

# Essential Super Stats

Volume 2, April 2007

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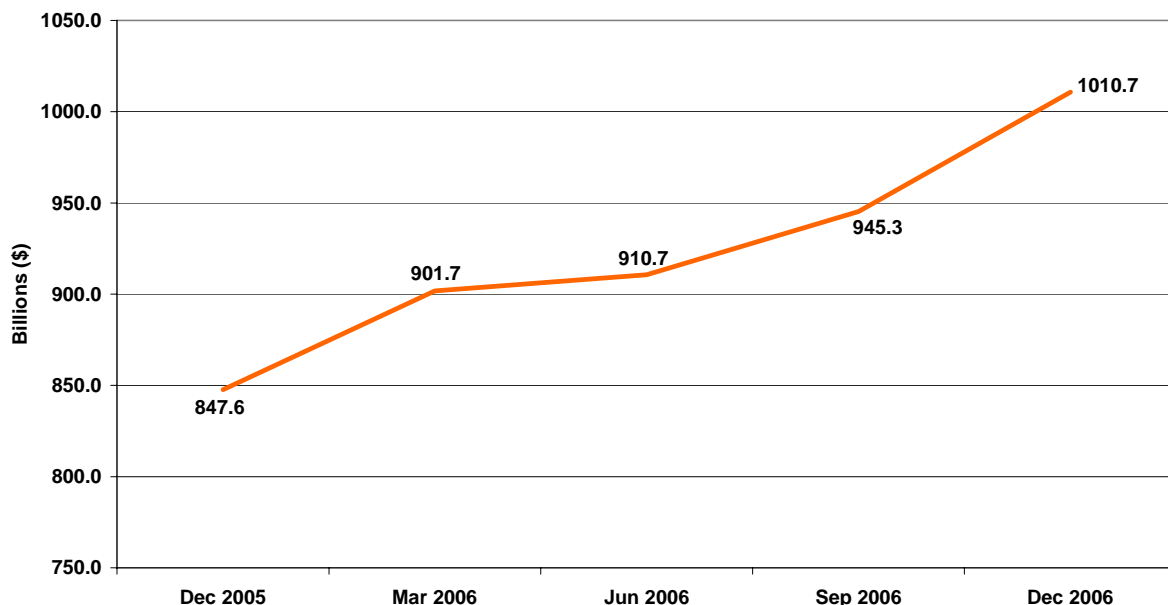
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**Total super assets reach historic trillion dollar mark for the first time**

Total estimated superannuation assets broke through the trillion dollar mark for the first time in the December quarter 2006, according to APRA data. Over the December quarter total assets rose by 6.9% to reach \$1.01 trillion, while over the 12 months to December 2006 there was an increase of 19.2%.

**Total superannuation assets, December 2005 - December 2006**

source: Quarterly Superannuation Performance, December 2006, APRA



Corporate funds’ assets increased by 25.7 per cent (a large public sector fund was corporatised during this period, impacting the data), industry funds’ assets by 9.0 per cent, retail funds’ assets by 6.7 per cent and public sector funds’ assets decreased by 0.7 per cent during the December 2006 quarter.

## Australia sixth in world in terms of pension assets...

Pension assets by country		
	2006 Assets (\$US b)	2006 Assets / GDP (%)
US	13,963	105
Japan	3,084	69
UK	2,338	99
Canada	1,027	81
Netherlands	873	132
<b>Australia</b>	<b>743</b>	<b>100</b>
Switzerland	565	148
Germany	312	11
France	158	7
Ireland	112	51
Hong Kong	62	33
<b>Total</b>	<b>23,237</b>	<b>81</b>

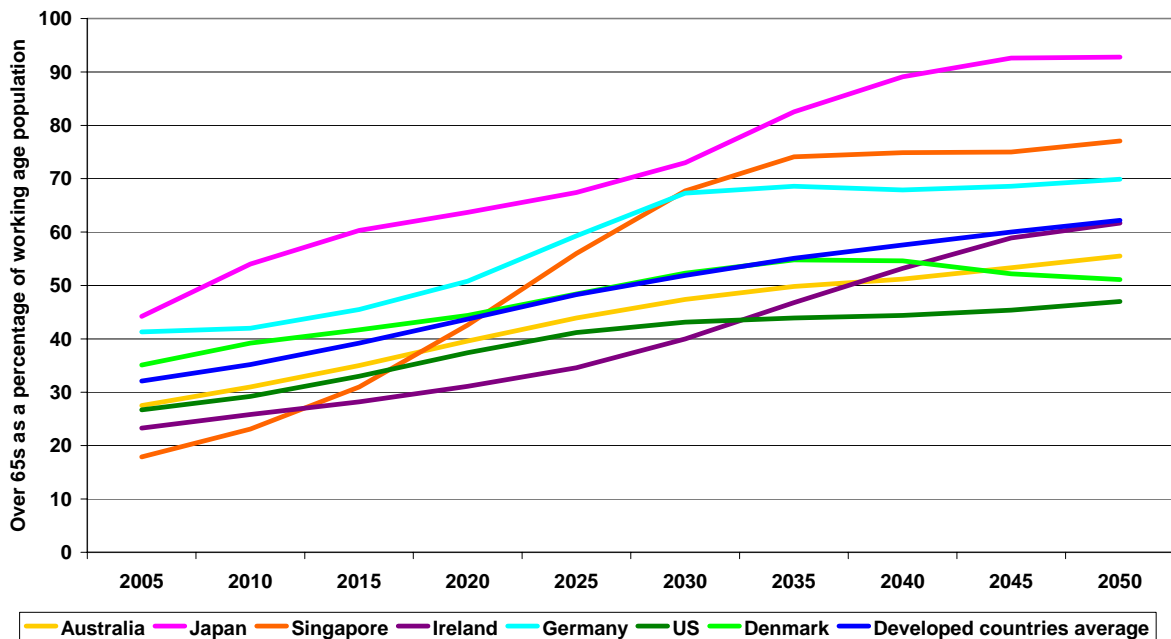
Source: Watson Wyatt Worldwide

According to Watson Wyatt, this places Australia sixth in the world in terms of total pension assets. In terms of assets as a percentage of GDP, Australia is fourth in the world behind Switzerland, the Netherlands and the US. Australia is thus relatively well placed to deal with the effects of the aging population.

Countries with relatively small total assets as a percentage of GDP, who also face relatively steeply rising dependency ratios of the elderly to those of working age (see graph below), such as Japan and Germany, will face greater budgetary pressures.

As can be seen from the graph below, Australia is below the developed countries average in terms of its projected old age dependency ratio.

Old age dependency ratios, actual and projected, 2005-2050



source: Population Division of the Department of Economic and Social Affairs of the United Nations Secretariat, World Population Prospects: The 2006 Revision and World Urbanization Prospects: The 2005 Revision

## ...and behind only Switzerland in growth as a proportion of GDP

As a percentage of GDP, Switzerland saw the greatest improvement in its pension assets as a proportion of GDP. On a weighted average basis, pension asset proportions relative to GDP climbed by an average of 24%. Australia's growth was significantly above this at 54% (see table overleaf).

Germany and France saw very little change in pension assets as a percentage of GDP over the period. In absolute terms, the US remained the largest market by some margin at the end of 2006, representing nearly 60% of total pension fund assets.

	Pension assets as a % of GDP		
	1996	2006	Change
<b>Australia</b>	<b>46%</b>	<b>100%</b>	<b>+54%</b>
Canada	70%	81%	+11%
France	4%	7%	+3%
Germany	8%	11%	+2%
Hong Kong	16%	33%	+17%
Ireland	44%	51%	+7%
Japan	43%	69%	+26%
Netherlands	85%	132%	+47%
Switzerland	86%	148%	+62%
UK	79%	99%	+20%
US	87%	105%	+19%
<b>Weighted average</b>	<b>58%</b>	<b>81%</b>	<b>+24%</b>

*Source: Watson Wyatt Worldwide*

### Updated Intergenerational Report

The Government has released the second iteration of its Intergenerational Report. Of interest to members may be the updated forward projections contained in the Report for longevity (see chart overleaf), which has risen by a greater amount than forecast in the first Intergenerational Report.

However, the Australian Government's long-term fiscal sustainability has improved since the first intergenerational report in 2002, with the 'fiscal gap' or the amount by which spending is projected to exceed revenue estimated to be around 3.5% of GDP by 2046-47. In the first Intergenerational Report this was estimated at 5.0%. The report can be viewed in full at: <http://www.treasury.gov.au/igr/IGR2007.asp>

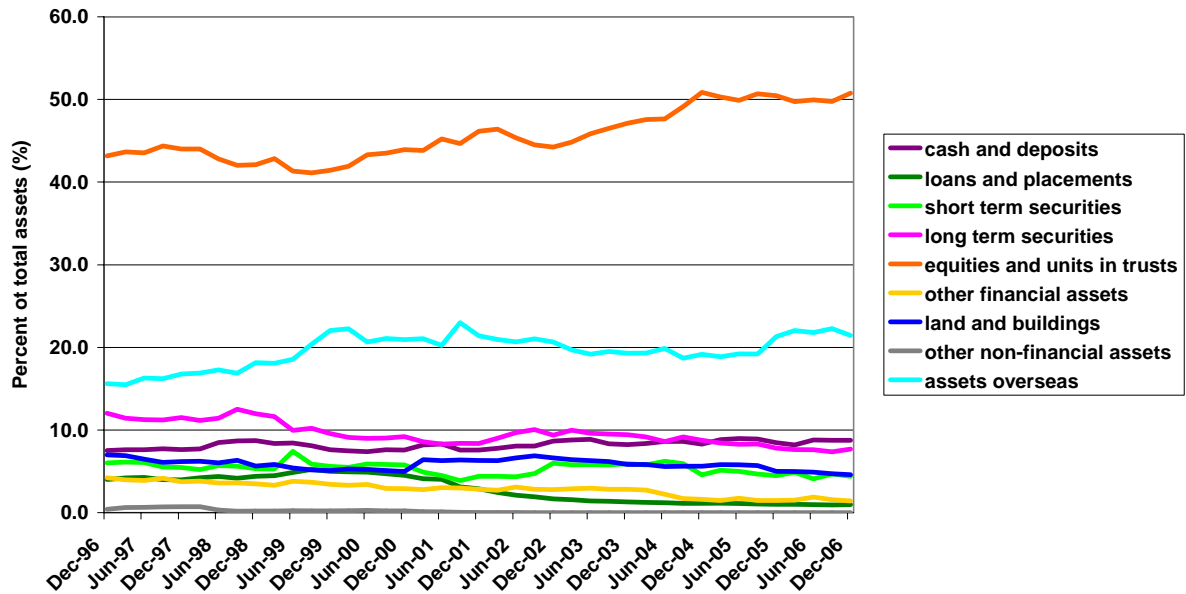
Projected longevity, males and females, 2007-47					
	2007	2017	2027	2037	2047
<b>Life expectancy at birth</b>					
Men	79.1	81.4	83.2	84.6	86.0
Women	83.8	85.6	87.2	88.5	89.8
<b>Life expectancy at age 60</b>					
Men	22.6	24.2	25.5	26.6	27.7
Women	26.1	27.4	28.6	29.8	30.8

*Source: Treasury*

### Investments in assets overseas, equities rise

Over the period December 1996 to December 2006, there have been increases in investment allocation to equities and units in trusts and assets overseas (see graph overleaf). These have increased over the 10 year period between December 1996 to December 2006 from 43.2% to 50.8% (equities) and from 15.6% to 21.4% (investments overseas) respectively.

**Superannuation funds, unconsolidated asset allocation, December quarter  
1996 to December quarter 2006**



**Average return of 0.4% for growth super funds during February 2007**

According to Intech's *Super Survey*, the average return for growth super funds was 0.4% during February 2007 (net of fees and tax). Australian equities significantly outperformed international equities over each of the last five years. However, listed property produced still higher returns over the period.

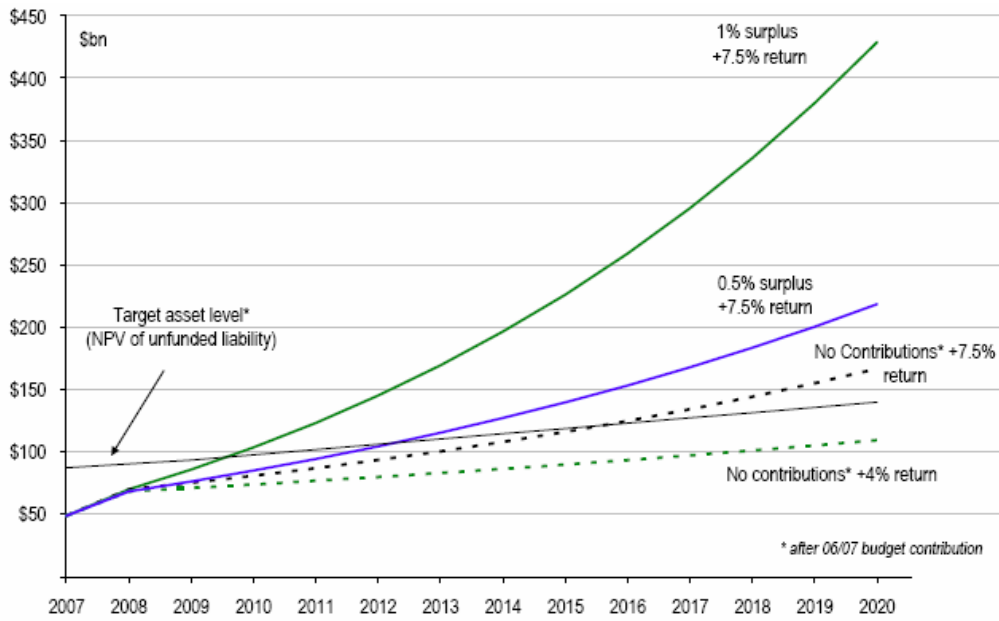
Average Fund Returns	1 year Return (%)	2 year Return (%)	3 year Return (%)	4 year Return (%)	5 year Return (%)
Moderate(net)	10.95	12.09	12.27	12.37	8.73
Growth (net)	13.36	14.54	14.86	15.05	9.78
Australian Equities (gross)	23.49	23.42	25.48	25.46	16.13
International Equities (unhedged, gross)	8.93	14.79	12.63	12.81	1.73
Listed property (gross)	33.29	25.03	25.20	22.56	20.00

Source: Intech's *Super Survey* February 2007 (<http://www.intech.com.au>)

**Future Fund well placed to exceed targets**

We have included the Future Fund in *Essential Super Stats* as it provides for future superannuation liabilities of Commonwealth public servants. According to UBS, even with no further contribution beyond the 2006/07 surplus – and assuming it meets its 7.5% p.a. targeted return – the Future Fund should rise to \$167 billion by 2020, well above its \$140 billion objective (see graph overleaf).

### Future Fund – projected assets 2007-20



Source: ABS, UBS; \* Actuarially determined to 2009, UBS estimates thereafter

### Key Economic Data

Latest economic data for Australia from the Australian Bureau of Statistics:

	Current period	Annual
<b>Unemployment rate</b>	4.5% (seasonally adjusted) March 2007	5.0% (seasonally adjusted) March 2006
<b>CPI</b>	-0.1% December quarter 2006	3.3% December quarter 2005 – December quarter 2006
<b>Economic growth</b>	1.0% (seasonally adjusted) December quarter 2006	2.8% (seasonally adjusted) December quarter 2005 – December quarter 2006
<b>Company gross operating profits</b>	2.5% (seasonally adjusted) December quarter 2006	9.1% (seasonally adjusted) December quarter 2005 – December quarter 2006
<b>Wages and salaries</b>	2.7% (seasonally adjusted) September quarter 2006	7.6% (seasonally adjusted) September quarter 2005 – September quarter 2006

### Comments / queries? Please contact

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