

HESTA consultation submission

Guidance on best practice principles for
superannuation retirement income solutions

September 2025



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impact

About HESTA

HESTA is a profit-to-member industry super fund investing more than \$98 billion on behalf of more than one million members, who work predominantly in the health and community services sector. Our purpose is to invest in and for people who make the world better.

HESTA members are around 80% women, many who work in Health and Community Services (HACS). Many members earn low to middle incomes, have lower than average superannuation account balances, higher than average levels of part time or casual work, and who may, on average, leave work earlier to care for others. Our members take up of retirement products is comparatively lowⁱ. Given our membership, HESTA is uniquely positioned to understand the retirement journeys and needs of women and low to middle income Australians. HESTA continues to focus on delivering the best possible retirement offering for its members, in alignment with HESTA's strong member focus.

We support the Best Practice Principles (BPP) approach as they help paint the picture of what good retirement solutions look like. Below we focus on specific issues which we think would help give greater clarity to the BPP rather than addressing each consultation question – mainly because we recommend that BPPs be developed only once appropriate member support tools are in place.

The fundamental challenge in retirement is not low member drawdown rates, but the slow take-up of retirement products

The Consultation Paper notes the superannuation system is characterised by low drawdown behaviours, with many retirees not efficiently maximising their superannuation. This is not reflected in HESTA member data - of our members who are in a retirement product, the majority (64 percentⁱⁱ) are drawing down more than the minimum.

The fundamental retirement challenge is the slow take-up of retirement products. There has been only a 13 per cent growth in the number of retirement accounts over 3.5 years to December 2024, with the slow up-take impacting members' retirement outcomesⁱⁱⁱ. This is why we recommend the BPP be developed after appropriate member support tools are in place.

HESTA recommends the principles better reflect member demographics

It is important principles regarding the retirement system reflect a broad range of member demographics. Our members face significant challenges in their working lives and in retirement including working for lower wages, taking career breaks and at times experiencing involuntary retirement. Principles also help to focus on outcomes and enable flexibility and innovation, rather than prescribing how to achieve an outcome. Amendments or clarifications that would support this include:

- Update principles 5, 6 and 9 so there is no implication *all* members must be offered a lifetime income product (that is not the Age Pension), and to reflect consideration of a member's potential Age Pension eligibility.

- Our research^{iv} of members at preservation age and above shows that 43 per cent expect to receive a full age pension and 24 percent a part-time pension.
- Update principle 4 to reflect the intent that funds understand their member needs, giving funds flexibility to select the number of cohorts relevant to their membership demographics, rather than the arbitrary requirement of 'at least three cohorts'.
- Regulatory assistance regarding implementation of draft Principle 7 – providing access to an account-based pension component irrespective of balance. Clarity is needed around balancing this with cross-subsidization between members.

HESTA recommends the Best Practice Principles only be developed once appropriate tools are in place that allow funds to best support members

Supporting members into retirement income products

To support improved member outcomes in retirement, funds need to have tools in place to best support members, including reforms that HESTA has advocated for:

- Streamlining of the member retirement experience to reflect modern practices:
 - Enabling top-ups to Retirement Income Streams to reflect people coming in and out of retirement.
 - Enabling 'cash' reserve components in the retirement phase to support access to emergency money for those who need it.
- Implementation of the proposed Delivering Better Financial Outcomes Bill, incorporating HESTA's recommended amendments:
 - Targeted Super Prompts ('nudges') to actual products, for members who *could be engaged*.
 - Default retirement solutions for members who are *not engaged*.

Tools needed to underpin specific draft Best Practice Principles

Regulatory changes regarding retirement calculators and retirement projections are needed to better enable funds to provide a meaningful experience for members (and meet principle 12 to support members to understand their retirement income needs through forecasts and projections).

Examples (as outlined in our February 2024 Superannuation in Retirement submission^v) include:

- Members be given the option of selecting a fund's member investment choice options (rather than a generic choice) to understand the impact on retirement calculations, without this being seen as 'personal advice'.
- Funds be able to include 'calls to action' next to calculators (e.g., make additional contributions) without this being seen as 'personal advice'.

HESTA recommends Treasury lead the development of a consolidated whole-of-government Superannuation Data and Reporting Framework

While the draft Best Practice Principles are not seeking the collection of data, they are tied to the concepts within Treasury's Retirement Reporting Framework consultation. There are also expected consultations involving data and reporting requests, including upcoming mandatory member service standards, retirement service metrics, and reviews of both ASIC's Regulatory Guide 97 (Disclosing fees and costs in PDSs and periodic statements) and the Performance Test.

A whole-of-government Superannuation Data and Reporting Framework would help remove duplication, promote efficiency, and increase transparency and clarity for members. To support development, HESTA recommends the establishment of an Industry Advisory Group and would welcome the opportunity for a HESTA representative to be involved.

ⁱ SuperRatings Pension Benchmarking Report 2025.

ⁱⁱ HESTA data at 31 March 2025.

ⁱⁱⁱ Data from the APRA Retirement quarterly statistics (December 2024) demonstrates that the take-up of retirement products is very slow – with only a 13 percent growth in the number of retirement accounts over 3.5 years to December 2024.

^{iv} HESTA Income Stream research 2024.

^v HESTA, Superannuation in Retirement submission February 2024 available at <https://www.hesta.com.au/about-us/super-with-impact/advocating-for-change>

