation trustees to pay a death benefit to an eligible beneficiary, even where that beneficiary has a known history of abusing the deceased person. The current legal framework for the administration of super death benefits is clearly inadequate and leaves the potential for an abuser to benefit from their crimes.

Such a legal loophole is clearly out of step with community expectations and needs to change.

Rest supports industry calls for law reform and legal clarity so that superannuation trustees can withhold superannuation death benefits in situations of substantiated cases of family violence. ASFA, the Super Members Council (SMC) and Women in Super, each of which Rest is a member fund, have proposed options for law reform including:

- expanding the Forfeiture Rule to family violence-related crimes; and

- investigating legislative reforms which would allow superannuation trustees to withhold death benefits, in substantiated cases of family violence, noting that clear and robust evidence standards, judged by an independent body such as a court, would ensure fair process and procedural fairness[25].

The recent report of the Parliamentary Inquiry into the Financial Services Regulatory Framework in Relation to Financial Abuse[26] shone a light on the need for urgent reform to deal with financial abuse.

The Inquiry recommended that superannuation laws be reformed to provide a mechanism so that a beneficiary who has perpetrated domestic or family violence, including financial abuse and domestic violence-related suicide, against the superannuation account holder can be declared an invalid beneficiary of the account holder's superannuation death benefits[27].

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[25] ASFA, SMC and WIS (8 August 2024). Super Sector calls for urgent legal reform to stop abusers getting victims' super.

[26] Parliamentary Joint Committee on Corporations and Financial Services (December 2024). Financial Abuse: an insidious form of domestic violence.

[27] As above (footnote 26). Recommendation 10, at pages 59-60.

Recommendation 6: Reform the law so family violence perpetrators are not able to inherit their victim's superannuation benefits.

7. Action on First Nations disadvantage in superannuation

Rest recognises the role we can play in helping to achieve reconciliation in Australia and addressing inequalities that exist for our First Nations members. Rest estimates that we have tens of thousands of members who identify as Aboriginal or Torres Strait Islander[28], located in urban, regional and remote parts of Australia. We are committed to understanding the needs and experiences of our First Nations members so we can better design our products and services to help all our members achieve their personal best retirement outcomes.

We recognise the unique challenges facing our First Nations members that can affect their access to and experience of the superannuation system. First Nations members continue to have significantly lower super outcomes compared to non-First Nations members. Recent industry research revealed that the median super balance for a male First Nations member is $27,000 (compared to $80,000 for all men), and the median super balance for a female First Nations member is $20,000 (compared to $50,000 for all women)[29].

There are opportunities at a structural and system-wide level for improving outcomes for First Nations members. In doing so, we must understand and listen to First Nations voices and stories.

While there are a number of specific proposals for law reform which we believe must be pursued (including two items outlined below), we consider there is a need for a holistic strategy to guide efforts to close the gap for First Nations peoples in super and retirement outcomes; a 'First Nations Retirement Strategy'. Such a Strategy would consider, at a structural and system-wide level, the reforms needed to close the gap and improve the experience for First Nations peoples across the pillars of the retirement system.

The Strategy should be co-designed with First Nations peoples and other relevant stakeholders, including the super industry, should be consulted.

As part of the Strategy, and as referenced above, the Government should commit to a timeline for implementation of the following two outstanding reforms.

1. Firstly, Rest supports reforming super binding death benefit nomination arrangements (and associated taxation arrangements) to recognise kinship structures for First Nations peoples.

   Under current arrangements, binding and non-binding superannuation death benefit nominations can only be made to a legal personal representative or a dependant. A dependant is a spouse, child or 'any person with whom the person has an interdependency relationship[30].

   There are a number of tests for an interdependency relationship[31]. However, the tests don't directly address or guarantee the inclusion of First Nations kinship structures, which include broader notions of relationships to others and land. These collective structures are important to First Nations cultural identity[32].

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[28] Rest research, commissioned in 2022.
[29] ASFA (July 2024). ASFA Research Note: Superannuation balances of First Nations individuals.
[30] Section 10(1), *Superannuation Industry (Supervision) Act 1993.*
[31] Section 10A, *Superannuation Industry (Supervision) Act 1993.*
[32] Australian Institute of Superannuation Trustees (AIST) (2023). 2023-24 Pre-Budget Submission to the Assistant Treasurer and Minister for Financial Services. Page 8.

Following a recommendation to Government in the Final Report of the Financial Services Royal Commission[33], in March 2019 Treasury released a discussion paper *Superannuation binding death benefit nominations and kinship structures*[34] seeking views on what, if any, changes are needed to address how First Nations kinship structures are treated by laws relating to superannuation death benefits.

The discussion paper provided some illustrative examples of how the current laws could impact First Nations peoples. For example, a young adult who nominates their brother to receive their superannuation death benefits, consistent with expectations of community kinship structures, has the nomination deemed invalid by the super trustee because the brother does not fall under the legislative definition of 'dependant'.

To date, the outcomes from the Treasury consultation from 2019 have not been released, and there has been no further progress in relation to this important reform.

2. Secondly, Rest supports the Government, together with industry stakeholders, engaging in meaningful dialogue and consultation with First Nations peoples to explore reform options to address inequities related to the current preservation age and the lower life expectancy of First Nations peoples.

   A member is generally eligible to access their super once they have permanently retired and are between the ages of 60 and 64 years old. At the age of 65, members have full access to their super benefits. The qualifying age for the Centrelink Age Pension is 67. However, due to the considerably lower life expectancy of First Nations peoples, compared to non-First Nations peoples, we know that many First Nations peoples do not live long enough to access their super or the Age Pension, leading to significant disadvantage.

   Research has shown that 93% of non-First Nations Australian men and 96% of non-First Nations Australian women are projected to live to access to their super at the preservation age of 60 years. Research reveals that, to set a preservation age for First Nations peoples that would allow the same proportion to access their super, this age would need to be about 14 years earlier, at 46 years for both First Nations men and women[35].

   There is an important conversation to have to consider reform options to address these inequities related to the preservation age and lower life expectancy of First Nations peoples.

Recommendation 7: Co-design with First Nations peoples (and consult with other relevant stakeholders including the superannuation industry) the development of a holistic 'First Nations Retirement Strategy', with such a strategy to consider reforms needed within the retirement system to close the gap in outcomes for First Nations peoples. Appropriate funding for the Strategy's development and implementation should be provided by Government.

As part of the Strategy, Government should commit to a timeline for implementation of the following reforms:

a) reforming superannuation binding death benefit nomination arrangements (and associated tax arrangements) to recognise kinship structures for First Nations peoples; and
b) exploring reform options to address inequities relating to the current preservation age and the lower life expectancy of First Nations peoples.

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[33] Financial Services Royal Commission (2019). Final Report. Vol 1, page 254.
[34] Treasury (2019). Superannuation binding death benefit nominations and kinship structures.
[35] Bankwest Curtin Economics Centre (May 2020). Aboriginal and Torres Strait Islander Australians and the Superannuation System. Page 53.

8. Supporting the transition to a Net Zero future

Rest believes that climate change poses a material financial risk to our members' retirement savings, and that actions to manage against these risks provide investment opportunities as the world transitions to a low-carbon economy. Rest has a long-term objective to achieve a net zero carbon footprint for the fund by 2050.

Around 75% of Rest's members will retire into a post-2050 world, and we understand the need to manage the financial risks posed by climate change to our members' retirement savings, while taking advantage of the opportunities as the world transitions to a low-carbon future. In a recent Rest member survey, 86% of our members said it is important that we invest in and support renewable energy and other sustainable initiatives[36].

We understand the Government is in the process of determining its 2035 Australian emissions reduction target, or 'Nationally Determined Contribution' (NDC), pursuant to the terms of the Paris Agreement, in addition to finalising its Net Zero Plan and sector decarbonisation plans.

NDCs, together with supporting policy frameworks, play an important role in portfolio construction and investment decision-making. It is materially important for investors like Rest to have an ambitious, Paris-aligned and scientifically backed Australian 2035 NDC, with supporting policy frameworks.

Ambitious economy-wide emission reduction targets supported by the overall Net Zero Plan and robust sector-by-sector decarbonisation plans, alongside an Australian Sustainable Finance Taxonomy, will help reduce concentration risk and facilitate diversified investments across a whole-of-economy investment portfolio.

Accordingly, we support the Government establishing an ambitious 2035 target and prioritising the release of the Net Zero Plan and sectoral decarbonisations plans.

Recommendation 8: Establish an ambitious, Paris-aligned and scientifically backed 2035 Australian Nationally Determined Contribution (NDC) in order to ensure an orderly transition to a Net Zero economy, and prioritise the release of the Net Zero Plan and robust sectoral decarbonisation plans to give investors the certainty needed to allocate capital in support of the transition.

9. Accelerating investment in Australia's housing supply

Access to affordable, safe and secure housing is an important issue for Rest. The COVID-19 pandemic demonstrated the importance of essential frontline workers, including retail workers, to the wider community and the economy. Yet our members, particularly retail workers, are disproportionately impacted by the lack of housing, specifically due to the prevalence of part-time, casual and seasonal work patterns in the retail sector. These arrangements can lead to variable income, making it harder to accumulate a deposit, rental bond or to have certainty of employment and income.

Rest members over the age of 50 are more likely than the general population to be single, renting or still paying a mortgage, and on average have less wealth outside superannuation. The availability and affordability of housing is undoubtedly a significant contributor to the retirement outcomes of our members, a factor acknowledged in the final report of the Retirement Income Review in 2020.

[36] Research conducted by Redbridge Group, on behalf of Rest, via an online survey of 2,304 Rest members aged 18 and above between 1 July and 16 July 2024.

Rest is a signatory to, and strong supporter of, the Commonwealth Government's Housing Accord and supports the Housing Australia Future Fund (HAFF). We take seriously our commitments under the Accord to work constructively with government to optimise policy settings to facilitate institutional investment in housing, and to increase our investment in housing where it is in the best financial interests of our members to do so.

There is a significant opportunity for the Government to work to reduce the risk profile of housing-related investments, thereby making them more attractive to institutional investors, particularly when compared to alternative investment options. We acknowledge the significant work underway by the Commonwealth, State and Territory Governments in this regard.

Rest recommends that the Commonwealth Government, working with State and Territory Governments, prioritise the following three actions[37].

1. Improving planning and zoning systems for large-scale housing projects (including quicker decisions, higher certainty of planning outcomes and density/floor space bonuses) and increasing land-availability pipelines for housing projects[38], while maintaining an important focus on ensuring housing projects are sustainable and energy efficient.

2. Reviewing and standardising definitions relating to social and affordable housing, to provide a comparable and level-playing field for investors across jurisdictions. This should include a national definition of essential workers, which includes retail workers, who are eligible for affordable housing[39].

3. Reviewing and improving the regulatory and taxation environment applying to housing investments by super funds, including improvements to the Performance Test through the creation of additional benchmarks more appropriate to residential property investment[40], and consideration of more beneficial taxation arrangements (for example, GST treatment for dwellings that deliver affordable housing).

We consider that these three actions will go a significant way to removing barriers which have stood in the way of institutional capital being deployed, at scale, to deliver strong risk-adjusted returns for super fund members, while helping to alleviate some of our nation's housing challenges.

Recommendation 9: Accelerate current work with State and Territory Governments to prioritise policy changes to encourage institutional investment in housing supply, including:

a) improving planning and zoning systems and increasing land-availability pipelines for large-scale housing projects;
b) reviewing and standardising definitions relating to social and affordable housing, including a national definition of essential workers, which includes retail workers, who are eligible for affordable housing; and
c) reviewing and improving the regulatory and taxation environment for housing investments.

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[37] Some of these actions were also proposed by the Interim National Housing Supply and Affordability Council's July 2023 Report to Government, Barriers to Institutional Investment, Finance and Innovation in Housing.
[38] See also: IFM Investors (December 2024). Investing in Australia: Accelerating industry super investment and growing Australia's housing supply.
[39] Further detail on this, and other related proposals, can be found in the John Curtin Research Centre's April 2023 Policy Report, Super Solutions: Tackling Australia's Housing Affordability and Supply Crisis.
[40] Rest's April 2024 submission to Treasury regarding potential changes to the Performance Test can be found here.

10. Continuing and prioritising the next phase of the Sustainable Finance Agenda

Rest strongly supports the Commonwealth Government's sustainable finance agenda, including the work on the Sustainable Finance Strategy[41], Sustainable Finance Taxonomy, the now-legislated Climate-related financial disclosures framework[42] and the Sovereign Green Bonds program. These workstreams are important for mobilising private sector investment in support of Australia's emissions reductions targets and transition to a low-carbon economy.

The role of Government in setting appropriate policies and frameworks to support these objectives is crucial, and we acknowledge the significant progress on these initiatives to date. We also acknowledge the resourcing required within Government to progress this important work.

Rest supports the 'climate first' approach (including considerations of biodiversity and the social and economic impacts of climate change on affected workforces and communities) to sustainable finance reforms. Treasury's consultation paper on the Sustainable Finance Strategy also acknowledged that markets are increasingly focussed on sustainability issues beyond climate change[43].

We welcome the Government's Sustainable Finance Roadmap[44] for the first phase of the climate-related sustainable finance reforms. While maintaining the priority on climate-related reforms, Rest would encourage the Government to set out a further roadmap (and provide resourcing within Government) that addresses other environmental and social focus areas as part of the next phase of the sustainable finance agenda. In this context, as a super fund representing young workers, women, low-income earners and workers engaged in part-time or casual jobs, Rest would welcome a focus on issues related to decent work and social and economic inequality[45] as part of any roadmap.

Recommendation 10: Outline a more detailed roadmap and provide appropriate funding for the next phase of the sustainable finance agenda, including a focus on decent work and social and economic inequality.

Conclusion

Rest values the opportunity to provide a 2025-26 Pre-Budget Submission. We would welcome the opportunity to further discuss any matters outlined in this submission.

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[41] Rest's December 2023 submission regarding the Sustainable Finance Strategy can be found here.
[42] Rest's February and July 2023 submissions regarding Climate-related Financial Disclosure can be found here and here.
[43] Treasury (2023). Sustainable Finance Strategy Consultation Paper.
[44] The Treasury (June 2024). Sustainable Finance Roadmap.
[45] Including areas dealt with by UN Sustainable Development Goals 5 (Gender Equality), 8 (Decent Work and Economic Growth) and 10 (Reduced Inequalities).

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Retail Employees Superannuation Trust ABN 62 653 671 394
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PO Box 350 Parramatta NSW 2124