



insight



Celebrating
10 years of superannuation
data collection
1996 – 2006

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Rounding

Individual numbers may not add up to totals due to rounding of figures.

Glossary and Explanatory notes

A set of explanatory notes is provided at the end of the publication to assist the reader in understanding the source and definitions of the data.

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Introduction



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In the ten years from June 1996 to June 2006, superannuation in Australia rapidly expanded into an industry worth close to \$1 trillion.

In 1996 superannuation played a minor part in the national income mix, but by 2006 it had quadrupled in asset size to become an essential factor in how Australia will fund its ageing population.

In addition to this extraordinary asset growth, new licensing requirements that came into effect in 2006 and strengthened supervision by the Australian Prudential Regulation Authority (APRA), have helped to transform the superannuation industry into a largely professionally managed industry. With origins more of a cottage industry, the superannuation sector now wields significant investment might and global reach.

While APRA treats the superannuation industry in much the same way as it supervises the banking and insurance industries, the superannuation sector itself appears to be coming of age.

APRA's purpose in publishing this work is to create an authoritative reference work for the Australian superannuation industry, for the ten years in question. We are likely to continue publishing extracts from our statistical collections, though we do not plan to repeat this ten year exercise every year.

A recent history of superannuation in Australia

This article details the history of superannuation in Australia from the mid-1980s to the present day. There is particular focus on developments and changes in the coverage, regulation and taxation of superannuation in what has been a defining period for retirement income policy in Australia¹.

Superannuation coverage

Award superannuation

While superannuation as a form of savings has existed for more than a century in Australia, for most of the time it applied to a minority of employees, generally higher paid white collar staff in large corporations, employees in the finance sector, public servants and members of the Defence Force. However, from the 1970s superannuation started to become more widely available as a result of claims lodged in the industrial relations arena.

The advent of institutionalised employee superannuation began in September 1985 when the Australian Council of Trade Unions (ACTU), as part of its National Wage Case claim with the Conciliation and Arbitration Commission, sought a three per cent employer superannuation contribution to be paid into an industry fund. The Government supported the claim in pursuit of its inflation control objectives and, in February 1986, the Commission announced that it would approve industrial agreements that provided for contributions of up to three per cent to approved superannuation funds. The superannuation funds approved by the Commission were generally multi-employer industry funds jointly sponsored by trade unions and employer associations.

New industrial awards were progressively negotiated under the guidelines established by the 1986 National Wage Case. Consequently, superannuation coverage rapidly increased from around 40 per cent of employees to 79 per cent in the four years following the Commission's decision. Coverage in the private sector grew from 32 per cent in 1987 to 68 per cent in 1991.

In spite of the rapid growth in superannuation coverage, award-based superannuation had a number of problems:

- nearly one third of private sector employees remained uncovered by 1991;
- not all employees who were entitled to award superannuation received it, in part because compliance could only be enforced through a laborious case mounted with the Conciliation and Arbitration Commission;
- award superannuation as a universal entitlement did not effectively take into account the significant number of employees who already had some superannuation rights as part of their employment; and

¹ This article is in part based on a 2001 paper issued by the Commonwealth Treasury entitled *Towards higher retirement incomes for Australians: a history of the Australian retirement income system since Federation*. The paper was included in the 2001 Centenary Edition of Economic Roundup.

- the three per cent award was too small to provide a significant improvement in retirement incomes for many employees.

The compliance problems associated with award superannuation prompted the Industrial Relations Commission in 1991 to reject an application, supported by both the ACTU and the Government, for a further three per cent of salary in award superannuation. The Commission recommended that the Government convene a national conference on superannuation involving all relevant parties to consider issues such as non-compliance; the extension of award superannuation to all awards, including state awards; building more flexibility into award-based superannuation; the extension of superannuation to casual and part-time employees; and the role of the Commission in ensuring appropriate levels of retirement income.

Superannuation guarantee

The Government did not adopt the Commission's recommendation for a national conference and instead announced that from 1 July 1992, under a new system to be known as the superannuation guarantee, employers would be required to make tax-deductible superannuation contributions on behalf of their employees. Employers who did not provide the required amount of superannuation support would be liable for a non-deductible Superannuation Guarantee Charge, equivalent to the individual employee shortfall in contributions, an interest component and an administrative charge.

The superannuation guarantee, enforceable through the Commonwealth's taxation powers, provided for:

- a major extension of superannuation coverage to employees not already covered by superannuation;
- an efficient method of encouraging employers to comply with the obligation to make contributions on behalf of their employees; and
- a mechanism by which the level of employer superannuation support could be increased over time, consistent with the Government's retirement income policy objectives and the economy's capacity to pay.

The superannuation guarantee commenced in 1992/93 with employer contributions of three per cent of salary (four per cent for employers with an annual payroll greater than \$1 million). Higher levels of contributions

were phased-in over a ten-year period and reached the maximum of nine per cent in 2002/03. Initially contributions were required to be paid annually in arrears; this was changed to quarterly in arrears from 1 July 2003. This change benefited employees in two main ways – employer contributions could be invested sooner and the incidence of unpaid employer contributions as a result of employer insolvency would be likely to be lower.

The superannuation guarantee used broad definitions of employer and employee and provided very few exemptions, the most prominent being for employees earning less than \$450 per month, part-time employees under 18 years of age and employees aged 65 or over. From 1 July 1997 the Government extended the upper age limit for superannuation guarantee contributions from 65 to 70 years, thereby encouraging the increasing tendency for older Australians to work past normal retirement age. This higher age limit for contributions also applied to non-mandatory employer contributions and personal contributions provided that the member was gainfully employed for ten hours or more each week.

Choice of fund

The superannuation guarantee legislation did not specify any particular fund to which employers should make their mandatory contributions, beyond the requirement that the fund be a 'complying fund' for the purposes of the *Superannuation Industry (Supervision) Act 1993* (the SIS Act). Where employees were covered by award superannuation, the award generally nominated an industry fund as the fund to receive the three per cent award contribution. An employer was free to pay the balance of the superannuation guarantee contribution in excess of the award contribution into any complying fund selected by the employer. In practice, for administrative simplicity employers often paid the entire superannuation guarantee contribution into the industry fund that received the award contribution.

Legislation amending the superannuation guarantee to allow employees to choose the fund which receives their superannuation guarantee contributions was first introduced into Parliament in December 1997. Agreement on the way in which choice of superannuation fund would operate was not reached for some years and it was not until towards the end of 2003/04 that amending legislation was passed. The original amending legislation put forward in 1997 allowed employees to

choose from among five funds selected by their employer. In the final form of the legislation, which came into effect on 1 July 2005, employees are generally able to nominate any complying fund into which the employer pays superannuation guarantee contributions. Employers select a default fund which applies where employees do not nominate another fund. As many employees may be inclined to accept the default fund selected by the employer, superannuation trustees and their related parties are generally prevented from offering inducements to employers for their employees to become members of a particular superannuation fund.

Amended portability of benefits provisions in the SIS regulations effective from 1 July 2005 complement the choice of fund arrangements and require trustees to transfer a member's accumulation withdrawal benefit to another fund on the request of the member.

Problems with small accounts and lost members

As the superannuation guarantee made superannuation more widely available, in particular to low-income, part-time and casual workers, the impact of fund fees and charges on small account balances became more noticeable. In response, the Government introduced, from 1 July 1995, member protection rules which prevented fund fees and charges on accounts with balances of less than \$1,000 from exceeding any investment gains in those accounts. The Government also established a small accounts collection system within the Consolidated Fund, the Superannuation Holding Accounts Reserve, to accept superannuation guarantee amounts from employers where the employer was unable to locate a superannuation fund that would accept small or one-off superannuation contributions. This system was later discontinued as funds willing to accept small contributions and offer member protection became more widely available.

An indirect effect of mandatory superannuation has been an ongoing increase in the number of member accounts. At 30 June 2006 there were 29.1 million member accounts, a significant increase from the 16.3 million accounts at 30 June 1996. The increase in the number of superannuation accounts is partly attributable to employees joining a new (default) superannuation fund as they change employment. Choice of superannuation fund and easier portability arrangements may see a lessening in the growth of superannuation accounts.

Approximately five million superannuation accounts belong to members with whom the trustee has lost contact – these members are known as 'lost members'. A Lost Members Register, maintained by the Australian Taxation Office (ATO), was established in 1999 to assist these members locate their accounts and consolidate their superannuation. Superannuation funds are obliged to report lost members to the ATO on a regular basis. The more widespread use of tax file numbers for superannuation purposes (encouraged through significant tax incentives) should assist in reducing the number of lost member accounts. The ATO will also play a more active role in contacting lost members and assisting them consolidate their accounts as part of the superannuation simplification plan announced with the Budget in May 2006.

The superannuation guarantee and defined benefit funds

Defined benefit funds provide members with a pre-determined benefit generally based on the member's final salary and length of service with the employer-sponsor of the fund. The employer-sponsor is responsible for financing the pre-determined benefit (to the extent it is not funded by member contributions) and therefore bears the residual risk associated with investing the fund's assets.

Prior to award superannuation, most members were in defined benefit funds; for example, in 1982/83, 82 per cent of fund members were covered by defined benefit funds. Generally, the industry funds established to accept award (and, later, superannuation guarantee contributions) were accumulation funds. The administrative complexity of defined benefit funds compared to accumulation funds made them less attractive for employers to use to satisfy their superannuation guarantee obligations. Other reasons for the decline in defined benefit funds are their typically higher and uncertain costs that with the passage of time could overshadow corporate balance sheets. By 2005/06, 97 per cent of members were in funds that provided either accumulation benefits or a mixture of accumulation benefits and defined benefits.

A key difference between defined benefit and accumulation funds is that accumulation fund members bear the investment risk since, over time, all investment earnings and losses are credited or debited to member accounts. Members may be offered a choice

of investment options. This shift of investment risk to members and away from employers is a central feature of the decline in defined benefit funds both in Australia and overseas.

The superannuation guarantee and the public sector

While all levels of government in Australia had a long tradition of providing retirement benefits for their employees, public sector superannuation was generally provided through unfunded or partially funded arrangements whereby the cost of benefits was met at the time the benefits were paid rather than as the benefits were accrued. The introduction of mandatory superannuation through the superannuation guarantee had the effect of setting a widely accepted standard for employer-funded superannuation for all employers, including public sector employers. In response to the superannuation guarantee and a growing concern with unfunded superannuation liabilities against the projections of an ageing work force, governments closed their unfunded or partially funded defined benefit schemes to new members and established fully funded accumulation schemes to provide new employees benefits at the level of the superannuation guarantee or higher.

The Australian Government announced in the 2005/06 Budget that it would create the Future Fund, with the defined purpose of accumulating sufficient financial assets to offset the Australian Government's unfunded superannuation liability by 2020.

Regulation of superannuation

Most superannuation in Australia is provided through a trust structure where trustees hold the superannuation assets on trust on behalf of members and owe a fiduciary duty to those members. Trustees have a duty to act in the best interest of members while managing the superannuation savings in their care.

A condition of the Conciliation and Arbitration Commission's 1986 National Wage Case decision was that industry superannuation funds would be required to conform to the Commonwealth's operational standards for superannuation.

The Occupational Superannuation Standards Act 1987 (OSSA) prescribed operating standards for:

- the vesting of benefits arising from employer and employee contributions;
- the preservation of superannuation benefits within the superannuation system until age 55;
- greater member involvement in the control of superannuation funds (e.g. through equal representation of employees and employers on the trustee board of superannuation funds with 200 or more members); and
- the security of members' benefits (e.g. requirements that funds seeking taxation concessions lodge with the newly established Insurance and Superannuation Commission annual returns certifying compliance with relevant provisions).

Superannuation Industry (Supervision) Act

With the mandating of superannuation contributions through the superannuation guarantee in 1992, the Government sought to build community confidence in the superannuation system and to ensure that monies contributed to superannuation were managed to maximise retirement benefits.

Superannuation funds that complied with the OSSA legislation received a compliance notice entitling them to concessional taxation. To facilitate more effective supervision, the Government decided that tax concessions would only be granted to superannuation funds which the Commonwealth was able to directly regulate under its corporations or pensions powers (in addition to its taxation power). This meant that the trustee of the superannuation fund needed to be a corporation within the meaning of the Constitution or the fund had to have as its substantial or dominant purpose the provision of age pensions within the meaning of the Constitution. Under this approach trustees could be subject to a range of civil and criminal penalties without the need to make a fund non-complying for taxation purposes (which would punish the beneficiaries already affected by the unsatisfactory management of the fund).

The SIS Act replaced the OSSA legislation from 1 July 1994. The SIS legislation included measures which:

- required superannuation trustees electing to be regulated to be subject to the Commonwealth's corporations or age pensions powers under the Constitution;

- set out the basic duties and responsibilities of trustees and ensured that they had adequate powers to carry out these responsibilities;
- improved disclosure and regulatory reporting requirements;
- enlarged the roles performed by auditors and actuaries; and
- introduced more direct enforcement powers and improved audit resources for the Insurance and Superannuation Commission.

The Commonwealth Government did not seek to directly regulate the superannuation schemes of the States and Territories and instead entered into a Heads of Government Agreement in 1996 whereby it was agreed that the public sector schemes covered by the agreement would be operated in accordance with the Commonwealth's retirement incomes policy. These schemes, known as Exempt Public Sector Superannuation Schemes, were treated as complying superannuation funds for superannuation guarantee and taxation purposes.

An alternative to trustee-controlled superannuation funds was introduced in June 1997 by the *Retirement Savings Accounts Act 1997*. Retirement savings accounts (RSAs) are able to be offered by banks, credit unions, building societies and life offices outside a trust structure. Retirement savings accounts were intended as a low-cost, capital protected, alternative to superannuation accounts for small balances that could be rolled over into traditional funds after savings had been built up. RSAs could also serve retirees with little risk appetite, seeking cash investments.

Retirement incomes policy

The SIS legislation has continued to be amended to reflect ongoing developments in the Commonwealth's retirement incomes policy.

The preservation rules were strengthened with effect from 1 July 1999 to require all superannuation contributions and all investment earnings accruing from that date to be preserved until a member's preservation age. A phased increase in the preservation age from age 55 to age 60 has also been legislated; however, this change will not be take full effect until 2025 to minimise its impact on the retirement planning of older employees.

Provisions allowing the splitting of superannuation between divorcing or separating spouses by agreement or by Court order came into force on 28 December 2002. Splitting of contributions between spouses as the contributions are made has also been permitted for contributions made after 1 January 2006 (from April 2007 onwards, spouses are able to split only taxable contributions).

The contribution rules for superannuation were simplified from 1 July 2004 to allow a superannuation fund to accept contributions in respect of a person under the age of 65 without regard to whether the person was gainfully employed (the membership of non-public offer funds remained restricted to employer-sponsored members, their spouses and children under the age of eighteen – the latter two categories having been added in the period since 1996). A work test continued to apply for members between the ages of 65 and 75 but the test was rationalised to require only that a member had worked for 40 hours within a 30 day period in the financial year in which contributions were paid. In 2002 the maximum age for personal contributions was extended from 70 to 75; from 1 July 2007, non-mandated employer contributions are also been permitted up to age 75.

The compulsory cashing rules (which required benefits to be paid to members over the age of 65 when they ceased to meet the work test or when they attained age 75) were also simplified in 2004 and then abolished with effect from May 2006.

To encourage older employees to remain in the workforce, a new category of benefit called a transition to retirement pension was permitted from 1 July 2005. Transition to retirement pensions assist an employee to move from full-time to part-time employment as they do not require employment to be terminated before a pension can commence. Restrictions on commutation prevent the cashing of lump sums prior to retirement.

The SIS rules governing annuities and pensions were amended from 1 July 2007. Among other changes, the minimum drawdown rules for account-based pensions were simplified and the maximum drawdown rules removed. As a consequence of these changes, the previous distinction between cashing benefits as a pension or as a lump sum has been blurred and, given the tax advantages of pension phase, more members are likely to be classified as recipients of a pension in the future.

Financial System Inquiry

The Government announced on 30 May 1996 the establishment of an Inquiry into the Australian financial system to report by 31 March 1997. The Inquiry was directed to assess the financial deregulation of the Australian financial system since the early 1980s, analyse the forces driving change and make recommendations on the nature of the regulatory arrangements that would best ensure an efficient, responsive, competitive and flexible financial system consistent with financial stability, prudence, integrity and fairness. The major recommendations of the Financial System Inquiry were:

- the establishment of the Australian Prudential Regulation Authority (APRA), as an integrated prudential regulator to supervise the banking, insurance and superannuation sectors of the financial services industry;
- the establishment of the Australian Securities and Investment Commission (ASIC) to cover market integrity, disclosure and other consumer protection issues across the entire financial services industry; and
- the focussing of the role of the Reserve Bank of Australia (RBA) on the objectives of monetary policy, overall financial systems stability and regulation of the payments system.

The Government accepted these recommendations.

APRA commenced operation on 1 July 1998 and took over the supervisory functions of the discontinued Insurance and Superannuation Commission. Under the ‘twin peaks’ model of financial regulation, the SIS provisions relating to disclosure and market conduct became the responsibility of ASIC. The disclosure provisions in the SIS legislation were subsequently transferred to the *Corporations Act 2001* and regulations.

Another recommendation of the Financial System Inquiry endorsed by the Government concerned the regulation of self-managed superannuation funds (SMSFs) – funds where the trustees were the only members of the fund. Self-managed superannuation funds were previously called ‘excluded funds’ and, amongst other reasons, were established to allow the self-employed and small businesses to establish and manage their own superannuation accounts.

The SIS Act was amended in 1999 to establish a new category of small superannuation fund to be regulated by the Australian Taxation Office. In general, a less onerous regime was imposed on SMSFs because all members were directly involved in the management of the fund and therefore were better able to protect their own interests. In addition to continuing to require the fund to have fewer than five members, the SIS amendments required all members of the fund to be trustees of the fund or directors of the body corporate trustee. Employees could not be a member of their employer’s self-managed superannuation fund except where they were a relative of the employer.

Superannuation Working Group

On 2 October 2001 the Government released an Issues Paper *Options for Improving the Safety of Superannuation* which raised a number of proposals for the supervision and governance of superannuation entities. A superannuation working group, comprising representatives from the Treasury, APRA and ASIC under the chairmanship of a retired senior executive from the financial services sector, was established to conduct consultations on the Issues Paper proposals and to develop legislative options to put to the Government. The Superannuation Working Group presented its final recommendations for legislative change in October 2002, most of which were accepted by the Government and subsequently enacted through the *Superannuation Safety Amendment Act 2004*.

The major changes affecting APRA-regulated superannuation entities as a result of the Issues Paper and the recommendations of the Superannuation Working Group were:

- trustees were required to be licensed by APRA by 30 June 2006 if they wished to remain as trustees of APRA-regulated superannuation entities;
- a mandatory risk management framework would apply for both the trustee and the funds under trusteeship; and
- new operating standards covering fitness and propriety, adequacy of resources and outsourcing would also come into effect.

The licensing of APRA-regulated trustees had also been recommended by the Productivity Commission in its April 2002 report on the SIS Act and other superannuation legislation. Licensing of superannuation trustees reflected the arrangements already applying in other industries regulated by APRA and was an indication of the significant development of the superannuation industry away from its original base in company-specific funds and public sector schemes.

The APRA-issued licence for superannuation trustees differed from the Australian Financial Services Licence (AFSL) regime administered by ASIC. The AFSL requirements were introduced in 2002 and generally governed the conduct of financial advisors and financial product issuers. While all superannuation trustees regulated by APRA are required to hold an APRA licence, only those superannuation trustees undertaking certain business activities, such as providing financial advice or being a trustee of a public offer superannuation fund, are required to hold an AFSL.

The introduction of licensing accelerated the existing trend for rationalisation and consolidation in the superannuation industry and over the two-year transitional period the trustees of many stand-alone corporate funds decided to wind up the funds and transfer the membership to other funds, such as mastertrusts operated by licensed trustees.

Taxation of superannuation

Superannuation has always been a preferentially taxed savings vehicle. Up until 1983 the tax position for most employer superannuation funds was broadly as follows²:

- employee contributions may qualify for a rebate;
- employer contributions were generally deductible;
- the investment income of the fund was generally not taxed if the fund was approved and maintained in accordance with taxation legislation;
- the entire amount of pension benefit was treated as assessable income; and
- an amount equal to five per cent of a lump sum benefit was included in assessable income.

The Government's May 1983 Economic Statement announced that tax would be levied on the taxable component of lump sums at the rate of 30 per cent (if received at age 55 or later, the first \$50,000 attracted a tax rate of 15 per cent). These arrangements applied only to lump sum amounts relating to service after 1 July 1983. The existing taxation arrangements were grandfathered for benefits that related to service prior to this date.

From 1 July 1988, a 15 per cent tax was applied to all employer contributions and deductible member contributions received by superannuation funds, while the tax on end benefits was correspondingly reduced. A 15 per cent tax also applied to the investment income of superannuation funds derived from 1 July 1988. The tax on investment earnings could be offset by the allowance of full imputation credits for franked dividends received from Australian companies and credits for dividend and interest withholding tax on income received from foreign sources (the latter quarantined to foreign income).

To avoid the imposition of a new tax on a retrospective basis, the taxation treatment of the pre-1983 component of retirement benefits and amounts accumulated between 1 July 1983 and 30 June 1988 remained unchanged. Grandfathering of this nature added to the complexity of superannuation taxation arrangements.

To the extent that Exempt Public Sector Superannuation Schemes had funds which paid tax, the schemes were treated as complying funds for taxation purposes and members' benefits were taxed accordingly.

The complexity of superannuation taxation also increased as a result of the introduction of new Reasonable Benefit Limits (RBLs) from 1 July 1988. The purpose of RBLs was to limit the taxation concessions for high income earners by subjecting benefits received in excess of an individual's RBL to marginal rates of tax. Prior to 1 July 1988, a superannuation fund was able to provide a lump sum of up to seven times salary or a pension of up to 75 per cent of salary regardless of the level of salary a person was paid. The RBL system reduced the maximum percentages of lump sum and pension benefits as the level of salary increased. The pension RBL was approximately double the lump sum RBL, giving an incentive to take

² E S Knight and others, *Superannuation Planning in Australia*, Third Edition: CCH Australia Limited 1982.

at least 50 per cent of benefits in the form of complying pensions. In practice, however, the benefit entitlements of most members, particularly those funded only by the superannuation guarantee, would be unlikely to exceed the lump sum RBL.

The administration of the RBL system required that funds submit an RBL Notification to the Australian Taxation Office whenever a benefit was paid. The ATO, in turn, was required to maintain lifetime records of superannuation benefits in order to assess whether the aggregate benefits an individual received exceeded the individual's RBL. From 1 July 1994, in an attempt to reduce administrative complexity, the pension and lump sum RBLs changed to flat dollar amounts which applied to all members (other than those with higher grandfathered entitlements known as transitional RBLs) and were indexed annually.

In 1996 the Government introduced a surcharge on superannuation contributions made in respect of high-income earners. Under the scheme, a surcharge of 15 per cent was imposed on employer superannuation contributions made after 20 August 1996 on behalf of individuals with an income (including deductible superannuation contributions) of \$85,000 or more. The surcharge was phased in over an income range of \$70,000 to \$85,000, to be indexed annually. Surcharge also applied to defined benefit and unfunded schemes. The surcharge rates were reduced in the 2003/04 financial year and the surcharge itself was abolished with effect from 1 July 2005.

The current Government policy has been to not increase the level of mandatory superannuation beyond the nine per cent superannuation guarantee. While additional superannuation has been regarded as a matter for individuals to determine in the light of their personal circumstances, the Government has provided significant financial incentives to encourage voluntary contributions.

The Government introduced, from 1 July 1997, an 18 per cent rebate for up to \$3000 of contributions made by individuals on behalf of their low-income spouse. This measure was designed to be of particular benefit to women outside the paid workforce who were not covered by the superannuation guarantee.

Since 2003/04, Government co-contributions have been available for low and middle-income earners who make contributions from their after-tax income.

A maximum co-contribution of \$1,500 applies where a person on an income of \$28,000 or less makes an after-tax contribution of \$1,000. The amount of the co-contribution phases down as income increases and ceases to be payable at incomes of \$58,000 or more. While ineligible for the co-contribution, higher income earners often have a capacity to make salary sacrifice contributions whereby they exchange salary (taxed at marginal rates) for higher employer superannuation contributions (taxed at the rate of 15 per cent).

In its May 2006 Budget, the Government announced its plan to simplify superannuation and these measures have now come into effect. The complexity of taxation of superannuation benefits has been reduced through the removal of tax on pension and lump sum benefits paid after age 60 (benefits paid from untaxed funds incur reduced tax). The RBL system used for limiting the amount of concessional taxation has been discontinued. In future, the amount of concessional taxation advantages available to individuals will be controlled through standard limits on all contributions made to superannuation funds in a financial year in respect of a person. All contributions are reported to the ATO which will levy an excess contributions tax where the standard limits have been breached. Tax file numbers will be used as the major mechanism by which compliance with the annual limits is monitored.

The age-based limits on tax deductibility of employer contributions have been abolished in favour of standard limits which will be periodically updated. The general effect of this change is to increase the maximum level of deductible contributions at younger ages and reduce it at older ages.

Under the simpler superannuation measures, more flexibility is available as to when benefits are taken (they no longer need to commence by any particular age or employment status). Where benefits are taken as an account-based pension, the upper limits on the amount of pension that can be paid in a financial year have been removed.

The simpler superannuation measures can be expected to affect both member behaviour, in terms of saving, withdrawal and estate planning, and trustee operations including investment strategy, liquidity management and marketing.

Highlights from 10 years of superannuation data – 1996-2006

The main points from the statistics presented in this special edition of *Insight* are highlighted in this article.

In common with most developed nations, Australia relies upon three funding sources to ensure that retirees maintain a decent standard of living. These are first, the taxpayer-funded aged pension; second, mandatory savings through tax-advantaged superannuation savings; and third, additional voluntary savings by Australians who have the income and inclination to do so.

From the 1980s it became clear that Australia's demographic trends could not forever sustain a retirement income system reliant upon the taxpayer-funded pension, and that Australians would need to save more for their own retirement. The previous article outlines the recent history of Australia's move towards a more robust and self-funded retirement income system.

Overall, Australia's superannuation system has been remarkably successful in the past decade. Table 1 demonstrates that Australia's superannuation savings have grown strongly. In the ten years from June 1996 through June 2006, superannuation assets nearly quadrupled from \$245 billion to \$912 billion. Strong earnings and contributions have continued this growth, with the most recent APRA statistics for March 2007 showing that the industry's assets now exceed \$1 trillion.

As Figure 1.1 shows, this asset growth has increased superannuation assets as a proportion of the national income – or Gross Domestic Product (GDP) – from under 40 per cent to nearly 100 per cent. It is expected this ratio will continue to grow strongly on average, albeit with inevitable fluctuations through good and bad investment cycles.

It may seem on first glance a little unusual to compare a stock figure such as superannuation assets with a flow figure such as GDP. To give a sense for how much more important superannuation is becoming to Australia, one can estimate as a rule of thumb that long-term investment portfolios could support a spending rate of about 5 per cent per annum, and still maintain their purchasing power. On this admittedly simple rule, in 1996 only 38 per cent times 5 per cent, or 1.9 per cent of national income, was supportable by superannuation. Today that number is around 5 per cent, and in another generation will probably exceed 10 per cent of national income. In other words, Australians are transforming superannuation earnings from a minor to an important proportion of the national income mix, and this will prove very useful as Australia deals with an ageing population over the next few decades.

Figure 1.2 shows the share of superannuation assets by functional classification. Retail, industry and small (mostly self-managed) funds have all increased their market share strongly over the ten-year period, while there has been a slight decrease in public sector funds. Corporate funds have lost the greatest market share. Eligible rollover funds' (ERFs) share has been relatively consistent over the ten-year period.

Rapid growth has been accompanied by large changes in the superannuation industry's composition. Table 2 outlines the growth in superannuation in the different functional classifications, which comprise corporate, industry, public sector, retail, ERFs and small funds (which comprise small APRA funds, single-member approved deposit funds and self-managed superannuation funds).

In June 1996, corporate and public sector funds together accounted for approximately 40 per cent of superannuation assets, while industry and small funds together accounted for about 20 per cent. By June 2006 these positions have reversed, with corporate and public sector funds holding around 20 per cent of assets while industry and small funds held 40 per cent. Retail funds more or less held their share at a third of overall superannuation assets.

Fund numbers changed even more strikingly. Figure 2.1 demonstrates larger APRA-regulated funds fell in numbers from just under 5,000 to just under 1,000 funds, which are in turn overseen by just over 300 APRA-licensed trustees. In contrast, Figure 2.2 shows that small funds grew very strongly over the decade, from around 100,000 funds to over 320,000 funds.

The vast majority of members and assets in small funds are in the self-managed superannuation fund (SMSF) sector, which is not regulated by APRA. The Australian Taxation Office has collected and provided SMSF statistical information to APRA over the past decade.

The combination of much smaller regulated fund numbers on a much larger industry asset base means that in the past ten years the average APRA-regulated entity size has increased from around \$40 million to around \$800 million. As shown in Figure 2.5, the typical public sector, retail or industry fund now manages a multi-billion dollar asset base.

This extraordinary growth in average asset size, combined with strengthened supervision and licensing requirements from 2004, means that in a decade the superannuation industry has transformed from a largely volunteer managed industry, to a largely professionally managed industry. Although the industry still relies upon and benefits from many unpaid or nominally paid trustee directors, these trustees are today deploying far more sophisticated risk management and investment management expertise than was the case, on average, in 1996. This is not to say that APRA never expects a superannuation fund to get in trouble, but it does believe the infrastructure to identify and address potential prudential problems has been materially strengthened in recent years.

Table 2 and its associated figures demonstrate two important facts about member balances. One fact is the large number of superannuation accounts, now at about 30 million when there are about 10 million employed persons in Australia. This is not an exact comparison; many retirees have superannuation accounts, and some employed persons on low earnings do not have a superannuation account. It seems that the "too many accounts" problem has worsened by about 50 per cent in the past ten years (anecdotal evidence about changing work patterns, including increased casual and part-time work, is consistent with this development). As discussed later in this article, high average account balances are associated with higher returns. If Australians could somehow consolidate their millions of 'spare' and lost accounts in the industry, collective superannuation earnings would benefit.

The second key fact about members is considerably more positive: average account balances are growing strongly (see Figure 2.6). Higher average member balances translate into more ability for retirees to rely upon their own savings rather than solely upon a taxpayer-funded pension. In the future, APRA will consider expanding its statistical collections to better estimate the spread of average account balances within superannuation funds.

Table 3 gives a cash flow statement over the decade for the superannuation industry as a whole. The industry's average rate of asset growth was 14 per cent, which in a period of low inflation represents very strong real growth. This growth came from two sources: improved contributions and increased investment earnings. During the 1990s increases in the superannuation guarantee

had a positive effect on overall contributions. This trend has continued since the growth in the superannuation guarantee rate ended in 2002/03, and this has combined with continued strong growth in Australian incomes. It can be inferred, but not confirmed from the statistics, that voluntary contributions have also increased strongly, as superannuation fund members perceive the tax and compounding benefits of this form of long-term investment.

Contributions from both employers and members have grown strongly over time, but as shown in Figure 3.1, the proportions have fluctuated substantially. In Figure 3.2, by contrast, the ratio of benefit payments to contributions has dropped with reasonable consistency over the decade. Contributions grew on average by 12 per cent over the decade, and benefits grew by only 8 per cent. This favourable trend means that net contributions tripled over the decade, from \$17 billion to \$52 billion.

Finally, on average the superannuation industry's growth was accelerated by retained investment earnings, but this was a decidedly uneven stream. This will be discussed in more detail later in this article.

Table 4 concentrates on entities with at least \$100 million in assets. These superannuation funds hold well over 90 per cent of the assets among APRA-regulated funds (excluding small APRA funds). As APRA does not regulate or collect statistics from SMSFs, they have been excluded from this part of the analysis. Table 4 demonstrates that the assets in industry, public sector and retail funds are nearly entirely invested in funds holding over \$100 million, and for the corporate funds and ERFs this figure is over 90 per cent.

Tables 5a through 6b illustrate how the manner of investment of funds has changed over the decade. The highlights of the related Figures include:

- (a) the proportion of assets invested directly versus indirectly through investment vehicles started small and has become smaller, falling from around 15 per cent to 10 per cent of assets;
- (b) within the indirect asset pool, individually managed mandates have fallen in favour of wholesale trusts. This is an interesting result: even with vastly larger superannuation funds on average, the superannuation industry has found it economic to pool its assets more than has been the case in the past. APRA has no

preference for or against this strategy; there appear to be economies of scale associated with superannuation investment;

- (c) industry funds rely most heavily upon directly invested assets, with over one-quarter of their collective asset base held in this way. Retail funds and ERFs hold very few assets directly. This latter finding should be read in light of the common practice of retail funds associated with life insurance companies placing all assets with the life company. The life company in turn may invest either directly or indirectly; and
- (d) defined benefit funds re-profiled their investments over the decade, moving from a relatively high to a relatively low proportion of directly invested assets.

Tables 7 through 10 address several different aspects of investment returns. Small differences in investment returns add up to large differences in assets over time, and for many people superannuation is a 60-year investment proposition. In these tables, APRA has sought to shed light upon not only the outcome but some of the drivers associated with return on assets.

Table 7 gives the basic annual summary of return by functional classification. During this period there was a substantial drop in the number of larger corporate funds, but only nominal reductions in the number of industry, public sector and retail funds. In this Table and in Figure 7.1, the results show the well-known cycle of investment returns over the past decade. The years ending June 1997 through June 2000 generated good returns; 2001 through 2003 generated a cumulative negative outcome; and 2004 through 2006 (and from more recent data, 2007) generated very high returns.

Nobody knows what the future will bring for superannuation returns. If the future is anything at all like the past, however, then the past ten years may be reasonably instructive. That is, a few consecutive years of good performance may be interspersed with one or more years of low or negative returns and a few exceptional years. Over time the average return has been good.

Figure 7.2 demonstrates that, on average, all functional classifications have been similarly affected by the investment cycle. The exception is in the smallest regulated sector shown, i.e. ERFs. Many ERFs invest in a low volatility fixed-income portfolio, and the benefits of

this approach for small balance members are shown in this Figure.

Figure 7.3 shows that there were systematic differences in return by functional classification during the 1996 through 2006 decade. Corporate funds performed a little better, and retail funds and ERFs much worse, than public sector and industry funds. This performance is calculated after expenses and taxes. Over the decade, \$1,000 invested in the average public sector fund rose to \$2,109, compared to \$2,087 for a corporate fund, \$1,888 for an industry fund, \$1,687 for an ERF and \$1,650 for a retail fund.

Table 8 and Figure 8.1 give a sense of the risk-adjusted returns associated with each functional classification. Again there is a clear order for long-term return. ERFs experienced considerably lower volatility than did the other functional classifications. Retail funds on average experienced a slightly lower volatility of average return.

Table 9 investigates the potential for the size of entities to affect return levels and volatility. As depicted in Figure 9.1, there is some evidence of a positive size effect on fund returns. More statistical analysis would need to be undertaken to form a definitive view on this size effect.

Figure 9.2 shows APRA's findings on the relationship between volatility of return and size of entity, which can be summarised as 'none'. This is at first glance surprising, but may simply reveal that portfolios as small as \$100 million can achieve through collective investment nearly all the portfolio diversification available to larger funds.

Table 10 considers another approach to the relationship between size and return: can a fund's performance be predicted from the average size of member balances? It seems intuitively plausible that larger average account balances will allow a fund to run at lower cost, as a percentage of assets.

Figure 10.1 summarises the statistical evidence in support of the proposition that larger average account balances predict higher fund returns. The effect seems most pronounced with retail funds. Since funds report net returns to APRA and gross returns and fees cannot be extracted, it is unlikely that APRA can be more definitive than this. The gross (of fees and expenses) investment return for a fund should be largely independent of average account balance, and this effect tends to mask any cost advantage or disadvantage associated with average account balance.

Figure 10.2 suggests that volatility may increase with average account balance. This is an unexpected result which would require additional analysis to determine any economic cause.

Table 11 presents additional statistical information on superannuation fund returns. Figures 11.1 through 11.3 depict the median, first quartile and third quartile investment returns for the industry and the various functional classifications. These Figures indicate that the spread between trustees in a given year is relatively narrow. This is an unsurprising result, as in APRA's experience nearly all large superannuation funds invest in a well-diversified portfolio, which will in aggregate respond similarly to moves in financial asset prices.

Table 12 breaks down the return results for 1996 through 2006 into two five-year components, as well as the average for the ten years. The major evident difference is that corporate funds and public sector funds performed well in the first five years, and relatively less well in the second five years. Put another way, industry fund returns were relatively low compared to corporate and public sector funds in the first five-year period, but in the last five years have grown to roughly match these funds. This is despite the fact that average account balances for industry funds are much lower than for other functional classifications. Retail funds underperformed in both five-year periods.

Figures 12.1 through 12.4 depict investment returns by functional classification. Figure 12.1 shows a pictorial representation of the return and volatility achieved by the various functional classifications over the ten years. As would be evident from the previous Tables, corporate, public sector and industry funds generally generated better risk-return propositions than did retail funds. Figure 12.2 gives a probability distribution of returns over the ten-year period, and confirms the ranking of corporate and public sector funds first, industry funds second and retail funds generating the lowest returns.

Figure 12.3 gives another view of the distribution of returns within functional classifications. This Figure shows the 10th, 25th, 50th, 75th and 90th percentile of return for each functional type. Figure 12.4 replicates Figure 12.3, on a dollar-weighted rather than equal-weighted fund basis. These Figures expand upon the finding that average or median returns vary by functional classification, to demonstrate that the range of returns also varies. As shown in Figure 12.4, for example, the

median public sector return is better than the median retail fund return and the 10th percentile public sector dollar invested earned more than the 90th percentile retail fund dollar invested. As another example, the median corporate fund earned more than the median industry fund, but the best performing industry funds were about even with the best performing corporate funds, on a dollar-weighted basis.

Table 13 moves to a new area, balance sheet composition. This series commenced with the June 2004 statistical collection. Table 13 confirms that, by weight of money, the great majority of members of large superannuation funds have investment choice. There is a large disparity between the number of choices on offer from corporate, industry and public sector funds, which average less than 10, and the number on offer from retail funds, which average over 100.

This Table also discloses the proportion of assets in the default investment strategy. For the great majority of funds, the default strategy is a balanced growth option with on the order of 60 to 75 per cent of the assets in high volatility, high expected return asset classes.

The proportion of assets invested in the default strategy is lowest for retail funds, and the proportion invested in the default option is falling. By contrast, industry fund members are most likely to pick the default option, and this proportion is increasing slightly.

Table 14 gives the three-year history of asset allocations in default investment strategies. The typical default strategy across functional classifications is similar, except that retail trustees invest somewhat less in listed equities, and somewhat more in cash and “other”.

Conclusion

From APRA's perspective, there is a great deal to admire about the Australian superannuation industry. The industry has undeniably succeeded, backed by the superannuation guarantee and tax incentives, in driving up retirement savings. The increase in savings is likely to accelerate in the foreseeable future, as are average account balances.

The large increase in the average size of entities, combined with more robust prudential arrangements, means that in the past decade superannuation trustees have transformed the professionalism and risk controls under which their funds operate.

Over the ten-year period of this study, investment returns were on average quite good, though poor in some years. Further work is needed, however, to understand the differences in returns between different types of superannuation funds. APRA is currently undertaking a research project in this area.

Finally, it is worth emphasising that despite significant efforts by many trustees and the ATO, there are still many millions of lost or small dormant superannuation accounts. Australians could help themselves create a better retirement income picture by ensuring that they are not among the millions with lost or sub-economic accounts scattered about in different funds.

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Industry overview

Table 1: Superannuation assets

	June 1996	June 1997	June 1998	June 1999	June 2000	June 2001	June 2002	June 2003	June 2004	June 2005	June 2006
Superannuation assets (\$bn)	245.3	321.0	360.3	411.4	484.2	519.0	518.1	546.8	643.0	762.9	912.0
Annual Gross Domestic Product (GDP) (\$bn) ^a	647.7	673.1	703.3	739.6	769.0	784.0	813.5	839.2	873.2	896.6	922.8
Superannuation assets – proportion of GDP (%)	37.9%	47.7%	51.2%	55.6%	63.0%	66.2%	63.7%	65.2%	73.6%	85.1%	98.8%
By functional classification											
Corporate											
Total assets (\$bn)	45.6	60.5	63.8	65.8	67.3	68.4	55.5	48.9	50.5	52.2	52.4
Total assets – proportion of superannuation assets (%)	18.6%	18.9%	17.7%	16.0%	13.9%	13.2%	10.7%	8.9%	7.8%	6.8%	5.7%
Industry											
Total assets (\$bn)	20.2	27.1	32.7	39.3	49.0	60.7	65.0	73.3	94.0	119.4	150.5
Total assets – proportion of superannuation assets (%)	8.2%	8.4%	9.1%	9.6%	10.1%	11.7%	12.5%	13.4%	14.6%	15.7%	16.5%
Public sector											
Total assets (\$bn)	48.1	65.3	73.1	87.7	101.7	102.3	93.8	94.8	112.1	129.0	152.0
Total assets – proportion of superannuation assets (%)	19.6%	20.3%	20.3%	21.3%	21.0%	19.7%	18.1%	17.3%	17.4%	16.9%	16.7%
Retail (excluding ERFs)											
Total assets (\$bn)	59.6	76.2	89.2	110.5	130.3	154.3	166.5	173.3	203.2	239.5	293.0
Total assets – proportion of superannuation assets (%)	24.3%	23.7%	24.8%	26.9%	26.9%	29.7%	32.1%	31.7%	31.6%	31.4%	32.1%
ERFs											
Total assets (\$bn)	0.7	2.0	2.0	2.0	3.0	3.1	3.4	3.6	4.3	5.0	5.5
Total assets – proportion of superannuation assets (%)	0.3%	0.6%	0.6%	0.5%	0.6%	0.6%	0.6%	0.7%	0.7%	0.7%	0.6%
Small											
Total assets (\$bn)	28.2	36.1	46.2	60.9	74.9	80.2	93.0	109.2	138.8	175.4	214.8
Total assets – proportion of superannuation assets (%)	11.5%	11.3%	12.8%	14.8%	15.5%	15.5%	18.0%	20.0%	21.6%	23.0%	23.6%

^a Source: Australian Bureau of Statistics, 5206.0 Australian National Accounts: National Income, Expenditure and Product, Table 30 (release 6/6/07).

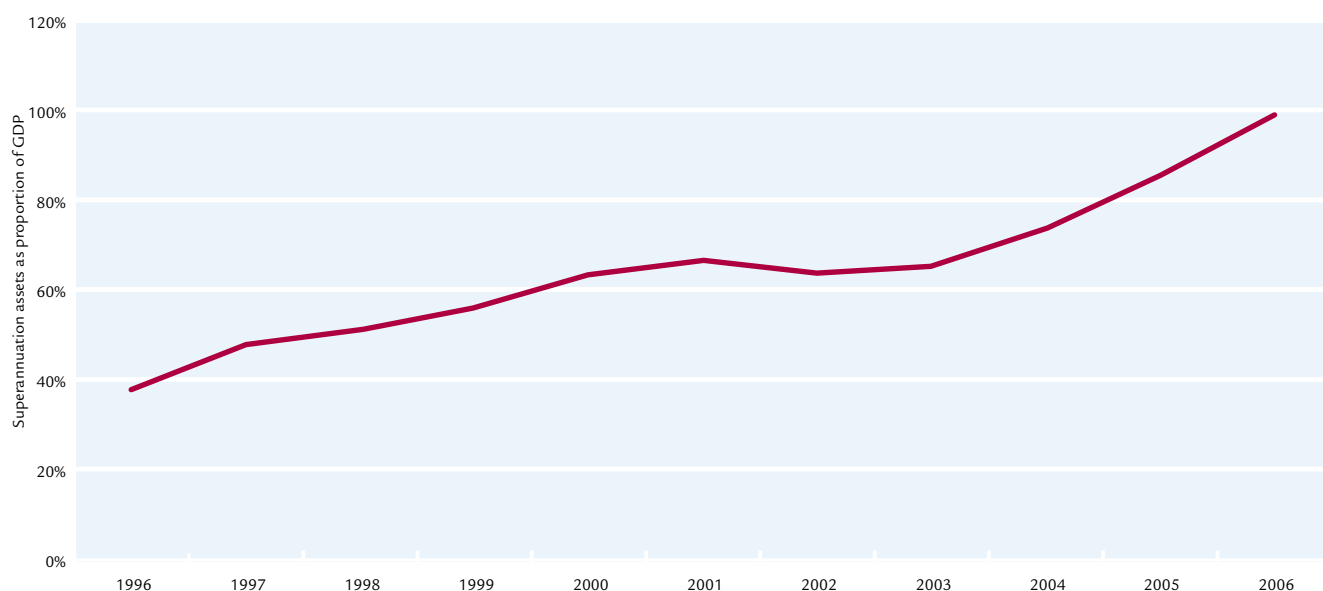
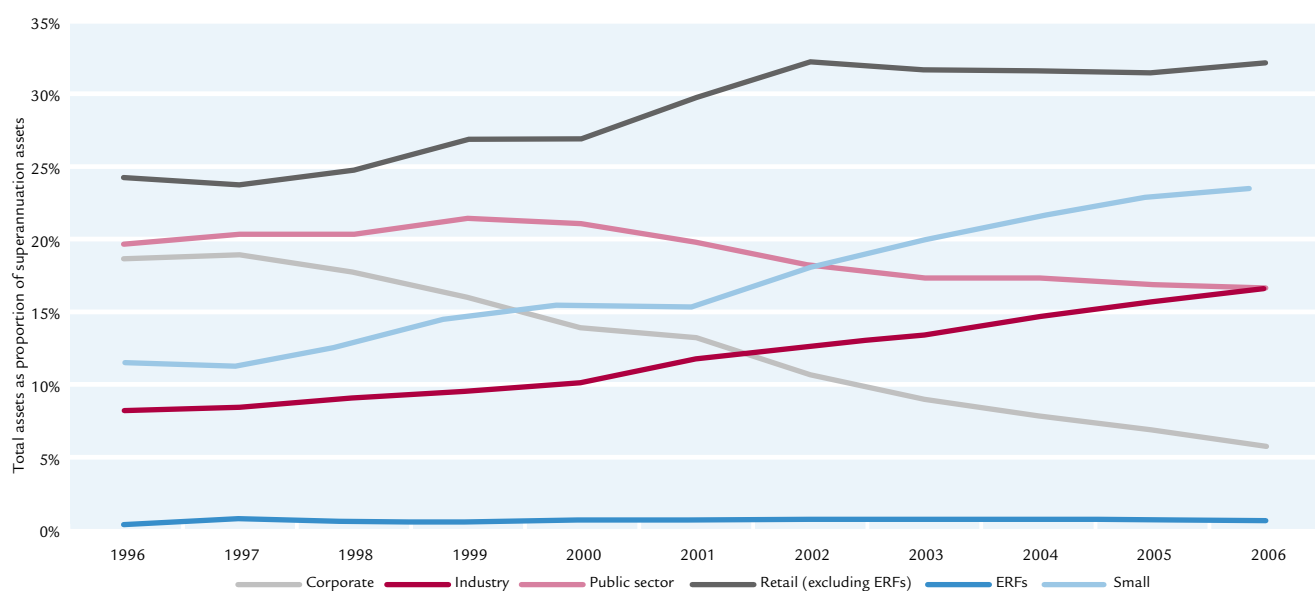
Figure 1.1 Superannuation assets – proportion of Gross Domestic Product (GDP)**Figure 1.2 Share of superannuation assets**

Table 2: Share of superannuation

	June 1996	June 1997	June 1998	June 1999	June 2000	June 2001	June 2002	June 2003	June 2004	June 2005	June 2006	Average annual growth rate
Number of entities												
Corporate	4,100	4,106	3,898	3,585	3,389	3,224	2,484	1,862	1,405	962	555	-17.0%
Industry	169	176	172	157	155	150	134	124	106	90	81	-6.9%
Public sector	93	77	76	82	81	81	76	58	42	43	44	-6.5%
Retail (excluding ERFs)	372	340	314	297	283	265	244	221	217	212	174	-7.2%
ERFs	13	13	14	12	10	10	10	14	15	16	18	4.3%
Subtotal	4,747	4,712	4,474	4,133	3,918	3,730	2,948	2,279	1,785	1,323	872	-14.9%
Small	100,447	149,971	173,116	193,396	212,538	219,064	235,626	262,175	288,061	305,230	326,641	13.1%
Pooled superannuation trusts	183	192	200	186	164	177	179	160	143	130	123	-3.6%
Total	105,194	154,683	177,590	197,529	216,456	222,794	238,574	264,454	289,846	306,553	327,513	12.6%
Number of member accounts (millions)												
Corporate	1.3	1.3	1.2	1.2	1.2	1.2	0.9	0.8	0.8	0.7	0.6	-7.0%
Industry	5.2	5.6	5.8	6.3	7.0	7.6	8.0	8.4	8.9	9.3	10.0	6.7%
Public sector	3.0	2.6	2.6	2.6	2.5	2.4	2.5	2.5	2.7	2.8	2.9	-0.1%
Retail (excluding ERFs)	6.1	6.3	6.6	7.3	7.8	8.1	8.8	9.4	9.6	9.8	10.2	5.3%
ERFs	0.6	1.2	1.6	2.0	2.6	3.0	3.2	3.6	4.1	4.6	4.8	25.8%
Small	0.2	0.2	0.3	0.3	0.4	0.4	0.4	0.5	0.6	0.6	0.6	13.3%
Total	16.3	17.2	18.2	19.7	21.5	22.7	23.9	25.1	26.7	27.7	29.1	5.9%
Total assets (\$ billion)												
Corporate	45.6	60.5	63.8	65.8	67.3	68.4	55.5	48.9	50.5	52.2	52.4	2.2%
Industry	20.2	27.1	32.7	39.3	49.0	60.7	65.0	73.3	94.0	119.4	150.5	22.5%
Public sector	48.1	65.3	73.1	87.7	101.7	102.3	93.8	94.8	112.1	129.0	152.0	12.8%
Retail (excluding ERFs)	59.6	76.2	89.2	110.5	130.3	154.3	166.5	173.3	203.2	239.5	293.0	17.5%
ERFs	0.7	2.0	2.0	2.0	3.0	3.1	3.4	3.6	4.3	5.0	5.5	29.2%
Small	28.2	36.1	46.2	60.9	74.9	80.2	93.0	109.2	138.8	175.4	214.8	22.7%
Balance of statutory funds	42.9	53.7	53.3	45.2	58.0	49.9	40.9	43.6	40.3	42.2	43.9	1.3%
Total	245.3	321.0	360.3	411.4	484.2	519.0	518.1	546.8	643.0	762.9	912.0	14.3%
Pooled superannuation trusts ^a	24.4	30.4	29.5	30.3	34.6	32.3	35.9	37.9	40.7	45.5	58.9	9.7%
Average size of entity (\$ million)												
Corporate	11.1	14.7	16.4	18.4	19.9	21.2	22.4	26.3	35.9	54.3	94.5	25.6%
Industry	119.4	153.9	190.0	250.4	316.3	405.0	485.1	591.1	886.5	1,326.8	1,857.7	32.0%
Public sector	517.1	848.4	962.0	1,070.0	1,255.7	1,263.0	1,234.3	1,634.9	2,667.9	3,000.2	3,454.3	22.8%
Retail (excluding ERFs)	160.1	224.2	284.2	372.0	460.4	582.4	682.5	784.4	936.2	1,129.9	1,683.7	26.9%
ERFs	55.5	153.8	142.9	166.7	300.0	310.9	335.2	259.4	289.5	312.3	305.0	27.3%
Small	0.3	0.2	0.3	0.3	0.4	0.4	0.4	0.4	0.5	0.6	0.7	9.3%
Superannuation industry^b	1.9	1.7	1.7	1.9	2.0	2.1	2.0	1.9	2.1	2.4	2.7	3.5%
Average account balance (\$ thousand)												
Corporate	35.2	48.0	51.1	52.9	56.2	57.8	62.4	62.2	65.2	75.0	86.5	9.8%
Industry	3.9	4.9	5.6	6.3	7.0	8.0	8.1	8.8	10.5	12.9	15.1	14.8%
Public sector	16.2	25.2	27.7	33.9	40.2	42.3	37.9	37.4	41.4	46.8	52.4	13.6%
Retail (excluding ERFs)	9.8	12.1	13.4	15.2	16.7	19.0	18.8	18.5	21.1	24.3	28.8	11.6%
ERFs	1.2	1.6	1.2	1.0	1.2	1.0	1.1	1.0	1.1	1.1	1.1	0.6%
Small	153.3	152.5	162.6	190.9	192.8	199.3	213.5	220.5	251.1	299.7	342.5	8.6%
Superannuation industry^b	12.4	15.5	16.8	18.6	19.8	20.6	20.0	20.0	22.5	26.0	29.9	9.5%
Average accounts per employed person												
Employed persons (millions) ^c	8.3	8.4	8.6	8.8	9.1	9.1	9.3	9.5	9.7	10.0	10.2	2.0%
Superannuation industry	2.0	2.1	2.1	2.3	2.4	2.5	2.6	2.6	2.8	2.8	2.9	3.8%

^a Pooled superannuation trusts are not included in total assets.^b Does not include assets for pooled superannuation trusts or balance of statutory funds.^c Source: Australian Bureau of Statistics, 6202.0 Labour Force, Australia (June 1996 to 2006).

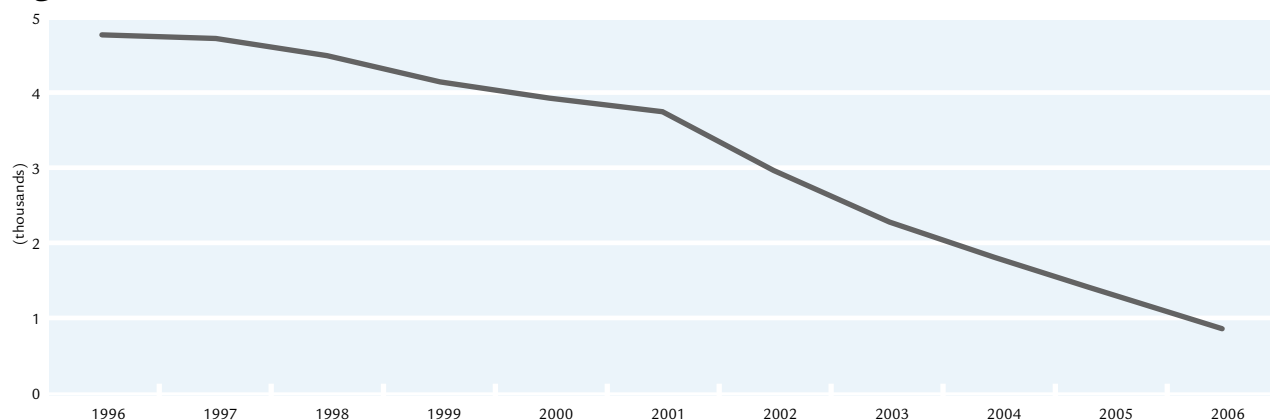
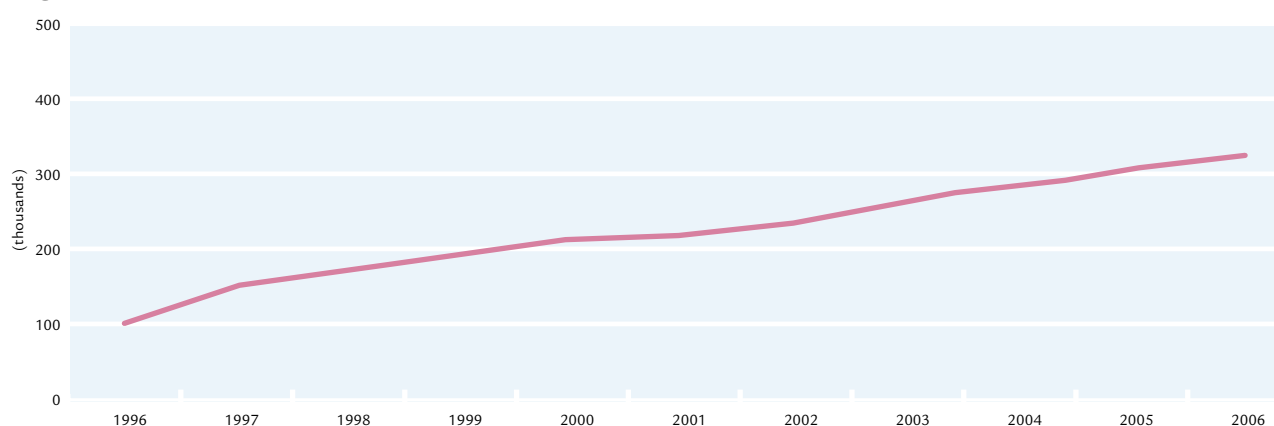
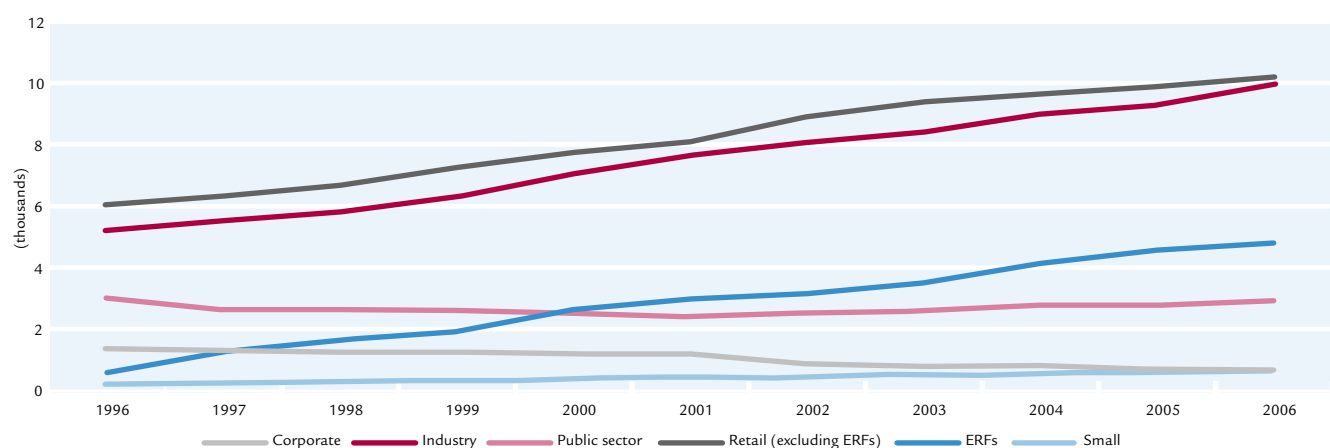
Figure 2.1 Number of entities with more than four members**Figure 2.2** Number of small entities**Figure 2.3** Number of member accounts

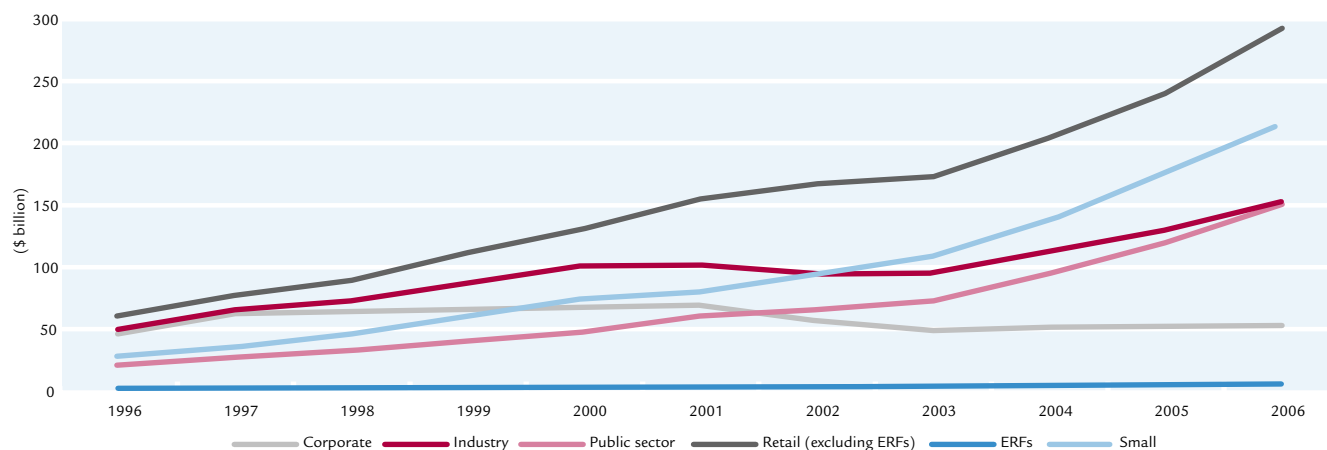
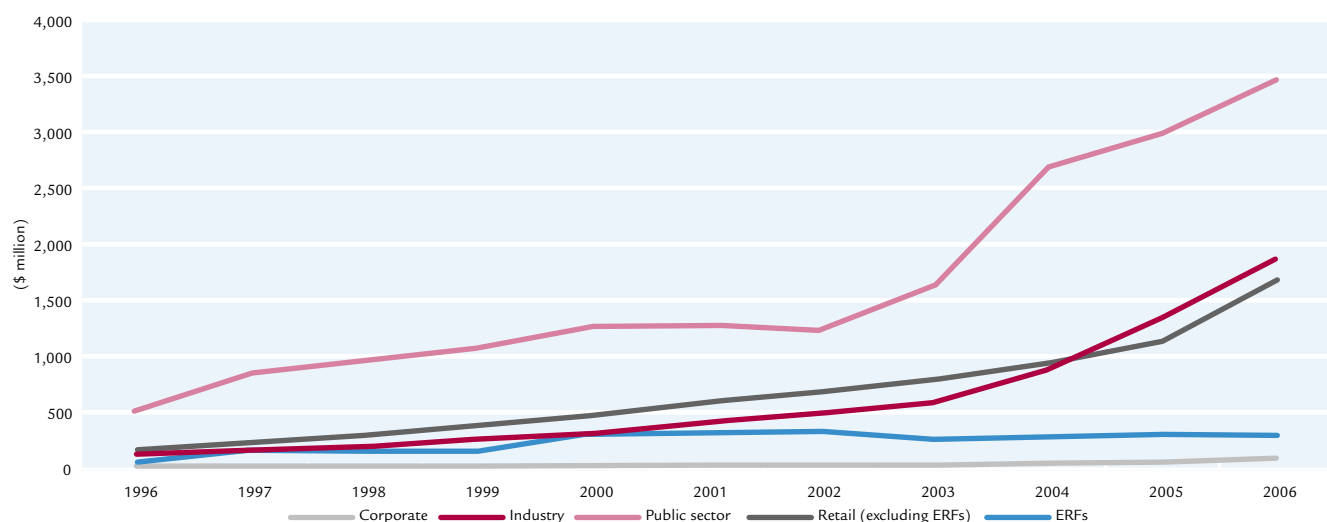
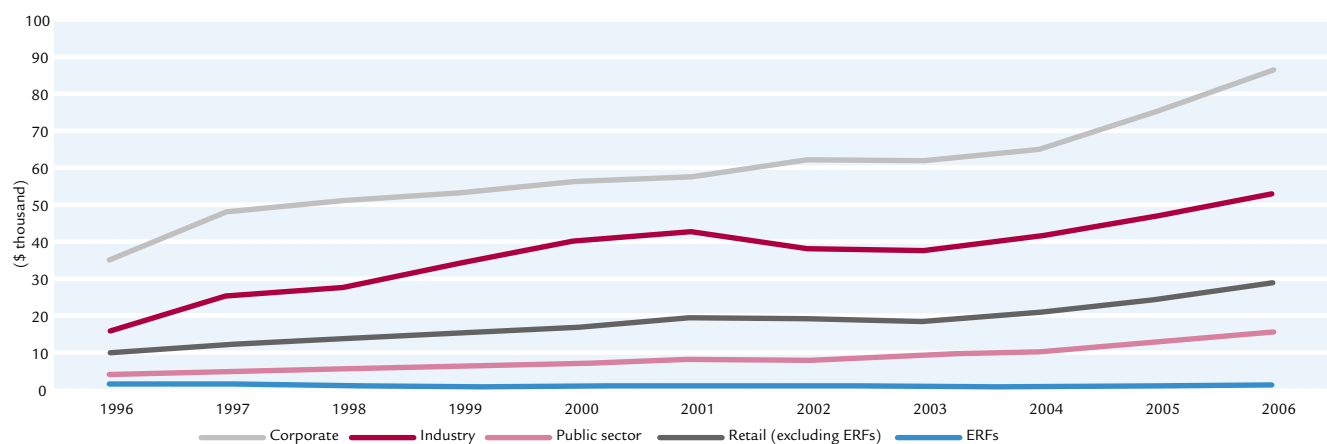
Figure 2.4 Total assets**Figure 2.5 Average size of entity****Figure 2.6 Average account balance**

Table 3: Financial performance

(\$ million)	Year end										Average annual growth rate
	June 1997	June 1998	June 1999	June 2000	June 2001	June 2002	June 2003	June 2004	June 2005	June 2006	
Total assets at the beginning of the financial year	245,257	321,049	360,280	411,411	484,223	519,030	518,100	546,802	643,041	762,867	
Contributions											
Employer ^a	19,122	21,642	31,299	25,960	27,430	28,584	34,641	40,377	43,390	46,347	11.4%
Member	9,976	13,767	17,759	20,318	22,653	23,020	18,839	18,612	24,859	29,619	14.2%
Other								1,858	605	1,103	
Total contributions	29,098	35,409	49,059	46,278	50,083	51,604	53,480	60,847	68,855	77,069	12.0%
Rollovers											
Inward	28,046	31,352	26,536	48,809	44,042	44,000	40,762	42,680	49,515	86,139	
Outward	21,832	24,508	19,281	38,579	37,940	29,993	28,234	30,279	44,097	75,491	
Net rollovers	6,213	6,844	7,256	10,230	6,102	14,007	12,529	12,401	5,417	10,648	
Benefit payments											
Lump sum	14,534	17,625	18,705	22,298	24,157	25,720	26,101	20,950	22,015	24,244	6.5%
Pensions	3,976	4,529	4,989	5,049	6,440	6,849	7,098	9,718	10,536	11,722	13.3%
Total benefit payments	18,511	22,154	23,693	27,347	30,597	32,569	33,199	30,669	32,550	35,967	7.9%
Net contribution flows	16,801	20,099	32,621	29,161	25,588	33,043	32,810	42,580	41,722	51,751	15.5%
Net investment income	32,525	22,572	25,265	40,825	19,041	-9,149	3,272	68,666	87,616	104,952	
Total operating expenses	2,092	2,271	2,587	3,274	3,512	3,865	4,075	4,463	5,276	5,729	12.0%
Other changes	9,673	-760	3,993	-6,710	1,727	-11,908	-6,013	-7,263	-6,180	-3,470	
Change in the balance of life office statutory funds	2,235	-412	-8,163	12,809	-8,037	-9,051	2,709	-3,281	1,943	1,623	
Net growth	59,139	39,228	51,130	72,812	34,807	-930	28,702	96,239	119,826	149,126	
Total assets at the end of the financial year	321,049	360,280	411,411	484,223	519,030	518,100	546,802	643,041	762,867	911,993	14.3%

^a Other contributions do not include appropriations for major Commonwealth public sector superannuation schemes where benefits were paid directly from Commonwealth Consolidated Revenue. These are classified as employer contributions.

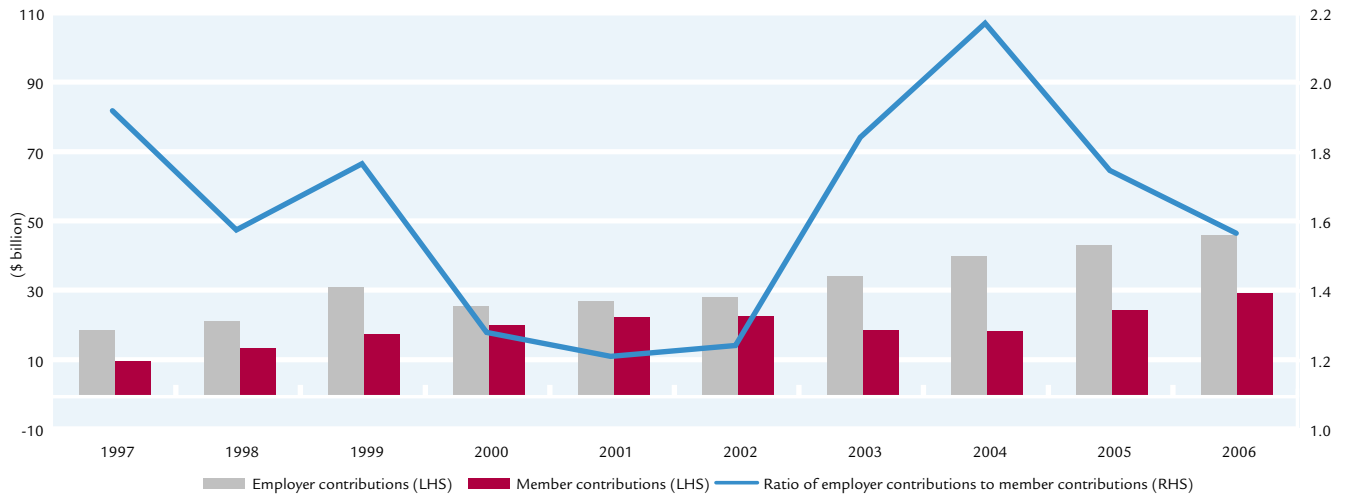
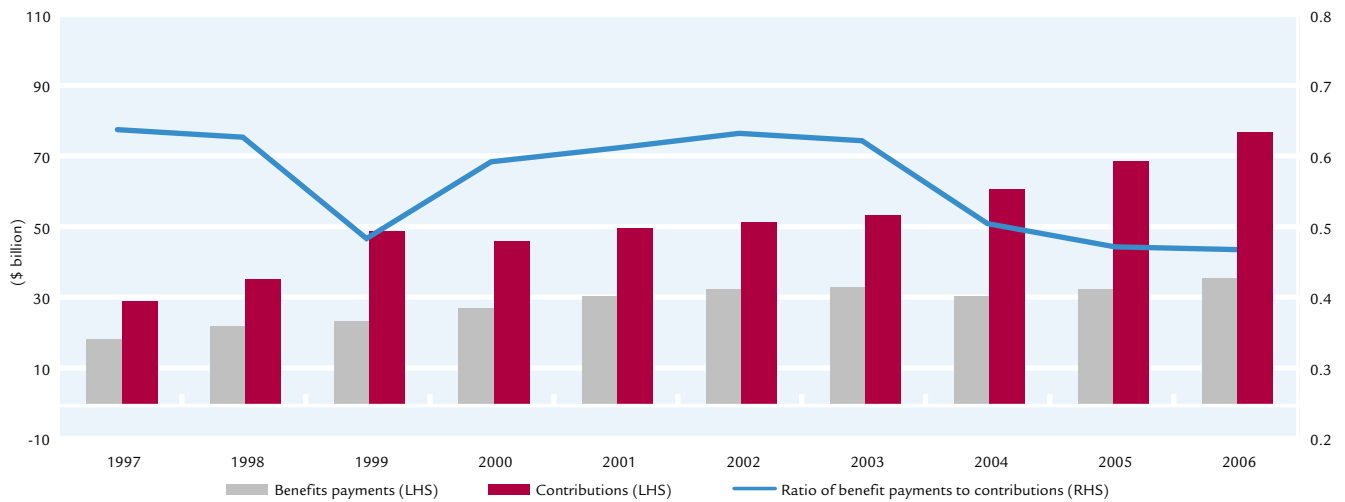
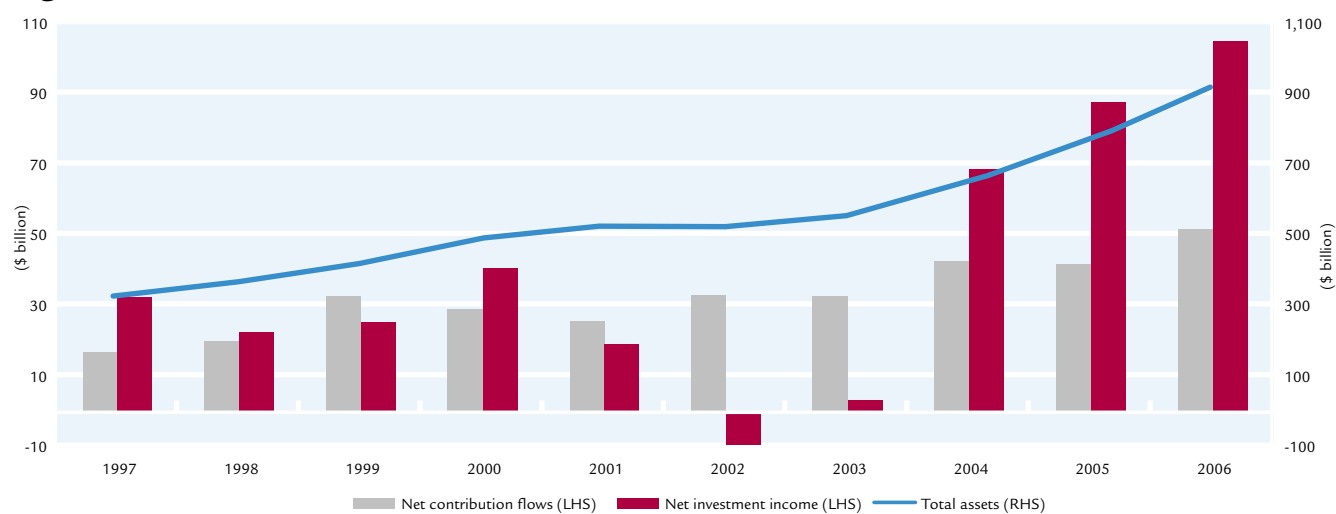
Figure 3.1 Source of contributions**Figure 3.2 Benefit payments and contributions**

Figure 3.3 Investment income and contribution flows

Entities with at least \$100 million in assets

Table 4: Concentration of superannuation in entities with at least \$100 million in assets

	June 1996	June 1997	June 1998	June 1999	June 2000	June 2001	June 2002	June 2003	June 2004	June 2005	June 2006
All entities											
Number of entities with at least \$100 million in assets	362	346	355	306	309	323	328	329	339	311	276
Number of entities (excluding small entities)	4,747	4,712	4,474	4,133	3,918	3,730	2,948	2,279	1,785	1,323	872
Proportion of entities with at least \$100 million in assets	7.6%	7.3%	7.9%	7.4%	7.9%	8.7%	11.1%	14.4%	19.0%	23.5%	31.7%
Assets of entities with at least \$100 million in assets (\$bn)	158.9	194.9	229.6	247.8	316.1	357.6	363.3	376.3	449.7	535.9	646.0
Assets of entities (\$bn)	245.3	321.0	360.3	411.4	484.2	519.0	518.1	546.8	643.0	762.9	912.0
Proportion of assets for entities with at least \$100 million in assets	64.8%	60.7%	63.7%	60.2%	65.3%	68.9%	70.1%	68.8%	69.9%	70.3%	70.8%
By functional classification											
Corporate											
Number of entities with at least \$100 million in assets	146	142	140	114	118	122	116	109	104	89	69
Number of entities	4,100	4,106	3,898	3,585	3,389	3,224	2,484	1,862	1,405	962	555
Proportion of entities with at least \$100 million in assets	3.6%	3.5%	3.6%	3.2%	3.5%	3.8%	4.7%	5.9%	7.4%	9.3%	12.4%
Assets of entities with at least \$100 million in assets (\$bn)	34.1	39.5	42.0	42.6	46.3	47.0	42.0	39.1	41.8	45.4	48.3
Assets of entities (\$bn)	45.6	60.5	63.8	65.8	67.3	68.4	55.5	48.9	50.5	52.2	52.4
Proportion of assets for entities with at least \$100 million in assets	74.7%	65.3%	65.8%	64.8%	68.9%	68.8%	75.6%	79.9%	82.9%	87.0%	92.1%
Industry											
Number of entities with at least \$100 million in assets	64	65	64	54	57	61	65	67	68	64	59
Number of entities	169	176	172	157	155	150	134	124	106	90	81
Proportion of entities with at least \$100 million in assets	37.9%	36.9%	37.2%	34.4%	36.8%	40.7%	48.5%	54.0%	64.2%	71.1%	72.8%
Assets of entities with at least \$100 million in assets (\$bn)	19.6	26.2	31.8	35.0	46.8	58.3	64.5	72.6	93.2	118.7	149.7
Assets of entities (\$bn)	20.2	27.1	32.7	39.3	49.0	60.7	65.0	73.3	94.0	119.4	150.5
Proportion of assets for entities with at least \$100 million in assets	97.0%	96.7%	97.2%	88.9%	95.6%	96.0%	99.3%	99.1%	99.2%	99.4%	99.5%

Table 4: Concentration of superannuation in entities with at least \$100 million in assets (continued)

	June 1996	June 1997	June 1998	June 1999	June 2000	June 2001	June 2002	June 2003	June 2004	June 2005	June 2006
Public sector											
Number of entities with at least \$100 million in assets	25	26	31	33	33	34	33	33	33	33	32
Number of entities	93	77	76	82	81	81	76	58	42	43	44
Proportion of entities with at least \$100 million in assets	26.9%	33.8%	40.8%	40.2%	40.7%	42.0%	43.4%	56.9%	78.6%	76.7%	72.7%
Assets of entities with at least \$100 million in assets (\$bn)	47.7	59.2	65.8	76.6	93.5	99.1	90.7	92.2	108.8	128.8	151.7
Assets of entities (\$bn)	48.1	65.3	73.1	87.7	101.7	102.3	93.8	94.8	112.1	129.0	152.0
Proportion of assets for entities with at least \$100 million in assets	99.2%	90.6%	90.0%	87.3%	91.9%	96.9%	96.7%	97.3%	97.1%	99.8%	99.8%
Retail (excluding ERFs)											
Number of entities with at least \$100 million in assets	121	107	114	100	96	100	108	114	127	118	110
Number of entities	372	340	314	297	283	265	244	221	217	212	174
Proportion of entities with at least \$100 million in assets	32.5%	31.5%	36.3%	33.7%	33.9%	37.7%	44.3%	51.6%	58.5%	55.7%	63.2%
Assets of entities with at least \$100 million in assets (\$bn)	56.9	69.0	88.7	92.0	127.1	150.0	162.8	168.8	201.6	238.2	291.4
Assets of entities (\$bn)	59.6	76.2	89.2	110.5	130.3	154.3	166.5	173.3	203.2	239.5	293.0
Proportion of assets for entities with at least \$100 million in assets	95.5%	90.5%	99.4%	83.2%	97.5%	97.2%	97.7%	97.4%	99.2%	99.4%	99.5%
ERFs											
Number of entities with at least \$100 million in assets	6	6	6	5	5	6	6	6	7	7	6
Number of entities	13	13	14	12	10	10	10	14	15	16	18
Proportion of entities with at least \$100 million in assets	46.2%	46.2%	42.9%	41.7%	50.0%	60.0%	60.0%	42.9%	46.7%	43.8%	33.3%
Assets of entities with at least \$100 million in assets (\$bn)	0.7	1.0	1.4	1.7	2.4	3.1	3.3	3.6	4.3	4.8	5.0
Assets of entities (\$bn)	0.7	2.0	2.0	2.0	3.0	3.1	3.4	3.6	4.3	5.0	5.5
Proportion of assets for entities with at least \$100 million in assets	97.5%	50.2%	68.5%	85.2%	81.4%	99.4%	98.1%	99.3%	98.1%	96.3%	91.7%

Table 5a: Manner of investment (\$ million)

Entities with at least \$100 million in assets

	June 1996	June 1997	June 1998	June 1999	June 2000	June 2001	June 2002	June 2003	June 2004	June 2005	June 2006
All entities											
Total directly invested	21,911	30,750	35,240	36,187	42,796	49,320	49,956	50,064	62,035	61,958	75,682
Total indirectly invested	126,168	158,430	188,409	204,608	264,714	300,342	305,450	319,041	383,438	468,631	564,166
Individually managed mandates	59,993	76,212	83,306	92,918	110,431	120,857	110,665	115,697	140,580	118,501	129,582
Pooled superannuation trusts	9,800	13,105	14,990	16,837	21,821	28,812	30,354	28,020	29,550	35,601	47,408
Wholesale trusts	6,002	8,165	11,093	14,114	22,569	29,517	37,997	47,767	67,104	151,209	195,882
Life office funds	45,783	55,352	70,561	71,652	95,425	103,706	106,659	106,510	120,280	133,837	152,749
Unlisted public offer unit trusts	4,590	5,596	8,459	9,087	14,468	17,450	19,776	21,047	25,925	29,483	38,546
Other assets	10,834	5,718	5,903	6,996	8,640	7,964	7,917	7,234	4,210	5,352	6,162
Total assets	158,913	194,898	229,553	247,791	316,149	357,626	363,324	376,339	449,683	535,941	646,010
Number of entities	362	346	355	306	309	323	328	329	339	311	276
By functional classification											
Corporate											
Total directly invested	7,101	7,216	7,955	7,146	7,098	6,897	5,423	4,173	4,429	6,423	7,430
Total indirectly invested	26,785	32,125	33,667	35,309	39,083	39,861	36,318	34,653	37,182	38,237	40,139
Individually managed mandates	18,292	21,376	21,862	22,402	22,726	23,220	19,278	16,146	16,769	12,066	12,533
Pooled superannuation trusts	4,113	5,259	5,177	5,775	6,862	6,872	6,186	5,371	4,783	5,054	4,672
Wholesale trusts	1,354	1,587	2,208	2,974	4,660	4,872	6,584	8,617	10,574	15,885	17,716
Life office funds	2,712	3,167	3,526	3,102	3,413	3,512	3,022	2,857	3,298	3,876	4,164
Unlisted public offer unit trusts	314	736	894	1,056	1,423	1,384	1,248	1,663	1,758	1,355	1,054
Other assets	168	200	331	160	156	288	264	282	234	770	694
Total assets	34,054	39,541	41,952	42,615	46,338	47,046	42,004	39,108	41,844	45,430	48,264
Number of entities	146	142	140	114	118	122	116	109	104	89	69
Industry											
Total directly invested	4,579	6,176	9,053	9,069	12,291	16,057	20,166	21,262	27,077	31,190	39,056
Total indirectly invested	14,731	19,625	22,221	25,422	34,080	41,593	43,684	50,431	65,253	85,656	108,870
Individually managed mandates	9,002	11,671	13,009	14,270	18,345	23,225	22,680	24,915	31,053	28,311	37,637
Pooled superannuation trusts	1,274	2,035	2,008	2,220	2,166	2,620	2,707	2,373	2,914	4,921	4,267
Wholesale trusts	2,713	4,192	4,609	6,067	8,860	10,435	12,604	15,078	20,988	46,191	59,979
Life office funds	1,398	1,172	1,605	1,546	1,845	1,437	1,201	1,769	1,923	1,525	1,258
Unlisted public offer unit trusts	344	556	988	1,319	2,865	3,877	4,492	6,296	8,374	4,708	5,729
Other assets	268	409	499	465	475	690	680	953	902	1,840	1,728
Total assets	19,578	26,210	31,773	34,956	46,846	58,340	64,529	72,646	93,231	118,686	149,653
Number of entities	64	65	64	54	57	61	65	67	68	64	59

Statistics Entities with at least \$100 million in assets

Table 5a: Manner of investment (\$ million) (continued)

Entities with at least \$100 million in assets

	June 1996	June 1997	June 1998	June 1999	June 2000	June 2001	June 2002	June 2003	June 2004	June 2005	June 2006
Public sector											
Total directly invested	6,181	12,811	13,780	15,391	17,457	20,031	18,982	18,440	23,611	16,089	18,990
Total indirectly invested	31,288	41,421	47,140	55,025	68,255	72,533	65,313	68,149	83,079	112,035	131,840
Individually managed mandates	29,921	40,455	45,800	53,591	66,101	69,917	63,249	66,025	80,216	73,471	74,033
Pooled superannuation trusts	546	364	500	546	671	886	554	584	731	1,047	9,592
Wholesale trusts	600	297	380	435	503	819	1,052	1,177	1,647	36,680	45,918
Life office funds	180	176	195	215	231	112	110	118	139	486	1,013
Unlisted public offer unit trusts	41	128	264	237	749	799	347	247	345	351	1,283
Other assets	10,219	4,961	4,848	6,141	7,750	6,540	6,434	5,632	2,081	682	855
Total assets	47,688	59,192	65,768	76,557	93,462	99,104	90,729	92,222	108,771	128,805	151,685
Number of entities	25	26	31	33	33	34	33	33	33	33	32
Retail (excluding ERFs)											
Total directly invested	3,902	4,515	4,419	4,545	5,917	6,286	5,323	6,092	6,822	8,003	10,177
Total indirectly invested	52,808	64,289	84,048	87,185	120,889	143,321	156,919	162,302	193,763	228,162	278,323
Individually managed mandates	2,778	2,711	2,635	2,564	3,134	4,341	5,340	8,485	12,391	4,653	5,379
Pooled superannuation trusts	3,848	5,417	7,262	8,258	12,092	18,391	20,855	19,654	20,872	24,354	28,626
Wholesale trusts	1,292	1,819	3,597	4,390	8,208	12,997	17,300	22,380	33,358	51,129	70,717
Life office funds	41,026	50,182	64,292	65,578	88,207	96,408	99,834	99,043	111,794	124,957	143,122
Unlisted public offer unit trusts	3,864	4,160	6,262	6,394	9,248	11,184	13,590	12,740	15,348	23,069	30,480
Other assets	179	147	224	229	256	440	529	363	989	2,040	2,874
Total assets	56,889	68,950	88,690	91,959	127,063	150,047	162,771	168,756	201,575	238,205	291,374
Number of entities	121	107	114	100	96	100	108	114	127	118	110
ERFs											
Total directly invested	147	32	34	36	33	48	62	97	96	254	28
Total indirectly invested	556	971	1,334	1,667	2,406	3,034	3,217	3,506	4,162	4,540	4,994
Individually managed mandates	0	0	0	90	125	154	118	126	150	0	0
Pooled superannuation trusts	19	30	43	37	30	43	51	39	250	224	251
Wholesale trusts	42	269	298	248	339	394	457	515	536	1,324	1,552
Life office funds	468	654	943	1,211	1,729	2,238	2,491	2,724	3,125	2,992	3,191
Unlisted public offer unit trusts	27	18	50	82	183	206	100	102	100	0	0
Other assets	0	1	1	1	2	8	11	4	4	20	11
Total assets	703	1,004	1,369	1,704	2,441	3,090	3,290	3,607	4,261	4,815	5,033
Number of entities	6	6	6	5	5	6	6	6	7	7	6

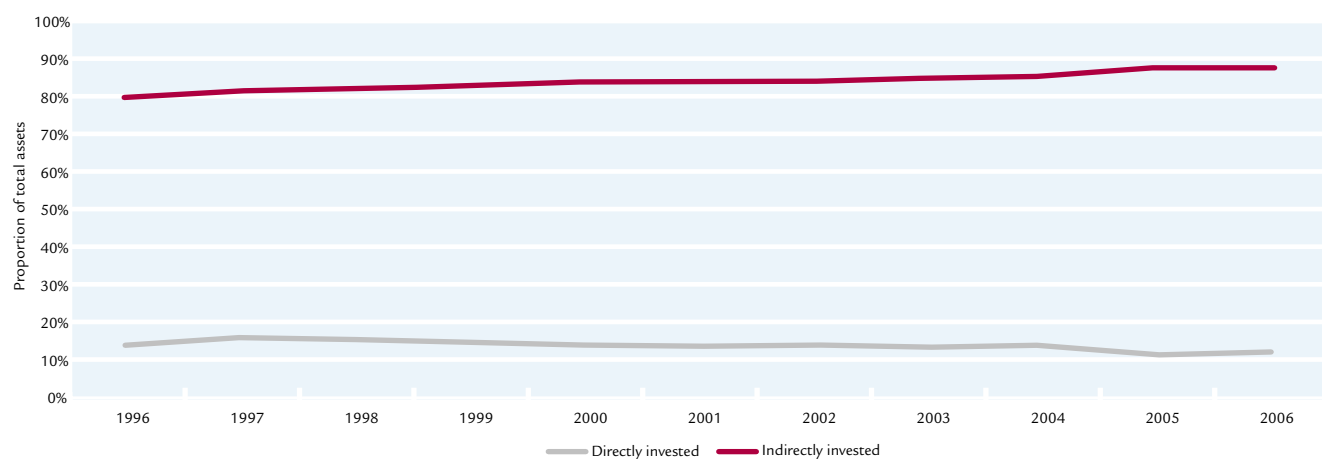
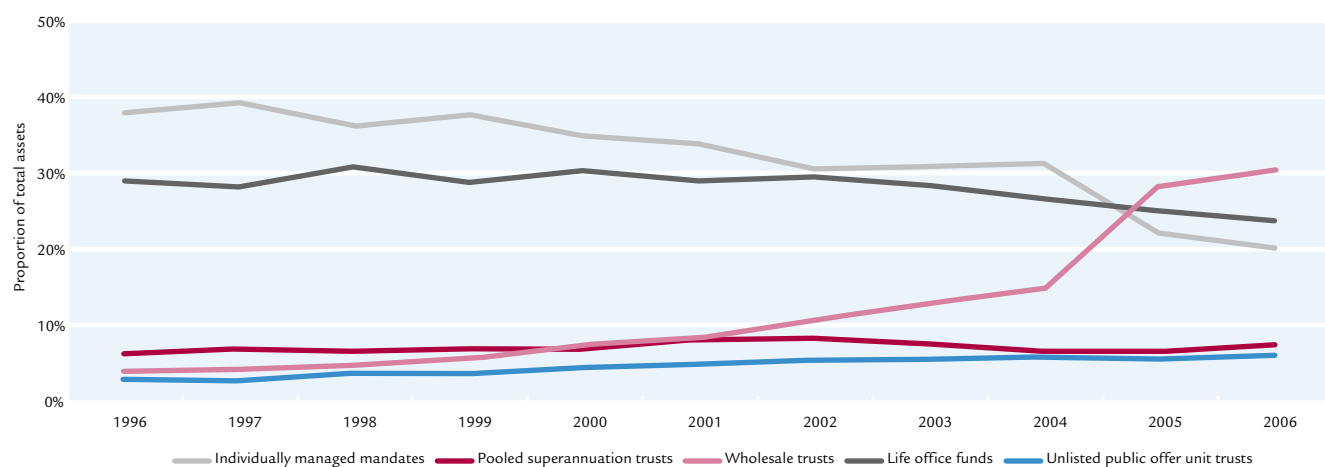
Entities with at least \$100 million in assets

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Table 5b: Manner of investment – proportion of total assets (continued)

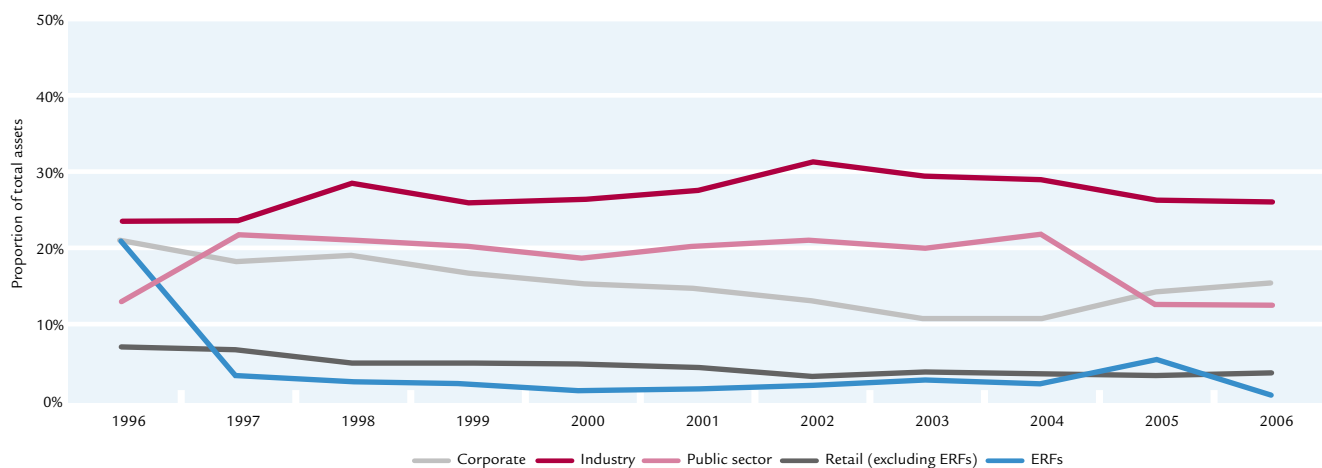
Entities with at least \$100 million in assets

	June 1996	June 1997	June 1998	June 1999	June 2000	June 2001	June 2002	June 2003	June 2004	June 2005	June 2006
Total directly invested	13.0%	21.6%	21.0%	20.1%	18.7%	20.2%	20.9%	20.0%	21.7%	12.5%	12.5%
Total indirectly invested	65.6%	70.0%	71.7%	71.9%	73.0%	73.2%	72.0%	73.9%	76.4%	87.0%	86.9%
Individually managed mandates	62.7%	68.3%	69.6%	70.0%	70.7%	70.5%	69.7%	71.6%	73.7%	57.0%	48.8%
Pooled superannuation trusts	1.1%	0.6%	0.8%	0.7%	0.7%	0.9%	0.6%	0.6%	0.7%	0.8%	6.3%
Wholesale trusts	1.3%	0.5%	0.6%	0.6%	0.5%	0.8%	1.2%	1.3%	1.5%	28.5%	30.3%
Life office funds	0.4%	0.3%	0.3%	0.3%	0.2%	0.1%	0.1%	0.1%	0.1%	0.4%	0.7%
Unlisted public offer unit trusts	0.1%	0.2%	0.4%	0.3%	0.8%	0.8%	0.4%	0.3%	0.3%	0.3%	0.8%
Other assets	21.4%	8.4%	7.4%	8.0%	8.3%	6.6%	7.1%	6.1%	1.9%	0.5%	0.6%
Total assets	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Number of entities	25	26	31	33	33	34	33	33	33	33	32
Retail (excluding ERFs)											
Total directly invested	6.9%	6.5%	5.0%	4.9%	4.7%	4.2%	3.3%	3.6%	3.4%	3.4%	3.5%
Total indirectly invested	92.8%	93.2%	94.8%	94.8%	95.1%	95.5%	96.4%	96.2%	96.1%	95.8%	95.5%
Individually managed mandates	4.9%	3.9%	3.0%	2.8%	2.5%	2.9%	3.3%	5.0%	6.1%	2.0%	1.8%
Pooled superannuation trusts	6.8%	7.9%	8.2%	9.0%	9.5%	12.3%	12.8%	11.6%	10.4%	10.2%	9.8%
Wholesale trusts	2.3%	2.6%	4.1%	4.8%	6.5%	8.7%	10.6%	13.3%	16.5%	21.5%	24.3%
Life office funds	72.1%	72.8%	72.5%	71.3%	69.4%	64.3%	61.3%	58.7%	55.5%	52.5%	49.1%
Unlisted public offer unit trusts	6.8%	6.0%	7.1%	7.0%	7.3%	7.5%	8.3%	7.5%	7.6%	9.7%	10.5%
Other assets	0.3%	0.2%	0.3%	0.2%	0.2%	0.3%	0.3%	0.2%	0.5%	0.9%	1.0%
Total assets	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Number of entities	121	107	114	100	96	100	108	114	127	118	110
ERFs											
Total directly invested	20.9%	3.2%	2.5%	2.1%	1.4%	1.6%	1.9%	2.7%	2.2%	5.3%	0.6%
Total indirectly invested	79.1%	96.7%	97.5%	97.9%	98.6%	98.2%	97.8%	97.2%	97.7%	94.3%	99.2%
Individually managed mandates	0.0%	0.0%	0.0%	5.3%	5.1%	5.0%	3.6%	3.5%	3.5%	0.0%	0.0%
Pooled superannuation trusts	2.8%	3.0%	3.1%	2.2%	1.2%	1.4%	1.6%	1.1%	5.9%	4.7%	5.0%
Wholesale trusts	5.9%	26.8%	21.8%	14.5%	13.9%	12.7%	13.9%	14.3%	12.6%	27.5%	30.8%
Life office funds	66.5%	65.2%	68.9%	71.1%	70.8%	72.4%	75.7%	75.5%	73.3%	62.1%	63.4%
Unlisted public offer unit trusts	3.8%	1.7%	3.6%	4.8%	7.5%	6.7%	3.0%	2.8%	2.3%	0.0%	0.0%
Other assets	0.0%	0.1%	0.1%	0.0%	0.1%	0.2%	0.3%	0.1%	0.1%	0.4%	0.2%
Total assets	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Number of entities	6	6	6	5	5	6	6	6	7	7	6

Figure 5b.1 Directly and indirectly invested assets – proportion of total assets^a^a Entities with at least \$100 million in assets.**Figure 5b.2 Indirectly invested assets – proportion of total assets^a**^a Entities with at least \$100 million in assets.

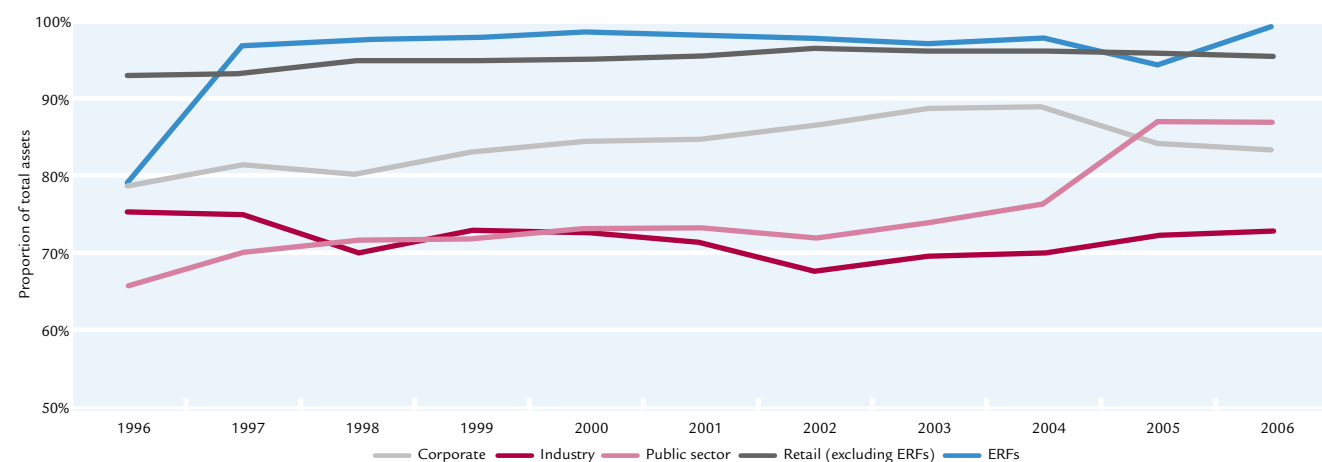
Statistics Entities with at least \$100 million in assets

Figure 5b.3 Directly invested assets – proportion of total assets^a



^a Entities with at least \$100 million in assets.

Figure 5b.4 Indirectly invested assets – proportion of total assets^a



^a Entities with at least \$100 million in assets.

Table 6a: Manner of investment by structure of retirement benefits (\$ billion)

Entities with at least \$100 million in assets

	June 1996	June 1997	June 1998	June 1999	June 2000	June 2001	June 2002	June 2003	June 2004	June 2005	June 2006
All entities											
Total directly invested	21.9	30.8	35.2	36.2	42.8	49.1	50.0	50.1	62.0	62.0	75.7
Total indirectly invested	126.2	158.4	188.4	204.6	264.7	295.9	305.5	319.0	383.4	468.6	564.2
Individually managed mandates	60.0	76.2	83.3	92.9	110.4	120.7	110.7	115.7	140.6	118.5	129.6
Pooled superannuation trusts	9.8	13.1	15.0	16.8	21.8	28.2	30.4	28.0	29.6	35.6	47.4
Wholesale trusts	6.0	8.2	11.1	14.1	22.6	29.1	38.0	47.8	67.1	151.2	195.9
Life office funds	45.8	55.4	70.6	71.7	95.4	100.7	106.7	106.5	120.3	133.8	152.7
Unlisted public offer unit trusts	4.6	5.6	8.5	9.1	14.5	17.1	19.8	21.0	25.9	29.5	38.5
Other assets	10.8	5.7	5.9	7.0	8.6	8.0	7.9	7.2	4.2	5.4	6.2
Total assets	158.9	194.9	229.6	247.8	316.1	353.0	363.3	376.3	449.7	535.9	646.0
Number of entities	362	346	355	306	309	323	328	329	339	311	276
By structure of retirement benefits											
Accumulation											
Total directly invested	8.5	7.7	9.9	9.5	12.8	14.6	18.1	17.7	23.2	21.0	17.9
Total indirectly invested	68.1	85.6	108.1	113.4	156.8	179.3	200.1	201.6	248.1	242.8	272.6
Individually managed mandates	9.4	12.7	13.9	14.3	19.1	21.9	24.0	21.8	32.2	21.0	27.0
Pooled superannuation trusts	5.9	8.2	10.4	11.4	15.5	21.3	23.9	22.2	24.2	18.5	18.5
Wholesale trusts	5.2	7.4	9.1	11.1	17.7	23.6	30.2	36.5	53.3	84.8	107.5
Life office funds	43.3	52.5	67.3	68.8	92.2	97.4	103.8	102.9	116.1	93.9	87.6
Unlisted public offer unit trusts	4.3	4.8	7.5	7.9	12.4	15.1	18.2	18.3	22.2	24.5	32.0
Other assets	0.7	0.6	0.7	0.7	0.7	1.0	1.2	1.0	1.7	2.6	3.2
Total assets	77.3	93.8	118.7	123.6	170.3	195.0	219.3	220.4	273.0	266.4	293.7
Number of entities	215	195	204	168	166	171	177	178	196	178	157
Defined benefit											
Total directly invested	7.0	5.8	6.4	1.6	1.2	0.7	0.4	0.5	0.5	3.8	3.1
Total indirectly invested	24.2	15.2	19.9	13.2	14.2	15.9	12.9	12.7	15.4	44.9	52.5
Individually managed mandates	21.0	11.6	16.6	9.7	10.2	12.3	10.0	10.3	12.1	39.2	38.5
Pooled superannuation trusts	1.5	1.3	1.0	1.3	1.4	0.8	0.8	0.5	0.4	0.1	9.1
Wholesale trusts	0.4	0.4	1.4	1.3	1.7	1.9	1.4	1.5	2.1	5.2	4.7
Life office funds	1.2	1.5	0.7	0.7	0.3	0.3	0.3	0.2	0.5	0.2	0.1
Unlisted public offer unit trusts	0.1	0.3	0.2	0.1	0.6	0.7	0.3	0.2	0.3	0.2	0.0
Other assets	7.3	0.2	0.2	0.1	0.1	0.0	0.0	0.0	0.0	0.2	0.2
Total assets	38.5	21.3	26.5	14.9	15.5	16.6	13.4	13.2	16.0	49.0	55.7
Number of entities	73	59	47	34	28	27	28	25	15	15	15
Hybrid											
Total directly invested	6.5	17.2	19.0	25.1	28.8	33.9	31.5	31.9	38.3	37.1	54.7
Total indirectly invested	33.8	57.7	60.4	78.0	93.7	100.7	92.4	104.7	119.9	180.9	239.1
Individually managed mandates	29.6	51.9	52.8	68.9	81.2	86.6	76.6	83.6	96.2	58.4	64.1
Pooled superannuation trusts	2.4	3.6	3.6	4.1	4.9	6.2	5.6	5.4	4.9	16.9	19.8
Wholesale trusts	0.4	0.4	0.7	1.7	3.2	3.7	6.3	9.8	11.7	61.2	83.6
Life office funds	1.2	1.4	2.5	2.2	3.0	3.0	2.5	3.4	3.7	39.7	65.1
Unlisted public offer unit trusts	0.2	0.4	0.8	1.1	1.4	1.3	1.3	2.5	3.4	4.7	6.5
Other assets	2.8	4.9	5.0	6.2	7.9	6.9	6.7	6.2	2.5	2.5	2.7
Total assets	43.1	79.8	84.4	109.3	130.4	141.4	130.6	142.8	160.7	220.6	296.5
Number of entities	74	92	104	104	115	125	123	126	128	118	104

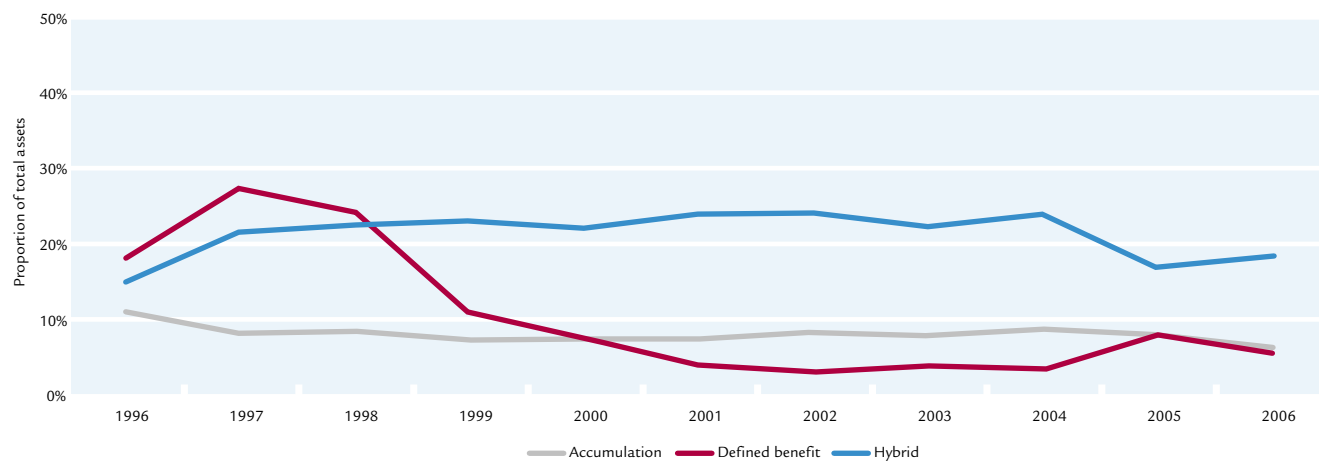
Statistics Entities with at least \$100 million in assets

Table 6b: Manner of investment by structure of retirement benefits – proportion of total assets

Entities with at least \$100 million in assets

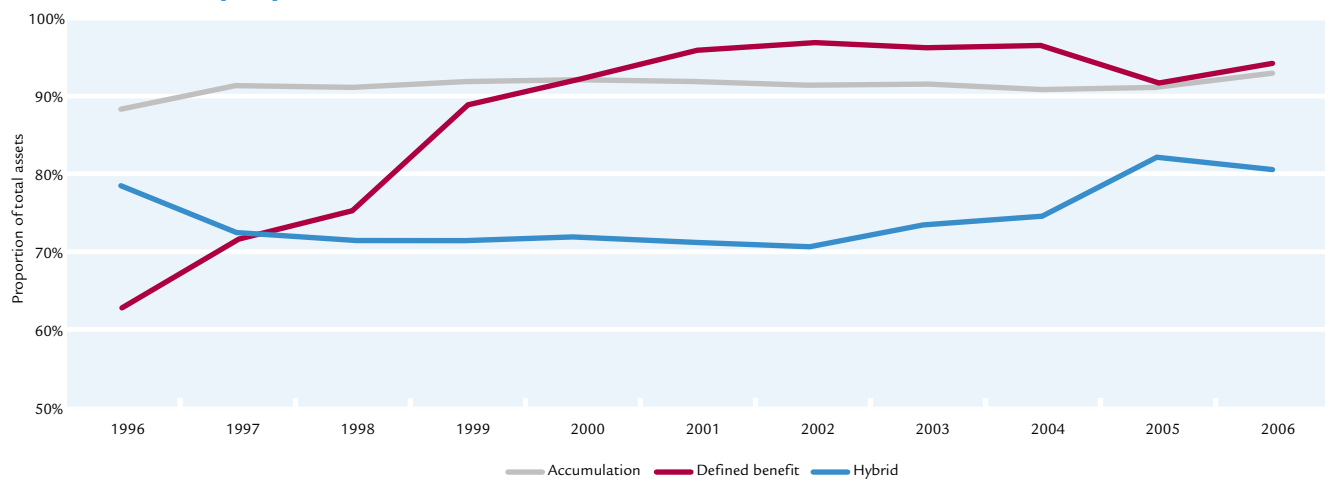
	June 1996	June 1997	June 1998	June 1999	June 2000	June 2001	June 2002	June 2003	June 2004	June 2005	June 2006
All entities											
Total directly invested	13.8%	15.8%	15.4%	14.6%	13.5%	13.9%	13.7%	13.3%	13.8%	11.6%	11.7%
Total indirectly invested	79.4%	81.3%	82.1%	82.6%	83.7%	83.8%	84.1%	84.8%	85.3%	87.4%	87.3%
Individually managed mandates	37.8%	39.1%	36.3%	37.5%	34.9%	34.2%	30.5%	30.7%	31.3%	22.1%	20.1%
Pooled superannuation trusts	6.2%	6.7%	6.5%	6.8%	6.9%	8.0%	8.4%	7.4%	6.6%	6.6%	7.3%
Wholesale trusts	3.8%	4.2%	4.8%	5.7%	7.1%	8.2%	10.5%	12.7%	14.9%	28.2%	30.3%
Life office funds	28.8%	28.4%	30.7%	28.9%	30.2%	28.5%	29.4%	28.3%	26.7%	25.0%	23.6%
Unlisted public offer unit trusts	2.9%	2.9%	3.7%	3.7%	4.6%	4.8%	5.4%	5.6%	5.8%	5.5%	6.0%
Other assets	6.8%	2.9%	2.6%	2.8%	2.7%	2.3%	2.2%	1.9%	0.9%	1.0%	1.0%
Total assets	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Number of entities	362	346	355	306	309	323	328	329	339	311	276
By structure of retirement benefits											
Accumulation											
Total directly invested	11.0%	8.2%	8.3%	7.7%	7.5%	7.5%	8.2%	8.0%	8.5%	7.9%	6.1%
Total indirectly invested	88.1%	91.2%	91.1%	91.8%	92.1%	92.0%	91.2%	91.5%	90.9%	91.1%	92.8%
Individually managed mandates	12.2%	13.5%	11.7%	11.5%	11.2%	11.2%	10.9%	9.9%	11.8%	7.9%	9.2%
Pooled superannuation trusts	7.6%	8.7%	8.8%	9.3%	9.1%	10.9%	10.9%	10.1%	8.9%	6.9%	6.3%
Wholesale trusts	6.8%	7.8%	7.6%	9.0%	10.4%	12.1%	13.8%	16.6%	19.5%	31.9%	36.6%
Life office funds	56.0%	55.9%	56.7%	55.6%	54.1%	50.0%	47.3%	46.7%	42.5%	35.3%	29.8%
Unlisted public offer unit trusts	5.6%	5.1%	6.3%	6.4%	7.3%	7.7%	8.3%	8.3%	8.1%	9.2%	10.9%
Other assets	0.9%	0.6%	0.6%	0.6%	0.4%	0.5%	0.5%	0.5%	0.6%	1.0%	1.1%
Total assets	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Number of entities	215	195	204	168	166	171	177	178	196	178	157
Defined benefit											
Total directly invested	18.1%	27.4%	24.2%	10.8%	7.5%	3.9%	3.0%	3.7%	3.4%	7.9%	5.5%
Total indirectly invested	62.9%	71.5%	75.2%	88.8%	92.2%	95.9%	96.7%	96.1%	96.4%	91.6%	94.2%
Individually managed mandates	54.5%	54.6%	62.8%	65.2%	65.7%	74.2%	75.1%	78.0%	76.0%	79.9%	69.1%
Pooled superannuation trusts	3.9%	6.2%	3.7%	9.0%	9.3%	4.5%	6.3%	3.6%	2.4%	0.3%	16.3%
Wholesale trusts	1.0%	2.1%	5.2%	8.8%	11.2%	11.3%	10.7%	11.2%	13.2%	10.6%	8.5%
Life office funds	3.1%	6.9%	2.7%	4.9%	1.9%	1.7%	2.6%	1.6%	3.0%	0.3%	0.2%
Unlisted public offer unit trusts	0.3%	1.6%	0.7%	0.9%	4.1%	4.1%	2.1%	1.7%	1.8%	0.5%	0.1%
Other assets	19.0%	1.1%	0.6%	0.4%	0.4%	0.2%	0.2%	0.1%	0.2%	0.5%	0.3%
Total assets	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Number of entities	73	59	47	34	28	27	28	25	15	15	15
Hybrid											
Total directly invested	15.0%	21.6%	22.5%	23.0%	22.1%	23.9%	24.1%	22.3%	23.8%	16.8%	18.4%
Total indirectly invested	78.5%	72.3%	71.5%	71.3%	71.9%	71.2%	70.8%	73.3%	74.6%	82.0%	80.6%
Individually managed mandates	68.7%	65.0%	62.6%	63.1%	62.3%	61.2%	58.7%	58.6%	59.9%	26.5%	21.6%
Pooled superannuation trusts	5.6%	4.5%	4.2%	3.7%	3.8%	4.4%	4.3%	3.8%	3.1%	7.7%	6.7%
Wholesale trusts	0.9%	0.4%	0.8%	1.6%	2.4%	2.6%	4.8%	6.8%	7.3%	27.7%	28.2%
Life office funds	2.9%	1.8%	3.0%	2.0%	2.3%	2.1%	1.9%	2.4%	2.3%	18.0%	21.9%
Unlisted public offer unit trusts	0.4%	0.6%	0.9%	1.0%	1.1%	0.9%	1.0%	1.7%	2.1%	2.1%	2.2%
Other assets	6.5%	6.2%	6.0%	5.7%	6.0%	4.9%	5.1%	4.4%	1.6%	1.1%	0.9%
Total assets	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Number of entities	74	92	104	104	115	125	123	126	128	118	104

Figure 6b.1 Directly invested assets by structure of retirement benefits
– proportion of total assets^a



^a Entities with at least \$100 million in assets.

Figure 6b.2 Indirectly invested assets by structure of retirement benefits
– proportion of total assets^a



^a Entities with at least \$100 million in assets.

Table 7: Return on assets

Entities with at least \$100 million in assets

	June 1997	June 1998	June 1999	June 2000	June 2001	June 2002	June 2003	June 2004	June 2005	June 2006
All entities										
Net investment income (\$m)	24,775	18,293	19,953	33,321	16,244	-13,073	-945	50,795	60,416	76,633
Other income (\$m)	1,209	966	1,425	1,114	-16	813	809	198	111	67
Total operating expense (\$m)	1,535	2,258	2,414	3,089	3,526	4,055	4,446	2,561	2,686	2,967
Tax expense on earnings (\$m)	2,805	2,427	2,960	3,414	2,584	1,917	3,062	2,020	1,685	2,292
Net earnings after tax (\$m)	21,643	14,575	16,004	27,932	10,118	-18,231	-7,645	46,411	56,157	71,441
Average assets (\$m)	172,897	215,485	234,746	286,904	338,783	361,722	370,043	412,588	487,183	576,612
Return on assets	12.5%	6.8%	6.8%	9.7%	3.0%	-5.0%	-2.1%	11.2%	11.5%	12.4%
Value of \$1,000 invested at 1 July 1996 (\$)	1,125	1,201	1,283	1,408	1,450	1,377	1,349	1,500	1,673	1,881
Number of entities	346	355	306	309	323	328	329	339	311	276
By functional classification										
Corporate										
Net investment income (\$m)	6,213	4,066	4,195	5,640	2,774	-1,294	-583	4,918	5,719	6,559
Other income (\$m)	60	72	51	105	124	94	81	15	4	6
Total operating expense (\$m)	176	239	257	320	388	424	404	129	113	108
Tax expense on earnings (\$m)	642	449	412	538	291	87	336	325	264	362
Net earnings after tax (\$m)	5,455	3,450	3,577	4,887	2,219	-1,711	-1,243	4,479	5,346	6,095
Average assets (\$m)	36,546	40,559	41,383	44,501	46,997	43,905	40,024	39,426	42,396	45,185
Return on assets	14.9%	8.5%	8.6%	11.0%	4.7%	-3.9%	-3.1%	11.4%	12.6%	13.5%
Value of \$1,000 invested at 1 July 1996 (\$)	1,149	1,247	1,355	1,504	1,575	1,513	1,466	1,633	1,839	2,087
Number of entities	142	140	114	118	122	116	109	104	89	69
Industry										
Net investment income (\$m)	3,773	2,999	3,442	5,274	3,264	-1,631	871	11,416	13,902	17,723
Other income (\$m)	144	119	160	182	202	220	213	42	14	42
Total operating expense (\$m)	372	428	534	694	707	871	1,006	465	523	586
Tax expense on earnings (\$m)	829	779	900	1,062	1,046	839	1,294	737	690	1,064
Net earnings after tax (\$m)	2,716	1,910	2,168	3,701	1,713	-3,121	-1,216	10,257	12,703	16,114
Average assets (\$m)	23,308	28,981	33,099	41,019	53,444	62,225	68,662	82,960	104,941	128,080
Return on assets	11.7%	6.6%	6.5%	9.0%	3.2%	-5.0%	-1.8%	12.4%	12.1%	12.6%
Value of \$1,000 invested at 1 July 1996 (\$)	1,117	1,190	1,268	1,382	1,427	1,355	1,331	1,496	1,677	1,888
Number of entities	65	64	54	57	61	65	67	68	64	59

Information on expenses is understated and should be used for indicative purposes only. Return on assets figures do not depend upon the expense data, and are correct within reasonable bounds of statistical accuracy.

Table 7: Return on assets (continued)

Entities with at least \$100 million in assets

	June 1997	June 1998	June 1999	June 2000	June 2001	June 2002	June 2003	June 2004	June 2005	June 2006
Public sector										
Net investment income (\$m)	9,142	4,856	6,207	11,035	4,492	-5,071	-176	13,701	16,051	19,590
Other income (\$m)	592	389	1,006	598	-569	-123	24	18	69	6
Total operating expense (\$m)	238	303	300	359	507	511	523	335	346	307
Tax expense on earnings (\$m)	791	475	917	837	403	-51	193	682	366	448
Net earnings after tax (\$m)	8,706	4,467	5,995	10,438	3,013	-5,654	-868	12,702	15,409	18,841
Average assets (\$m)	53,527	64,456	71,920	85,010	97,290	94,864	91,475	100,496	117,059	135,156
Return on assets	16.3%	6.9%	8.3%	12.3%	3.1%	-6.0%	-0.9%	12.6%	13.2%	13.9%
Value of \$1,000 invested at 1 July 1996 (\$)	1,163	1,243	1,347	1,512	1,559	1,466	1,452	1,636	1,851	2,109
Number of entities	26	31	33	33	34	33	33	33	33	32
Retail (excluding ERFs)										
Net investment income (\$m)	5,571	6,270	6,033	11,205	5,571	-5,118	-1,176	20,493	24,413	32,365
Other income (\$m)	410	385	208	225	228	546	430	123	24	13
Total operating expense (\$m)	737	1,274	1,307	1,687	1,887	2,207	2,466	1,594	1,662	1,920
Tax expense on earnings (\$m)	540	720	729	973	842	1,043	1,230	272	364	406
Net earnings after tax (\$m)	4,705	4,661	4,205	8,770	3,071	-7,822	-4,443	18,751	22,411	30,053
Average assets (\$m)	58,662	80,303	86,910	114,302	138,248	157,538	166,434	185,741	218,249	263,342
Return on assets	8.0%	5.8%	4.8%	7.7%	2.2%	-5.0%	-2.7%	10.1%	10.3%	11.4%
Value of \$1,000 invested at 1 July 1996 (\$)	1,080	1,143	1,198	1,290	1,319	1,253	1,220	1,343	1,481	1,650
Number of entities	107	114	100	96	100	108	114	127	118	110
ERFs										
Net investment income (\$m)	76	101	76	167	142	42	119	266	330	396
Other income (\$m)	3	2	0	4	-1	75	61	0	0	0
Total operating expense (\$m)	12	13	16	30	37	41	47	38	42	46
Tax expense on earnings (\$m)	5	3	2	4	2	-1	9	5	1	12
Net earnings after tax (\$m)	62	86	59	137	102	76	124	223	288	339
Average assets (\$m)	854	1,186	1,433	2,072	2,803	3,190	3,448	3,965	4,538	4,850
Return on assets	7.3%	7.3%	4.1%	6.6%	3.6%	2.4%	3.6%	5.6%	6.3%	7.0%
Value of \$1,000 invested at 1 July 1996 (\$)	1,073	1,151	1,198	1,277	1,324	1,355	1,404	1,483	1,577	1,687
Number of entities	6	6	5	5	6	6	6	7	7	6

Information on expenses is understated and should be used for indicative purposes only. Return on assets figures do not depend upon the expense data, and are correct within reasonable bounds of statistical accuracy.

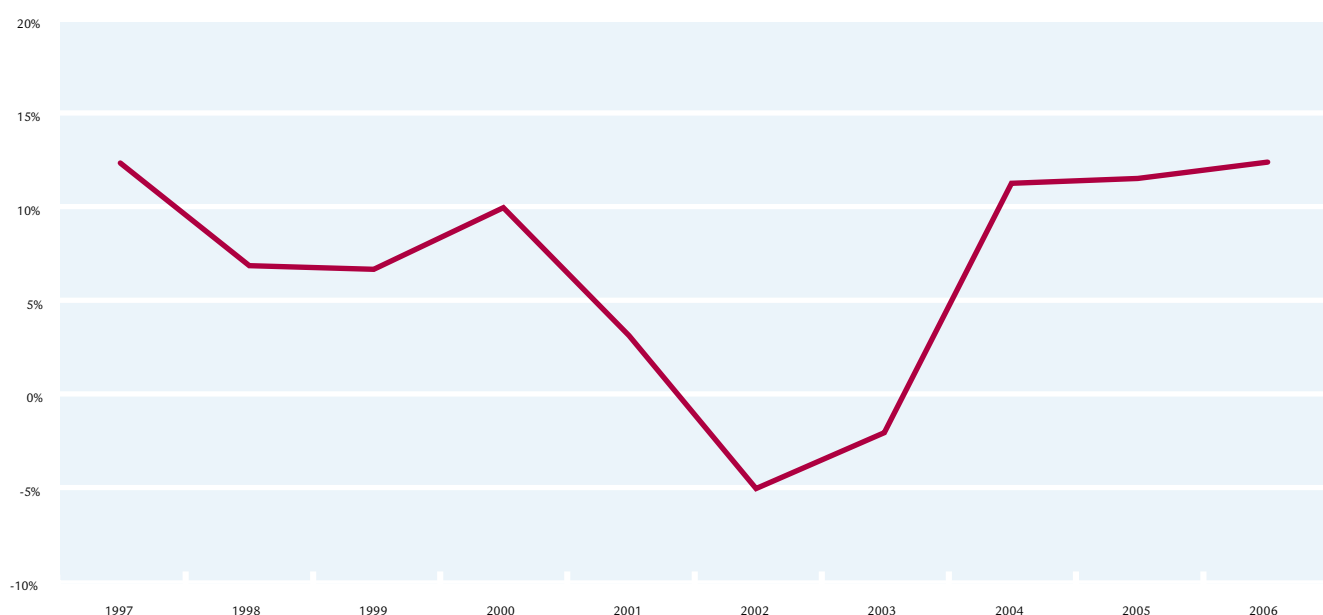
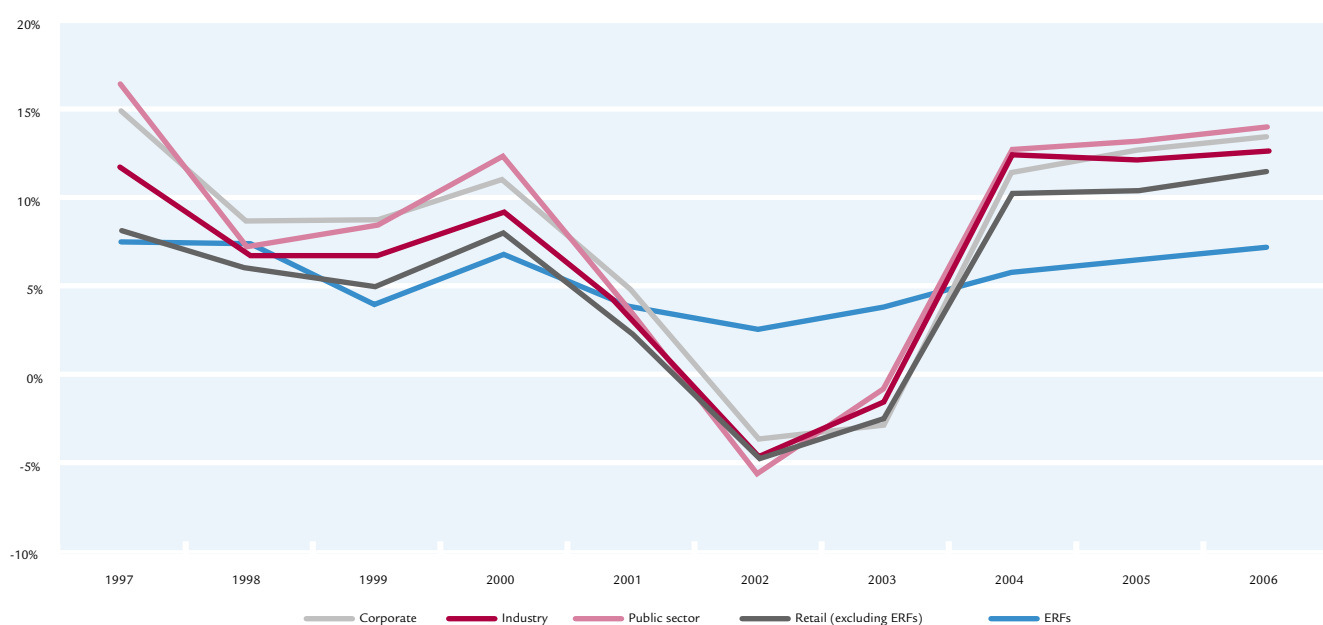
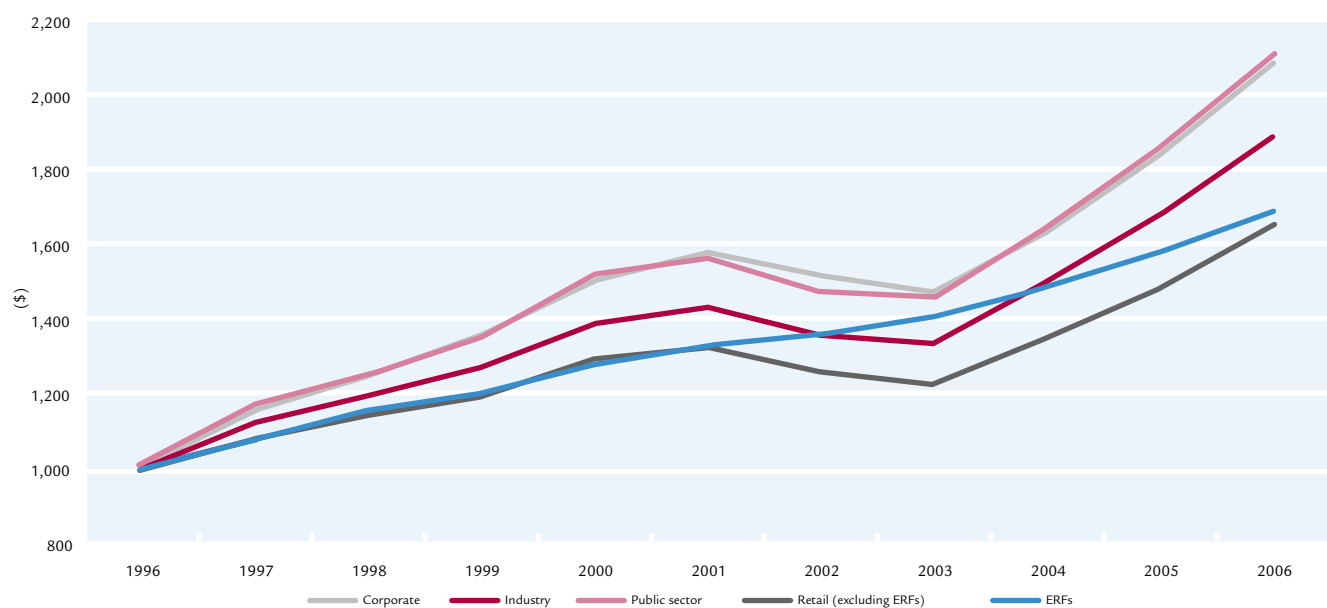
Figure 7.1 Return on assets (all entities)^a^a Entities with at least \$100 million in assets.**Figure 7.2** Return on assets^a^a Entities with at least \$100 million in assets.

Figure 7.3 Value of \$1,000 invested at 1 July 1996^a

^a Entities with at least \$100 million in assets.

Statistics Entities with at least \$100 million in assets

Table 8: Ten-year average return on assets and volatility

Entities with at least \$100 million in assets

	June 1997	June 1998	June 1999	June 2000	June 2001	June 2002	June 2003	June 2004	June 2005	June 2006	1997-2006	
											Average return	Volatility
All entities	12.5%	6.8%	6.8%	9.7%	3.0%	-5.0%	-2.1%	11.2%	11.5%	12.4%	6.7%	6.2%
Corporate	14.9%	8.5%	8.6%	11.0%	4.7%	-3.9%	-3.1%	11.4%	12.6%	13.5%	7.8%	6.6%
Industry	11.7%	6.6%	6.5%	9.0%	3.2%	-5.0%	-1.8%	12.4%	12.1%	12.6%	6.7%	6.2%
Public sector	16.3%	6.9%	8.3%	12.3%	3.1%	-6.0%	-0.9%	12.6%	13.2%	13.9%	8.0%	7.2%
Retail (excluding ERFs)	8.0%	5.8%	4.8%	7.7%	2.2%	-5.0%	-2.7%	10.1%	10.3%	11.4%	5.3%	5.5%
ERFs	7.3%	7.3%	4.1%	6.6%	3.6%	2.4%	3.6%	5.6%	6.3%	7.0%	5.4%	1.8%

See explanatory notes for a description of terms.

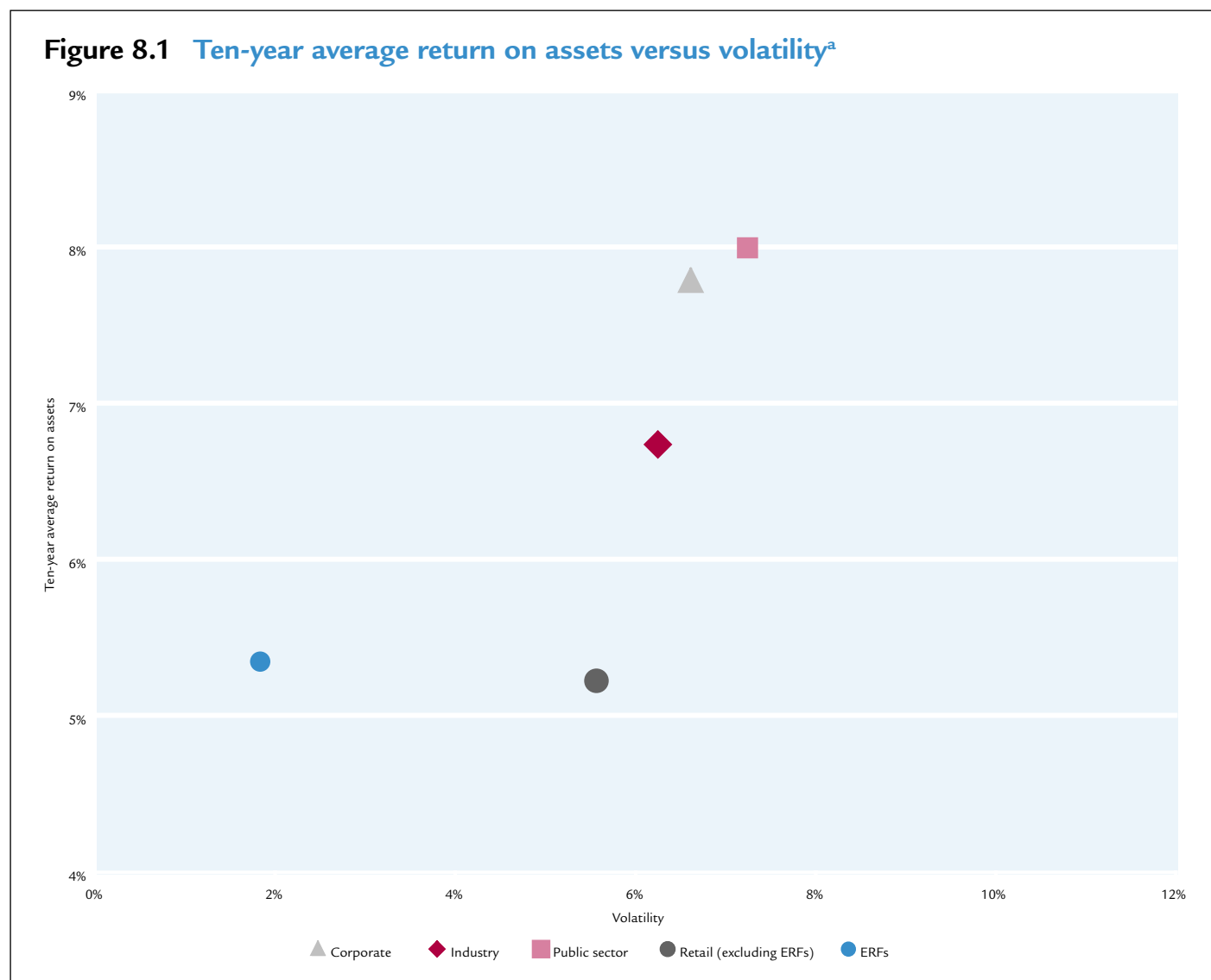


Table 9: Return on assets by size of entity

Entities with at least \$100 million in assets

	June 1997	June 1998	June 1999	June 2000	June 2001	June 2002	June 2003	June 2004	June 2005	June 2006
All entities										
Under \$100m ^a	11.9%	6.6%	7.1%	8.8%	3.1%	-4.2%	-5.3%	11.0%	9.8%	15.3%
\$100m < \$500m	11.7%	6.3%	6.0%	8.7%	3.4%	-4.3%	-3.0%	10.5%	11.2%	12.9%
\$500m < \$1bn	11.9%	7.0%	5.9%	8.6%	2.9%	-5.2%	-3.0%	12.5%	10.5%	12.0%
At least \$1bn	12.9%	6.8%	7.2%	10.1%	3.0%	-5.1%	-1.8%	11.4%	11.6%	12.5%
Number of entities	346	355	306	309	323	328	329	339	311	276
By functional classification										
Corporate										
Under \$100m ^a	13.9%	8.8%	7.3%	8.9%	4.9%	-5.2%	-7.2%	12.7%	12.9%	18.0%
\$100m < \$500m	14.3%	8.6%	8.0%	10.5%	4.1%	-3.9%	-4.0%	10.4%	12.3%	12.7%
\$500m < \$1bn	15.0%	8.0%	9.4%	11.5%	3.0%	-5.1%	-4.2%	11.0%	12.4%	13.9%
At least \$1bn	15.7%	8.5%	9.0%	11.3%	5.8%	-3.2%	-1.4%	12.0%	12.8%	13.6%
Number of entities	142	140	114	118	122	116	109	104	89	69
Industry										
Under \$100m ^a	10.2%	4.4%	3.3%	11.6%	4.9%	-4.5%	-2.4%	11.5%	15.0%	
\$100m < \$500m	11.8%	5.4%	4.6%	7.2%	2.5%	-6.0%	-3.7%	11.3%	11.6%	13.3%
\$500m < \$1bn	12.3%	8.3%	5.7%	9.6%	2.8%	-6.0%	-2.9%	12.0%	10.6%	12.1%
At least \$1bn	11.6%	6.6%	7.5%	9.3%	3.4%	-4.7%	-1.3%	12.5%	12.3%	12.6%
Number of entities	65	64	54	57	61	65	67	68	64	59
Public sector										
Under \$100m ^a	*	5.4%	12.5%	12.0%	3.0%	-5.4%				
\$100m < \$500m	12.1%	7.4%	7.1%	10.5%	3.8%	-5.5%	-1.4%	13.6%	11.1%	15.2%
\$500m < \$1bn	14.9%	6.7%	6.9%	10.2%	3.8%	-3.9%	-0.2%	11.2%	11.0%	13.2%
At least \$1bn	16.5%	6.9%	8.4%	12.4%	3.1%	-6.0%	-1.0%	12.7%	13.3%	14.0%
Number of entities	26	31	33	33	34	33	33	33	33	32
Retail (excluding ERFs)										
Under \$100m ^a	9.0%	3.8%	6.2%	7.3%	1.2%	-1.5%	-0.5%	9.6%	7.3%	15.0%
\$100m < \$500m	8.1%	3.1%	4.3%	6.0%	2.6%	-4.4%	-2.1%	9.5%	9.5%	10.7%
\$500m < \$1bn	9.8%	6.0%	4.0%	6.8%	2.7%	-5.4%	-3.2%	9.8%	9.3%	8.8%
At least \$1bn	7.4%	6.3%	5.1%	8.0%	2.2%	-5.0%	-2.7%	10.2%	10.4%	11.5%
Number of entities	107	114	100	96	100	108	114	127	118	110

See explanatory notes for a description of terms.

Excludes ERFs due to confidentiality restrictions.

^a Under \$100 million includes entities where assets dropped below \$100 million in that period.

Statistics Entities with at least \$100 million in assets

Table 9: Return on assets by size of entity (continued)

Entities with at least \$100 million in assets

	1997-2001		2002-2006		1997-2006		
	Five-year average return	Number of entities	Five-year average return	Number of entities	Ten-year average return	Volatility	Number of entities
Total							
Under \$100m ^a	7.5%	25	5.3%	13	6.4%	6.7%	6
\$100m < \$500m	7.2%	144	5.5%	98	6.3%	6.0%	73
\$500m < \$1bn	7.3%	38	5.4%	41	6.3%	6.3%	46
At least \$1bn	8.0%	55	5.7%	89	6.8%	6.3%	58
Number of entities		262		241			183
By functional classification							
Corporate							
Under \$100m ^a	8.8%	18	6.2%	5	7.5%	8.1%	4
\$100m < \$500m	9.1%	69	5.5%	38	7.3%	6.6%	29
\$500m < \$1bn	9.4%	10	5.6%	11	7.5%	7.2%	9
At least \$1bn	10.1%	7	6.8%	7	8.4%	6.3%	7
Number of entities		104		61			49
Industry							
Under \$100m ^a	*	1	*	1			0
\$100m < \$500m	6.3%	34	5.3%	26	5.8%	6.7%	22
\$500m < \$1bn	7.7%	7	5.2%	8	6.4%	6.5%	10
At least \$1bn	7.7%	11	6.3%	21	7.0%	6.1%	14
Number of entities		53		56			46
Public sector							
Under \$100m ^a	*	1		0			0
\$100m < \$500m	8.2%	7	6.6%	8	7.4%	6.7%	5
\$500m < \$1bn	8.5%	5	6.3%	6	7.4%	6.0%	6
At least \$1bn	9.5%	12	6.6%	18	8.0%	7.3%	12
Number of entities		25		32			23
Retail (excluding ERFs)							
Under \$100m ^a	5.5%	5	6.0%	7	*	*	2
\$100m < \$500m	4.8%	30	4.6%	24	4.7%	5.1%	15
\$500m < \$1bn	5.8%	15	3.9%	15	4.9%	5.4%	18
At least \$1bn	5.8%	25	4.9%	41	5.3%	5.6%	25
Number of entities		75		87			60

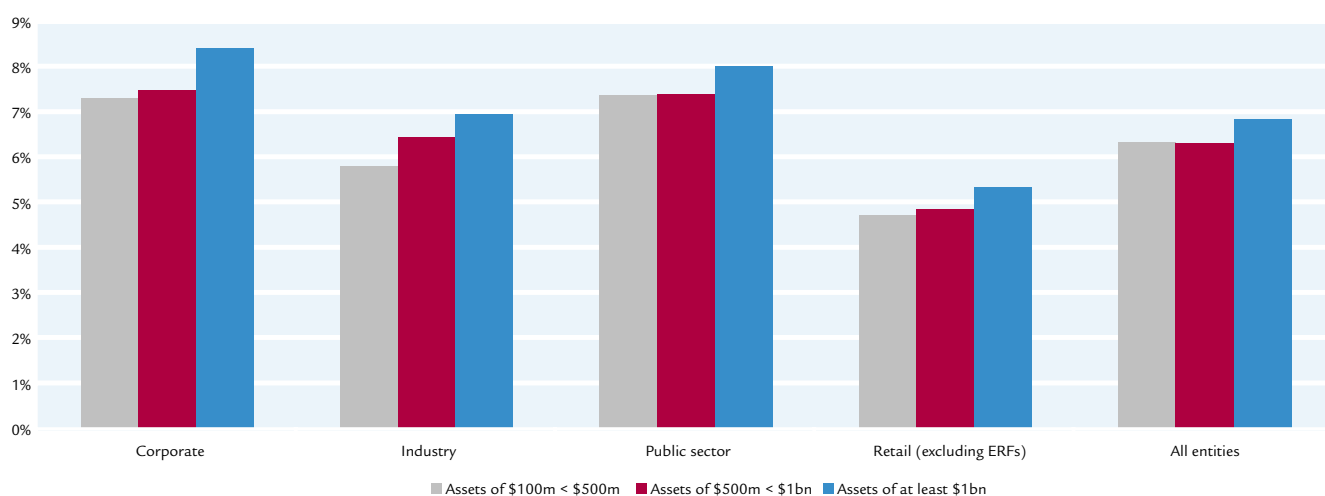
See explanatory notes for a description of terms.

Excludes ERFs due to confidentiality restrictions.

^a Under \$100 million includes entities where assets dropped below \$100 million in that period.

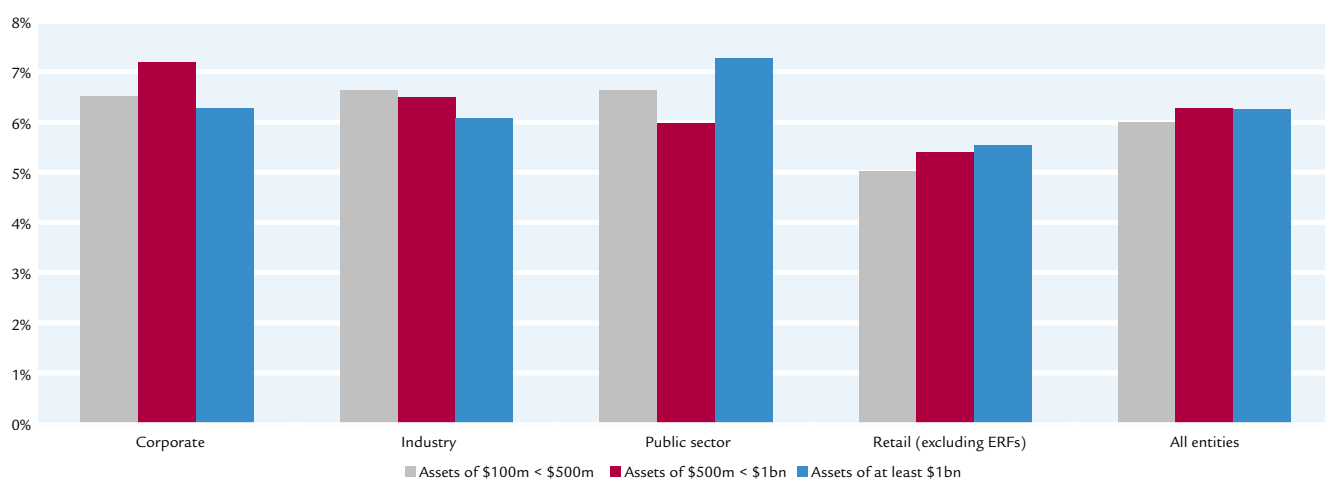
Statistics Entities with at least \$100 million in assets

Figure 9.1 Ten-year average return on assets by size of entity^a



^a Entities with at least \$100 million in assets.

Figure 9.2 Ten-year volatility of return by size of entity^a



^a Entities with at least \$100 million in assets.

Statistics Entities with at least \$100 million in assets

Table 10: Return on assets by average account balance

Entities with at least \$100 million in assets

	June 1997	June 1998	June 1999	June 2000	June 2001	June 2002	June 2003	June 2004	June 2005	June 2006
All entities										
Under \$5k	10.2%	3.6%	3.4%	7.1%	2.2%	-3.2%	-0.8%	7.0%	7.6%	7.0%
\$5k < \$10k	7.7%	4.7%	4.6%	7.4%	2.1%	-4.0%	-1.7%	11.3%	10.6%	10.9%
\$10k < \$25k	9.9%	6.3%	5.7%	8.6%	2.1%	-5.2%	-2.4%	10.3%	10.9%	11.0%
\$25k < \$100k	14.5%	7.3%	8.0%	9.6%	4.1%	-5.0%	-2.2%	12.1%	12.0%	12.9%
At least \$100k	14.7%	8.5%	8.0%	12.0%	3.4%	-5.6%	-1.6%	11.7%	12.2%	13.7%
Number of entities	346	355	306	309	323	328	329	339	311	276
By functional classification										
Corporate										
Under \$5k						*		*		
\$5k < \$10k	*	*	*	*	*					
\$10k < \$25k	13.7%	7.9%	5.5%	11.2%	3.3%	-5.0%	-3.9%	11.3%	9.8%	*
\$25k < \$100k	15.0%	7.5%	8.6%	10.6%	4.2%	-4.3%	-3.2%	11.5%	12.6%	12.6%
At least \$100k	15.0%	9.7%	9.0%	11.4%	5.4%	-3.3%	-2.9%	11.2%	12.9%	14.0%
Number of entities	142	140	114	118	122	116	109	104	89	69
Industry										
Under \$5k	10.6%	3.7%	3.4%	7.6%	2.0%	-4.4%	-1.7%	9.8%	10.1%	9.9%
\$5k < \$10k	11.3%	4.1%	5.7%	7.3%	2.9%	-4.3%	-1.4%	11.9%	11.5%	11.5%
\$10k < \$25k	14.3%	7.9%	7.6%	9.7%	1.5%	-5.7%	-2.8%	12.4%	12.1%	12.3%
\$25k < \$100k	12.8%	11.3%	10.7%	10.4%	5.1%	-5.8%	-1.6%	13.2%	13.5%	13.8%
At least \$100k	14.3%	10.2%	8.7%	13.4%	4.9%	-5.7%	-0.2%	12.3%	12.6%	14.5%
Number of entities	65	64	54	57	61	65	67	68	64	59
Public sector										
Under \$5k	*	*	*	*	*					
\$5k < \$10k	*	5.5%	7.6%	9.3%						
\$10k < \$25k	18.1%	7.2%	8.5%	12.3%	3.2%	-5.5%	-0.9%	10.8%	12.7%	12.6%
\$25k < \$100k	16.2%	6.7%	8.6%	11.3%	5.4%	-5.6%	-1.2%	13.8%	13.4%	12.9%
At least \$100k	13.5%	8.2%	7.4%	13.0%	2.6%	-6.4%	-0.8%	12.3%	13.3%	15.1%
Number of entities	26	31	33	33	34	33	33	33	33	32
Retail (excluding ERFs)										
Under \$5k	3.8%	0.7%	0.9%	0.6%	-0.8%	-3.3%	-1.4%	6.3%	7.6%	4.2%
\$5k < \$10k	6.8%	4.8%	1.9%	5.1%	-0.1%	-2.3%	-3.5%	8.5%	8.2%	5.6%
\$10k < \$25k	5.6%	6.0%	4.8%	7.7%	1.7%	-5.0%	-2.9%	9.5%	10.2%	9.9%
\$25k < \$100k	11.0%	6.7%	5.8%	8.1%	3.2%	-4.8%	-2.4%	10.7%	10.7%	12.6%
At least \$100k	14.2%	4.9%	5.6%	7.9%	3.3%	-6.0%	-2.3%	11.1%	10.3%	11.7%
Number of entities	107	114	100	96	100	108	114	127	118	110

See explanatory notes for a description of terms.

Excludes ERFs due to confidentiality restrictions.

Table 10: Return on assets by average account balance (continued)

Entities with at least \$100 million in assets

	1997-2001		2002-2006		1997-2006		
	Five-year average return	Number of entities	Five-year average return	Number of entities	Ten-year average return	Volatility	Number of entities
Total							
Under \$5k	5.3%	29	3.5%	14	4.4%	4.2%	17
\$5k < \$10k	5.3%	31	5.4%	21	5.4%	5.3%	21
\$10k < \$25k	6.5%	41	4.9%	61	5.7%	5.8%	44
\$25k < \$100k	8.7%	109	6.0%	80	7.3%	6.6%	56
At least \$100k	9.3%	52	6.1%	65	7.7%	6.8%	45
Number of entities		262		241			183
By functional classification							
Corporate							
Under \$5k		0		0			0
\$5k < \$10k	*	1		0			0
\$10k < \$25k	8.3%	5	*	1	*	*	2
\$25k < \$100k	9.2%	64	5.8%	32	7.5%	6.7%	22
At least \$100k	10.1%	34	6.4%	28	8.2%	6.6%	25
Number of entities		104		61			49
Industry							
Under \$5k	5.5%	20	4.7%	5	5.1%	5.3%	10
\$5k < \$10k	6.3%	17	5.8%	14	6.0%	5.8%	15
\$10k < \$25k	8.2%	4	5.6%	21	6.9%	6.9%	8
\$25k < \$100k	10.1%	9	6.6%	11	8.4%	6.9%	9
At least \$100k	10.3%	3	6.7%	5	8.5%	6.8%	4
Number of entities		53		56			46
Public sector							
Under \$5k	*	1		0			0
\$5k < \$10k	*	2		0			0
\$10k < \$25k	9.9%	6	6.0%	7	7.9%	7.1%	7
\$25k < \$100k	9.6%	9	6.6%	10	8.1%	7.0%	7
At least \$100k	8.9%	7	6.7%	15	7.8%	7.2%	9
Number of entities		25		32			23
Retail (excluding ERFs)							
Under \$5k	1.0%	3	2.7%	4	*	*	2
\$5k < \$10k	3.7%	11	3.3%	7	3.5%	4.3%	6
\$10k < \$25k	5.2%	26	4.3%	32	4.8%	5.3%	27
\$25k < \$100k	6.9%	27	5.4%	27	6.2%	5.9%	18
At least \$100k	7.2%	8	5.0%	17	6.1%	6.4%	7
Number of entities		75		87			60

See explanatory notes for a description of terms.

Excludes ERFs due to confidentiality restrictions.

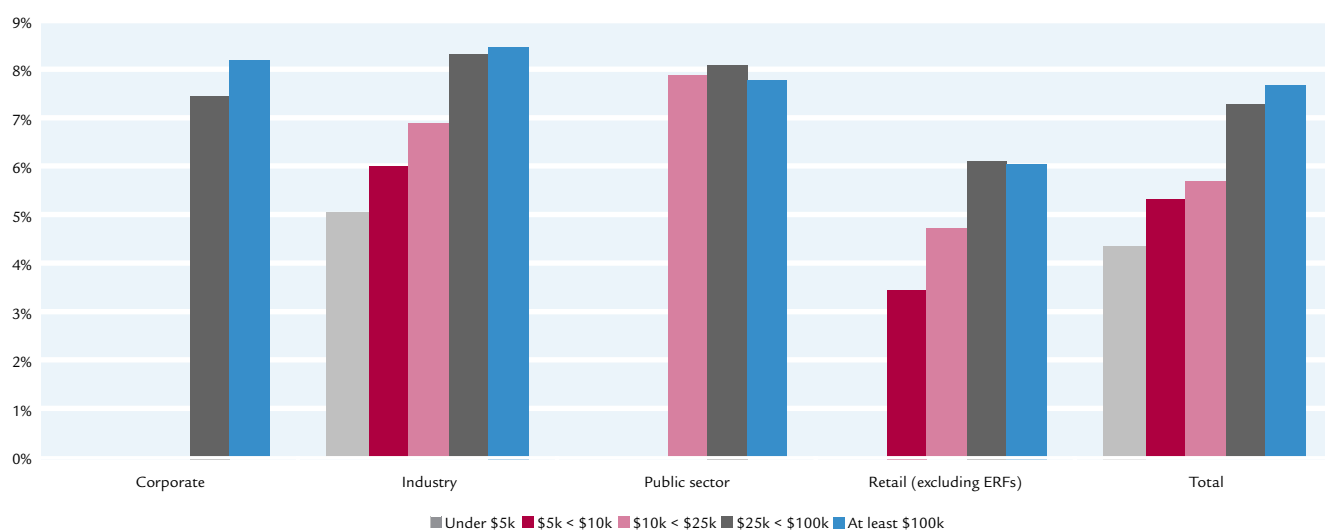
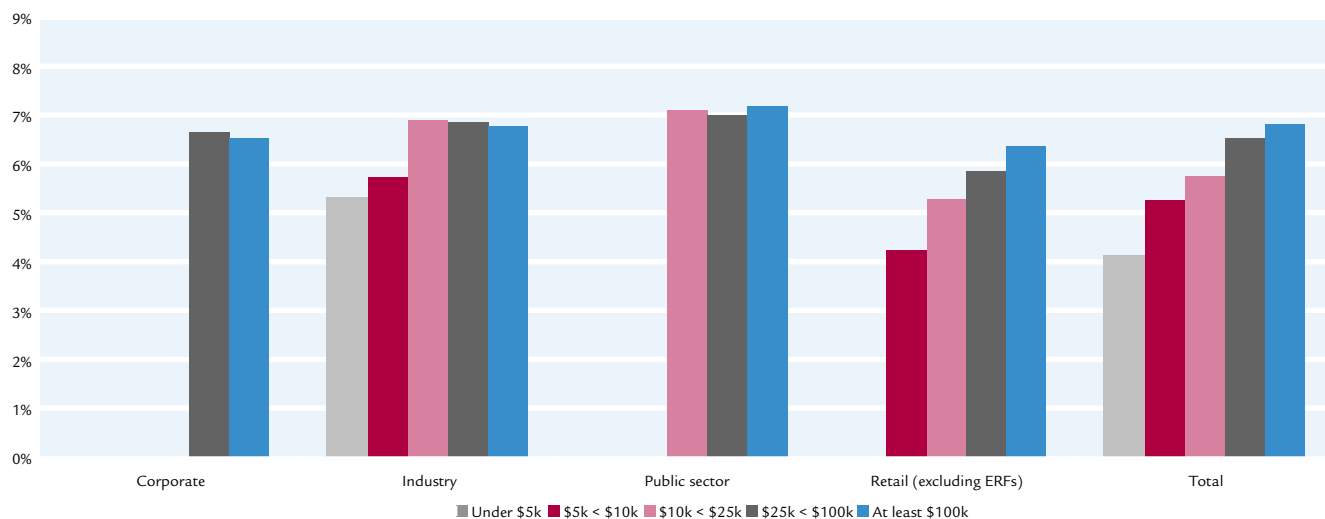
Figure 10.1 Ten-year average return on assets by average account balance^a^a Entities with at least \$100 million in assets.**Figure 10.2** Ten-year volatility of return by average account balance^a^a Entities with at least \$100 million in assets.

Table 11: Statistical distribution of return on assets

Entities with at least \$100 million in assets

	June 1997	June 1998	June 1999	June 2000	June 2001	June 2002	June 2003	June 2004	June 2005	June 2006
All entities										
Return on assets	12.5%	6.8%	6.8%	9.7%	3.0%	-5.0%	-2.1%	11.2%	11.5%	12.4%
Mean	11.9%	6.4%	6.2%	8.8%	3.4%	-4.5%	-2.6%	10.4%	11.0%	12.1%
Median	12.7%	5.9%	5.9%	8.8%	3.4%	-5.4%	-2.5%	11.2%	11.2%	12.7%
Standard deviation	5.0%	4.9%	3.6%	3.6%	3.0%	4.4%	4.1%	3.7%	3.1%	3.8%
Lower quartile	9.0%	3.5%	3.8%	6.5%	1.7%	-7.0%	-4.4%	9.4%	9.9%	11.2%
Upper quartile	15.8%	9.2%	7.5%	11.0%	5.1%	-2.6%	-0.6%	12.5%	12.3%	13.9%
Proportion of negatives	2.3%	5.6%	1.3%	0.6%	7.1%	85.1%	79.6%	0.9%	0.0%	0.0%
Number of entities	346	355	306	309	323	328	329	339	311	276
By functional classification										
Corporate										
Return on assets	14.9%	8.5%	8.6%	11.0%	4.7%	-3.9%	-3.1%	11.4%	12.6%	13.5%
Mean	14.3%	8.1%	7.9%	10.2%	4.2%	-4.3%	-4.1%	10.8%	12.3%	13.0%
Median	15.5%	8.1%	7.0%	10.1%	4.4%	-5.2%	-3.6%	11.7%	12.0%	13.6%
Standard deviation	4.5%	4.7%	3.4%	2.6%	2.9%	4.9%	4.8%	4.5%	2.2%	4.0%
Lower quartile	12.0%	5.7%	6.0%	8.7%	2.5%	-7.1%	-6.6%	10.3%	11.0%	12.6%
Upper quartile	17.1%	10.8%	9.9%	11.7%	5.9%	-1.2%	-1.4%	13.0%	13.5%	14.4%
Proportion of negatives	0.0%	2.9%	0.0%	0.0%	4.1%	80.2%	84.4%	2.9%	0.0%	0.0%
Number of entities	142	140	114	118	122	116	109	104	89	69
Industry										
Return on assets	11.7%	6.6%	6.5%	9.0%	3.2%	-5.0%	-1.8%	12.4%	12.1%	12.6%
Mean	11.3%	5.4%	5.0%	8.2%	3.0%	-5.5%	-2.9%	11.7%	11.6%	13.0%
Median	11.6%	5.1%	5.0%	7.8%	3.1%	-5.7%	-2.5%	11.9%	11.5%	13.1%
Standard deviation	3.3%	3.3%	2.9%	3.0%	2.5%	3.2%	2.7%	1.6%	1.6%	1.6%
Lower quartile	9.5%	3.2%	3.0%	6.2%	1.4%	-7.2%	-4.3%	11.0%	10.4%	12.2%
Upper quartile	13.9%	7.2%	6.6%	9.8%	4.9%	-3.8%	-1.2%	12.6%	12.4%	13.8%
Proportion of negatives	0.0%	1.6%	1.9%	0.0%	9.8%	95.4%	88.1%	0.0%	0.0%	0.0%
Number of entities	65	64	54	57	61	65	67	68	64	59
Public sector										
Return on assets	16.3%	6.9%	8.3%	12.3%	3.1%	-6.0%	-0.9%	12.6%	13.2%	13.9%
Mean	14.0%	8.0%	8.0%	11.2%	3.6%	-5.0%	-0.5%	12.5%	13.1%	13.7%
Median	14.8%	8.2%	7.0%	11.0%	3.4%	-5.4%	-1.1%	12.4%	12.2%	13.9%
Standard deviation	4.3%	4.0%	3.7%	4.6%	3.2%	3.1%	2.8%	3.8%	4.9%	3.5%
Lower quartile	11.3%	4.8%	5.9%	9.0%	1.9%	-6.5%	-2.0%	10.8%	11.0%	12.4%
Upper quartile	16.9%	9.8%	9.2%	13.2%	5.0%	-4.0%	0.8%	14.1%	13.3%	14.9%
Proportion of negatives	0.0%	0.0%	0.0%	0.0%	2.9%	90.9%	66.7%	0.0%	0.0%	0.0%
Number of entities	26	31	33	33	34	33	33	33	33	32

See explanatory notes for a description of terms.

Excludes ERFs due to confidentiality restrictions.

Statistics Entities with at least \$100 million in assets

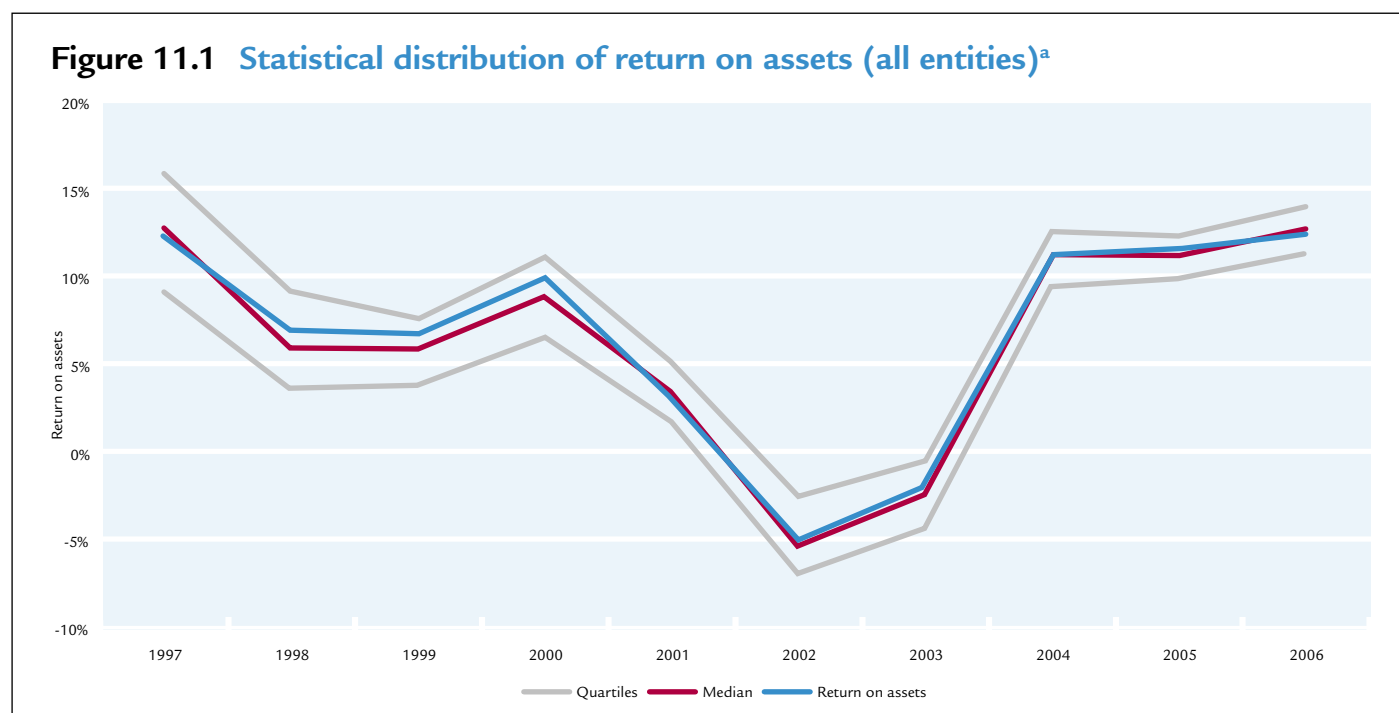
Table 11: Statistical distribution of return on assets (continued)

Entities with at least \$100 million in assets

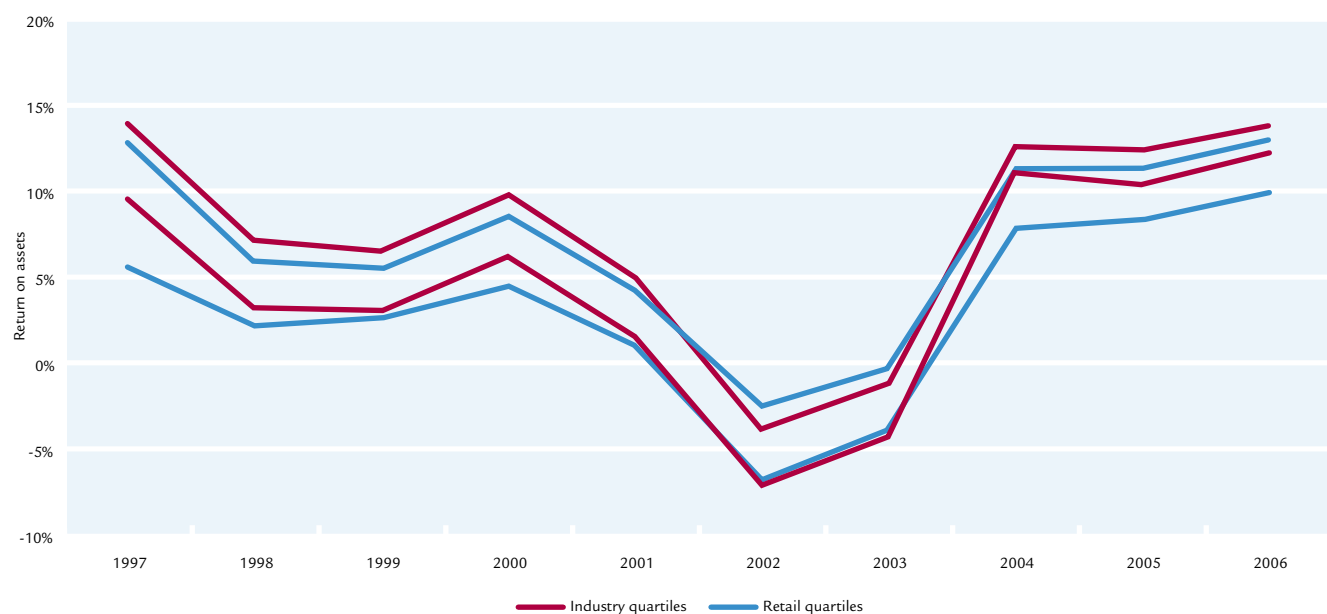
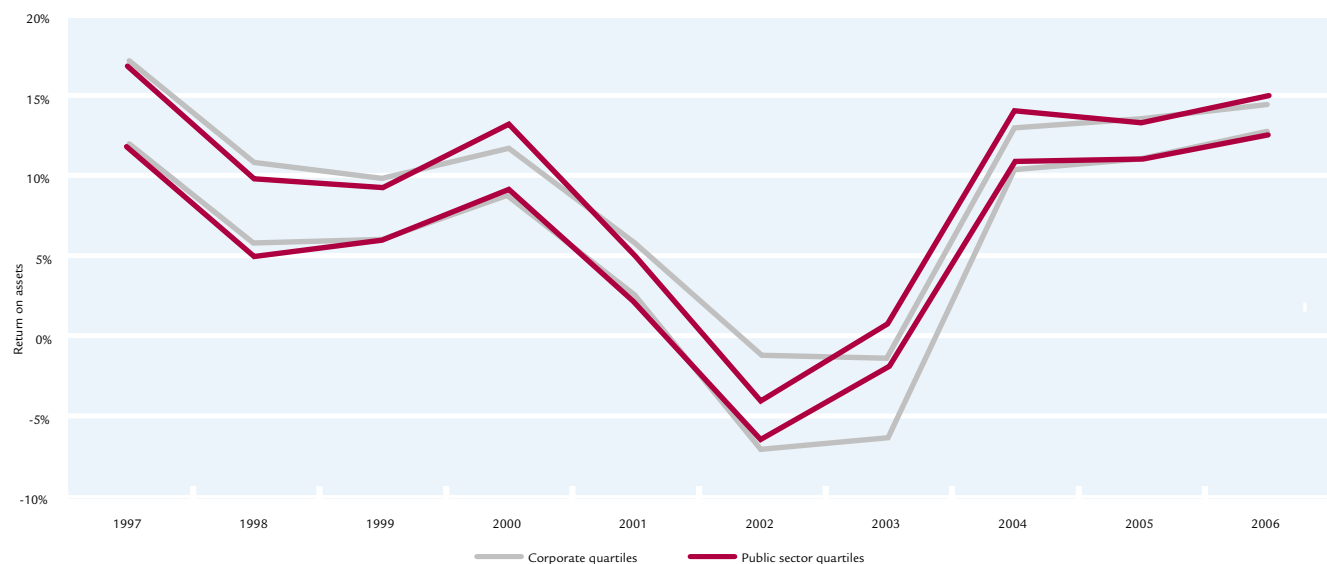
	June 1997	June 1998	June 1999	June 2000	June 2001	June 2002	June 2003	June 2004	June 2005	June 2006
Retail (excluding ERFs)										
Return on assets	8.0%	5.8%	4.8%	7.7%	2.2%	-5.0%	-2.7%	10.1%	10.3%	11.4%
Mean	8.9%	4.6%	4.3%	6.7%	2.6%	-4.4%	-2.0%	9.2%	9.4%	10.8%
Median	9.5%	4.0%	4.3%	6.6%	2.7%	-5.5%	-2.3%	9.9%	10.0%	11.6%
Standard deviation	5.0%	5.2%	2.9%	3.5%	3.1%	4.3%	3.5%	3.3%	2.8%	4.1%
Lower quartile	5.5%	2.2%	2.5%	4.4%	0.9%	-6.9%	-4.0%	7.7%	8.3%	9.9%
Upper quartile	12.8%	5.9%	5.5%	8.5%	4.2%	-2.6%	-0.3%	11.3%	11.3%	12.9%
Proportion of negatives	7.5%	13.2%	3.0%	2.1%	11.0%	85.2%	77.2%	0.0%	0.0%	0.0%
Number of entities	107	114	100	96	100	108	114	127	118	110

See explanatory notes for a description of terms.

Excludes ERFs due to confidentiality restrictions.



^a Entities with at least \$100 million in assets.

Figure 11.2 Statistical distribution of return on assets (industry and retail entities)^a^a Entities with at least \$100 million in assets.**Figure 11.3 Statistical distribution of return on assets (corporate and public sector entities)^a**^a Entities with at least \$100 million in assets.

Statistics Entities with at least \$100 million in assets

Table 12: Statistical distribution of multi-year return on assets

Entities with at least \$100 million in assets

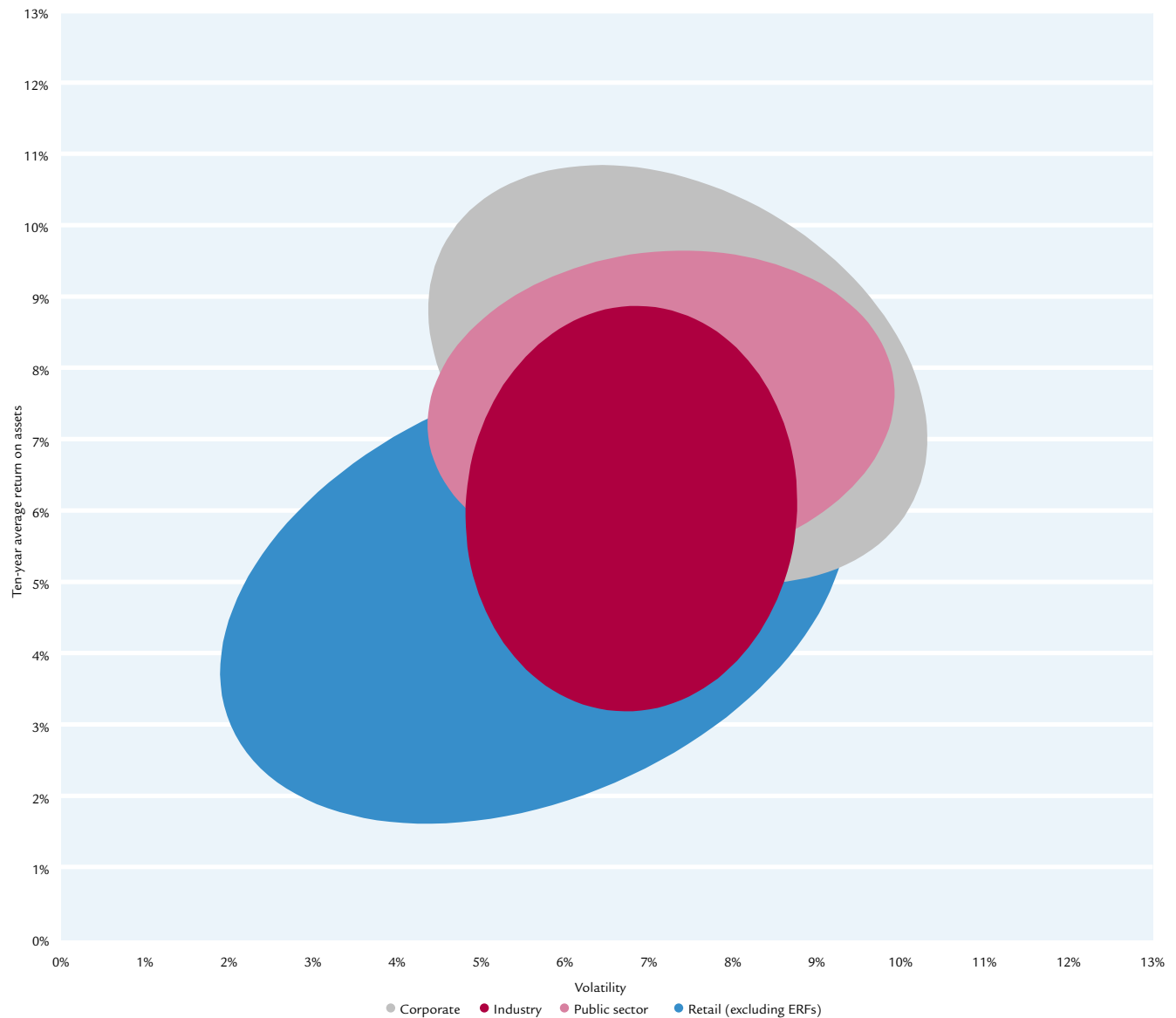
	1997-2001	2002-2006	1997-2006	
	Five-year average return	Five-year average return	Ten-year average return	Volatility
All entities				
Return on assets	7.8%	5.6%	6.7%	6.2%
Mean	7.5%	5.5%	6.3%	5.9%
Median	7.8%	5.4%	6.3%	6.3%
Standard deviation	2.7%	1.8%	2.0%	0.7%
Lower quartile	5.7%	4.4%	5.1%	6.2%
Upper quartile	9.5%	6.3%	7.7%	6.1%
Number of entities	262	241	183	
By functional classification				
Corporate				
Return on assets	9.6%	6.1%	7.8%	6.6%
Mean	9.2%	5.9%	7.9%	6.7%
Median	9.3%	5.7%	8.0%	7.0%
Standard deviation	1.9%	1.8%	1.5%	1.0%
Lower quartile	8.3%	4.9%	7.3%	7.2%
Upper quartile	10.3%	6.9%	8.6%	6.3%
Number of entities	104	61	49	
Industry				
Return on assets	7.4%	6.1%	6.7%	6.2%
Mean	6.6%	5.5%	6.1%	6.4%
Median	6.2%	5.6%	6.1%	6.4%
Standard deviation	2.2%	1.3%	1.5%	0.7%
Lower quartile	5.4%	4.8%	5.5%	6.6%
Upper quartile	8.3%	6.3%	6.8%	6.2%
Number of entities	53	56	46	
Public sector				
Return on assets	9.4%	6.6%	8.0%	7.2%
Mean	8.6%	6.7%	7.4%	6.6%
Median	9.2%	6.3%	7.7%	6.7%
Standard deviation	2.3%	2.0%	1.1%	0.7%
Lower quartile	8.1%	5.4%	7.1%	6.4%
Upper quartile	9.8%	7.1%	8.1%	6.8%
Number of entities	25	32	23	
Retail (excluding ERFs)				
Return on assets	5.7%	4.8%	5.3%	5.5%
Mean	5.4%	4.6%	4.8%	5.1%
Median	5.7%	4.6%	4.9%	5.6%
Standard deviation	2.6%	1.5%	1.6%	0.9%
Lower quartile	3.9%	3.6%	3.8%	5.4%
Upper quartile	6.9%	5.5%	5.8%	5.4%
Number of entities	75	87	60	

See explanatory notes for a description of terms.

Excludes ERFs due to confidentiality restrictions.

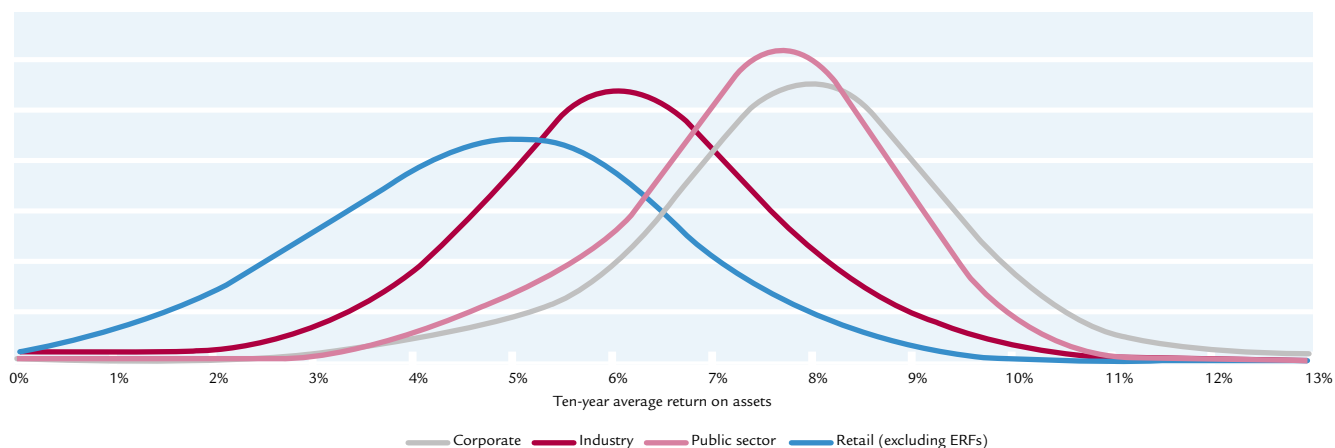
Figure 12.1 Statistical distribution of ten-year average return on assets versus volatility^a

Coloured areas cover 80 per cent of entities



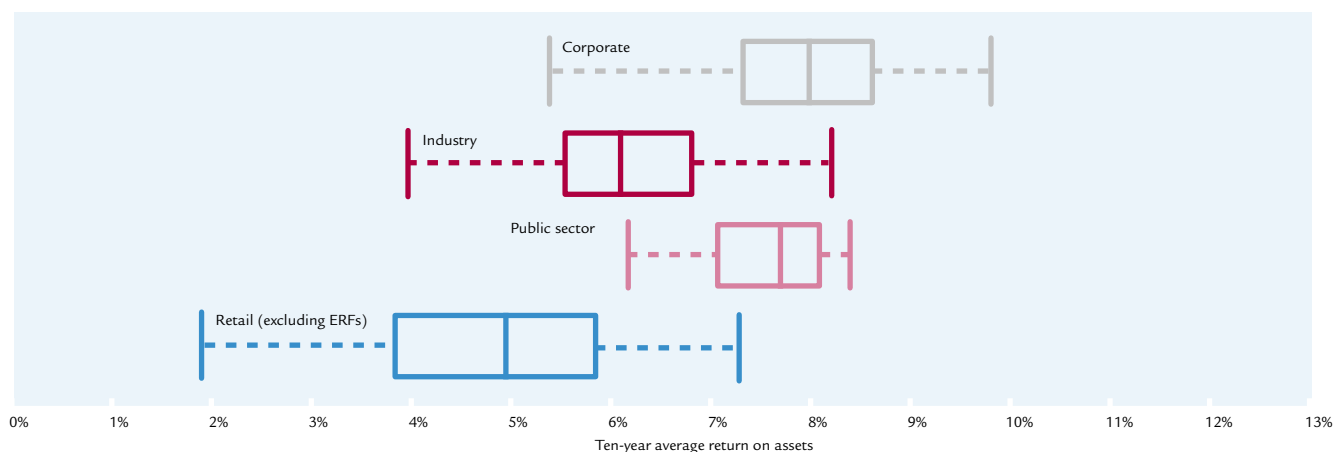
See explanatory notes for details on this graph.

^a Entities with at least \$100 million in assets.

Figure 12.2 Statistical distribution of ten-year average return on assets^a

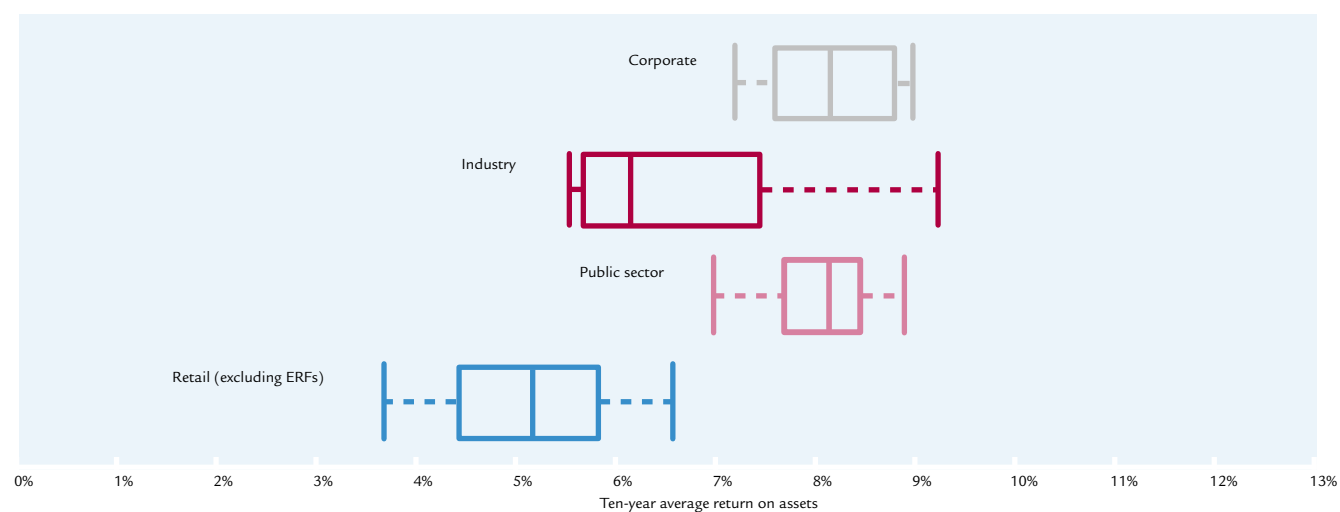
See explanatory notes for details on this graph.

^a Entities with at least \$100 million in assets.

Figure 12.3 Box plots of ten-year average return on assets^a

See explanatory notes for details on this graph.

^a Entities with at least \$100 million in assets.

Figure 12.4 Asset-weighted box plots of ten-year average return on assets^a

See explanatory notes for details on this graph.

^a Entities with at least \$100 million in assets.

Statistics Entities with at least \$100 million in assets

Table 13: Investment choice

Entities with at least \$100 million in assets

	June 2004	June 2005	June 2006
All entities			
Number of entities	339	311	276
Number of entities offering investment choice	245	242	221
Proportion of entities offering investment choice	72.3%	77.8%	80.1%
Average number of investment choices offered per entity ^a	29	31	40
Total assets (\$bn)	449.7	535.9	646.0
Assets of entities offering investment choice (\$bn)	386.2	469.4	583.4
Assets in entities offering investment choice	85.9%	87.6%	90.3%
Assets in default investment strategy (\$bn) ^b	286.2	312.2	353.9
Proportion of assets in default strategy	63.6%	58.2%	54.8%
By functional classification			
Corporate			
Number of entities	104	89	69
Number of entities offering investment choice	58	66	52
Proportion of entities offering investment choice	55.8%	74.2%	75.4%
Average number of investment choices offered per entity ^a	6	6	6
Total assets (\$bn)	41.8	45.4	48.3
Assets of entities offering investment choice (\$bn)	27.3	40.6	43.8
Assets in entities offering investment choice	65.2%	89.3%	90.8%
Assets in default investment strategy (\$bn) ^b	22.0	26.5	27.5
Proportion of assets in default strategy	52.6%	58.2%	56.9%
Industry			
Number of entities	68	64	59
Number of entities offering investment choice	59	57	54
Proportion of entities offering investment choice	86.8%	89.1%	91.5%
Average number of investment choices offered per entity ^a	7	8	9
Total assets (\$bn)	93.2	118.7	149.7
Assets of entities offering investment choice (\$bn)	91.1	117.0	148.4
Assets in entities offering investment choice	97.7%	98.6%	99.2%
Assets in default investment strategy (\$bn) ^b	65.0	83.2	110.1
Proportion of assets in default strategy	69.8%	70.1%	73.6%

Excludes ERFs because they do not offer investment choice.

^a The average number of investment choices offered per entity refers to those entities that have investment choice.

^b Not all entities are required to have a default investment strategy. Where there is no default strategy, the strategy of the largest option or the fund strategy as a whole is reported.

Table 13: Investment choice (continued)

Entities with at least \$100 million in assets

	June 2004	June 2005	June 2006
Public sector			
Number of entities	33	33	32
Number of entities offering investment choice	23	21	23
Proportion of entities offering investment choice	69.7%	63.6%	71.9%
Average number of investment choices offered per entity ^a	5	7	7
Total assets (\$bn)	108.8	128.8	151.7
Assets of entities offering investment choice (\$bn)	87.0	103.3	136.4
Assets in entities offering investment choice	80.0%	80.2%	89.9%
Assets in default investment strategy (\$bn) ^b	80.9	82.4	92.8
Proportion of assets in default strategy	74.3%	64.0%	61.2%
Retail (excluding ERFs)			
Number of entities	127	118	110
Number of entities offering investment choice	105	98	92
Proportion of entities offering investment choice	82.7%	83.1%	83.6%
Average number of investment choices offered per entity ^a	83	88	108
Total assets (\$bn)	201.6	238.2	291.4
Assets of entities offering investment choice (\$bn)	180.8	208.5	254.8
Assets in entities offering investment choice	89.7%	87.5%	87.5%
Assets in default investment strategy (\$bn) ^b	118.3	120.1	123.5
Proportion of assets in default strategy	58.7%	50.4%	42.4%

Excludes ERFs because they do not offer investment choice.

^a The average number of investment choices offered per entity refers to those entities that have investment choice.^b Not all entities are required to have a default investment strategy. Where there is no default strategy, the strategy of the largest option or the fund strategy as a whole is reported.

Statistics Entities with at least \$100 million in assets

Table 14: Asset allocation of default investment strategy

Entities with at least \$100 million in assets

	June 2004	June 2005	June 2006	June 2004	June 2005	June 2006
	(\$ million)			Proportion of default strategy assets		
All entities						
Australian shares	88.8	97.0	113.2	31.0%	31.1%	32.0%
International shares	65.2	71.8	86.6	22.8%	23.0%	24.5%
Listed property	9.3	9.5	11.1	3.2%	3.1%	3.1%
Unlisted property	13.2	14.8	19.4	4.6%	4.7%	5.5%
Australian fixed interest	34.5	33.7	34.1	12.1%	10.8%	9.6%
International fixed interest	16.3	18.5	18.9	5.7%	5.9%	5.3%
Cash	22.5	29.5	27.1	7.9%	9.4%	7.6%
Other	36.3	37.5	43.6	12.7%	12.0%	12.3%
Total default strategy assets	286.2	312.2	353.9	100.0%	100.0%	100.0%
Superannuation assets	449.7	535.9	646.0			
By functional classification						
Corporate						
Australian shares	7.6	9.7	10.9	34.6%	36.5%	39.6%
International shares	5.3	6.9	6.9	24.1%	26.0%	24.9%
Listed property	0.6	1.0	0.9	2.8%	3.8%	3.1%
Unlisted property	0.8	0.7	1.0	3.7%	2.7%	3.7%
Australian fixed interest	2.3	3.4	3.7	10.6%	12.9%	13.5%
International fixed interest	1.2	1.6	1.7	5.4%	5.9%	6.2%
Cash	1.1	0.9	1.1	5.1%	3.5%	4.1%
Other	3.0	2.3	1.3	13.5%	8.7%	4.9%
Total default strategy assets	22.0	26.5	27.5	100.0%	100.0%	100.0%
Total assets	41.8	45.4	48.3			
Industry						
Australian shares	22.5	29.6	37.2	34.5%	35.6%	33.8%
International shares	15.4	20.0	28.2	23.6%	24.0%	25.6%
Listed property	2.3	2.5	2.9	3.5%	2.9%	2.6%
Unlisted property	3.9	5.5	8.4	6.0%	6.6%	7.6%
Australian fixed interest	7.7	8.5	10.0	11.9%	10.2%	9.1%
International fixed interest	4.2	4.6	5.1	6.5%	5.6%	4.6%
Cash	3.6	4.4	5.5	5.5%	5.3%	5.0%
Other	5.5	8.2	12.9	8.4%	9.9%	11.7%
Total default strategy assets	65.0	83.2	110.1	100.0%	100.0%	100.0%
Total assets	72.6	93.2	118.7			

Excludes ERFs because they do not offer investment choice.

Not all entities are required to have a default investment strategy. Where there is no default strategy, the strategy of the largest option or the fund strategy as a whole is reported.

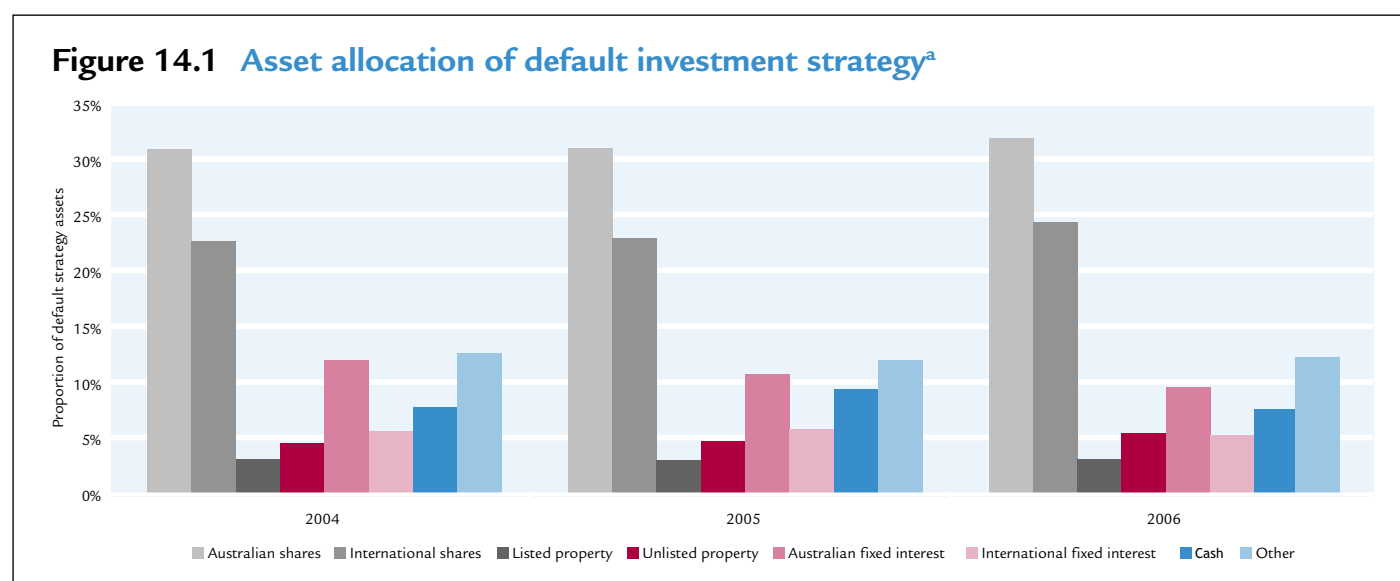
Table 14: Asset allocation of default investment strategy (continued)

Entities with at least \$100 million in assets

	June 2004	June 2005	June 2006	June 2004	June 2005	June 2006
	(\$ million)			Proportion of default strategy assets		
Public sector						
Australian shares	26.6	26.2	29.9	32.9%	31.8%	32.2%
International shares	22.6	23.2	25.3	28.0%	28.2%	27.2%
Listed property	2.2	2.4	3.0	2.7%	2.9%	3.2%
Unlisted property	6.0	5.2	6.2	7.4%	6.3%	6.6%
Australian fixed interest	6.7	6.3	6.1	8.3%	7.6%	6.6%
International fixed interest	5.6	7.0	6.1	6.9%	8.5%	6.5%
Cash	6.4	6.8	7.0	7.9%	8.2%	7.6%
Other	4.7	5.3	9.3	5.8%	6.4%	10.0%
Total default strategy assets	80.9	82.4	92.8	100.0%	100.0%	100.0%
Total assets	108.8	128.8	151.7			
Retail (excluding ERFs)						
Australian shares	32.1	31.5	35.2	27.1%	26.3%	28.5%
International shares	21.9	21.7	26.3	18.5%	18.1%	21.3%
Listed property	4.2	3.7	4.4	3.5%	3.1%	3.5%
Unlisted property	2.5	3.4	3.9	2.1%	2.8%	3.1%
Australian fixed interest	17.8	15.5	14.2	15.0%	12.9%	11.5%
International fixed interest	5.3	5.3	6.1	4.4%	4.4%	4.9%
Cash	11.4	17.3	13.4	9.6%	14.4%	10.9%
Other	23.2	21.7	20.0	19.6%	18.0%	16.2%
Total default strategy assets	118.3	120.1	123.5	100.0%	100.0%	100.0%
Total assets	201.6	238.2	291.4			

Excludes ERFs because they do not offer investment choice.

Not all entities are required to have a default investment strategy. Where there is no default strategy, the strategy of the largest option or the fund strategy as a whole is reported.



^a Entities with at least \$100 million in assets.

Explanatory notes

This publication contains data on the historical trends in superannuation from 1996 to 2006. It focuses on the manner of investment, return on assets (ROA), investment choice and the asset allocation of the default investment strategy.

These explanatory notes detail the sources of data, summarise the methodology behind specific tables and figures and compare this publication to APRA's other superannuation statistics.

Sources of data

The statistics in this publication have been prepared from the following sources:

- audited annual returns submitted to APRA by all superannuation entities (including Exempt Public Sector Superannuation Schemes from 2004);
- unaudited quarterly returns submitted to APRA from 2004 by superannuation entities (including Exempt Public Sector Superannuation Schemes) that held at least \$50 million in assets;
- the *Quarterly Survey of Superannuation* submitted to the Australian Bureau of Statistics prior to 2004 by superannuation entities (including Exempt Public Sector Superannuation Schemes) that held at least \$60 million assets;
- aggregate data on self managed superannuation funds provided to APRA by the Australian Taxation Office;
- quarterly returns submitted to APRA by registered life companies; and
- aggregate data on gross domestic product and the number of employed persons provided by the ABS.

APRA's reporting requirements were modernised and expanded from 1 July 2003.

Estimates based on a superannuation entity's most recent annual return are used for superannuation entities that have a substituted accounting period or fail to lodge within time to be included in APRA's publications.

Financial aggregates within this publication exclude PSTs as their assets are included in other categories.

Summary of specific tables and figures

This publication contains 14 tables and 33 figures. The first three tables and 11 figures cover the whole superannuation industry. The remaining 11 tables and 22 figures cover all available years' data for superannuation entities that held at least \$100 million in assets at any stage during the period 1996 to 2006. These superannuation entities account for over 90 per cent of total superannuation assets of APRA-regulated funds (excluding small APRA funds).

Return on assets

ROA is calculated in tables 7-10. This figure should not be used to infer annual crediting rates.

ROA is displayed in tables 11 and 12 for comparative purposes.

Table 8 Ten-year average return on assets and volatility

The (ten-year) average return is the arithmetic mean of the ROAs across the years 1997 to 2006. The volatility is the standard deviation of the ROAs across the years 1997 to 2006.

Table 9 Return on assets by size of entity and Table 10 Return on assets by average account balance

The five-year average return and the ten-year average return are the arithmetic averages of ROAs across the relevant years. The volatility is the standard deviation of the ROAs across all ten years.

The number of entities includes entities that existed throughout the entire relevant period.

Table 11 Statistical distribution of return on assets

This table includes summary statistics on entities' single-year returns.

The summary statistics – mean, median, standard deviation, lower quartile, upper quartile – have their usual statistical definitions:

- the *mean* is the arithmetic average;

- the *median* is the value at which half of the entities' values (returns in this instance) lie above and half lie below;
- the *standard deviation* is the square-root of the sum of squared differences from the mean, divided by one less than the total number of values;
- the *lower quartile* is the value where 25 per cent of the entities' returns lie below and 75 per cent of entities' returns lie above; and
- the *upper quartile* is the value where 75 per cent of the entities' returns lie below and 25 per cent of entities' returns lie above.

Table 12 Statistical distribution of multi-year return on assets

This table includes summary statistics on entities' five-year and ten-year average returns and their volatility of returns.

To obtain the statistics in this table, the five-year average return, the ten-year average return and the volatility of return for each entity that existed throughout the entire relevant period were calculated.

The summary statistics (mean, median, standard deviation, lower quartile and upper quartile) from the relevant entities' five-year average return, the ten-year average return and the volatility of return were then calculated.

The number of entities includes entities that existed in all relevant years.

Figure 12.1 Statistical distribution of ten-year average return on assets versus volatility (coloured areas cover 80 per cent of entities):

This figure shows the joint distribution of entities' ten-year average return and volatility of return.

The ellipses cover approximately 80 per cent of the entities' observations. Individual entity observations cannot be displayed on the figure due to the confidentiality of the data.

For the technically minded, the ellipses are the 80 per cent confidence interval of the bi-variate normal distribution with the same mean vector and covariance matrix as the underlying data. The bi-variate normal distribution appeared to be the best fit from observation of the underlying data.

Figure 12.2 Statistical distribution of ten-year average return on assets

This figure shows the distribution of entities' ten-year average returns.

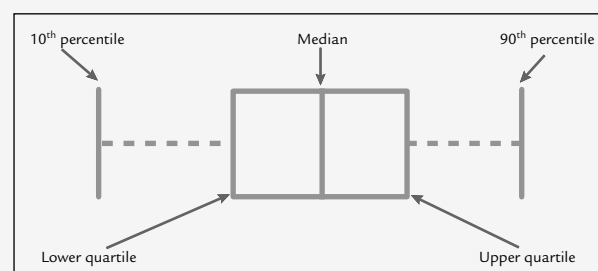
The curves show the relative concentration of entities' ten-year average returns. The shorter-wider curves represent a greater dispersion of returns, while the taller-narrower curves represent a greater concentration of returns. The peaks of the curves show the most commonly observed return.

For the technically minded, the curves are kernel density estimates of the probability density function using a Gaussian kernel and a bandwidth 0.8 per cent. The bandwidth was chosen to ensure the underlying data remained confidential while still providing a good fit of the distribution of entities' ten-year average returns.

Figure 12.3 Box plots of ten-year average return on assets:

This figure shows an alternative version of the dispersion of entities' ten-year average returns.

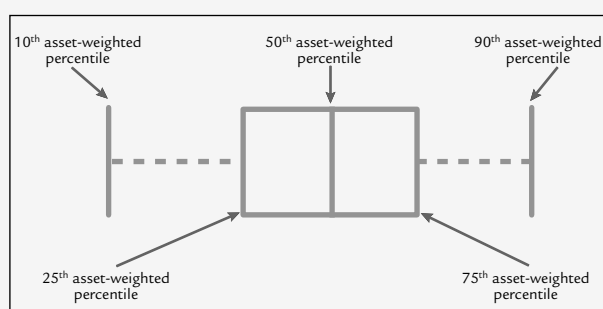
The (modified) box plot depicts the 10th percentile, lower quartile, median, upper quartile and the 90th percentile of entities' returns.



The 10th percentile is the value where 10 per cent of the entities' returns lie below the value and 90 per cent of returns lie above the value. Similarly, the 90th percentile is the value where 90 per cent of the entities' returns lie below the value and 10 per cent of the returns lie above the value.

Figure 12.4 Asset-weighted box plots of ten-year average return on assets:

This figure shows the distribution of entities' ten-year average returns and takes into account the relative size of entities.



The 10th *asset-weighted percentile* is the value where entities whose returns are smaller than the value account for 10 per cent of assets. Similarly for the 25th, 50th, 75th and 90th asset-weighted percentiles.

Comparisons with other APRA publications

This publication uses superannuation statistics from APRA's *Annual Superannuation Bulletin* and the *Quarterly Superannuation Performance* publications. This publication also shows new tables and graphs.

Population of superannuation entities

The population of entities used in this publication differs from the *Annual Superannuation Bulletin* and the *Quarterly Superannuation Performance*. Tables 4 to 12 are based on entities that held at least \$100 million in assets. The *Annual Superannuation Bulletin*, and *Superannuation Trends* before that, is based on all entities. The *Quarterly Superannuation Performance* is based on entities that held at least \$50 million in assets.

Classification of entities

Data in this publication have been classified by functional classifications. Functional classifications are practical definitions that reflect how an entity operates in commercial reality and how the fund describes itself.

From 2004, APRA reviews the classification of superannuation entities annually for the production of the *Annual Superannuation Bulletin*. Some funds were re-classified in 2004 and as a result, changed previously published aggregate statistics. Further details can be found on APRA's web site at: <http://www.apra.gov.au/Statistics/Annual-Superannuation-Publication.cfm>.

These revised classifications are used in this publication and should be considered when comparing the data to *Superannuation Trends*.

Eligible rollover funds (ERFs) have been separated from retail funds in this publication. ERFs are included in retail funds in APRA's other superannuation statistics.

Revised data

This publication includes 1996 data. The data has been revised for re-submitted returns and the re-classification of superannuation entities. The data therefore differs from the 1996 data published in *Superannuation Trends*.

This publication includes revised member data received since the publication of the June 2006 *Annual Superannuation Bulletin*.

Glossary

Accumulation funds are superannuation entities where all members have defined contributions (accumulated benefits). The assets of the fund are invested and any earnings (or losses) are credited (debited) to the member's account less any charges such as administration fees and insurance premiums. Members bear the full effect of fluctuation in investment earnings.

Administration fees are fees paid by the superannuation entity for any administration service by the entity. These include internal and outsourced administration services, employer sponsor, or expenses of switching members' investment choices.

Approved deposit funds (ADFs) can receive, hold and invest certain types of rollovers until such funds are withdrawn or a condition of release is satisfied (depending on the preservation status of the assets). ADFs can be either single-member or multi-member. For the purpose of this publication multi-member ADFs are considered to be *retail funds*, and single-member ADFs are considered to be *small funds*.

Average account balance is total assets divided by the total number of *member accounts*.

Average annual growth rate is the arithmetic average of the annual growth rates across the years.

Average assets is the average of the opening and closing balance of *total assets* over the reference period.

Average assets (all entities) is the sum of the *average assets* for *corporate funds*, *industry funds*, *public sector funds*, *retail funds* and *eligible rollover funds (ERFs)*.

Average return on assets is the average of annual *returns on assets* across the years.

Balance of life office statutory funds refers to assets held for superannuation or retirement purposes in statutory funds of life insurance companies, excluding the assets held in life office statutory funds by superannuation entities. The balance of life office funds includes annuities and assets backing non-policyholder liabilities. These products are regulated under the Life Insurance Act (1995).

Contributions tax and surcharge represents the tax expense in relation to taxable contributions made to the superannuation entity during the period (contributions tax) and the surcharge amount on contributions (contributions surcharge).

Corporate funds are regulated superannuation entities with greater than four members established for the benefit of employees of a particular entity or a group of related entities, with joint member and employer control.

Deferred tax assets refers to amounts of income taxes recoverable in future reporting period.

Defined benefit funds are superannuation entities where all members have defined benefits. In defined benefit funds, the member's benefit is calculated based on a formula specified in the trust deed. Usually the member's final benefit depends on years of service with an employer (or years of membership of the fund) and level of salary near retirement.

Direct assets superannuation monies placed directly by the superannuation entity. *Overseas assets* are included in direct assets.

Eligible rollover funds (ERFs) are superannuation funds or *approved deposit funds* which are eligible to receive benefits automatically rolled over from other funds. ERFs typically accept superannuation monies from other funds where the member has become 'lost'.

Exempt public sector schemes are unregulated public sector superannuation schemes that are required to report to APRA under an agreement between the Commonwealth Government and each of the State and Territory Governments.

Fees and commissions are income earned by the superannuation entity in the form of a fee or a commission. These typically include income for *scrip lending* and *underwriting activities*. This item is incorporated in *other income*.

Hybrid funds are superannuation entities that have a combination of both *accumulation* and *defined benefit* members.

Industry funds are regulated superannuation entities with greater than four members that provide for employees working in the same industry.

Investment expenses are all expenses which are associated with the generation of income on the investment portfolio of the superannuation entity.

Investment income is income generated from the investment portfolio of the superannuation entity.

Inward rollovers include assets transferred from regulated superannuation entities, *balance of life office statutory funds* and from RSAs.

Life office statutory funds include monies associated with investment in insurance or life policies.

Lower quartile is the value where 25 per cent of the entities' returns lie below and 75 per cent of entities' returns lie above.

Management fees (non-investment) are fees paid by the superannuation entity for management services provided by the superannuation entity. Consulting fees and trailing commissions are included in this item.

Mean is the arithmetic average on entities' single-year returns.

Median is the value at which half of the entities' returns lie above and half lie below.

Member accounts are the total number of accounts open on behalf of members in a superannuation entity.

Net contribution flows is *total contributions* plus *net rollovers* less benefit payments and are gross of *contributions tax* and *surcharge*.

Net earnings after tax is the sum of *net investment income* and *other income* less *operating expenses* and *tax expense on earnings*.

Net growth is the difference between the opening and closing balance of *total assets* over the period.

Net investment income is *investment income* (including unrealised gains/losses) less *investment expenses*.

Net operating performance after tax is *net earnings* generated during the period less *tax expense on earnings*.

Net rollovers is the difference between *inward rollovers* and *outward rollovers*.

Number of entities is the number of active superannuation entities in the period.

Number of members is the number of members reported by the entity in the period.

Operating expenses include expenses incurred which are not ordinarily directly associated with the generation of investment income (i.e. expenses that are not directly related to the investment portfolio of the superannuation entity, but more toward the administration of the superannuation entity).

Other assets include receivables and deferred tax assets.

Other changes are calculated using residual analysis based on net growth, net contribution flows, net investment income and operating expenses.

Other contributions refer to contributions other than *employer* or *member contributions* and include spouse contributions and government co-contributions.

Other default strategy assets includes assets in alternative investments such as hedge funds and assets not included in any alternative categories.

Other income includes amounts that do not fall into the alternative income categories.

Other investments include all investments not separately disclosed in alternative investment categories. For the purpose of this publication it includes *securities purchased under agreement to resell* and *leased assets*.

Outward rollovers are those monies which are transferred from the superannuation entity to another superannuation entity.

Pooled superannuation trusts (PSTs) are trusts in which regulated superannuation funds, *approved deposit funds* and other PSTs invest. Pooled superannuation trusts are not included in total assets as their assets are captured in other superannuation entity categories.

Proportion of negatives is the total number of entities with a negative *return on assets* over the reference period divided by the *number of entities* over the reference period.

Public offer superannuation funds (public offer) are superannuation funds regulated by APRA that offer or intend to offer superannuation interests to the public on a commercial basis.

Public sector funds are superannuation entities with greater than four members that provide benefits for Government employees, or are schemes established by a Commonwealth, State or Territory law.

Retail funds are superannuation entities with greater than four members that offer superannuation products to the public on a commercial basis.

Retirement savings accounts (RSAs) are licensed authorised deposit taking institutions, life insurance companies and prescribed financial institutions that offer a capital guaranteed product for retirement savings.

Return on assets is *net earnings after tax* divided by the *average assets* for the period (i.e. asset weighted).

Securities purchased under agreement to resell are assets where the superannuation entity buys/borrows securities from another party in exchange for cash. The superannuation entity agrees to return the securities to the other party in the future in exchange for the return of the cash (plus interest).

Self-managed superannuation funds (SMSFs) are superannuation entities regulated by the Australian Taxation Office that have less than five members, all of whom are trustees or directors of the corporate trustee. No member can be an employee of another member unless they are related.

Size of entity is the *total assets* divided by the *number of members* reported in the superannuation entity.

Small funds the sum of small APRA funds (SAFs) which are superannuation funds regulated by APRA with less than five members that have an Approved Trustee or an Extended Public Offer Entity Licence, SMSFs and Single member *Approved Deposit Funds*.

Standard deviation is the square-root of the sum of squared differences from the mean return, divided by one less than the total number of values.

Superannuation entity is a regulated superannuation fund, an *approved deposit fund* or a *pooled superannuation trust*.

Tax expense on earnings represents the tax associated with operating performance. It includes the tax on investment earnings but excludes *contributions tax* and *surcharge*.

Total assets is the sum of the resources owned by the fund. These include cash, investments and receivables.

Total contributions includes contributions from employers, members and other sources.

Total directly invested assets includes *direct assets* and *other investments*.

Underwriting activities are when the superannuation entity provides or guarantees to underwrite the issue of securities.

Unlisted public offer unit trusts are collective investments established under a trust deed open to retail investors. They are not listed on an organised stock exchange, and include unlisted retail/public offer cash management unit trusts.

Upper quartile is the value where 75 per cent of the entities' returns lie below and 25 per cent of entities' returns lie above.

Volatility is the *standard deviation* of returns across the years.

Wholesale trusts are collective investments established under a trust deed. They are usually only open to institutional investors and have a high entry level. An information memorandum is usually issued rather than a product disclosure statement.

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