

# Australia's Retirement Income System

Public Policy Statement

October 2025



# Designing Adequate Retirement Incomes for an Ageing Australia

## Context

Having a robust and effective retirement income system is crucial for the wellbeing of retirees. While the current Australian retirement income system is sound and broadly sustainable, it is widely recognised that there is scope for reform to improve retiree outcomes.<sup>1</sup>

This Public Policy Statement highlights key public policy positions of the Actuaries Institute ('the Institute') relating to Australia's retirement income system, including aspects we strongly support as well as suggesting areas for improvement. Their intent is to maintain and enhance the Australian retirement income system, leading to a system that is clear in its objective, delivers adequate retirement incomes, is efficient and improves equity across and within different generations.

While many key topics such as housing affordability and aged care also closely influence the wellbeing of retirees, this Public Policy Statement focuses on the key pillars of Australia's retirement income system — the Age Pension, compulsory superannuation (the Superannuation Guarantee), and voluntary savings. It also references two additional pillars of Australia's retirement income system — accessing equity in the family home (or other property) and work options in the retirement phase.

Group insurance in superannuation is also a critical feature of Australia's retirement income system and is covered in the separate [Group Insurance in Superannuation Public Policy Statement](#).

## About Public Policy Statements

The Actuaries Institute in Australia provides a comprehensive framework of professional standards and guidance to ensure high standards of practice. In addition, we provide expert commentary on public policy issues where there is uncertainty of future financial outcomes.

Our public policy initiatives seek to shape society in the areas of sustainable community outcomes, climate change, technological transformations, and societal challenges. The Institute's policy principles guide the development of our public policy-related content, including thought leadership publications, Public Policy Position Statements, and submissions. These materials demonstrate how actuaries, as a profession, serve the public interest and use data for good.

Our Public Policy Statements present the Actuaries Institute's current standing on important public policy issues. Our Statements are "living documents" and are refined and updated as required by the changing policy environment, but do not constitute professional standards or guidance.



<sup>1</sup> For example, see key observation 1, page 17 of the *Retirement Income Review - Final Report* (The Treasury, 2020), and [Options for an Improved and Integrated System of Retirement](#) (Actuaries Institute Green Paper, 2019), and the [Mercer CFA Institute Global Pension Index 2024](#).

# Public Policy Position

The Actuaries Institute:

- 1 Supports there being an objective for Australia's retirement income system as a whole**, building on the legislated objective and role of superannuation by adding the other pillars, to ensure Australians have income for a dignified retirement in an equitable, sustainable, and cohesive way.
- 2 Supports a simpler and more integrated retirement income system** to improve people's understanding of and engagement with retirement, including by simplifying means testing for the Age Pension and its interaction with the aged care system.
- 3 Advocates for the efficient use of superannuation savings for retirement** through further policy, regulatory, and industry advancement that addresses both supply and demand side factors.
  - a. **Supply side advancements include:**
    - i. **Enhanced Retirement Income Covenant implementation** through the development and use of member-focused outcomes rather than product-focused retirement assessments.
    - ii. **Lifetime income product development and innovation**, and consistent, transparent, and comparable disclosure of these products to consumers.
    - iii. **Inclusion of key retirement topics in continuing professional development requirements for superannuation professionals and advisers**, such as retirement planning at a household level, longevity literacy, and the different types and uses of retirement income products.
  - b. **Demand led advancements include:**
    - i. **Framing superannuation as savings to be drawn down to deliver retirement income**, shifting the superannuation narrative from lump sum accumulation to retirement income provision.
    - ii. **Policies and incentives that encourage more Australians to consider lifetime income streams** where appropriate for them.
    - iii. **Support for all Australians to easily access appropriate help, guidance, and advice at an affordable price**, in one form or another, on retirement matters. This could be enabled through a robust consumer data-sharing framework across the retirement income system.
    - iv. **Enhanced financial tools to deliver advice and guidance** to consider retirement-related risks, including investment, inflation, and longevity, as well as eligibility for the Age Pension and likely aged care needs and assistance.
- 4 Supports the delivery of adequate retirement savings through the Superannuation Guarantee** design of 12 per cent contributions, preserving superannuation for retirement with limited exceptions, and extending Superannuation Guarantee coverage.
- 5 Supports measures to improve the supplementation of retirement savings** through casual and part-time work in the retirement phase and for safe and flexible access to home equity.
- 6 Supports and advocates for improving equity in the retirement income system**, including through appropriate targeting of superannuation tax concessions and measures that support vulnerable groups such as renters, women, carers, and those not covered by the Superannuation Guarantee.

# Public Policy Position – Supporting Detail

## Support the objective

### 1 Supports there being a clear objective for the retirement income system as a whole.

- a. The Institute welcomes the legislated objective of superannuation that is framed in the context of the retirement income system by stating the objective of superannuation is “to preserve savings to deliver income for a dignified retirement, alongside government support, in an equitable and sustainable way”.
- b. However, the retirement income system is more than just superannuation. It also includes the Age Pension, voluntary savings, accessing equity in the family home (or other property), and work options in the retirement phase. Over the long term, the Institute supports a clear objective for the retirement income system as a whole. This broader objective should consider all pillars of retirement income and the principles for their integration. It should articulate the goal of ensuring people have income for a dignified retirement in an equitable, sustainable, and cohesive way.

## Simplify the system

### 2 Supports a simpler and more integrated retirement income system.

The Institute supports:

- a. Initiatives that help every Australian to understand how much they can spend over the retirement phase, and the options available to improve spending capacity (e.g., retirement age, contribution, and investment strategy).
- b. Simplifying the means testing of the Age Pension, including potentially integration with aged care.
- c. A broad increase to the Age Pension to replace the large number of relatively small support measures, each aimed at narrow groups of beneficiaries. While each provides marginal benefits to targeted cohorts, these existing measures<sup>2</sup> accrue in piecemeal to a significant system cost and complexity.
- d. Improving the interaction between the retirement income and aged care systems. The lack of cohesion between the retirement income system and the aged care system, such as the different means testing rules, is partly the result of them being separately overseen by multiple different government departments. A better approach could be to ensure coordination of policy development by setting up an inter-agency group. A good example is the inter-agency group working on Innovative Retirement Income Products.

## Improve efficiency

### 3 Advocates for the efficient use of superannuation savings for retirement.

The Institute believes that there is room to improve the current system so that it more efficiently provides retirement incomes to Australians. Further policy, regulatory, and industry advancement should address both supply and demand.

#### a. Supply side advancements

##### i. Enhanced Retirement Income Covenant implementation.

- a. The Institute welcomes the introduction of the Retirement Income Covenant. The Institute believes that ultimate financial outcomes for retired members depend on the superannuation trustee helping their members to suitably balance the three objectives under the Covenant:
  - i. maximising expected retirement income over the period of retirement;

<sup>2</sup> Measures include the lower deeming rate for the Age Pension income test and Government Co-Contribution for Low Income Earners.

- ii. managing expected risks to the sustainability and stability of retirement income over the period of retirement, of the following kinds:

- longevity risks;
- investment risks;
- inflation risks;
- any other risks to the sustainability and stability of the retirement income; and

- iii. having flexible access to expected funds over the period of retirement.

These outcomes depend on both product performance, which may be measured by not only product metrics, but also member outcomes based on which product(s) retired members are in.

- b. The Institute supports member outcomes assessments suitable for the retirement phase that can be applied within super funds and across the industry. Member outcomes assessments performed by the trustee should go beyond simply product-based assessments (such as fees and absolute and peer relative investment performance) and be explored further in APRA's Comprehensive Product Performance Package. Instead, outcomes should be assessed holistically and focus on the sum of a cohort/members' interests in a fund to measure actual "member outcomes".
- c. The Institute supports the inclusion of a risk-based measure of investment performance as part of a broader measurement test applied to Retirement Income Products. The Institute does not support extending the Superannuation Performance Test in its current form into retirement. The current design of the test does not necessarily reflect the end outcomes received by members and is not consistent with the requirement to balance objectives under the Retirement Income Covenant.

**ii. Lifetime income product development and innovation.**

The Institute supports measures including:

- a. The development of best practice principles for superannuation retirement income solutions to create a shared system understanding of, and guidance for superannuation trustees on, how lifetime income products can be used to support the delivery of well-rounded retirement income solutions.
- b. The removal of unnecessary obstacles that impede the development of more innovative and competitively priced longevity products, including potential changes to life insurance capital framework for annuity products.
- c. Requiring Target Market Determinations of lifetime income products, as required under the Design and Distribution Obligations (DDO) regime, to explicitly consider the beneficial social security treatment, and tax concessions available.
- d. Improving the consistency, transparency, and comparability of disclosures, illustrations and projections of lifetime income products, such as:
  - i. Standardising definitions and disclosures of key features of retirement income stream products.
  - ii. Requiring superannuation funds to show retirement income estimates alongside account balance information on member benefit statements. Estimates should include income sourced from account-based pension products, lifetime income products, and any Age Pension entitlement. Estimates should use a standard approach to ensure expected outcomes and benefits are consistently presented alongside associated risks (including, but not limited to, the impact of idiosyncratic longevity risk, systematic longevity risk, investment risk, and inflation risk)<sup>3</sup>.
  - iii. Introducing a simple 'My Retirement' dashboard (tailored and personalised wherever possible). This dashboard should disclose and illustrate how retirement solutions achieve a balance between maximising expected income, flexible access to capital, and managing risks to the sustainability and stability of the income in retirement projections to support members in making informed retirement decisions<sup>4</sup>.

<sup>3</sup> Idiosyncratic longevity risk refers to the uncertainty of an individual living longer or shorter than the Life Expectancy, whereas systematic longevity risk refers to the uncertainty on how fast the Life Expectancy improves. They can be insured/managed with different measures either separately or together.

<sup>4</sup> The most recent government initiative proposing to holistically present the combination of these risks to consumers can be found in Treasury's Retirement Income Disclosure Consultation Paper. Available at: <https://treasury.gov.au/consultation/c2018-t347107>

iii. **Inclusion of key retirement topics in continuing professional development requirements for superannuation professionals and advisers.**

Key topics include:

- a. Long-term financial planning in retirement at a household level, including how needs and objectives vary.
- b. Longevity literacy, including life expectancies among individuals and groups and the risk of outliving retirement savings.
- c. Types of retirement income products and how to assess them.

b. **Demand led advancements**

i. **Framing superannuation as savings to be drawn down to deliver retirement income.**

The Institute strongly supports shifting the superannuation narrative from lump sum accumulation to retirement income provision.

ii. **Policies and incentives that encourage more Australians to consider lifetime income streams.**

- a. The Institute supports ongoing consideration of optimal policy settings to ensure retiring Australians have good options for using part of their superannuation as a lifetime income stream (e.g., a form of lifetime annuity, pension or other form of pooled longevity protection). Policy settings, as reflected by social security incentives for taking out some lifetime income streams, must consider the retirement income system as a whole. Key settings include the assets and the income test thresholds for the Age Pension and deeming rates.
- b. The Institute supports measures that inform members who intend to make significant lump sum withdrawals from their superannuation of potential implications to their future income.

iii. **Support for all Australians to easily access appropriate help, guidance, and advice at an affordable price.**

- a. The Institute believes both government and industry have a responsibility to raise financial literacy, encourage individuals to plan for retirement and provide retirement phase guidance, education and communication to individuals. This could be done together with initiatives to improve the consistency, transparency, and comparability of disclosures, such as standardising definitions of key features of retirement income products (as outlined in Position 3(a)(ii) d).
- b. The Institute believes that superannuation funds are well placed to, and should be required to, offer some form of help, guidance, and advice to all their members approaching retirement. Forms of support from superannuation funds that are more accessible and affordable than comprehensive advice include, for example, smart defaults, calculators, prompts or non-advice guidance<sup>5</sup>, intra-fund advice, and limited-scope advice that only require a low level of engagement and personal information.
- c. The Institute supports initiatives that would require the government and superannuation funds, subject to appropriate privacy protection and the necessary release authority from the relevant individual, to share the necessary personal information to providers of financial advice through an extension of the Consumer Data Right to superannuation. The Institute also supports measures that enable consumers to share their data in other sectors covered by the Consumer Data Right with superannuation trustees.

iv. **Enhanced financial tools to deliver advice and guidance.**

The Institute believes financial tools used to deliver advice and guidance should consider the impact of risks, as well as eligibility for the Age Pension and likely Aged Care needs and assistance. These risks include investment risk, inflation risk, longevity risk (with allowance for likely future improvement in mortality), and other risks identified by the advice provider.

## Delivery adequacy

### 4 Supports the delivery of adequate retirement savings through the Superannuation Guarantee.

a. **Level of Superannuation Guarantee.**

The Institute supports the current level of 12% Superannuation Guarantee contributions, subject to a salary cap for higher income earners. The Institute notes that the compulsory Superannuation Guarantee involves complex interactions with other systems such as taxation and the Age Pension. The optimal superannuation contributions for an individual depends on their personal circumstances and goals for retirement.

<sup>5</sup> In the UK, pension plans can offer tailored guidance to plan participants. Tailored guidance is considered distinct to personal financial advice.

**b. Supports the preservation of superannuation savings.**

The Institute supports preservation rules restricting access to compulsory superannuation, with limited exceptions, to those who permanently retire from the workforce from age 60 years.

Special consideration, in line with aged care rules, could be given to Indigenous Australians, including Torres Strait Islander people, whose life expectancies at age 60 are about 4-5 years lower than the life expectancies for the broader Australians, to allow them access to at least a proportion of their superannuation savings earlier than age 60. While this does not address the root causes of these health disparities, it recognises that Indigenous Australians may need to fund retirement earlier.

**c. Broader Superannuation Guarantee coverage.**

The Institute supports extending the Superannuation Guarantee to include 'gig' workers, the self-employed, and overtime earnings, which would increase coverage of the system. This would improve equity and potentially reduce Age Pension costs.

**5 Supports measures to improve the supplementation of retirement savings.**

**a. Reduce disincentives for older Australians considering work in the retirement phase.**

- i. The Institute supports Age Pension reform to reduce strong disincentives for older Australians who otherwise want to work beyond Age 67 (the Age Pension eligibility age). Under current rules, Australians who qualify for the Age Pension and have made full use of the Work Bonus face effective marginal tax rates of over 80% when contemplating further work.
- ii. However, inter-generational equity issues should be considered too. The benefits of broader reform options should also be weighed up against the increase in complexity.

**b. Create greater flexibility for the role of the family home in retirement income provision.**

The Institute supports measures which allow retirees to live in their home throughout retirement while allowing them to safely and flexibly access home equity to improve retirement outcomes.

## Improve equity

**6 Supports and advocates for improving equity in the retirement income system.**

**a. Superannuation tax concessions that efficiently make the retirement income system more equitable and sustainable.**

- i. As noted in the Retirement Income Review, people with very large superannuation balances receive very large tax concessions on their earnings. It is therefore appropriate for the Government to consider ways of reducing these concessions to make the system more equitable and sustainable over time, particularly in the context of an ageing population and maturing superannuation system.
- ii. However, it is also important that any measures are efficient, and that implementation does not materially increase complexity. Complexity not only increases costs of operating a superannuation fund but also inhibits understanding of the system for all. Both can lead to higher costs and fees which are ultimately paid by consumers.

**b. Continue to progress addressing equity issues in retirement income.**

Some groups are more adversely affected than others by the design of the retirement income system, such as renters, women, carers, and those not covered by the Superannuation Guarantee. Addressing these gaps would improve equity of the retirement income system.

- i. The Institute supports measures to improve equity between renters and homeowners in retirement, including:
  - a. Further increasing the rate of Commonwealth Rent Assistance or any alternative approaches that aim to improve the retirement outcomes of retiree renters and improve the equity of the system with homeowners. This is likely to become a bigger issue with the proportion of retirees owning their family homes continuing to fall<sup>6</sup>.
  - b. Consideration could also be given to whether part of the value of the home above a threshold (which might be indexed) should be included in the Age Pension means test. We note there are non-trivial design issues, including the issues posed by the significant variations in home values across Australia.

<sup>6</sup> Around 78% of people born in 1957-1961 were homeowners when aged 60-64 years at the 2021 census. This rate is projected to decline by about 1.5 percentage points for every 5-year birth cohort (Australian Institute of Health and Welfare, 2024). See Figure 2 at <https://www.aihw.gov.au/reports/australias-welfare/home-ownership-and-housing-tenure>

- ii. Equity issues should also be considered in the pricing of lifetime income streams to allow for underwriting factors such as health and socio-economic status that materially influence an individual's life expectancy. Consideration should ensure pricing does not worsen inequities that already exist. For example:
  - a. People with poor health status or Indigenous Australians, including Torres Strait Islander people, are likely to have a lower life expectancy than the rest of the population, and they are also disadvantaged at the system level. Enhanced lifetime income streams priced explicitly for these factors will be likely to address the equity issues.
  - b. Females generally retire with less superannuation than males due to different work patterns and the gender pay gap. However, they are likely to live longer than males and so have to fund a longer period of retirement.

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