**MEDIA RELEASE**

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## Australia has the right investment mix for superannuation
## − FSC launches new research

Australia is on par with the UK, USA and Canada in the proportion of superannuation (private pension) assets invested in equities.

New research for the Financial Services Council by Mercer has benchmarked Australia's asset allocation for superannuation against 11 other comparable private pension schemes around the world.

The countries included in the report include: Australia, Canada, Chile, China, Denmark, Hong Kong, Japan, South Korea, Netherlands, Switzerland, the UK and the USA. It is the first research of its type to make these comparisons.

The research shows that Australia has one of the most diverse asset allocations of the surveyed countries.

"Australian superannuation investments in equities are in line with other large pension funds worldwide," John Brogden, CEO of the Financial Services Council said.

"The regular criticism that superannuation is overweight in equities is not borne out when we compare our system with large pension systems in the US, UK and Canada.

Four of the five largest pension systems in the world − Canada, the USA, UK and Australia – have invested 35 to 50 per cent of their assets in equities.

As the world's fourth largest superannuation system, Australian funds have 50 per cent of assets invested in equities.

The Mercer report has found Australia should be expected to have a high allocation of superannuation investment in equities for reasons which include:

- 11 per cent of superannuation funds under management in Australia are in defined benefit schemes. Many of the other countries reviewed have a high number of guaranteed pensions or annuities which require matching assets.. They are therefore more heavily weighted towards bonds or fixed income.
- Australia has a higher ratio of younger to older fund members than other countries so it is appropriate that a scheme with a younger demographic invests more heavily in growth assets.
- Our small corporate bond market combined with home country bias, manifests itself in higher allocation to equities for want of other asset classes to invest in.

"As the superannuation system matures and baby boomers move into retirement, the proportion of funds invested in equities is likely to decline as retirees demand lower risk assets with more stable income streams," Mr Brogden said.

Other key findings in the report include:

- As defined contribution pension systems are fully-funded and non-guaranteed they have a higher allocation to growth assets than defined benefit funds.
- Australia has a strong home bias and a high allocation to domestic equity – not all countries share a high allocation to domestic equities. For example, the majority of European pension systems surveyed allocate a higher proportion of fund assets investments to non-domestic equity markets relative to their home country allocation.
- Jurisdictions including the USA, Hong Kong, Chile and the UK have a similar allocation towards equities to Australia.
- Australia has a higher allocation towards property and other − including infrastructure and alternatives − but a lower relative allocation towards fixed interest investments.
- Australia also has the second highest allocation to:
    - cash / deposits; and
    - land and buildings.
- The major difference between the Australian superannuation system and comparative pension systems is Australia's lower allocation towards fixed interest.

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**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 130 members who are responsible for investing more than $2 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 fourth 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.