



**ATCHISON
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SUPERANNUATION MARKET PLACE

Quarterly Review to 30 June 2021

September 2021

Special Feature: Actuaries Institute Retirement Policy Review

The recently released Actuaries Institute review into Australia's Retirement income for Australians, titled "Securing Adequate Retirement Incomes for an Ageing Australia" was conducted over the course of the past year and involved more than 200 actuaries who provided thorough research and recommendations.

The review assessed the current superannuation guarantee level and what the optimal level of superannuation should look like based on an individual's personal circumstances in order to achieve a desired level, use of the family home in retirement, how advice can result in better use of superannuation savings and the Age Pension means test. The review concluded "Australia's retirement system should be fairer, simpler and more efficient while the role of guidance and advice should be enhanced".

The Actuaries Institute, Chief Executive, Elayne Grace mentioned "having a robust and effective retirement income system is crucial for the wellbeing of all Australians". The review also recommended simplifying the system and improving the relationship between retirement income and aged care systems, encouraging innovation within income products while also suggesting the Government take into account the difficult task and complexity when targeting the ultimate superannuation guarantee levels.

Ms Grace also mentioned "there are equity and intergenerational fairness issues, including for those excluded from the superannuation guarantee. Gaps need to be addressed. While the system is sound and broadly sustainable, it is widely recognised that there is scope for further reform to improve outcomes".

The review also made mention of areas of concern, groups who may be more affected than others due to the nature of the retirement system, women, carers, renters or those not covered by the superannuation guarantee and how this may lead to inequitable retirement. The Institute recommended and supported increasing the rate of Commonwealth Rent Assistance, extending the superannuation guarantee to include overtime, paying the superannuation guarantee on employer paid parental leave and Government Parental Leave Pay, amongst other recommendations.

The Actuaries Institute also supports the federal Government who is currently consulting and seeking feedback on the Retirement Income Covenant which plans to expand retirement outcomes in Australia's superannuation framework and address the findings from the Retirement Income Review.

Superannuation Market Place

Total Australian superannuation assets increased by 5.2% over the quarter to June 2021 to approximately \$3.3 trillion (refer to Table 2). In terms of equity performance over the quarter, as shown in Table 1 below, all growth assets experienced strong returns.

Table 1: Quarterly Equity Performance – 30 June 2021

Asset Class	Index	Quarterly Return (%)
Australian Equities	S&P/ASX 200 TR	8.3
International Equities	MSCI World Ex Australia TR (AUD)	9.5
International Equities (Hedged)	MSCI World Ex Australia (hedged to AUD)	7.6
Australian Listed Property	S&P/ASX 200 A-REIT TR (AUD)	10.5
International Listed Property	FTSE EPRA/NAREIT Developed TR (AUD)	11.2

Source: S&P, MSCI, FTSE, FE

The composition, in terms of fund types, is as follows:

Table 2: Assets by Fund Type – 30 June 2021

Type	Assets (\$ Billion)	Assets (%)
APRA-Regulated		
Corporate	61.1	1.8
Industry	927.1	28.1
Public Sector	584.2	17.7
Retail	688.5	20.8
Other	1.8	0.1
Total APRA-Regulated	2262.7	68.5
Self-Managed Super Funds	822.0	24.9
Other	218.5	6.6
Total	3303.2	100.0

Source: APRA, Atchison Consultants

Australian superannuation total assets increased 14.7% over the one year period to June 2021. According to APRA, contributions into superannuation increased over the June 2021 quarter by 39.5%, with contributions also increasing by 5.0% compared to the June 2020 quarter.

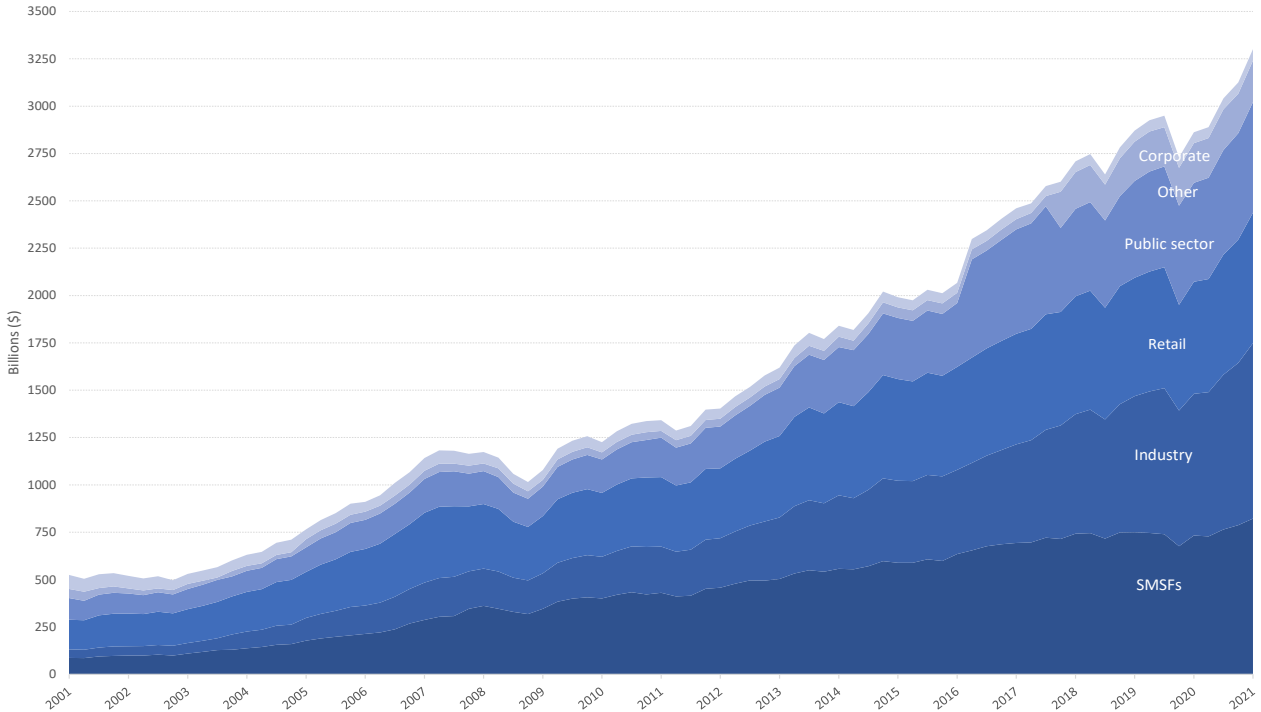
On a forecast basis, over the coming 10 years, total super assets are expected to grow to \$5.5 trillion in 2031.

Superannuation Industry Sectors

At June 2021, Industry funds held the largest proportion of superannuation assets, accounting for 28.1% of total assets, self-managed funds closely followed with 24.9% of total superannuation assets. Retail funds held the third largest portion, representing 20.8%.

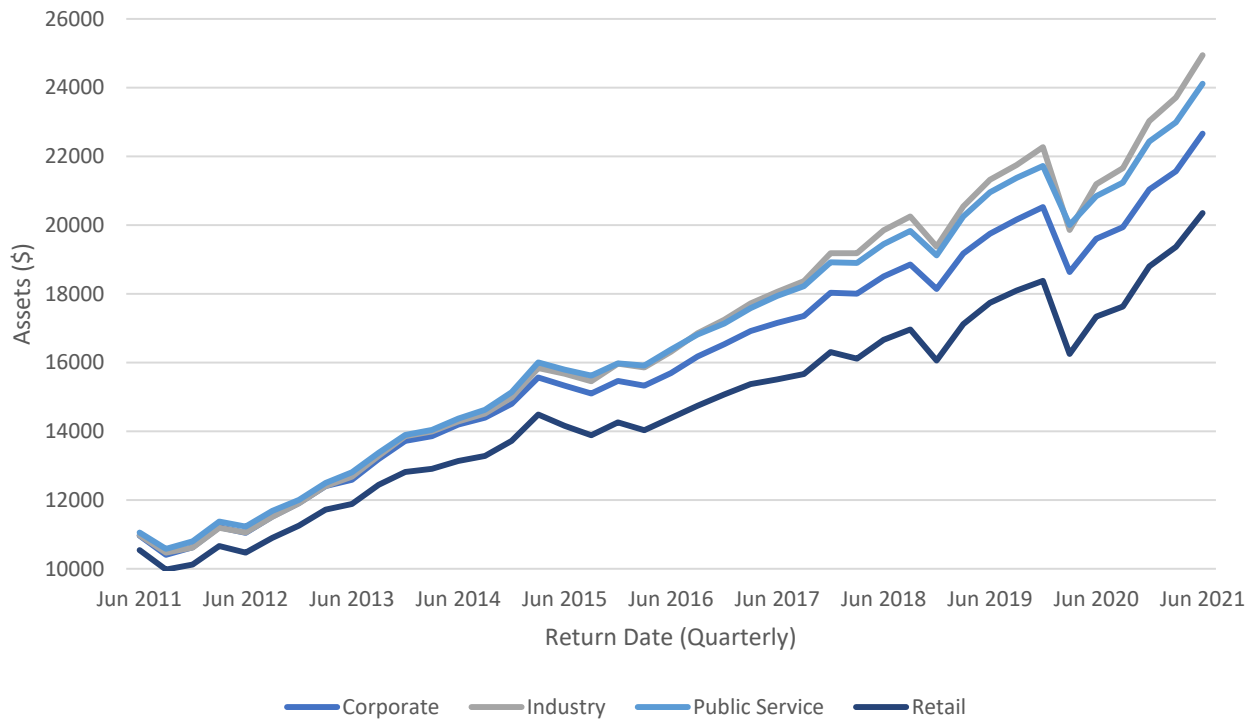
Superannuation assets by segment, were able to continue on from the March 2021 increase and once again increase total assets, as evident in the below Figure. Figure 1 also provides a breakdown of the superannuation industry over time.

Figure 1: Superannuation Assets by Segment – 30 June 2021



Source: APRA, Atchison Consultants

Figure 2: Growth of \$10,000 over 10 years based on quarterly rate of returns – 30 June 2021



Source: APRA, Atchison Consultants

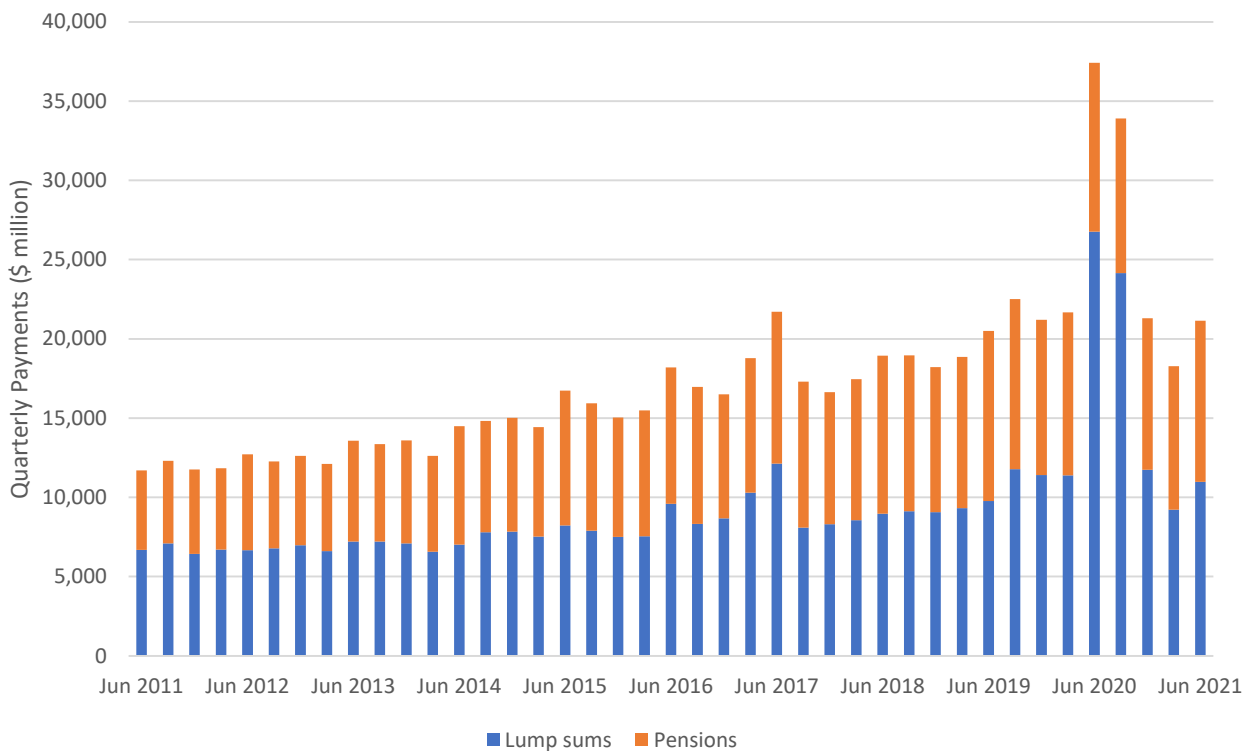
The performance of each fund type has stayed relatively similar over time, with members of all funds seeing strong growth in assets, with the exception over the March 2020 quarter due to the COVID – 19 pandemic, with performance declining significantly. Performance over the more recent June 2021 quarter as shown in Figure 2, continued on from the March 2021 rebound, recovering the losses experienced from the March 2020 quarter. The Figure also shows the rate of return over the last 10 years, where Industry and Public Sector funds have produced stronger returns over the 10 year period relative to Retail and Corporate funds. This reflects member sentiment but also the difficulty Retail funds have faced over the last 10 years in gaining and returning to members when competing against not for profit funds.

Asset Flows

Contributions to APRA regulated superannuation (excluding self-managed funds) amounted to \$40.8 billion in the June 2021 quarter, a 5.0% increase from the June 2020 quarter.

As shown in Figure 3, \$21.1 billion was paid in benefit payments in the June 2021 quarter, representing a 15.6% increase over the quarter. Total benefit payments for the year ending June 2021 were \$94.4 billion.

Figure 3: Benefit payments – 30 June 2021



Source: APRA, Atchison Consultants

Asset Allocations

As shown in Table 3 below, superannuation entities reduced their value to Cash and Australian Fixed Income, by 2.6% and 1.9% respectively, while the largest increases over the one year period to 30 June 2021 included Australian and International Listed Equity, with increases of 2.0% and 3.7% respectively.

Table 3: Average Asset Allocation – 30 June 2021

Type	Jun 2020 (%)	Jun 2021 (%)
Cash	13.2	10.6
Fixed Income		
Australian Fixed Income	12.2	10.3
International Fixed Income	8.4	7.9
<i>of which: currency Hedged</i>	62.3	73.1
Total Fixed income	20.5	18.2
Equity		
Australian Listed Equity	21.0	23.0
International Listed Equity	24.0	27.7
<i>of which: currency Hedged</i>	28.5	25.3
Unlisted Equity	4.1	4.2
Total Equity	39.1	54.9
Property		
Listed Property	2.6	3.0
Unlisted Property	5.5	4.7
Total Property	8.1	7.7
Infrastructure		
Listed Infrastructure	1.4	1.2
Australian Unlisted Infrastructure	2.7	2.5
International Unlisted Infrastructure	1.8	1.9
<i>of which: currency Hedged</i>	53.5	71.9
Total Infrastructure	6.0	5.6
Commodities	0.1	0.2
Other	3.0	2.8
<i>of which: Hedge funds</i>	1.2	0.9
Total	100.0	100.0

Source: APRA, Atchison Consultants

Table 4 shows the weighted asset allocation for Not-For-Profit funds (Industry and Government Superannuation funds), Retail funds and MySuper funds.

Table 4: Superannuation Fund Asset Allocation – 30 June 2021

Type	Corporate (%)	Industry (%)	Public Sector (%)	Retail (%)	MySuper (%)
Growth Assets					
Equity	49.5	55.4	49.7	58.7	55.0
Property	9.5	8.1	8.4	6.6	7.7
Infrastructure	5.1	8.8	4.8	2.2	7.6
Other	1.2	1.9	4.0	3.3	7.6
Total Growth Assets	65.3	74.2	66.9	70.8	77.9
Defensive Assets					
Cash	6.6	8.8	13.2	11.2	6.3
Fixed Income	26.8	17.0	19.6	17.9	15.6
Commodities	1.3	0.0	0.4	0.1	0.2
Total Defensive Assets	34.7	25.8	33.2	29.2	22.1
Total	100	100	100	100	100

Source: APRA, Atchison Consultants

MySuper and Industry funds represented the highest allocations to growth assets, relative to the other sectors, 77.9% and 74.2% respectively, while Corporate funds represented the lowest allocation, 65.3%. In noting the above, Retail funds held the highest allocation to equities, closely followed by Industry funds, representing 58.7% and 55.4% respectively of the allocation. The largest allocations to property and infrastructure assets were Industry and MySuper funds.

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