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Pre-Budget Submissions
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Cbus pre-budget submission 2026-2027

Cbus welcomes the opportunity to provide a 2026-2027 pre-budget submission.

Background

Cbus Super is the leading industry super fund representing those that help build, maintain and shape Australia, providing superannuation and income stream accounts to approximately 925,000 members and managing over \$105 billion of our members' money (as of 30 June 2025).

Our members are predominantly from the building and construction, energy and related sectors, with a high proportion of members working in higher risk occupations. We also have members in the printing, media, entertainment and arts industries. Their occupations tend to be more itinerant in nature and are more at risk of unpaid super.

Submission overview

Super should work when it matters most. This submission sets out practical reforms to make sure people are paid super on time, members' savings are protected, and to make retirement easier to navigate. Together, these measures strengthen trust in the system and support the Government's budget priorities by improving how superannuation and retirement income systems operate.

Get the basics right	Protect members from harm	Make retirement simpler
<ul style="list-style-type: none"> End unpaid super Fix insurance in super tax settings 	<ul style="list-style-type: none"> Stop scams and high pressure selling 	<ul style="list-style-type: none"> Simplify the Age Pension Better protect vulnerable workers forced to retire early Support an easier move into retirement

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Get the basics right - end unpaid superannuation

Unpaid super is a steady leak in Australia's retirement system and unfortunately common in the building, construction, and allied industries – having a significant impact on the retirement savings of Cbus members. Cbus collected \$193 million in unpaid super during FY25 and over the past five years, the Fund has recovered over \$670 million in unpaid super for members. A recent survey of Cbus Super members found unpaid super is their top concern – with 92% saying making sure everyone gets their super on time is the number one issue for the Fund to focus on.

Recommendation: *Increased publication of unpaid superannuation data, including data by industry*

Payday super will make a significant difference for members in reducing the incidences of unpaid superannuation, including making it easier to identify when super hasn't been paid. In monitoring the effectiveness of Payday super however it is vital that data is regularly published on non-payment of superannuation, including by industry.

Recommendation: *Expand the Fair Entitlements Guarantee to include unpaid superannuation*

One of the major contributors to unpaid superannuation continues to be insolvencies and whilst the Fair Entitlements Guarantee (FEG) is a vital safety net for workers that lose their jobs due to insolvency it currently does not include unpaid superannuation. Expanding the FEG to include unpaid superannuation is necessary to better protect the retirement outcomes of Australian workers who stand to lose their superannuation entitlements due to insolvency – this is particularly important at a time when insolvency in the construction sector is at record highs.

Get the basics right - fix insurance in super tax settings

Group insurance within superannuation is a vitally important safety net for millions of Australians who may not otherwise be able to take out insurance cover, especially for those working in physically demanding and hazardous occupations such as in the building and construction industry.

Insurance is not an add-on to superannuation but a key component ensuring all members have access to a decent retirement, even those that are involuntary forced to retire early due to ill health. The Objective of Superannuation's explanatory memorandum makes this clear: *'Given its broad reach, access to affordable group insurance is an important benefit of the superannuation system and its provision is generally consistent with the objective. Through group insurance, the superannuation system provides a safety net that can deliver valuable protection to the community and meets members' needs at reasonable cost'.*

What Cbus members say about insurance in superannuation:

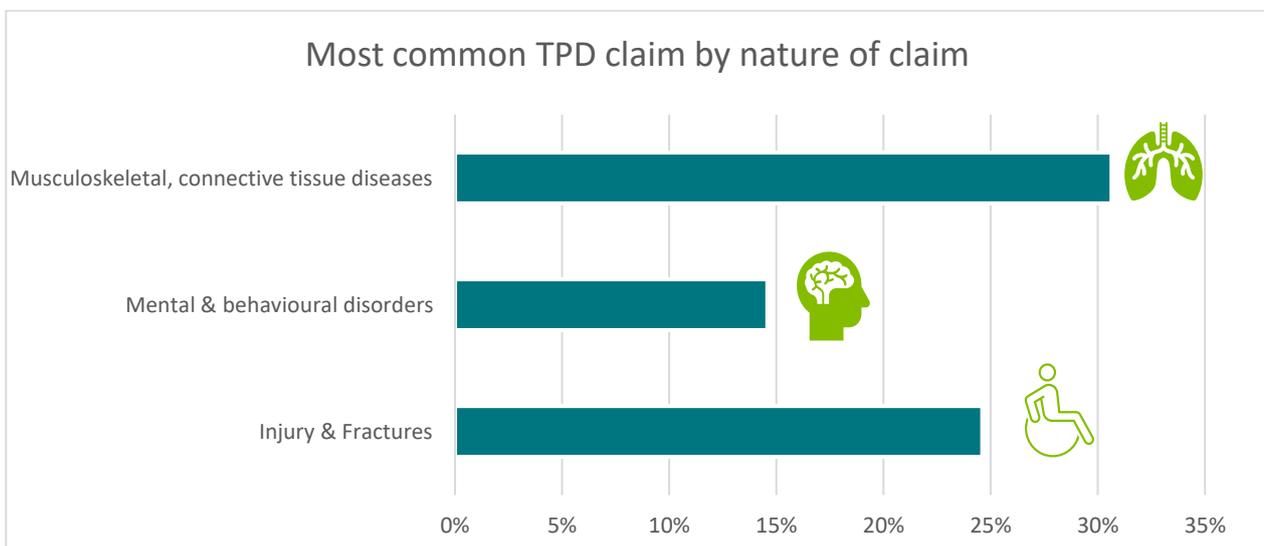
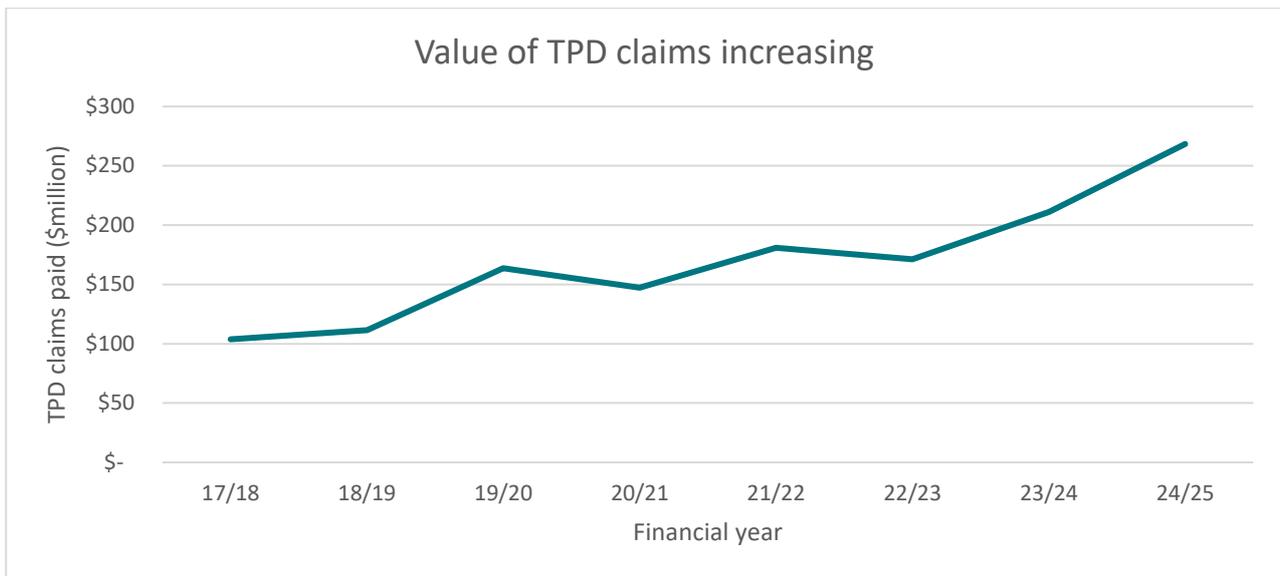
"You don't plan on getting sick and having a wage cut by \$40k or \$50k a year, so it was definitely a great help and it actually kept me alive having that package (insurance) behind me" Cbus member

"The only good thing in my life left was this house and I'm determined to keep it. The only way I could keep it was having insurance package through Cbus" Cbus member

"It is a dangerous industry particularly on construction sites where anything can happen on any given day. Insurance is protection for our loved ones if something should happen to us on the job" Cbus member and lift technician

"I work in the elevator industry in construction on major sites where there are a lot of dangers, a lot of hazards, for example, electricity or falls. The idea that you might be without insurance on site is scary. Most of us have families and we need to look after what's at home" Cbus member and electrician

Cbus uses its scale to insure workers who would otherwise not be able to get cover, or who would only receive modified cover with other providers. As a fund tailored for members in the building and construction industry, the large default pool of coverage reduces the risk of self-selection and enables Cbus to provide generous coverage to our members notwithstanding the overall higher risk of our insured pool of members. Claims however have risen considerably over the past decade and in the last financial year alone, Cbus paid out over \$268 million in total and permanent disablement (TPD) claims to members and had an acceptance rate of 93.8%, which is much higher than the group super industry average of 91.5%.



Recommendation: *Simplify and improve tax settings on insurance in superannuation payments*

As the value of insurance claims grows over time, it becomes increasingly important that members are supported to understand their options through simpler tax settings. This is particularly important for TPD claims, where members are unlikely to return to work again and may need to rely on a lump sum for the long term. The complexity of the current tax treatment of superannuation payments makes these decisions difficult at a time of significant stress. Members dealing with a debilitating injury or illness should not have to face the additional stress of navigating the complexities of today’s system when deciding on what to do with their insurance payment.

Whilst payments after the age of 60 are generally tax-free, it is more complex for those under 60. Members are required to navigate taxable/tax free components, tax-free uplifts and whether to commence an income stream.

Specific issues regarding the current tax treatment of superannuation insurance payments include:

- **Application of tax-free uplift.** Whilst the taxable component of an insurance in super payout is taxed at 22%, the tax-free uplift significantly increases the tax-free portion of a benefit, thereby reducing the effective tax rate of the payment. The application of the tax-free uplift is substantial for younger members and recognises the future service a member would have provided had they been able to work until preservation age. However currently the tax-free

uplift is only applied when a member either withdraws a lump sum or makes a rollover to another super fund as an invalidity rollover.

- The issue – if a member chooses to retain their super funds within their existing fund or commences an account-based pension the tax-free uplift is not applied. This can result in additional taxes being paid, substantially reducing the amount available to the member or their loved ones. In contrast, the member can however rollover to another super fund and commence an account-based pension with their new fund and the tax-free uplift is applied upon rollover. A member should not be penalised for commencing an account-based pension with their existing fund.
- **Medical evidence requirement to make a permanent incapacity withdrawal and receive concessional tax treatment**
 - The issue – After receiving a TPD payment into their superannuation a member must then also meet the conditions of permanent incapacity to withdraw their payment and to receive concessional tax treatment. In seeking to do so, a super withdrawal must be certified by at least 2 medical practitioners. If funds are not withdrawn after a 'short period of time' a member must obtain updated medical evidence. There is however currently no black and white rule on what constitutes a 'short period of time' except for an ATO Interpretative Decision in 2015¹ that confirmed previous medical certificates could be used for three subsequent lump sums paid in the same financial year. This can create additional stress for members needing updated medical certificates each time they make a withdrawal.

Case study – same member, vastly different outcomes

- Age 40
- \$50,000 in super (\$50,000 taxable)
- \$300,000 TPD insurance payment
- Eligible service date 1 January 2004
- Date last worked 1 January 2026

	 Member commences pension with existing fund	 Member rollovers to another fund and commences a pension	 Member withdraws entire amount as a lump sum
Taxable component	\$350,000	\$163,838 (47%)	\$163,838 (47%)
Tax free component	\$0	\$186,163 (53%)	\$186,163 (53%)
Tax paid	Taxable component (\$350,000) income taxed at marginal tax rate with 15% offset	Taxable component (\$163,838) income taxed at marginal tax rate with 15% offset	Taxable component taxed at 22% - \$36,044

Options such as simply removing the tax paid for all TPD insurance recipients (and not just those over 60) would improve outcomes for members and make the system easier to understand. The Government could also consider changing the legislation so that the tax-free uplift is applied at the time a member first meets the definition of permanent incapacity (without a member having to re-meet the tax definition each time they make a withdrawal) and/or allowing members to commence an account-based pension with their existing fund and have the tax-free uplift applied.

¹ ATO ID 2015/19

Protect members from harm – stop scams and high pressure selling

Australians' retirement savings can be put at serious risk because some operators continue to exploit gaps and grey zones in the system – leaving members exposed to financial products and practices that service profit, not people.

The experience of our members captures this reality. In their own words, members have described the pressure, confusion and relentlessness of the tactics that dodgy operators deploy:

"It was a lot of stuff that was kinda going over my head and trying to turn around and say no to them kind of felt awkward" Cbus Super member, 39

"If you say you're not interested you get another call the next day by someone else... they keep calling you back until you give in, and before you hang up they ask you a million questions... you hear a lot of people getting scammed like this... and they keep pushing you until you break." Cbus Super member, 36

"Very full on at the start, but once you signed up that was it... they were hard to find after that one..." Cbus Super member, 56

Recommendation: Crackdown on predatory and misleading super sales

We encourage the Government to prohibit lead generators from targeting Australians about their super or other financial products, expand the definition of hawking to cover digital lead generation and targeted online marketing, require explicit informed consent before member data is used or transferred for super related purposes and ban adviser referral payments to lead generators.

Recommendation: Strengthen member protections and ensure all products meet consistent standards

Given the compulsory nature of the superannuation system, the Government has a responsibility to provide equal protection to all members. Gaps in consumer protection risks organisations structuring the type of products they offer, and the products ultimately recommended to clients to avoid regulatory requirements – leading to more members in underperforming and expensive choice products.

We support lifting standards across the system, including extending the performance test, tightening Management Investment Scheme approval processes and extending executive accountability under the FAR regime.

Recommendation: Improve transparency and future proof the system

Members need clarity on financial product risks – particularly when moving outside of MySuper into high risk or complex investment options. There should be clearer and standardised guidance for anyone considering switching to higher risk and more complex products and it should be mandatory for members to receive information about how their fund has performed compared to the median MySuper option.

Make retirement simpler – simplify the Age Pension

The Age Pension is an important part of retirement for Cbus members. They are more likely to rely on the Age Pension, alongside their superannuation as a crucial capital support. Around 61% of members receive the full Age Pension and another 33% receive a part Age Pension.

Recommendation: *Notify all Australians approaching Age Pension age that they may be eligible for the Age Pension*

In 2025, Cbus launched a new initiative focused on lifting awareness of pension benefits, explaining eligibility and supporting earlier applications. This is based on findings that one in three eligible Australians didn't apply for the Age Pension for more than a year². This is also supported by Cbus member research which found that only 36% of members have a good understanding of the age they will be eligible for the Age Pension.

Whilst superannuation funds play a key role in educating members, the Government should also explore ways to let Australians know before they reach age 67 that they are approaching age pension age and may become eligible for government benefits such as the Age Pension or Commonwealth Seniors Health Card.

Recommendation: *Simplify the means testing of the Age Pension*

Recent survey findings found that almost half of future age pensioners found the application process difficult or extremely difficult³. This is not surprising, given the complexity of the Age Pension means testing and how this interacts with superannuation. Cbus members value simplicity with 93% of Cbus members identifying that ensuring that the superannuation system is as easy to understand as possible as an important issue to them. To better support members as they approach retirement, the Government should consider measures to simplify the means testing of the Age Pension.

"You know how to do your job, you don't know how to do pensions, you've got to get people who are professionals. This is one lever over which the government has complete control and simplifying this process should be a priority." Cbus member

"The bureaucracy is just a brick wall in front of you, it's just obscene." Cbus member

Recommendation: *Allow super funds to assist members in applying for the Age Pension*

Of Cbus members with balances below \$150,000 who are not receiving the age pension, or unsure about how to get onto it, more than one in three believe their financial situation rules them out, and one in five said it was because they don't know how to access it. Research also shows that the majority of Age Pensioners (70%) would be interested in receiving support from their fund with the Age Pension⁴. Cbus provides members with information and guidance to help increase awareness with members, there are however restrictions on allowing superannuation funds to assist members in applying for the Age Pension. We encourage the Government to consider removing these restrictions to better support members in applying for the Age Pension.

² MUFU, Retirement reality: Advice and the Age Pension (2022). Available. https://www.mpms.mufu.com/media/24pljwi0/mufu_rs_advice_whitepaper.pdf

³ MUFU, Retirement reality: Advice and the Age Pension (2022). Available. https://www.mpms.mufu.com/media/24pljwi0/mufu_rs_advice_whitepaper.pdf

⁴ MUFU, Retirement reality: Advice and the Age Pension (2022). Available. https://www.mpms.mufu.com/media/24pljwi0/mufu_rs_advice_whitepaper.pdf

When asked what support they would like from Cbus, members said:

"Assistance with Centrelink pension application process." Cbus member

"Really have no idea what would be available as always supported myself and even when out of work with injury received no financial support at all" Cbus member

"I suppose understanding what's available. I am not much good at finding out these things myself." Cbus member

Make retirement simpler – better protect vulnerable workers forced to retire early

Recommendation: *Align JobSeeker indexation with the Disability Support Pension (DSP) and Carer Payment, and increase the base rate of JobSeeker to better support injured and chronically ill workers who are forced to exit the workforce early*

Relatively few Cbus members are in full time employment in their 50s and 60s. As a result, some face lower living standards and draw on their super earlier to replace income they would have received from employment before Age Pension eligibility. Members with lower balances are particularly affected, experiencing lower rates of full-time work before pension age, and personal health reasons (31%) being the most common reason for retirement.

A modern retirement system must address this disparity and protect vulnerable workers who are forced to retire early through no fault of their own. By aligning JobSeeker with DSP and Carer Payment indexation, and increasing the base rate, the Government can provide a fairer bridge for those exiting the workforce early due to injury or health issues, particularly in physically demanding sectors.

Member thoughts about retirement timeline:

"Don't think my body can keep working longer as I do manual work." 57-year-old member

"Pain from arthritis is forcing me to stop." 61-year-old member

"Body sore from physically demanding work." 58-year-old member

Make retirement simpler – support an easier move into retirement

Cbus members' working lives are often characterised by fragmented work patterns, and sometimes early, unplanned, and sudden transitions in (and out) of retirement. Cbus members also tend to have lower average account balances at retirement for a variety of reasons, including gaps in coverage of the superannuation guarantee and high incidences of unpaid superannuation.

Current policy settings result in many members using their accumulation product in retirement as default and more attention is needed in providing these members with a more seamless transition to retirement as they navigate periods in and out of work. Prescriptive rules that do not consider the diversity of member needs can result in poor member outcomes.

Recommendation: *Allow members to make contributions to pension accounts*

For many Cbus members, retirement isn't a single, planned event. Members move in and out of work before reaching the final tools down. Members should not have to hold two accounts or reopen an accumulation account each time they want to make a contribution. Allowing members to be able to make contributions to pension accounts would simplify the process for many members as they transition to retirement.

Recommendation: *Remove minimum drawdown requirements for members with low balances*

The minimum drawdown requirement currently adds further complexity and is a significant barrier for low balance members moving their money into the tax-free phase given their need for flexible access to their savings, with their super providing vital access to capital. Removing the minimum drawdown requirements for low balance members would recognise that members with modest balances need more flexibility than the existing system provides.

Recommendation: *Introduce an automatic transition to tax-free phase*

Members should be able to start drawing down their superannuation easily and access the tax-free nature of retirement products without extensive paperwork or having to pay for costly financial advice. The Government should consider how eligible accounts could automatically transition to tax free phase upon meeting an unrestricted condition of release.