

“Where have all the flowers gone...
long time passing”
Consolidation in Australia

The Honourable Nick Sherry, Former Minister for
Superannuation/Assistance Finance Minister, Australia

Number of Funds by Sector

	1999	2002	2011	2018
Corporate	3210	2633	139	22
Industry	97	22	60	38
Public Sector	40	89	39	18
Retail	229	254	143	116
Small	n/a	n/a	3242	1772
Self-managed	197,000	240,000	453,000	600,000

Assets by Sector \$100m

	1998	2002	2011	2016
Corporate	69	68	54	54
Industry – Mutual Profit for Member	30	50	242	630
Public Sector – Mutual – closed db/open dc	96	105	210	461
Retail – Banks, Insurance and For Profit	115	171	352	589
Small-licensed	2	2	2	2
Self-managed – individual is trustee	55	98	438	727

Funds by Size Sector – Number and \$Assets (billion) – 2017

	0-1b	1-5b	5-10b	10-20b	20-50b	50-100b	100b+
Corporate	11	7	2	2			
Industry	19		9	4	4	1	1
Public Sector		6	2	2	4	3	
Retail	94	11	4	1	1	4	1

Factors Impacting

- Size and growth** - \$2.7 trillion today - \$6-7 trillion in 2035 - \$150 b in 1992
140% of GDP, peak at 180% in 2050.
9.5% compulsory conts, 3-4% voluntary
- Defined contribution** - 90% of assets – 95% members (db closed to new members).
No guarantee of outcome.
Greater responsibility on trustees and individual.
- Compulsory** - Default to a fund and basic investment but individual may select a fund and/or investment option.

Factors Impacting

- Trustee governance - All funds have a fiduciary to “act in best interests of member” given it is compulsory, long term, for retirement, deferred wages and tax preferred.
- Economic - Employers do not now pay extra otherwise competitive disadvantage.
- IT/Administration - Need to upgrade and invest particularly as the system is very complex.
- Data - Very good long term fund data.
- Self-Managed - Can invest in real assets including property. Accounts advise on.

Leading to

Increased regulation and oversight – some examples

- 1993
 - Old UK trustee “common law” replaced with Superannuation Supervisory Act (SIS) plus extras ie compensation, etc
 - Trustees governed by **both** Corporations Act and SIS.
- 1998
 - Regulators**
 - Australia Prudential Regulatory Authority (APRA) and Australian Securities and Investment Commission (ASIC) replaced old regulator ISC.
 - APRA issues range of guidance notes – trustee training, liquidity, risks, investments, conflicts of interests etc.
- 2004
 - Trustee Licensing**
- 2012-14
 - Stronger Super** - My Super (low cost default), Super Stream, Trustee as individual can be sued.

Leading to

Others

Scandals – Insurance, director conflict, Royal Commission etc.

Evidence on performance – Scale matters

Globalising of Investment - into far more complex world

Where have all the flowers gone

- Most corporate funds into bank/insurance Master Trusts usually by a competitive tender. Royal Commission critical of
- Industry funds growing in this sector rapidly. Many are Master Trusts.
- Industry Funds merging with Industry Funds. Another seven announced in 2019.
- Public Sector with Public Sector. Are statutory therefore government approval needed.
- Emergence of small licensed Retail thematic funds via direct digital and social media.