

MEDIA RELEASE

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Australian superannuation returns third highest in the world

Research for the Financial Services Council released today shows Australia has the third highest superannuation fund returns in the world.

The research was prepared for the FSC by Deloitte Access Economics to benchmark fees and returns to Australian superannuation funds against comparable countries.

“Of the twelve countries included in the study, Australia has the third highest returns,” John Brogden, CEO of the Financial Services Council said.

In his keynote speech to the FSC Annual Conference today Mr Brogden said: “The (Murray) Inquiry has rightly asked how cheap or expensive the Australian superannuation system is when compared globally.”

New data from Chant West shows the median return since the start of compulsory superannuation 22 years ago to June 2014 was 8 per cent per annum which is 5.4 per cent above inflation. This is net of investment fees and tax and well above the typical return objective of CPI plus 3.5 per cent.

“On any measure this is definitive evidence that Australia’s superannuation system is working,” Mr Brogden said.

“The debate on fees is less definitive.”

The FSI interim report observed that there is a lack of competition and fee sensitivity in the superannuation sector and operating costs appear above international standards.

“The problem is that assumptions made to date been based on old data which has failed to compare like with like,” Mr Brogden said.

“We need to look at the cost and value of the superannuation system and the funds management industry,” Mr Brogden said.

“The returns that members receive from their superannuation funds over the long term are the most important factor. Focusing on cost alone is dangerous and lazy.”

Research conducted by Rice Warner Actuaries for the FSC shows that MySuper has had an immediate and significant impact on fees in default superannuation.

Superannuation fees have shown a steady decline over the past decade driven by greater competition.

The commencement of MySuper in July 2013 has had a dramatic impact on fees.

Between 2011 and 2013 fees in MySuper default-like products declined from 0.92 per cent to 0.73 per cent.

Given that 80 per cent of Australians default, this means the vast majority of Australians are receiving the benefit of MySuper immediately.

Mr Brogden said: “MySuper must be given time to deliver what the Cooper Review intended it to do – that is, lower costs through competition. And it needs to be given the opportunity to go further through reform of the way default superannuation funds are selected by the introduction of an open, competitive and transparent market.”

Editors’ Note

The Financial Services Council’s annual conference is being held at the Cairns Convention Centre from 6 to 8 August. Further details can be accessed at:
<http://fsc.org.au/events/fsc-annual-conference-2014-accelerate/home.aspx>

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For further information contact: Robyn Tolhurst, FSC Director of Communication, on 0411 177 773 or rtolhurst@fsc.org.au

About the Financial Services Council

The Financial Services Council represents Australia's retail and wholesale funds management businesses, superannuation funds, life insurers, financial advisory networks, trustee companies and Public Trustees. The Council has over 125 members who are responsible for investing more than \$2.3 trillion on behalf of 11 million Australians. The pool of funds under management is larger than Australia’s GDP and the capitalisation of the Australian Securities Exchange and is the third largest pool of managed funds in the world. The Financial Services Council promotes best practice for the financial services industry by setting mandatory Standards for its members and providing Guidance Notes to assist in operational efficiency.