

Thought Pieces with The Conexus Institute

Three lenses on impacts from ‘big super’

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Introduction

Superannuation (super) has grown into a major industry populated by some large organisations, becoming the second largest source of Australian household wealth behind housing. The potential implications from a system-wide perspective were addressed by the Conexus Institute in its [Systemic impacts of ‘big super’](#) report of January 2025. This thought piece builds on this work by considering the potential impacts of ‘big super’ through three different lenses:

1. **Systemic lens** – Impacts that could be felt widely across either the Australian economy, financial markets and/or population.
2. **Super fund lens** – Impacts on the investment and business performance of individual funds as a consequence of being a large fund operating within a big super system. While a strict definition of ‘large fund size’ seems inappropriate, perhaps think A\$100 billion plus as a guide.
3. **Member lens** – Impacts on member outcomes and experience from having a substantial and increasing exposure to super as a major source of their savings, while relying on their super fund to manage those savings in their best interests.

This thought piece draws on a short article appearing in KPMG’s [Australian superannuation industry insights and analysis 2025](#) report of May 2025, which was written as a collaboration between the Conexus Institute and KPMG. We expand on that article by adding some extra detail and nuance. Our key tool for presenting the concepts are figures that list and map out effects from ‘big super’ according to the *likelihood* that they have an impact (plotted along the vertical axis) and the potential *magnitude* of that impact (plotted along the horizontal axis). Aspects that could have beneficial effects appear in **green** font, those that might have potentially adverse effects appear in **red**, and those with mixed or unclear implications appear in **grey**. The quadrants can be read as follows:

- *Top right quadrant* – impact is more likely to be felt and potentially strong
- *Top left quadrant* – impact is more likely to be felt, but liable to be weak
- *Bottom right quadrant* – impact is less likely to be felt, but potentially strong
- *Bottom left quadrant* – impact is less likely to be felt and liable to be weak

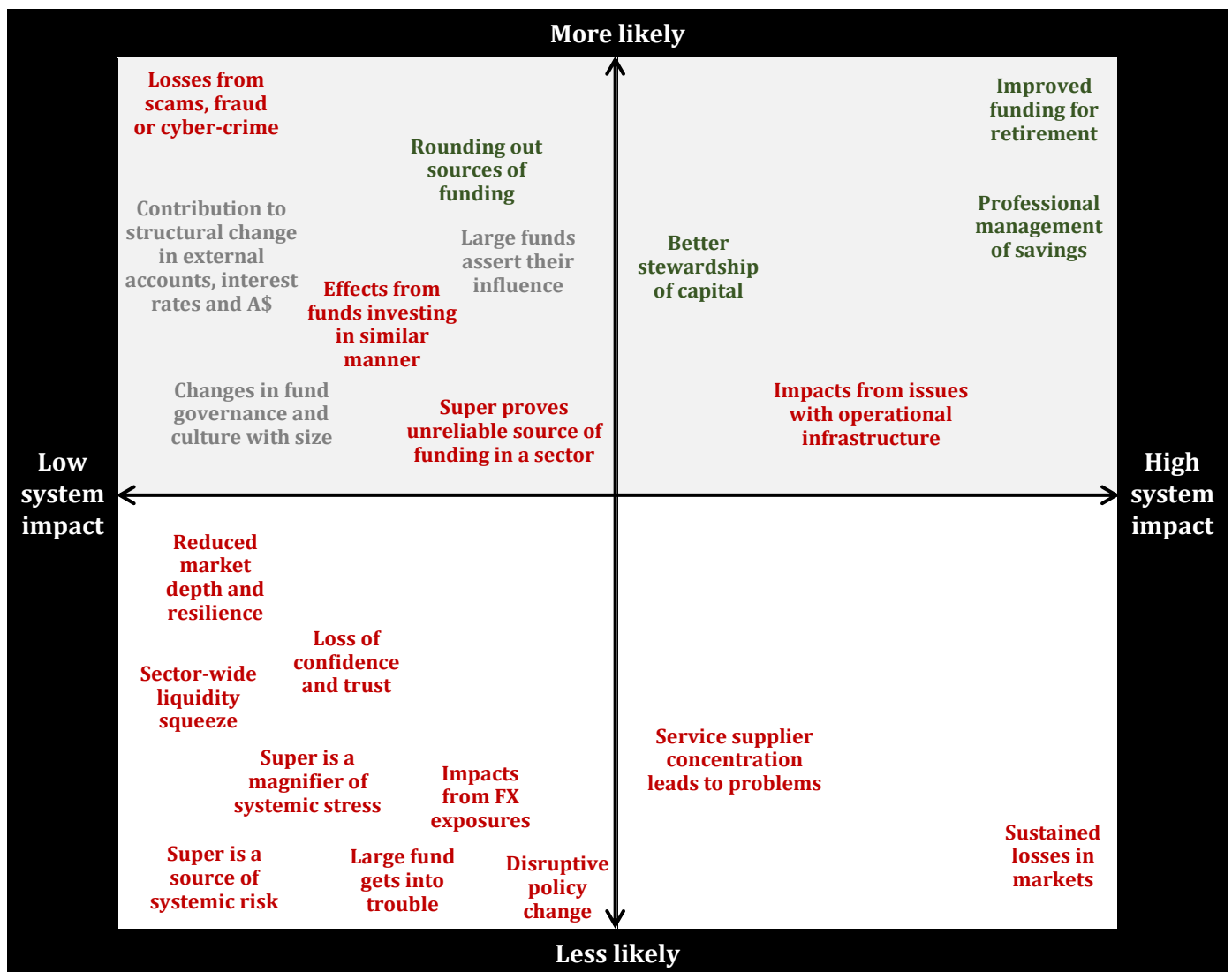
A caveat before proceeding: the analysis presented is exploratory and intended to get readers thinking and spur discussion. The impacts we have chosen to highlight and their positioning in the figures is based on our own understanding and judgment, and quite open to be debated.

Systemic lens

Figure 1 reproduces the mapping of impacts from the *Systemic impacts of 'big super'* report with a few tweaks. The question being addressed is: *What are the implications for the Australian economy, financial markets and population of a large super system containing some very large funds?* Here we focus on selected highlights: readers wanting further detail should refer to the report.

Aspects with potentially beneficial systemic effects appearing in **green** are skewed towards the upper right reflecting an assessment that they are relatively likely and/or relatively strong. These largely relate to super facilitating a **large pool of retirement savings** that is **professionally managed** on behalf of members, with associated spin-off benefits of **better stewardship** of capital and a **rounding out of the funding sources** available in the Australian economy. Effects with potentially adverse impacts appearing in **red** are greater in number but tend to sit to the left and lower as they are considered either of lesser likelihood and/or lower magnitude. Two are particularly notable. First are potential issues arising from the industry's **operational infrastructure**, which seems underdeveloped for such complex financial organisations. Second is the possibility of **sustained losses in markets**, noting industry's exposure of around 70% to growth assets. Although of low likelihood, an extended decline in the real value of economically-exposed assets including equities over (say) a decade or so would have very high impact as effects would be felt widely across the industry and those who rely on it, in particular members. We also draw attention to **scams, fraud and cyber-crime** in the top left corner. Activity of this type (most recently the \$1.2 bn scandal involving Shield and First Guardian) is highly likely to occur but should remain of low impact from a systemic perspective.

Figure 1: Likelihood and strength of potential systemic impacts from 'big super'

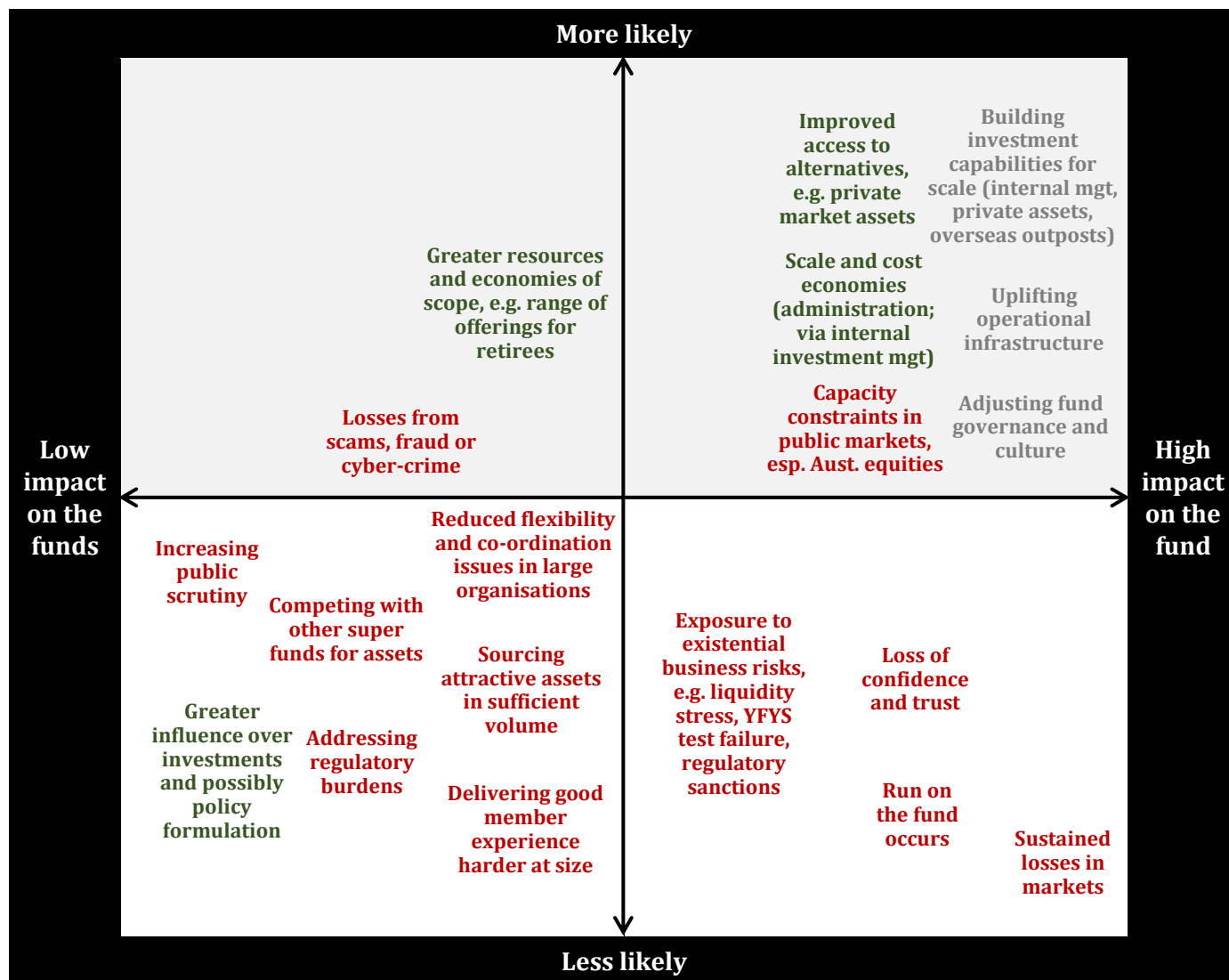


Legend: Beneficial effects in green, potentially adverse effects in red, mixed effects in grey

Super fund lens

Figure 2 takes the super fund lens by asking: *What does it mean to be a large fund operating within a large super system?* Our focus is on the impacts of large fund size on investment and business performance. Beneficial effects again appear in **green** and potentially adverse effects in **red**; although here **grey** font represents a ‘challenge’ that funds need to meet to successfully operate at large scale. Many of the effects and their positioning draw on the Conexus Institute report [Do Superannuation Fund Members Benefit from Large Fund Size?](#) of March 2023. Other effects stem from the idea that large funds are operating within a large super system and hence reflect items also appearing in Figure 1.

Figure 2: Likelihood and strength of potential impacts on investment and business performance from large fund size



Legend: Beneficial effects in **green**, potentially adverse effects in **red**, challenges in **grey**

The theme of the Conexus Institute ‘large fund size’ report was that large size is not as important as how effectively it is being used. Accordingly, three notable challenges that a fund needs to address in order to extract value out of large size are positioned in the top right of Figure 2. They include:

- **Building the investment capabilities** required to capture opportunities and limit the constraints of operating at large asset size.
- **Uplifting operational infrastructure** to support the needs of a large financial organisation servicing many members that often have differing needs, which requires capacity for personalisation.
- **Adjusting fund governance and culture** so the organisation works efficiently towards its goals, while addressing the propensity for large size to bring complexity, bureaucracy and silos.

Large fund size also brings benefits and potentially adverse effects. In *investments*, the benefits of **improved access to alternatives especially in private markets** as well as **economies of scale and scope** (partly through internal management) face up against some adverse effects most notably **capacity constraints in public markets** (especially Australian equities) and **finding sufficient attractive assets** to fill a large portfolio.

Large size can also bring *operational benefits* for business through greater **economies of scale and scope** as larger resources can be committed and shared across a broader base, allowing funds to either reduce unit costs or increase the scope of their processes and offerings, e.g. range of offerings for retirees. On the other hand, large size tends to lead to **reduced flexibility** and **co-ordination issues**, which can have adverse effects on both investment and business performance including **member experience**. There is evidence to suggest that larger funds provide a worse member experience.

Meanwhile, effects that stem from *operating within a large super industry* tend to be adverse. For instance, the difficulties associated with sourcing attractive assets and incurring liquidity impacts when transacting are heightened when a large industry **invests in similar ways** and competes for the same opportunities. Increasing **public scrutiny** on a large industry with big funds can also be a driver of increased **regulatory burden**.

Finally, it is worth commenting on a few other potential effects appearing in Figure 2:

- **Sustained losses in markets** remains in the bottom right corner. This acknowledges that sustained losses in markets could have significant adverse impacts on super funds as it squeezes fee-based revenues, harms member outcomes and possibly encourages members to switch funds or options. Funds would be required to respond to the inevitable member backlash and try to assist members to work through the issues. Try ruminating over what it would be like to be a super fund executive when members are blaming you for the hurt they feel.
- **Scams, fraud and cyber-crime** have transitioned from the top left corner toward the axes. This reflects that the mathematical probability of scams, fraud and cyber-crime being experienced by any individual fund is lower than being experienced by the system, but also that funds with members who suffer from these activities will ultimately take some blame and would be required to take strong steps to address the situation.
- Both a **run on the fund** and **exposure to existential business risks** (e.g. liquidity stress, YFYS performance test failure, regulatory sanctions) are included in the bottom right quadrant on the basis that they would be significant events for an individual fund. Although these effects are not strictly associated with large fund size, we include them in Figure 2 for completeness as variations on the theme of a “fund getting into trouble” appear in both Figure 1 and Figure 3. For instance, a “large fund gets into trouble” appears on the bottom left quadrant of Figure 1, in this case signifying that a run on even a large fund is unlikely to manifest as a systemic event.

In summary, through the super fund lens, large fund size offers a mixed range of potential impacts, some beneficial and some potentially adverse. We iterate the conclusion of the *Do Superannuation Fund Members Benefit from Large Fund Size?* report of March 2023 that size does not matter as much as how super funds implement to take best advantage of their size.

Member lens

Figure 3 shifts the lens to members by asking: *What are the implications for members of having a significant amount invested in super?* Beneficial effects again appear in **green** and potentially adverse effects in **red**, with the **grey** font representing an 'unclear' effect through this lens. The effects listed are relative sparse compared with Figure 1 and Figure 2, with many flowing down from the other lenses. Sitting in the top right are three significant benefits made available to members through the existence of a large super industry and hence relate to the system lens of Figure 1. Specifically, super provides members with the following, which many would not have got in its absence:

- **Professional management** of their savings, which is being undertaken by fiduciaries who are charged with operating in their best financial interests.
- **Improved funding for retirement**, noting that many individuals might have under-saved if left to their own devices. (We put aside the issues of whether the mandatory contribution rate of 12% is set at an appropriate level.)
- **Access to range of services** that are provided as part of the super system's architecture, such as capacity to exercise choice of fund and investment options, insurance through super, and access to financial advice. While the latter is limited in scope at present unless the member pays for personal financial advice, we are hopeful that the Delivering Better Financial Outcomes reforms will expand the provision of financial advice provided to members at low or zero cost.

Figure 3: Likelihood and strength of impacts on members from substantial exposure to super



Legend: Benefits in **green**, potentially adverse effects in **red**, unclear effects in **grey**

It is important to acknowledge that super is compulsory, making it difficult for members to opt out of involvement and any exposure to risks. Notable among the potentially adverse effects are those related to sub-standard services being provided by super funds to members, which is recognised under **bad member experience** from poor services sitting just within the bottom left quadrant and **'inadequate assistance on retirement'** within the top right quadrant. These elements recognise the incidence of poor member services and uneven development of retirement incomes strategies that is being highlighted by APRA, ASIC and others. Issues with sub-standard services flow in part from underdeveloped operating infrastructure. It is difficult to assess the impact of poor member servicing because it includes a range of situations, some of which may be frustrating but ultimately not overly costly (such as long waits for a phone response) and some with devastating effects (such as failure to promptly deal with insurance claims and death benefits). Nevertheless, for individuals who encounter them, such episodes can be stressful and may lead to outcomes falling short of acceptable levels.

Sustained losses in markets again appears in the bottom right corner. While such losses are unlikely, they would have quite significant adverse impacts on members as their wealth and hence capacity to generate retirement outcomes diminishes. Where market weakness is associated with significant economic weakness, the impacts on some individuals could be compounded if coinciding with a loss of income and/or reduction in other asset prices, such as job loss or possibly house price declines. The situation is also likely to be highly stressful.

Some interesting contrasts arise around adverse impacts between the member lens in Figure 3 and the other two lenses. **Scams, fraud and other cyber-crime** have transitioned to near the bottom right corner, relative to the top left corner under the systemic lens of Figure 1. This acknowledges that the likelihood of any one member experiencing scams, etc is quite low, but can be devastating for those individuals. Similarly, a **fund getting into serious trouble** and possibly suffering a 'run' has transitioned from the bottom left quadrant in Figure 1 towards the bottom right corner. This reflects a judgement that an individual fund getting into trouble is of low likelihood under all lenses. However, while the adverse impacts should be minimal at the system level, they could be substantial for the individual fund (Figure 2) and its members (Figure 3).

One unclear effect for individual members relates to **reliance on their super fund** to offer good quality products and services that are aligned to their own interests. Nevertheless, the likelihood appears relatively modest of fund failure to do so resulting in significantly adverse effects given existing regulatory frameworks. Members seem unlikely to encounter significant harm by relying on super funds when they are operating under clear legal obligations as both product and service providers and fiduciaries, strong regulatory oversight, and transparency requirements; as compared to other sectors such as unregistered managed investment schemes.

In summary, the member lens tends to echo the systemic lens in the sense that the benefits appear to outweigh the potential adverse impacts, with both flowing down from the existence of a large super industry. Australians seem better off with having a substantial amount invested in super than they would have been in the industry's absence.

Conclusion

The upsizing of the super industry and super funds has reached a point where super has become a critically important part of the Australia landscape and is increasingly attracting more attention. 'Big super' brings some substantial benefits while giving rise to a range of challenges and risks. However, the way in which the various effects manifest tends to differ depending on whether the lens is the overall system, individual super funds or fund members.

We consider 'big super' as quite beneficial on balance through both the systemic and member lens. It seems more mixed through the super fund lens where size brings a range of benefits but also adverse effects and challenges and where implementing successfully at scale becomes critical. Overall, Australia at large and Australians individually should be much better off under the existence of a large super industry, provided that super funds perform their role well.