THE SUPERANNUATION INDUSTRY IN AUSTRALIA

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KEY FEATURES

Coverage of superannuation

Until the 1980s, access to employer sponsored superannuation was largely limited to public sector employees and 'white collar' employees in the larger companies. Those in the workforce without employer support for superannuation, and the self-employed, could arrange their own superannuation through various life office products. In practice, the majority of both the population and the labour force had poor or no superannuation coverage, with an expectation of having to rely on the government provided Age Pension as the primary source of income in retirement.

Superannuation coverage for employees in Australia has more than doubled since 1984, growing to around 87% (91% of males and 85% of females) by December 2001. For permanent full time workers, coverage now stands at 91%, while for casual part-time employees it is only 62%. Superannuation coverage for all workers (including the self-employed) is around 87%. For employers it was 51% and for own account workers (the self employed who employ nobody else) it was 36% in 1995.

Superannuation coverage for those who have never been in the labour force is negligible given that, in the past, contributions have only been allowed for individuals with a link to the paid labour force. However, legislation was enacted with effect from 1 July 1997 which allows for contributions to be made on behalf of a low income spouse. In 1998-99 26,000 spouses made such contributions.

The increase in superannuation coverage over the last decade and a half is the direct result of the introduction of compulsory superannuation, firstly as part of industrial awards dealing with employee wages and conditions (3% employer contributions) and, since 1992, through the Superannuation Guarantee contributions required by Federal legislation. These contributions are paid by employers have risen from an initial 3% in 1992-93, to 9% in 2002-03.

Coverage outside the compulsory regime is considerably lower. For example, only 39% of the self-employed have superannuation, despite the availability of generous tax breaks for contributions. In 1997-98 185,000 individuals claimed just over $1billion in tax deductions for non-employer sponsored superannuation contributions.

Trustees

In the Australian superannuation system, responsibility for the management and control of superannuation funds is in the hands of Trustees. It is estimated that most corporate and industry funds have, on average, six trustees per fund. Retail funds usually have approved trustees, who tend to be trustees for a number of funds. Small funds are classified as containing less than 5 members.

In total it has been estimated that, not including small funds there are up to 20,000 trustees in Australia. Currently there are around 160 Approved Trustees (corporate structures owned by life offices, banks, fund managers and others, with trustee boards), managing around a third of the total assets of the sector. Like many other areas of the finance sector, there is a relatively high degree of market concentration.

The top 5 approved trustees account for around 40% of assets under management and nearly 50% of members of large retail superannuation funds, while the top 20 approved trustees account for 75% of assets and over 80% of members of large superannuation funds.

For small funds it is estimated that there are over 200,000 trustees. With growth in the number of small funds of between 10,000 and 15,000 funds a year, there are up to 20,000 new small fund trustees each year.

Superannuation accounts

The number of individual superannuation fund members was estimated at around 6.6 million in November 1995. However, the number of accounts at the time totalled 15.5 million, suggesting an average of 2.3 accounts per person. This phenomenon reflects, in part, the work-based nature of superannuation funds, and the prevalence of personal retail accounts in addition to occupational fund accounts. As at September 2003 there were some 25.3 million accounts, suggesting that there are about 11.0 million fund members if the ratio of accounts per member has remained unchanged

In the year 2000 an ABS survey of households suggests that there were some 7.6 million persons employed with superannuation coverage, with a total of 8.5 million of those aged 15 to 69 years with super. A further 721,800 of those who had retired had received a lump sum or were currently receiving superannuation income. These figures suggest that the average number of accounts per person has risen to around 2.6.

The retail sector accounts for a fair proportion of the duplication, with around 13.06 million accounts, which is more than the number of persons with super. Account duplication can be voluntary or unintended. Some individuals will choose to have more than one account in order to have exposure to different investment styles and services, while others will be aware of the existence of more than one account but may not be motivated enough to consolidate into one account. Other duplications are less voluntary. Over 2 million accounts are in Eligible Rollover Funds as a result of transfers by funds of small balance, inactive accounts.

There is also considerable account duplication attributable to public sector schemes, particularly unfunded schemes where there are requirements to preserve entitlements until preservation age. Some funds have hundreds of thousands of such members. A very small number of industry funds also restrict transfer out of account balances until a member satisfies a condition of release or demonstrates that they have ceased employment in the industry concerned.

Size of the industry

Assets in the superannuation sector have increased by over $350 billion since the Superannuation Guarantee was introduced (growing almost twice as fast as previously), rising from $165 billion in 1992 to reach $565.9 billion as at December 31 2003.

These figures cover all aspects of superannuation, ie. both the savings still accumulating and those within the superannuation industry held for people receiving superannuation pensions and annuities. It does not cover monies accumulated for retirement purposes outside the superannuation environment, or which have been invested outside the superannuation environment once a superannuation lump sum has been received, e.g. through direct share investments, unit trust investments, property, etc.

Sharemarket growth has occurred alongside share ownership growth in Australia, particularly in the last four years. Total share ownership in Australia now stands at 50% of the population, representing 7.3 million individuals, with 5.4 million owning shares directly. The source of the growth in shareholders stakes can be attributed to several recent de-mutualisations, privatisations and floats such as those by AMP, NRMA, Telstra, TAB, National Mutual, Colonial, QANTAS and the Commonwealth Bank. Some of this share acquisition could be termed "acquisition by mailbox" as the shares were distributed rather than actively bought. Where only shares in one or two companies are held the incidence of share trading transactions is low.

Only a quarter of Australians who own shares directly have been in the market for more than ten years with 57% entering the market in the three years up to 1998. Small investors now own more than a third of the companies listed on the share market. A third is owned by Australian institutional investors and a third by offshore investors.

Type of funds

Most superannuation is provided through a range of trust-based superannuation funds, many of which are linked to a particular employer or industry. As at 31 December 2003, there were a total of 283,842funds registered with the Australian Prudential Regulation Authority (APRA) or the Australian Taxation Office. However, 281,845 of these were small funds with less than five members, with most of these supervised by the ATO. The funds operating in the industry are generally classified as follows:

- **Corporate or enterprise funds**, provided by a single or group employer. As at 31 December 2003, there were some 1,582 of these funds and at this time they had 0.99 million accounts (3.9% of total accounts) and assets of $55.1b (9.7% of total superannuation assets). The average account balance in corporate funds is around $55,686

  Some 25% of private sector workers are covered by a corporate fund, generally operated by the larger companies. The largest of these funds have assets in excess of $2b. The number of corporate funds has been decreasing over recent years, falling from almost 4,200 in June 1995 to 2,045 currently. However, most of the funds that have closed have been relatively small although there is an increasing tendency for large funds to close or rationalise the basis of their operations.

- **Industry funds** are sponsored by employer and employee organisations in one or more industries and were set up initially to receive the 3% award contributions. As at 3 December 2003 there were 105 industry funds with 7.74 million accounts (30.3%) and $62.6b in assets (11.1% of total assets). The ten largest of these funds account for some $^{2}/_{3}$ of assets in this sector, with at least seven funds exceeding $1b in assets, with several with over $2b in assets.

  Industry funds have experienced rapid growth over the last decade in both members and assets, but from a relatively small base. Currently they are experiencing amongst the strongest growth in the sector in terms of assets. The average account balance in these funds is still relatively low at around $8,087.

In excess of 30 industry funds now have public offer status, with more expected to achieve this status in the future. This allows such funds to accept contributions on behalf of employees, employers and the self-employed within and outside their industries.

- **Public sector funds** are those set up for the employees of Federal, State and local governments and their instrumentalities. There were 65 of these funds as at 31 December 2003, with 2.98 million accounts (11.6%) and $115.8b in assets (20.5%). The average account balance in public sector funds is about $38,865. However, this figure reflects only the funded component of public sector superannuation, with a number of public sector schemes having very high unfunded employer liabilities. During the June quarter 1999, three public sector funds, mainly in NSW received $8.4 billion in exceptional employer contributions reflecting a transfer of members from unfunded to funded schemes. While downsizing of public sector employment has also converted some of those liabilities into actual payments, some relatively recent estimates of unfunded liabilities are $14.6b for the Victorian Government and $70b for the Australian Government.

  Some significant sums can be involved in ongoing expenditures by Commonwealth and State governments. In 1996-97, for instance, the Commonwealth Government paid $3,359m in superannuation payments to ex-employees and contributions to funds outside the general government sector. In the same year NSW made equivalent payments of $1,732m and Victoria $1,337m (ABS, Labour Costs, Cat 6348.0).

- **Retail funds** are offered by a range of financial institutions and sold either directly or through intermediaries to anyone eligible to contribute to superannuation, or to hold superannuation savings for retirement. There were 245 of these funds as at 31 December 2003 with 13.34 million accounts (52.2%) and $192.3b in superannuation assets (34.0%). The average balance in retail accounts is around $14,416.

  Retail superannuation covers both the accumulation and retirement income stage of superannuation and caters for a range of different product styles, including master trusts, personal superannuation products, rollover products and allocated pension and annuity products. Listed below are March 1998 estimates of the Top 20 retail Superannuation managers ranked in terms of assets.

Table 1 - Annuity Providers

Company	Market Share(%)
AMP	22.4
ANZ	1.5
AXA	10.8
Challenger	6.9
Citigroup	8.6
Commonwealth	3.6
Colonial	7.5
Connelly Temple	2.8
ING	5.4
MLC	5.6
National	1.2
Norwich	6.7
Tower	1.0

Westpac	15.8
Zurich	0.3

Source: Cannex as at Dec 2000

- **Small funds** are mostly individual or family based funds of one to four members. The 281,845 small funds accounted for only 523,000 accounts (2.0%), but $127.5b in assets (22.5%) as at 31 December 2003. Average account balances are high at about $243,615 reflecting the fact that these funds are particularly attractive to high net worth individuals, and are not cost efficient for low balance accounts. This category has been the fastest growth area in terms of new funds in recent years. Responsibility for the supervision of most small funds is now with the Australian Taxation Office, and such funds are now known as "self managed funds". Along with being supervised by the ATO rather than APRA, all members of the fund will need to be a trustee of the fund as well. Membership of a given fund is limited to defined family or business relationships, with employees of a fund member not eligible for membership of the fund. There also are nearly 8,000 Small APRA Funds (SAFs), which are small funds with an Approved Trustee, that are supervised by APRA.
- **Retirement Savings Accounts.** As at December 2003 there was over $3,8m in bank and deposit taking institution RSAs and RSA look-alikes operated by other providers. A large RSA lookalike accounts for around $2 billion of the total assets in this category.
- **Superannuation products offered directly by life offices.** Some superannuation products are not provided through a fund structure, but sold directly to individuals by life offices. These are mainly annuity products. Some $12.6b (or 2.2% of superannuation assets) was held in the statutory funds of life offices as at 31 December 2003, but not all of this is annuity products.

***Table 2 - Industry Structure** (as at Dec 2003)*

Type of Fund	Total Assets ($b)		Number of Funds		Number of Accounts (million)	
Corporate	55.1	*9.7%*	1,582	*0.8%*	0.99	*3.9%*
Industry	62.6	*11.1%*	105	*0.0%*	7.74	*30.3%*
Public Sector	115.8	*20.5%*	65	*0.0%*	2.98	*11.6%*
Retail	192.3	*34.0%*	245	*0.1%*	13.34	*52.2%*
Small Funds	127.5	*22.5%*	281,845	*99.0%*	0.52	*2.0%*
Balance of Statutory Funds	12.7	*2.2%*				
Total*	**565.9**	***100.0%***	**283,842**	***100.0%***	**25.57**	***100.0%***

Source: APRA Bulletin, Dec. 2003 - issued Apr 2004   ** "total" irregularities are due to rounding*

Currently, the Small funds sector is the fastest growing market segment in terms of assets (up 22.5% in the year ending Dec 2003), along with Industry funds (up 15.8%). Retail Fund assets grew by 6.1% during the year, Corporate Funds fell by 7.9% and Public Sector Funds increased by 4.1%.

Table 3 - Structure of the Superannuation and Insurance Industries

Asset Range ($)	Life Insurers	General Insurers	Super (1997-98)*	Super (2002)	RSAs
<1m	0	1	1,826	649	2
1-5m	0	13	1,248	639	3
5-10m	2	15	506	207	
10-20m	1	19	370	150	3
20-50m	3	15	342	287	0
50-100m	4	27	146	136	0
100-250m	4	29	145	123	0
250-500m	3	15	67	72	0
500-1,000m	5	11	45	62	0
1-5b	13	16	44	67	0
5-10b	4	1	4	9	0
10-20b	3	0	0	1	0
20b+	1	0	0	1	0
Total	**43**	**162**	**4,743**		**8**

*** Note:** Non-excluded (prudentially supervised) funds from 1997-98 annual reports lodged with APRA.

Table 4 - New immediate annuity single premiums($m)

Direct Insurers	Dec 01	Rank	Dec 00	Rank	Dec 99	Rank
AXA Australia	525.255	1	388.587	4	100.538	8
Citicorp	505.14	2	581.471	2	518.501	2
Challenger	445.874	3	458.414	3	101.218	7
Colonial	308.598	4	262.263	6	231.352	4
AMP	305.535	5	383.727	5	431.584	3
Westpac	139.252	6	801.438	1	798.435	1
Commonwealth	88.934	7	160.923	7	113.879	6
MLC	86.197	8	72.931	9	88.768	9
ANZ	42.795	9	111.84	8	29.78	12
Tower	26.848	10	26.486	12	31.893	11
Total Direct Market	2567.36		3404.666		2721.708	
Annual Increase	-24.59%		25.09%		-3.54%	

Source: DEXX&R

CONTRIBUTION AND BENEFIT FLOWS

Contributions

Contributions to Superannuation Funds rose by 12.4% in the 12 months ending 31 December 2003, increasing from $51.7b to $58.6b.

Preliminary estimates suggest that, on average, employee 'top up' contributions into superannuation amount to some 4% of aggregate wages and salaries. The proportion of employees making a "top up" contribution increases with average income level, ranging from around one-third of employees aged 45 and over on relatively low wages, to around 75% for those in the same group on relatively high wages.

The level of contribution as a percentage of salary tends to fall with income, however. This most likely reflects higher income earners having greater access to salary sacrifice arrangements, where employers making contributions directly, and employees, receive the greater tax benefits of such direct contributions.

Table 5 – Employer and Member Contributions

	Super Guarantee (employer)	Other Employer $ Billion	Member (after tax)
1995-96	12(d)	6	8
1996	13	6	9
1996-97	14(d)	6	10
1997	15	5	11
1997-98	15	5	13
1998-99	18(a)	13(b)	16
1999-00	18	7	20
2000-01	Total employer 28(c)		23
2001-02	Total employer 30		22
2002-03	Total employer 35		19

Source: APRA/ISC Bulletins and Media Releases
(a) SG rate increased from 6% to 7%
(b) Includes $8.4 billion of one-off public sector contributions
(c) APRA apparently has become weary with estimating the SG and other split and has stopped publishing such estimates
(d) Increase in SG rate for employers with payroll less than $1m a year
(e) SG rate increased to 9% on 1 July 2002

Benefit payments (excluding transfers)

During the Dec quarter 2003, over $7b was paid out as benefits to superannuation fund members, 73% of which was lump sums. However, a proportion of such lump sums then re-enter the superannuation system as undeducted member contributions.

Benefit structures

Increasingly, Australian superannuation funds provide accumulation style benefits rather than the more traditional defined benefit structures. Self managed funds, by their nature, are accumulation style funds, but some are starting to be used to provide allocated pensions and annuities. Of the remaining funds, 70% provided some accumulation style benefits as at 31 Dec 2003 meaning that 81% of all members are in accumulation style funds. In the private sector, this proportion was as high as 90%.

Table 6 - Benefit Structure (for funds other than self managed)

	Accumulation	Defined Benefit	Hybrid	Total
Funds				
Public	42	17	31	90
Private	1,350	209	348	1,907
Total	**1,392**	**226**	**379**	**1,997**
Member Accounts -(000's)				
Public	820	278	1,881	2,979
Private	18,612	84	3,371	22,068
Total	**19,432**	**362**	**5,252**	**25,046**
Assets ($m)				
Public	8,534	9,699	97,534	115,767
Private	241,609	6,212	62,179	309,999
Total	**250,143**	**15,910**	**159,713**	**425,766**

Source: APRA Bulletin, Dec 2003 - issued Apr 2004

***** Funds that are a combination of defined benefit and accumulation are classified as defined benefit in the above table.

****** Small Funds, not included in the above table, are accumulation by nature.

SUPERANNUATION SERVICE PROVIDERS

The needs of the superannuation industry are serviced by an extensive range of service providers. While some of the larger corporate and public sector funds may take care of member administration, investment management and even insurance internally, these services are regularly being out-sourced. In addition, most funds would utilise actuarial or general consulting services, legal advice and increasingly, custody services. Retail funds provided by the major banks or life insurance companies may provide many of the required services internally or through related companies.

Self managed funds often make use of the services of accountants and others with expertise in the establishment and administration of such funds. In some cases advisers are also involved in the investment decisions and processes of such funds.

Funds Management

The investment of superannuation assets generally takes the form of:

- Direct investment in financial or real assets such as stocks, bonds and property. $210.1b (37.1%) of assets were invested in this way as at 31 December 2003.
- Placements with investment managers. A total of $196.2b (34.7%) of total assets was invested in this way.
- Investment in life office statutory funds - $159.7b (28.2%)

Spread of investments over different asset classes

As at 31 December 2003 a substantial proportion of externally managed and directly invested assets were invested in Australian equities (46.1%). The other two major classes of assets are Australian interest bearing securities (15.8%) and Overseas Assets (17.6%). Together these assets make up over 80% of investments by, and for, superannuation funds.

Table 7 - Asset Allocation

Asset Class	**Amount ($billion)**	**% of total**
Australian Assets		
Cash & Deposits	46.3	8.2%
Loans and Placements	21.5	3.8%
Interest Bearing Securities	89.2	15.8%
Equities & Units in Trust	261.0	46.1%
Land & Buildings	31.5	5.6%
Other Assets	17.0	3.0%
Overseas Assets	99.4	17.6%
Total	**565.9**	**100.0%**

Source: APRA Bulletin, Dec 2003 - issued Apr 2004

Insurance

***Table 8 – Total in-force annual premiums** (June 2002)*

Direct Insurer	**June 2002**
Colonial	183.608
AMP	147.199
ING Life	134.270
AXA Australia	123.534
Citicorp	110.0.0
MLC	63.639
Tower	45.040
Lumley	24.330
AIA	23.277
Aust Casualty Life	22.750
National	20.495
Royal Sun Alliance	19.789
Suncorp Metway	16.532
Westpac	10.434
Cuna	6.975
Commonwealth	6.364
St George	1.413
Zurich	1.011
HCF	0.897
Macquarie	0.639
Norwich Union	0.529
ANZ	0.480
NRMA	0.027
Total	**963.262**

Income Streams

Table 9 - Income Streams (as at 30 Sept 2002)

	Funds under management				Gross Sales			
Type of income stream	Total ($m)	Total mkt Share	% change in FUM over last 3 mths	% change in FUM over last 12 mths	Sales in last 3 mths	% change is sales over last 3 mths	Sales in last 12 months ($m)	Average purchase price in last 3 mths
ETP retirement income streams*								
Allocated income streams								
Allocated pensions	27286	62.2	4.1	11.2	1586	17.7	5395	110600
Allocated annuities	5732	12.8	-7.6	-4.4	241	8	1161	162600
Total allocated income streams	*33518*	*75*	*1.9*	*8.6*	*1857*	*16.2*	*6556*	*116000*
Annuities								
Term certain (No RCV)	Total	Total	Total	Total	100	7.5	346	77400
Term certain (Plus RCV)	For this	For this	For this	For this	16.	44.2	515	95400
Lifetime	category	category	category	category	18	65.4	59	81700
Total Annuities	*3860*	*8.6*	*2.9*	*4.4*	*281*	*28.3*	*920*	*77300*
Total ETP retirement income streams	37378	83.7	2	8.1	2138	17.7	7476	87200
Non-ETP Retirement Streams#								
Term certain (No RCV)	Total	Total	Total	Total	229	64.7	590	75200
Term certain (Plus RCV)	For this	For this	For this	For this	392	6.5	1336	99000
Lifetime	category	category	category	category	23	38.8	74	81800
Total Non-ETP retirement income streams	*7285*	*16.3*	*4.6*	*8.3*	*644*	*22.9*	*2000*	*88300*
Total Retirement income streams	***44663***	***100***	***2.4***	***8.2***	***2782***	***18.8***	***9476***	***104900***

Source: Investment and Financial Services Association

Notes:

* Retirement income streams purchased with an Eligible Termination Payment

Retirement income streams purchased with non-superannuation moneys

Platform Market Share

Table 10 - Personal Superannuation

Company	Total FUM ($m) Dec 02	Total FUM ($m) Dec 01
AMP	13532	13576
MLC	10836	10810
BT	8985	11106
Colonial	8589	9450
Commonwealth	9575	7589
Asgard	5164	5149
ING	2908	3239
Macquarie	2767	2450
Navigator	2691	2519
FlexiPlan	2287	2461
State Super	1877	1972
ANZ FM	1762	1885
Questor	1700	1632
NMMT	1567	1308
Zurich	1475	1636
AXA	1407	1423
APM	1238	1165
Norwich Union	1042	968
Ipac	1036	1083
Tower	984	1045
Total for Top ten	62444	67871
Total for top 20	78422	82466
Total for industry	**89592**	**92787**
Platforms investments as a % of total PS Market	49.66	29.96

Source: Dexx&r as at Dec 2002

Table 11 - Sector Allocation in Platforms

Investment Fund Options	Agg. No. of Options	Total Size of Funds				Net Cash Flows 21/12/02 ($m)
		31/12/02 ($m)	% of allocated Total	31/12/01 ($m)	% of allocated Total	
Capital guaranteed	147	2447.5	3.5	2564.9	3.5	-175.5
Capital stable	381	8419.4	12.1	8615.2	11.6	-235.5
Cash Funds	182	4160.1	6.0	3771.8	5.1	336
Managed	840	37171.8	53.4	42039	56.8	-2772.8
Australia. Shares	393	7918.4	11.4	7798.2	10.5	670
Fixed interest	135	521.8	0.8	454.7	0.6	45.3
Property	163	1387	2.0	880.8	1.2	449.3
Int. Equities	308	3183.3	4.6	3713.4	5.0	296.4
Int. Bonds	33	36	0.1	32	0	3.8
Fixed rate	21	164.9	0.2	175.7	0.2	-30.4
ERF’s	2	1557.9	2.2	1433	1.9	46.4
RSA’s	7	2668.7	3.8	2575	3.5	-24
Unallocated Funds	27	15001.5		14675.5		484.3
Total Options	**2639**	**84638.3**	**100**	**88728.2**	**100**	**-906.8**

Source: Dexx&r-Dec 2002

STRUCTURE

The superannuation assets managed by outside fund managers are one market sector of the funds management industry. Investment management services in Australia are provided by a variety of providers, including:

- Investment managers owned by Australian banks and life offices.
- Other 'stand alone' fund managers, whose funds under management have increased by around 10% annually since 1993.
- Overseas owned managers.

Some fifty-five of the major managers account for 93% of total funds under management.

Major players

The managers with the largest Australian sourced assets under management also tend to be the largest managers of superannuation assets. The respective funds under management in the two categories are given in the table below:

Table 12 - Ten Biggest Fund Managers –1997 and 2002

1997			**2002**		
Manager	**Assets($b)**	**Market Share(%)**	**Manager**	**Assets($b)**	**Market Share(%)**
AMP	44.84	11.34	Commonwealth	84.08	12.76
BT	35.71	9.03	AMP	68.28	10.36
Lend Lease	29.98	7.58	National/MLC	48.44	7.35
National Mutual	20.96	5.30	Macquarie	40.58	6.16
Axiom	20.74	5.25	ING	37.00	5.62
Macquarie	17.40	4.40	State Street	36.37	5.52
Commonwealth	15.28	3.80	AXA	32.33	4.91
Westpac	14.26	3.61	Deutsche	31.57	4.79
Mercantile Mutual	12.23	3.09	Westpac	23.51	3.57
ANZ	10.13	2.56	Credit Suisse	23.48	3.56
Top 10 Total	**221.54**	**56.02**	**Top 10 Total**	**425.64**	**64.61**
Industry Total	**395.41**	**100.0**	**Industry Total**	**658.82**	**100.00**

Source Assirt Research, June qtr 1997 & 2002

Australia's largest Asset managers

Table 13 - Retail Assets under Management

Manager	Size $b	Market Share %
Commonwealth	84.08	12.76
AMP	68.28	10.36
National/MLC	48.44	7.35
Macquarie	40.58	6.16
ING	37.00	5.62
State Street	36.37	5.52
AXA	32.33	4.91
Deutsche	31.57	4.79
Westpac	23.51	3.57
Credit Suisse	23.48	3.56

Source: Assirt 2002

Table 14 - Australian sourced Total Assets under Management-top ten managers

Top 10 (prev qtr)	Manager	Size $b Dec 02	Market Share %
1(1)	Commonwealth/Colonial First State	80.9	12.6
2(2)	AMP	65.8	10.3
3(3)	National/MLC	48.9	7.6
4(4)	Macquarie Bank Group Managed Funds	45.7	7.1
5(Wpac +Sagitta)	BT/Westpac	42.8	6.7
6(7)	State Street Global Advisors	42.1	6.6
7(6)	ING Australia	37.5	5.9
8(5)	AXA Asia Pacific Holdings	35.9	5.6
9(9)	Deutsche Assets Management	28.0	4.4
10(11)	Barclays Global Investors Group	21.4	3.3
Top 10 total		**449.4**	**70.1**
Industry Total		**640.8**	**100**

Source: Assirt 2002 (as at Dec 2002)

Table 15 - Asset Consultant Market** **(June 2002)

Consultant	No. of funds advised	Funds under advice ($b)	Share of funds under advice(%)
John A Nolan & Associates(JANA)	24	34.0	20
Mercer Investment Consulting	217	33.0	19
InTech Asset Consulting	7	25.7	15
Frontier Investment Consulting	15	17.1	10
Towers Perrin	51	16.5	10
Frank Russell	20	14.5	8
TRM/JANA	2	9.8	6
Watson Wyatt Worldwide	34	5.0	3
Sovereign Investment Research	1	2.9	2
AMP Consulting	28	2.5	1
Total – Ten Largest	**399**	**161.0**	**94**

consultants			
Market Total	**504**	**172.1**	**100**

Source: Rainmaker Information

Pooled Superannuation Trusts

These trusts represent a distinct subgroup of the managed wholesale pooled funds market. They are responsible for paying tax due on investment earnings at the rate applicable to superannuation funds, whereas standard trusts distribute all income and taxation is the responsibility of the investors. In recent years there has been steady growth in both the number of PSTs and their assets under management.

PSTs occupy a small but significant sector of the total wholesale pooled funds market. Their size in terms of funds managed is increasing in line with the growth in size of total superannuation assets. However they generally remain an adjunct rather than a primary aspect of an overall investment strategy for most superannuation funds.

Table 16 - Pooled Superannuation Trusts (1996 to 2002)

	All	**Assets $1-$10m**	**Assets $10-$100m**	**Assets $100-$500m**	**Assets >$500m**
Average Annual ROA	7.3%	6.83%	6.67%	7.97%	7.4%
Average Annual Volatility	7.93%	6.19%	8.2%	8.66%	6.98%
Equally weighted expense ratio	0.95%	1.23%	0.9%	1%	0.78%
Asset weighted expense ratio	0.84%				
Expense to Gross returns	9%				
Number of funds	79	8	25	30	15

Table 17 - KPMG Public Offer Superannuation Fund Index [currently being updated to June 2002]

Ownership in the Financial Services Market

As indicated in the table below, it is common for financial services groups to have a presence in a variety of activities in the financial sector. This presence is not necessarily through an expansion of the group's core enterprise but commonly is through acquisitions or joint ventures. Objectives include making better use of distribution networks, cross selling and cost sharing. It also is in response to some parts of the financial sector market growing more strongly than others. For instance, a number of banks have responded to the growing importance of funds management and superannuation by establishing a presence in those sectors rather than by enhancing their product range of bank accounts.

***Table 18 - Ownership in the Financial Services Market** (March 1998)*

Life Insurance Companies **(ranking) by Net Premiums**	**Banks** **(ranking) by Total Assets**	**Fund Managers** **(ranking) by Total Funds under Management**	**Investment Advisors/ Financial Planners** **(ranking) by Networks of Proper Authority Holders**
AMP (1)	N/A	AMP Investments (1)	AMP Financial Planning (2)
Westpac Life (3)	Westpac (3)	Westpac Investment Management (8)	Westpac Banking Corp (1)
Commonwealth Life (5)	Commonwealth (2)	Commonwealth Financial Services (4)	Commonwealth Investment (16)
National Australia Financial Management (9)	National Australia (1)	National Asset Management (22)	
ANZ Life (10)	ANZ (4)	ANZ Funds Management (11)	ANZ Banking Corp (15)
Bankers Trust (16)	Bankers Trust Australia (13)	BT Australia Group (2)	Bankers Trust Australia (4) BT Securities (7) BT Funds Managem't (9)
Macquarie Life (13)	Macquarie (15)	Macquarie Investment Management (9)	Macquarie Investment Management (2)
Lend Lease (4)	N/A	Lend Lease (3)	MLC Limited (6) Lend Lease Financial Planning (18)
Mercantile Mutual (22)	N/A	MercMut Investment Management (10)	RetireInvest (17)
Colonial (8)	Colonial State Bank (7)	Colonial Investments (19)	N/A
Insurance Directions Feb. 1998, p. 11	*RBA Bulletin Apr. 98 S14*	*Australian Investment Managers Association 31 Dec. 1997*	*ASCOT Database, Jun. 1997*

Source: ISC Bulletin, March Quarter, 1998. There has been further consolidation in the finance sector since that date. For example, Colonial has been taken over by the Commonwealth Bank. The National Australia Bank purchased MLC from Lend Lease, ANZ has entered into a funds management joint venture with ING, Westpac has purchased Rothschild Australia Asset Management and the BT Financial Group, and there have been numerous changes in the ownership and links of financial planning groups including the purchase of IPAC Securities by Axa.

Investment Costs

Fund investment costs amongst respondents to an ASFA survey, conducted in July 1997, ranged from between 0.1% and 1.0% of assets, with the weighted average being 0.27%. For funds with under $100 million of assets, the average management cost of investment was 0.52% of assets. For funds with between $100 million and $500 million in assets the average was 0.35%, while the average for funds with assets in excess of $500 million was 0.28% of assets.

In comparison, published data from other sources on retail funds indicate that investment charges for retail investments tend to be much higher. Management expense ratios of between 1.75% and 2% are typical.

Socially Responsible Investment

Table 19 - SRI Funds

Manager	Fund	Approx inception date	Benchmark	Funds under management ($m)	Average return pa since inception	Returns in year to Apr 2002
Australian Shares						
AMP Henderson	Sustainable Future Australian Share Fund	Feb 01	S&P/ASX 200	121	3.52	6.1
BNP Paritas	Ethical Fund	Feb 99	S&P/ASX 300	5.7	6	-2.4
Challenger	Challenger Socially responsible investment fund	Jun 00	S&P/ASX 300	34	12.2	12.47
ING	Sustainable Investments-Wholesale Australian Shares	July 01	S&P/ASX 300	23.9		
Perennial	Perennial Socially Responsive Shares Trust	July 01	S&P/ASX 300	16.2	-5.4	
Perpetual	Wholesale Ethical SRI Fund	May 02	S&P/ASX 300			
Rothschild	Ethical Share Trust	Apr 01	S&P/ASX 300	32.3	5.85	4.04
Sustainable Asst Management	SAM Sustainability Leaders Aust funds	Nov 01	S&P/ASX 200	40		3.33
Tower	Ethical Growth Fund	Jul 86	S&P/ASX 300	70	15.74	2.47
Westpac	Australian Eco Share Fund	Jan 00	S&P/ASX 300	60.2	6.39	
Westpac	Australian sustainability Share fund	Oct 01	S&P/ASX 200	15	10.31	
Overseas Shares						
ABN AMRO	Global Socially	Dec 01	MSCI World	12.8		

	Responsible Investments fund					
AMP Henderson	Sustainable Future International Share Funds	Feb 01	MSCI World	50	-16.77	-19.66
BIAM Australia	Ethical International funds	May 01	MSCI World	35	-14.76	
ING	Sustainable Investments-Wholesale Australian Shares	Jul 01	MSCI World	18.9		
Sustainable Asst Management	SAM Sustainability Leaders Aust funds	Nov 01	Dow Jones sustainability index(DJSI)	40		
Tower	Global Responsibility fund	Dec 01	MSCI World	18.5		
Westpac	International sustainability Share fund	Jan 01	DJSI	26.4	-11.74	-16.91
Diversified						
AMP Henderson	Sustainable Future Balanced Growth Fund	Feb 01	30% invested in traditional Australia and int fixed interest & cash	24	-4.47	-4.48
Australian Unity	Wholesale Socially Responsible Sharemarket Trust	May 01	80% Australia shares, 20% o/s shares	3.6	-7.3	-8.1
BT	Ethical Balanced Fund	Sept 94		65.9	13.58	-2.85
Mercer	MSIT-Socially Responsible Growth	July 01	70% growth assets and 30% defensive	9.7	1.1	
Mercer	MSIT-Socially Responsible Shares	July 01	60% Australia shares and 40% o/s shares	7.3	1.1	
Rothschild	Ethical Conservative Trust	Sept 89	50% UBS govt, 25% UBS bank bills, 25% S&P/ASX 300	112.7	9.36	

Custodians

Table 20 - Comparison of Australian Custodians

Custodian	Total Assets ($b) (a)	Growth in total assets(%) (b)	Total super master custody assets($b)(c)	Super master custody clients#	Growth in master custody assets (% pa)(d)
ANZ Banking Group	12.5	25	1.2	2	100
Commonwealth Custodial Services	81.6	53	31.1	Corp-12 Public sector-3 Industry-11	83
Citibank Global Securities Services	Domestic 93.4 Global 12.2	Na	Na	Na	na
Cogent Investment Options	94	2001-86.3 2000-77.9 1999-65.34	7	Corp-22 Public sector-2 Industry-4	2001-86.3 2000-77.9 1999-65.34
JPMorgan Chase Bank	128.82	33	109.64	Corp- 3 Public sector-8	44
National Custodian Services	210	2001/02-13 2000/01-19 1999/2000-24	150	Corp-7 Public sector-5 Industry-15	2001/02-11 2000/01-27 1999/2000-39
RBC Global Services	93	12		Corp-3	
State Street Australia	108	1999-7 2000-24 2001-27	Na	Na	na
Westpac	87.21	5	2.1	Corp-1	-1

Notes:

(a) - Your total asset under custody (for Aust Clients) in $b as at 31 March 2002

(b) - Growth in total assets under custody/administration (for Aust clients) over the past three years (% pa)

(c) – Your total master custody for Aust superannuation funds in $b as at 31 March 2002

(d) - Growth in master custody assets for Aust superannuation funds over the past three years (% pa)

The number of superannuation fund master custody clients as at March 31, 2002, differentiating between corp, public sector & industry.

ADMINISTRATION

Superannuation funds use a range of specialist advisors and administrators.

APRA figures (1996/97) indicate that nearly 60% of all large funds use external administrators. Industry funds are the greatest employers of external administrators (86% of all Industry funds outsource administration) while retail funds, probably reflecting the availability of in-house expertise, are the lowest users of external administrators (40%). Approximately 70% of Public Sector funds and just under 60% of all Corporate funds employ external administrators.

Administration Costs

Administration costs of superannuation funds are modest and falling on a per member basis. In 1999-00 the average administration cost per member for the funds surveyed was only around $66 a year, around $1.28 a week. This was down on the average of $1.65 per member in the ASFA survey two years earlier. There was a decrease in average administration costs across the entire range of funds. The fall in costs was particularly marked for medium to large sized funds in terms of membership. The survey covered funds responsible for more than $62 billion in assets, about 12% of the overall assets and a similar proportion of member accounts in 1999-00.

Bigger funds generally continue to have lower administration costs per member than smaller funds, and defined benefit funds tend to be more expensive to run than accumulation funds. The most expensive fund to run was some 30 times the average cost per member of the lowest cost fund

Where administration costs came out of member benefits the cost per member per week is low. As well, one of the smaller funds had one of the lowest administration costs, and a range of mid-sized funds shaped up well in regard to their costs.

The lowest administration cost per member was recorded by a large industry fund at only 47 cents per member per week, with a number of other large industry and public sector funds close behind. The overall average for large funds was around $1 a week.

In terms of the overall distribution of administration costs, funds with over 100,000 members often have costs per member of $1 or less per week. Funds with more than 10,000 members also appear to have the critical mass to support low average administration costs.

Funds with more than 1,000 members but less than 10,000 can achieve low average administration costs, while funds with fewer than 1,000 members tend to be more expensive on a per member basis. There are certain fixed costs which need to be covered regardless of fund size. However, higher cost per member may not necessarily be a problem for small funds provided that what they are doing is valued by the members and by the employer sponsor. This will generally be the case where defined or otherwise more generous benefits and options are being provided.

Table 21 - Range of Costs per Member per Week

	Cost per member per week		
No. of members in Fund	**Minimum**	**Maximum**	**Average**
Less than 1,000	$2.92	$15.43	$6.44
Between 1,001 and 10,000	$0.55	$12.27	$4.18
Between 10,001 and 30,000	$0.72	$3.18	$1.49
Between 30,001 and 100,000	$0.78	$3.28	$1.70
More than 100,000	$0.47	$2.82	$0.99
Average administration cost per member per week			**$1.28**

Source: ASFA Research Centre

Computer costs ranged between 5% and 14% of the total costs of funds, with public sector funds recording the largest computer costs. Public sector funds need extensive salary and contribution histories, and as well the survey may have picked up some one-off re-equipment costs. In the case of externally administered funds computing costs are included in the overall fee charged for administration.

Professional fees, including actuarial and superannuation consulting fees, are another relatively big ticket item for superannuation funds. For corporate schemes they can be 20% or more of total scheme administration costs, but for public sector schemes they amount to only a few per cent of costs. There are likely to be economies of scale for large public sector funds in seeking actuarial and other advice, and such funds may also make use of in-house professionals.

Debt collection associated with arrears of contributions is a significant item for some funds, but not surprisingly corporate funds reported no expenditure on this. Industry funds devoted around 1% of administration costs to debt and arrears collection, reflecting the diverse nature of the employers they deal with and the payment practices of such employers.

The ISC in June 1997 reported the operating expense per member account per week for Industry Funds was $0.65 compared to $3.23 for Master Trusts.

The higher operating expenses of Master Trusts can be attributed, in part, to the higher distribution overheads and greater number of investment options offered by these funds.

A further breakdown of Master Trusts Fees as offered by several leading master trusts is included below. Fees also can be negotiable, especially where group arrangements relate to substantial numbers of employees and contributions.

Table 22 - Guide to Master Trust Fees

	Contrib. fee(%)	Admin. Fee(%)	Invest. Fee	Total fee(%)
AMP Custom Super	0.2	1.09	0.65	1.94
Mercantile Corporate	0.13	0.76	0.78	1.77
MLC Universal	0.2	1.18	0.37	1.75
Colonial Master	0.2	1.07	0.58	1.84
Cmwth Super Option	0.0	0.24	1.19	1.43
National All-in-One	0.2	0.20	1.00	1.40
Asguard Employer	0.2	1.19	0.24	1.63
BT Lifetime	0.2	0.92	0.60	1.72

Source: Corporate Super Research

Basis: a $2m fund with 100 employees receiving $4000 per employees pa in contributions invested in a balanced fund option

Table 23 - Investment choice

	Manager Funds	External managers	Total selection
AMP CustomSuper	8	7	15
BT Lifetime	9	4	13
Colonial Master	3	40	43
Mercantile Corporate	8	6	14
MLC Universal	12	5	17
Mercer Retirement	0	5	5
National All-in-One	11	9	20
Plum Financial	17	4	21
Salomon Smith	8	13	21
Suncorp Easy Super	3	3	6

Source: Corporate Super Research

Industry fund administrators

This sector is dominated by two major players who undertake third party administration:

- AAS, a former subsidiary of AMP but now owned by KAZ Computer Services, is by far the biggest administration provider following the acquisition of Suncorp Advisors and Administrators, which previously ranked third. It administers 40 funds covering 17 industries and total members of around 3.8 million, with expected sales of over $225 million in 2002.
- Superpartners, previously Jacques Martin IFS, now ranks second with in excess of 15 funds and over 1.5 million members under administration.

Corporate fund administrators

A number of consulting houses provide administration services to corporate funds, often in conjunction with other consulting services. Major players include:

- William M Mercer
- Towers Perrin
- NSP Buck
- Watson Wyatt
- William Mercer
- Aon Consulting

Mercers are likely to have 35% or more of this market, followed by Towers Perrin. AMP withdrew from this market a few years ago

Other

A number of administrators provide specialist services for Master trusts, allocated pension providers, and small funds, including Aon, AM Corporation, Jacques Martin Hewett, TASG, White & Lewis Consulting and Citistreet Australia (a US owned employee benefit services company that recently acquired the business of SunGuard Employee Benefits Systems). The following table shows which investment choices are offered by prominent master trusts and whether they are offered by the manager itself or external managers

Public sector funds are mostly self administered or administered by a government established authority.

CONSULTING

General Consulting

There are a number of general consulting firms offering their services to the Australian superannuation industry. The firms that offer general consulting tend to be large, with smaller firms offering specialist services. The major players include:

- Towers Perrin
- Buck Consultants
- William M Mercer
- The Australian Superannuation Group
- White & Lewis Consulting

Asset consulting

In a survey of the industry conducted by Rainmaker Information Services, it was found that InTech had the greatest funds under advice in the Public sector, Industry Funds Services in the Industry funds sector and William M Mercer in the Corporate funds sector.

Table 24 - Asset Consultant Superannuation Market Share

				2000-01 Earnings		
Consultant	**Number of funds**	**Funds under advice($m)**	**Average size($m)**	**Minimum %**	**Average %**	**Maximum %**
JANA	9	23798	2644	5.9	7.9	9.4
Van Eyk	3	3261	1087	6.7	7.1	7.6
PWC	3	374	125	4.6	6.5	9.2
Mercer	40	19765	494	3.3	6.0	9.3
Frontier	11	15449	1404	1.3	6.0	10.3
NSP Buck	5	810	162	4.1	5.6	7.5
InTech	5	27167	5433	3.5	5.3	6.2
Towers	9	14080	1564	4.0	5.0	6.0
Watson Wyatt	6	3886	648	2.6	4.9	7.9
Ipac	2	1286	643	1.9	4.0	6.1
Frank Russell	4	6497	1624	2.2	3.7	5.6
TRM	2	10252	5126	1.4	1.6	1.7

Source: Rainmaker Information 2001

Legal

A number of legal firms provide services to the superannuation sector, with some major providers and consultants also having their own in-house lawyers. Issues on which advice is sought include trust deeds, taxation matters, SIS Act and Regulations requirements, and Superannuation Complaints Tribunal matters. No estimates are available of overall legal costs or the market share of the major legal firms in providing services to the sector.

Some of the major law firms providing services include: Mallesons Stephen Jacques; Freehill, Hollingdale and Page; Phillips Fox; Clayton Utz; Abbott Tout;

Blake Dawson Waldron; Allen Allen & Hemsley; Corrs Chambers Westgarth; IFS Legal, Holding Redlich and Arthur Robinson Hedderwicks. A number of smaller firms also provide legal advice to the sector, including to individuals who set up their own self managed superannuation fund, including the provision of "off-the shelf" trust deeds.

Table 25 - Law firms working in Super

Name of Firm	**Partners**	**Solicitors**	**Support**
Allens Arthur Robinson	8	20	20
Blake Dawson Waldron	2	4	2
Clayton Utz	3	5	7
Corrs Chambers Westgarth	3	5	4
Coudert Brothers	6	6	10
Cutler Hughes & Harris	2	3	2
Deacons Lawyers	4	5	3
Freehills	9	17	13
Mallesons Stephen Jacques	7	15	7
Minter Ellison	4	11	7
The Argyle Partnership	1	3	2

Custody

***Table 26 - Assets under custody** (as at Dec 2002)*

Name	Domestic custody $b	Global custody $b	Master custody $b
ANZ Custodians	32.5		1.2
Bank of New York		21.0	
Bond Street Custodians	19.0		
Citibank	73.8	13.7	
Cogent Invest Operations			94.9
Commonwealth Custodial	2.4		77.4
Equity Trustees	2.7		
HSBC Custody Nominees	5.7		
Invia Custodian Pty Ltd	15.4		
JPMorgan	114.4	26.5	137.9
National Custodians	186.1		145.8
Permanent Trustees	5.8	0.4	3.7
RBC Global Services	34.7	1.3	42.5
State Street Australia			129.1
State Trustees			1.0
UBS Warburg Private Clients	1.9	0.1	
Westpac Custodian Nominees	134.6		
Total	**629.0**	**63.0**	**633.5**

Source: Australian Custodial Services Association

Subsequent to this table being prepared National Custodians took over the custody contracts of Commonwealth Custodial Services, and Cogent changed its name to BNP Paribas Securities Services, reflecting the change of ownership in September 2002.

Financial Planners

Table 27 - Top Ten Dealer Groups

Rank	Name	No. of Planners	Funds under Administration ($m)
1	AMP Financial Planning	1,472	50,000
2	Count Wealth Accountants	1,000	4,000
3	Commonwealth Personal Bankers	613	15,600
4	Westpac Financial Services Advisers	441	6,700
5	Colonial Financial Services	400	Not disclosed
6	AXA Financial Planning	346	Unknown
7	Lend Lease Financial Planning	300	3,000
8	Bleakleys	298	900
9	MLC Financial Planning	290	10,000
10	Financial Wisdom	263	4,500

Source: KPI Research

MASTER TRUSTS

Table 28 - Top 10 Wholesale corporate superannuation master trusts

	Sept 2001		Sept 2000	
Name	**Total($m)**	**% of mkt**	**Total($m)**	**% of mkt**
AMP	7891	19.93	6718	19.49
MLC	5442	13.75	5309	15.41
Colonial	4388	11.08	3318	9.63
ING	3771	9.53	3433	9.96
AXA	2717	6.86	2764	8.02
WM Mercer	1756	4.43	1788	5.19
BT	1131	2.86	820	2.38
ANZ	1099	4.78	642	1.86
National	1075	2.71	962	2.79
AM Corp	949	2.40	805	2.34

Source: Phillips Fox actuaries and Consultants

***Table 29 - Largest Groups operating Superannuation Master Trusts** (as at Dec 2001)*

Name	Funds under Advice($m)	% Mkt Share	No. of master trusts
AMP	20 221	22.67	7
National Australia Bank	10 690	11.99	12
ING	6 870	7.7	6
Norwich Union Navigator	6 635	7.44	4
Commonwealth Bank of Australia	6 516	7.31	9
AXA Australia	5 341	5.99	4
Sealcorp Holdings	4 547	5.1	4
BT Funds Management	3 959	4.44	2
WM Mercer	3 458	3.88	3
IPAC Group	2 886	3.24	2
The Rest	18 068	20.26	53
All Super Master Trusts	**89 192**	**100**	**106**

Source: Rainmaker

***Table 30 - Fund Managers used by Master Trusts** (as at March 2001)*

Fund Manager	No. of Master Trusts	Penetration Ratio(%)	Funds under Advice($b)
CFSIM	68	68.69	68.5
Macquarie	64	64.65	64.0
BT	62	62.63	66.0
MLIML	58	58.59	64.5
ING	56	56.57	60.2
Rothschild	51	51.52	63.9
AMP	47	47.47	56.5
Invesco	76	56.56	63.4
CSAMA	44	44.44	42.0
Perpetual	40	40.40	49.6
Sector Average	11	11.46	13.3

Source: Rainmaker

***Table 31 - Top 10 discretionary master trusts** (as at 30 June 2002)*

Manager	Size ($m)
AMP Financial Services	20 135
Commonwealth (inc Colonial)	11 419
Asgard Capital Management	10 025
Norwich Union Navigator	8 268
ING Funds Management	8 222
Westpac Financial Services	6 003
FlexiPlan Australia	4 769
Questor	2 919
Summit Master Trust	2 752
Portfolio	1 887
Top 10 total	**76 399**

Source: Assirt Market Share Report

***Table 32 - Top 10 fund-of-fund master trusts** (as at 30 June 2002)*

Manager	Size ($m)	Market Share (%)
ipac Asset Management	4 381	30.74
AXA Australia	2 926	20.53
AM Management	2 617	18.36
Australian Portfolio Managers	1 375	9.65
SMF Funds Management	1 131	7.93
Wilson Dilworth	1 031	7.24
Associated Planners Mgt	483	3.39
Partnership Planning	145	1.02
Wealthpac	75	0.53
Australian Unity Funds Mgt	50	0.35
	14 215	**99.73**

Source: Assirt Market Share Report

***Table 33 - Top 10 master trusts operators (overall)** (as at 30 June 2002)*

Manager	Size($m)
AMP Financial Services	20 409
Commonwealth (inc Colonial)	10 818
Asgard Capital Management	9 873
Norwich Union Navigator	8 397
ING Funds Management	6 616
Westpac Financial Services	6 075
FlexiPlan Australia	4 918
Ipac Asset Management	4 381
National Australia Financial Mgt	3 030
Questor	2 917
	77 434

Source: Assirt Market Share Report

***Table 34 - Platform Market** (June 2001)*

	Total FUA ($b)	Number	Platform providers	Investors (m)	Investment options
Master Trusts					
Corporate	36.6	69	36	2.2	2 516
Personal	52.6	110	46	1.0	7 618
Retirement	28.8	100	39	0.07	6 811
Investment	12.9	26	12	0.05	1 392
Sub Total	130.9	311	52	3.3	18 367
Wraps					
Investment	17.5	56	22	0.1	5 436
Total	148.5	367	54	3.1	23 803

Source: Rainmaker

Competition amongst Managers

To gauge competitiveness between managers it is possible to view fee ranges for particular asset sectors. By determining the inter-quartile range between the upper and lower quartiles we can see a tighter range means more competition between managers.

Table 35 - Inter-Quartile Range of Fees for Major Asset Sectors ($10m)

	Upper Quartile	Lower Quartile	Inter-Quartile range
Growth	0.70	0.60	0.10
Conservative Growth	0.66	0.51	0.15
Australian Shares	0.74	0.60	0.14
International Shares	0.99	0.75	0.24
Australian Bonds	0.47	0.31	0.16
International Bonds	0.66	0.47	0.19
Listed Property	0.77	0.60	0.17
Australian Cash	0.32	0.24	0.08
Enhanced Cash	0.30	0.25	0.05

Source: InTech Asset Consulting

Enhanced cash, Australian cash and growth funds all offer competitiveness in the market, however, conservative growth funds, international shares, international bonds and listed property have relatively high ranges indicating savings may be made on fees charged by different managers.

To get another perspective on management fees we can look at average fee charges for differing investment levels. We can see that the variation in fees between $5 and $50 million investments is not high. For example an investor placing $5 million into a growth fund would pay on average only 0.05% more in fees than an investment worth 10 times as much.

Table 36 - Average Fee Charges

	$5m investment (%pa)	$50m investment (%pa)	Diff.
Growth	0.64	0.59	0.05
Conservative Growth	0.60	0.54	0.06
Australian Shares	0.69	0.63	0.06
International Shares	0.89	0.84	0.05
Australian Bonds	0.42	0.35	0.07
International Bonds	0.60	0.53	0.07
Listed Property	0.70	0.62	0.08
Australian Cash	0.29	0.22	0.07
Enhanced Cash	0.31	0.24	0.07

Source: InTech Asset Consulting

Table 37 - Median/Annum Fees

	Mandate Size($m)			
	5	**50**	**100**	**200**
Balanced/Growth	0.70	0.60	0.58	0.58
Capital Stable	0.61	0.57	0.54	0.48
High Growth	0.75	0.61	0.60	0.60
Australian Equities	0.70	0.60	0.58	0.57
Global Equities	0.77	0.71	0.67	0.61
Emerging Markets	1.15	1.10	1.10	1.06
Direct Property	0.69	0.58	0.54	0.52
Listed Property	0.61	0.55	0.55	0.54
Australian Bonds	0.36	0.33	0.32	0.31
Global Bonds	0.50	0.45	0.45	0.43
Cash	0.28	0.23	0.20	0.19

Source: William M Mercer Wholesale Investment Management Fees Survey March 2001

Table 38 - Financial Institutions Report (September 2000)

		Assets	
	Current No. of Entities	**Sep-00**	**Sep-99**
		($ billion)	
Banks			
Four Majors	4	499	433
Other Australian Owned	10	139	120
Foreign Owned	36	118	111
Total	50	749	663
Reserve Bank	1	52	44
Insurance & Superannuation			
Life Insurers	42	183	169
Superannuation Business		151	138
Ordinary Business		32	31
Superannuation(non-life)	217,158	337	277
Placed directly with Investment Managers		191	162
Invested Directly		146	115
General Insurers	168	88	81
Friendly Societies	48	6	6
Total	217,698	614	530
Other Financial Institutions			
Money Market Corporations	84	75	63
Finance Companies	188	71	68
Public Unit Trusts	602	114	105
Common Funds	85	7	8
Cash Management Trusts	30	25	22
Health Funds	44	3	2
Total	1,033	365	266
Grand Total	218,731	1,815	1,537

Source: APRA Trends, Council of Financial Regulators Annual Report, RBA Bulletin, ABS Cat No. 5655.0, Private Health Insurance Administration Council

Table 39 - Financial Institutions Asset Allocation (September 2000)

	Assets in Australia								
	Cash & Deposits	Loans & Placements	Interest Bearing securities	Equities & Units in Trusts	Land & Buildings	Other Assets	Total	Assets Overseas	Total Assets
	($million)								
Banks	32,495	532,183	47,608	42,839	3,767	51,690	710,581	38,015	748,597
Superannuation	33,947	22,792	90,615	205,525	24,607	14,907	392,393	96,550	488,943
Life Office Statutory Funds	5,448	10,543	49,700	72,657	10,424	4,162	152,935	29,966	182,900
Private Sector General Insurers	3,501	3,269	14,650	12,174	658	19,551	53,803	8,299	62,102

FUTURE PROSPECTS

While all superannuation commentators would agree that superannuation will continue to grow in the decades to come, it is more difficult to agree on the rate of growth, particularly 20 or 30 years into the future. This section looks briefly at the main factors which may promote or impede the growth of the industry, before providing some estimates of the size of the industry and its component parts over the next 10 to 20 years.

Factors assisting growth

There are a variety of factors likely to help superannuation assets grow apace well into the next century. They include:

- The importance of increasing national savings in Australia, in which superannuation savings play a very important role because of their long-term nature.

- The increase in Superannuation Guarantee contributions to 9% in 2002.

- Opportunities and policies to improve the participation rate of employers, small business owners and the self employed in superannuation (currently under 40%). Recent initiatives by the Federal Government to facilitate the rollover of proceeds from the sale of small businesses into superannuation provides one example of this.

- The effect of tax concessions on superannuation contributions (e.g. the rebate on contributions for non-working spouses).

- Measures to retain superannuation assets in the system for longer, such as the tighter preservation measures recently announced, and the growing interest in retirement income streams.

Factors impeding growth

At the same time, there are some factors which may put a break on the growth of superannuation assets, such as:

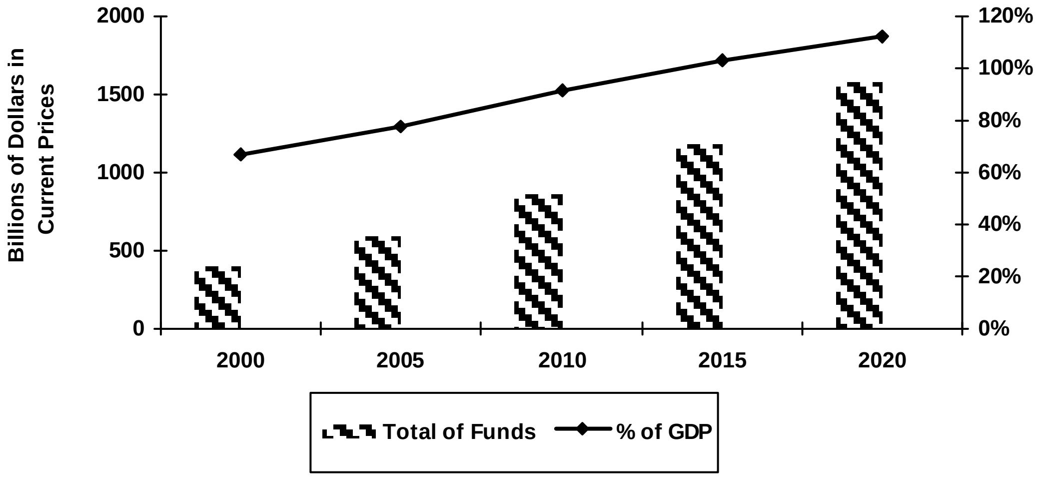
- The abandonment of member co-contributions and matching government contributions, which would have increased contribution rates to 15% (as against 9%).

- Removal of some of the tax advantages of superannuation, such as the introduction of the 15% tax surcharge on deductible contributions by higher income earners. This may redirect potential superannuation savings to other more tax effective investments.

Projections

The latest published projections of total superannuation assets by the Commonwealth Treasury Retirement Income Modelling Group envisage total superannuation assets growing, in current prices, to $931b in 2010, and almost doubling again to $1,699b in 2020. These projections are based on an assessment of superannuation measures in place, or announced by the government.

Fig 1 - Projected Growth of Superannuation Funds



Source: RIM July 1998

This four-fold increase in superannuation assets is expected to come from growth in all sectors of superannuation, with the fastest growth (700% between 2000 and 2020) to be experienced by Superannuation Guarantee sourced contributions. Other private sector accumulation funds are projected to increase by 500%, private sector defined benefit funds by 360% and public sector defined benefit funds by 300%. Personal superannuation and rollover (including assets for the self-employed) are projected to grow by 250% over the period.

Table 40 - Projected Growth of Superannuation Funds by Type of Fund

Funds held for those in employment - Billions of Dollars in Current Prices								
Year	**Public Sector Defined Benefit Funds**	**Private Sector Defined Benefit Funds**	**Private Sector Defined Contribution Funds**	**Total SG Funds**	**Personal & Rollover Funds**	**Self Employed**	**Grand Total all Funds**	**1998 Projections**
2000	90	79	50	56	63	33	**426**	397
2005	123	111	77	109	92	40	**643**	594
2010	163	153	115	181	120	47	**931**	860
2015	206	203	163	272	150	53	**1,280**	1,185
2020	254	262	222	381	181	60	**1,699**	1,581

Source: RIM, July 1999

Rice Kachor Research projects similar figures for the growth of superannuation, but provides a breakdown by market segment.

Table 41 - Estimated Superannuation Market

Sector	1999	2002	2007(a)	2009
Master trusts	32	54	109	132
Personal superannuation	78	100	144	168
ERFs, RSAs and conventional super	6	7	10	13
Self managed	59	87	161	204
Retail Sub-Total	**175**	**248**	**424**	**516**
Post retirement annuities and allocated pensions	29			127
Total retail	**204**			**643**
Industry funds	33	50	98	117
Corporate funds	74	80	95	106
Public sector funds	102	109	121	129
Balance	26	30	39	42
Total	**439**	**518(b)**	**775(b)**	**1038**

Source: Rice Kachor, May 2000.

(a) Comparison with earlier Rice Kachor projections for 2007 shows a scaling back of expectations for Master Trusts and Industry Funds. This is consistent with changed market expectations following delays in Choice of Funds legislation and developments in recent years across the various sectors.

(b) Does not include post-retirement products.

The growth of the various superannuation sectors will undoubtedly also be affected by the proposed choice of fund legislation (if and when it is implemented). The main losers (in terms of loss of members) from this legislation, if ever enacted, are likely to be corporate funds, with unfunded public sector funds largely isolated from the effect of the measures. However, in regard to the latter, the Commonwealth Government announced that entry to its two large, unfunded superannuation schemes would be closed to new members following the passage of choice of fund legislation. State Governments also have been closing unfunded schemes to new entrants. The main battle is likely to be between the providers of retail products and the industry funds, which are preparing themselves to offer their products to the population at large.

Even in the absence of choice of fund legislation there has been a continuing trend for corporate funds to close and transfer their members to retail or industry funds. Table 42 provides details of some recent examples of corporate funds that have done this.

Table 42 - Superannuation funds which rolled into masterfunds during 2001-02

Date	Fund Name	Retail Provider	Value($m)
1/5/01	WA Newspapers Super Plan	Plum Financial Services	95
1/7/01	Capral SP	Plum Financial Services	60
1/7/01	Unisys SF	Mercer IC	60
1/7/01	WMC SF	Plum Financial Services	205
1/10/01	The Age Staff pension fund	Mercer IC	153
1/10/01	Fairfax Super	Mercer IC	183
1/10/01	Optus SP	AM Corporation	242
1/1/02	Southcorp SF	Plum Financial Services	135
1/3/02	Hunstman Australia SF	Plum Financial Services	80
1/5/02	Westfield General Provident Fund	AMP Henderson Global Investors	80.2
1/5/02	BEST	Plum Financial Services	386
30/6/02	BORAL SP	Plum Financial Services	144
1/7/02	Tyco Group SP	AMP Henderson Global Investors	90
1/7/02	PARF	Mercer IC	62
5/8/02	Santos SF	Mercer IC	120
21/10/02	Roche Bros Group SP	ANZ Investments	120

Source: InvestorSupermarket