Rest Submission - Guidance on best practice principles for superannuation retirement income solutions - Consultation paper, August 2025

Rest welcomes the opportunity to provide a submission in response to the consultation on the best practice principles for superannuation retirement income solutions (the principles) that intend to provide guidance for trustees of registrable superannuation entities (trustees) on the design and delivery of high-quality retirement income solutions to their members.

Rest is one of Australia's largest superannuation funds, with over two million members – or around one-in-seven working Australians – and over $100 billion in assets under management. We represent around one million members under the age of 30, who are decades from retirement. 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.

With Rest's unique demographic and member profile, we are able to provide a perspective on the proposed best practice principles that reflects the many Australians who have lower balances at retirement, as a result of lower incomes, broken work patterns and part-time and casual work.

Executive summary

Rest believes that the superannuation system should work together with the Age Pension and other structures to provide a dignified retirement, even for people who do not own their own home and will rely on Government income support throughout retirement.

Australia's retirement system is based on three pillars: a means-tested Age Pension, compulsory superannuation, and voluntary savings, including home ownership. Retirement outcomes that support dignity and financial security require these three pillars to work together.

Superannuation balances are the product of working life experiences, and many Rest members end up with lower balances as a result of inequities (including social and economic). The superannuation system is not able to remedy these inequities alone. The overall retirement income system must operate together in such a way to support these members. Rest believes that the Best Practice Principles as drafted should better acknowledge the role of the other two pillars to deliver dignity in retirement for many of Rest's members.

Given there are still large numbers of people reaching retirement with lower balances (and noting that the system is still decades away from achieving true maturity), as shown by analysis of Rest's membership below, we are concerned that the drafted Best Practice Principles are overly focused on 'best practice' for members retiring with higher balances, and that the principles have been designed with assumptions about account balances, member behaviours, and retirement that don't represent the reality for many working Australians.

This submission makes the following recommendations, and in the pages following, we provide insights to support them. We welcome the opportunity to discuss any matter further.

Recommendations

1. Enhance the Best Practice Principles by providing clarification that:
   a. ‘providing members with access to’ does not require a trustee to create a product, but that when guidance and advice lead to a recommendation, that the trustee can support a member to source and enter a product with another provider.
   b. while trustee-designed options can be created, and provided as information to members, that such options are not expected to be ‘default’ arrangements where trustees make decisions for their members about product selection or draw-down rates.
   c. the obligation of trustees to take into account different member demographics when developing retirement income solutions, and that the solutions that trustees create are developed consistent with the best financial interests of the members of the fund as a whole.
   d. when considering lifetime products, trustees should acknowledge the interaction between the three pillars of the retirement system, and in particular that the age pension will be a consideration in designing the products offered to the membership.

2. Amend the principles as follows:
   a. Remove Principle 4, as the inclusion of specifically ‘at least three cohorts’ is overly prescriptive and not aligned with a principles-based approach. In addition, there are existing obligations under APRA SPS 515 *Strategic Planning and Member Outcomes* (paragraph 26) and guidance provided by APRA on the Retirement Income Covenant on cohort development.
   b. Redraft Principle 5 to reflect that trustees should provide their members with access to an income stream, including an account-based pension, the ability to access lump sums, and a lifetime income product should it be appropriate for their needs.
   c. Amend principle 17 to reflect an expectation that trustees periodically engage with members in a retirement income product to prompt them to review that it is still meeting their needs.

3. Consider further Government policy changes as follows:
   a. Engage in consultation regarding a data-sharing framework between government agencies and super funds.
   b. Enhancements to superannuation income streams including reforms to enable members to continue to make contributions into a product that is paying a retirement income and streamlining of the transition from accumulation to retirement phase.

Rest members and retirement

Rest's membership is younger, has lower balances, and lower home ownership rates than industry averages[1]:

- Of Rest's more than two million members, only 17 per cent (343,000) are aged 50 and over, and 8 per cent (159,000) are aged 60 and over.
- Rest members have some of the lowest superannuation balances in the industry[2]. APRA statistics show that Rest members aged 60-69 have an average balance of just $115,000 (and a median balance considerably lower at $56,000). This is less than half the $238,000 average balance of 60-69 year old members in the other largest 10 industry funds (by number of members).
- Nearly 30 per cent of Rest's approximate 91,000 members aged 60 and over still receiving Superannuation Guarantee contributions, do not have the security of home ownership. Only 52 per cent own their home outright with no mortgage, and another 19 per cent still have a mortgage[3].

Rest members in an account-based pension are using their superannuation for regular income, and frequently draw down higher than the minimum:

- 72 per cent of Rest Pension members aged 60-69 take higher than minimum drawdowns from their account.
- Over FY25, Rest Pension members aged 60-69 drew down 8.7 per cent of their total balances, compared to the minimum drawdown rates of 4 per cent (members aged 60-64) and 5 per cent (members aged 65-69).
- In any month, a further 4 per cent of Rest Pension members will make a lump sum withdrawal from their account.

Rest members with higher balances are more inclined to move into an income product[4]:

- Members aged 60 and over who still have their balances in accumulation have a median balance of just $44,000, while those in a Rest pension account have a median balance of $176,000, reflecting that members with higher balances are more inclined to move into pension phase.

[1] Rest member data, September 2025
[2] APRA Quarterly Superannuation Statistics (June 2025)
[3] Rest Retirement survey (August 2024)
[4] Rest member data, September 2025

Responses to the draft best practice principles

Understanding members' retirement income needs

Rest supports the principle that trustees should undertake research to understand their member base, and to use available data and behavioural research to ensure that information, strategies and guidance services are meeting members' needs.

There are significant challenges to identifying members who are at or approaching retirement due to the modern flexible nature of retirement. Work patterns can be inconsistent towards the end of working life, and the process to fully stopping work can take several years, incorporating reduction in hours and work breaks, which make identification of retirement by funds, largely relying on superannuation contribution patterns, difficult.

Funds also have limited means to build reliable data on members' household circumstances that can significantly influence their needs in retirement, such as home ownership, partner status, disability or health issues, and other financial obligations. While this information can be collected when a member seeks advice, until this point member data can be very limited, and therefore restricts the ability of trustees to design tailored services for the majority of members. This is not to exclude the ability of trustees to develop cohorts with tailored retirement income solutions into which members may self-select.

Furthermore, the collection and use of individual member data by funds is limited by obligations that trustees have under the Privacy Act. For example, trustees must be able to disclose to members at the time of collection what data will be used for, and not use any data collected for purposes outside that disclosed use. Thus, where data is collected that may be relevant to providing guidance or services related to retirement, those services may need to be identified at the time. This may be difficult in the context of superannuation, where a member may have a relationship with the fund for decades.

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. This would need to include 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.

Availability of deeper, more accurate and more current member data would enable better cohorting and improve the ability of funds to tailor services and solutions for their members.

Whilst we acknowledge the importance of grouping members, and that any cohorting exercise is unlikely to result in less than three cohorts, the inclusion of specifically 'at least three cohorts' in the Best Practice Principles is overly prescriptive and not aligned with a principles-based approach. Furthermore, there are existing obligations under APRA SPS 515 *Strategic Planning and Member Outcomes* (paragraph 26) and guidance provided by APRA on the Retirement Income Covenant.

We believe that the addition of a specific principle on requirements regarding cohorts is duplicative and therefore not required.

Designing the elements of a quality retirement income solution

For the majority of Rest members, due to lower balances, the need to pay down debt at retirement, and a lower rate of home ownership, the flexibility provided by an account-based pension is appropriate for their needs. This ensures that they have access to an income that supplements the Age Pension, and concessional taxation, while retaining capital for emergency expenses. Our research shows that a proportion of lower balance retired Rest members prefer to maintain their super in the accumulation phase, despite the tax benefits available in pension, due to their desire to maintain an 'emergency fund' that may be drawn upon in times of need.

Research on our members in account-based pension shows that 57% (and 72% of members aged 60-69) draw down income greater than the legislated minimums, indicating that they are making decisions about their income levels based on their needs.

For members that obtain personal advice from Rest, where it is identified that a longevity protection product provides a solution that meets their needs, Rest advisers can recommend an appropriate product from an external provider to address that need.

Rest acknowledges some retirees will benefit from longevity protection products, but that take-up of existing products in the market has been low, even for funds with internal financial advisers and access to external advisers, and that a number of products have been closed to new members. This has likely been influenced by a number of factors, including market conditions, the complexity of longevity solutions and how to integrate them into a 'retirement portfolio', individual desires regarding flexibility, and the role of guidance in managing longevity risk. For many Rest members, a key factor is simply that their balances do not warrant the purchase of such a product.

Beyond this, for funds like Rest with relatively smaller numbers of people in and approaching retirement and with significantly lower balances, the investment to develop a longevity product internally, even in a partnership with a provider, can be prohibitive, given the probable low adoption, and in fact, not in the best financial interests of the members of the fund.

For these reasons, we believe that listing of a lifetime product as the first of a list of products in the Best Practice Principles, which implies that it is of greater importance than an account-based pension product, is inappropriate as a broad principle. Lifetime products meet specific needs for certain members with typically higher balances, and should not be considered the first priority for all Australians. The Best Practice Principles in this section, despite being voluntary, appear highly prescriptive about a trustee's approach to income solutions design, and do not allow sufficiently for differences in member demographics.

We would support an approach in this section that reflects that trustees should provide their members with access to an income stream, including an account-based pension, the ability to access lump sums, and a lifetime income product should it be appropriate for their needs.

We recommend that Principle 5 be expressed as follows:

> Best practice for designing the products and product settings to build quality retirement income solutions means a trustee will:
>
> 5. Provide their members with access to income from their superannuation benefit, including:
>
>   i. An account-based pension
>   ii. The ability to access lump sums
>   iii. A lifetime income product should it be appropriate for their needs.

Members for whom a lifetime product is appropriate have access to affordable advice at Rest, and where a lifetime product is the best decision for that member, the advice reflects this and provides the ability to access an external product. The Best Practice Principles would be enhanced by clarification that 'providing members with access to' does not require a trustee to create a product, but that when guidance and advice lead to a recommendation, that the trustee can support a member to source and enter a product with another provider.

Additional clarity is also required regarding trustee-designed options, and the principles should confirm that while trustee-designed options can be created, and provided as information to members, that such options are not expected to be 'default' arrangements where trustees make decisions for their members about product selection or draw-down rates. Decisions and selection of options must always remain in the hands of the member, given trustees' potential limited access to information about their household and other circumstances.

Account-based pension improvements

While noting the importance of account-based pensions for our members, Rest also believes that improvements to the design of retirement products would enhance members' retirement outcomes by simplifying processes and reflecting the modern patterns of working life, and commencement of retirement.

We understand that many of our members do not transition to retirement at a single point in time, but have patterns that may include reducing hours, changing jobs, breaks to manage caring responsibilities, or taking on part-time work to supplement income. Members may also return to work after an initial retirement period or have access to additional funds and wish to make further contributions to superannuation.

This reality of these 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, and assumes a 'clean' commencement of retirement.

Rest believes that modernisation and simplification of the regulatory framework to meet the needs of working Australians is necessary, including consideration of the ability to continue to make contributions into a product that is paying a retirement income, and streamlining of the transition from accumulation to retirement phase.

Rest supports reforms that would allow members to commence receiving income from their superannuation account without having to close their accumulation account and open an income stream account and allow them to retain the ability to continue to receive contributions into the same account. Rest recommends that the Government engage in consultation on this proposed “one account” approach.

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. Simplification of the retirement system in this way would also be consistent with the Federal Government’s focus on lifting productivity by removing regulatory obstacles. This change would not only simplify the system but provide flexibility and choice for retirees to manage their retirement income streams, reduce the need for multiple superannuation accounts and enhance later-life workforce participation.

Constructing retirement income solutions that meet members needs

Rest supports the principle that trustees should have designed solutions and options available to members that can be incorporated into information and guidance to support members as they make decisions about their retirement. These options should consider the demographics of identified cohorts, based on available data and trustees’ understanding of their membership.

As outlined above, we would like to see clarity that while trustee-designed options can be created, and provided as information to members, that they are not expected to be ‘default’ arrangements where trustees make decisions for their members about product selection or draw-down rates. The selection of options must always remain in the hands of the member, given trustees’ potentially limited access to information about members’ household circumstances.

Furthermore, it is implied in these principles by the prioritisation within them that a lifetime product is the ‘best option’ for all, and as detailed earlier in this submission, this may not be the case for the majority of Rest members.

These principles establish an expectation that trustees will be developing and putting to market innovative lifetime and blended lifetime/ABP products. For funds like Rest with smaller numbers of people in and approaching retirement (relative to the overall membership base), the investment to develop a product internally, even in a partnership with a provider, can be prohibitive given the probable low adoption, and in fact, not in the best financial interests of the members of the fund. Funds must have the ability to make decisions about product development with a whole-of-fund perspective and not be compelled to develop products with limited take-ups rates.

We recommend that the principles better reflect the obligation of trustees to take into account different member demographics, when developing retirement income solutions, and that the solutions that trustees create are developed consistent with the best financial interests of the members of the fund as a whole.

We also recommend that the principles relating to lifetime products acknowledge the interaction between the three pillars of the retirement system. In particular, that the age pension will be a consideration of trustees in designing the products offered to the membership.

Supporting member engagement with retirement income solutions

We agree with the principles that trustees should support members by providing forecasts or projections, as well as access to calculators, and provide relevant information and tools to help prepare for retirement. It is our experience that members are increasingly seeking this information from their superannuation fund, and we strongly believe that funds are well-placed to provide valuable and affordable information, guidance and advice to assist members as they approach and experience retirement.

This is why Rest has strongly supported the proposed Delivering Better Financial Outcomes (DBFO) financial advice reforms, which we believe will increase our ability to provide accessible and affordable guidance and advice to our members, increasing their knowledge and confidence to enable them to make decisions that lead to better retirement outcomes.

Therefore, Rest supports the draft Best Practice Principles in this section overall and encourages Treasury to urgently progress the DBFO reforms to enable trustees to execute on these principles as a priority.

However, we believe that Principle 17 as drafted (*Notify members who have withdrawn the minimum drawdown rate amount for three consecutive years about their ability to draw down at a higher rate*) is too prescriptive for a principles-based approach, and should be amended to reflect an expectation that trustees periodically engage with members in a retirement income product to prompt them to review that it is still meeting their needs. This could be supported by projections about the effects of their current drawdown rate.

Review and improve

The principle that a trustee will use data to review and improve solutions and guidance is appropriate and reasonable. We note that this is already part of a trustee's obligations under APRA's SPS 515 *Strategic Planning and Member Outcomes* (paragraph 10) and would be part of business processes in developing and implementing an effective Retirement Income Strategy.

Conclusion

Rest values the opportunity to engage in this consultation. We welcome Treasury's interest in, and the objective to support the retirement system to deliver dignified retirement.

As noted in this submission, the reforms proposed in Tranche 2 of the DBFO package are vital for Rest to deliver more accessible and affordable guidance and advice to our members that will in turn support our ability to provide enhanced information, guidance and services to our members to improve their retirement outcomes. We therefore encourage Government to urgently progress these reforms.

We believe that the Best Practice Principles should follow from the DBFO reforms, to provide trustees with the ability to deliver on these principles. And also, that the Retirement Reporting Framework should only be finalised once the principles are established, to ensure alignment and a streamlined transition to enhanced reporting.

We would welcome the opportunity to further discuss any matters outlined in this submission at your convenience.

Submitted 18 September 2025

Appendix - Rest's retirement income strategy

Rest's retirement income strategy is targeted at balancing the three objectives of the Retirement Income Covenant of maximising expected retirement incomes, managing risks that may impact retirement incomes, and providing flexible access to funds. We aim to empower and help our older members take action to achieve their personal best retirement outcomes by:

1. Building tailored experiences that are simple and relevant to our members' situations and lifestages.
2. Delivering guided help and support through the engagement of members at the right time in the right way, providing educational content, tools, advice, and other services to help navigate retirement, as well as guiding members to retirement income solutions that suit them.
3. Relevant product solutions with competitive fees and long-term performance, and the flexible options that meet Rest members' needs.

We aim to ensure the engagement and preparedness for retirement of our members aged 50 and over across three lifestages (RIS sub-classes):

1. Late Accumulation (members aged 50-59)
2. Approaching Retirement (members aged 60 and over in accumulation with Super Guarantee contributions)
3. Stopped Working (members aged 60 and over in accumulation with no Super Guarantee contributions, plus Rest Pension members)

The objective is to help members progress from simple engagement to accessing content to build understanding, seeking help, guidance and advice, and consequently taking action to access the appropriate retirement solution for their circumstances.

We believe this approach is suitable for the majority of Rest members who, as we have noted, are generally lower balance and may have lower levels of superannuation and retirement understanding, and less confidence in accessing the help that Rest can provide and undertaking the actions that will improve their retirement outcomes.

Our understanding of our members and their needs, as well as the development of the Retirement Income Strategy, has been informed by a range of data, research, and insights, including the member data held in our databases, bespoke surveys, Net Promoter Score and CSAT measures, complaints data, communications performance indicators, contact centre interactions, and relevant external research. Where relevant, Rest member data is built into a range of data dashboards to allow for direct access and analysis and to improve decision making.