CHAPTER 10

INSTITUTIONAL COMPETITION

10.1 As already noted in this report, the superannuation industry is not homogeneous. This chapter looks at some of the issues arising from competitive neutrality at the institutional level.

Approved Deposit Funds (ADFs) and Deferred Annuities (DAs)

10.2 ADFs and DAs were created in 1983 to receive rollover benefits for members who were unable or did not wish to transfer their superannuation benefits from one fund to another. By rolling over their superannuation benefits into these specialist vehicles, individuals were able to avoid penalty rates of tax on benefits received prior to age 55. Thus they chose to preserve their benefits. At the time, there were no public superannuation funds in existence to receive such funds. The assets of ADFs and DAs have grown from nil in 1983 to $24.5 billion.[1] Of this amount, $9.2 billion is in ADFs.[2] Banks and funds managers dominate the ADF market.

10.3 In its Policy Issues Paper 1991, ASFA identifies four main differences between superannuation funds and ADFs:

- contributions may be accepted by superannuation funds but not by ADFs. ADFs may only receive benefits arising upon termination of employment by way of rollover;

- a benefit which has been rolled over into an ADF, and which is **not** required to be preserved, may be withdrawn at any time. On the other hand, if such an 'unpreserved' benefit is retained in the superannuation fund after termination of employment it may not be withdrawn until some subsequent employment or retirement;

- once a person has retired, benefits must be paid out of a superannuation fund, or a pension may commence to be paid, regardless of age, whereas benefits may remain in an ADF until age 65; and

- on the other hand, provided a person has not retired, benefits may remain in a superannuation fund after age 65, whereas benefits cannot remain in an ADF under any circumstances beyond that age.[3]

10.4 There is no definition of a DA in OSSA. Essentially, it is a life insurance policy which the purchaser can elect to convert into an annuity at some time in the future.

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1 *TPF&C ADF/Annuity League Table* published by Rice-Kachor Research, March 1992/ April 1992.

2 *ibid.*

3 Sub No. 89, p 141.

10.5 ASFA notes that since the introduction of ADFs, compulsory preservation rules have been introduced and extended. The application of these rules will be further extended with the SGL.[4] ASFA advised the Committee that it has become increasingly common for employer-sponsored funds to allow members who terminate their employment to leave the benefits in that fund and that the current differences in rules for ADFs and superannuation funds are:

> *... unnecessary, maybe confusing, and can be iniquitous.*[5]

10.6 ASFA recommends that the differences imposed by legislation between ADFs and superannuation funds be removed.[6]

10.7 IFA also recommended removal of the legislative differences between superannuation and rollover products so that ADF managers could offer investors a wider choice. IFA also suggested that this would be an important part of simplification of superannuation.[7]

10.8 AM Corporation suggested that ADFs were now redundant and that ADFs could be converted into public master trust super funds. It suggested that:

> *... an important consequence ... would be that the existing moneys in ADFs (over $10 billion) could more easily be encouraged to provide income streams.*[8]

10.9 The Commonwealth Bank argued in evidence to the Committee that:

> *.. [the rollover vehicle] is arguably the most important development in superannuation .. since it was introduced in 1984.*[9]

10.10 The Commonwealth Bank suggested that without rollover vehicles, one of two things could happen. Firstly, the money could be spent instead of being preserved for retirement. Secondly, the money could be lost because small amounts would remain in the superannuation fund which people would never claim. The Bank noted that these small amounts are very expensive to administer and that ultimately the cost is borne by the consumer.[10] An advantage of rollover vehicles cited by the Commonwealth Bank was that consumers retain control of their money and have the flexibility to match the

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4 *ibid.*

5 *ibid.*

6 *ibid*, p 143.

7 Sub 154, p 9.

8 Sub No. 96, p 5.

9 Evidence, p 822.

10 Evidence, pp 822-823.

investment risk profile with their own needs.[11]

10.11 In its submission, the ISC noted that ADF trust deeds have typically provided for redemption of investments within seven to 30 days of request. Over the past 12-18 months, a small number of ADFs which are substantially invested (80 per cent or more) in unlisted property trusts have been unable to meet the repayment 'upon request' requirement because of the depressed property market and the unprecedented demand for redemption of investments in unlisted property trusts.[12]

10.12 The Attorney-General announced on 23 July 1991 the introduction, with immediate effect, of a standard 12 month notice period for withdrawals from all existing unlisted property trusts. As a result, the ISC has indicated that the Commissioner would exercise his discretion to treat ADFs affected by this announcement as complying funds, given the special circumstances of their inability to repay depositors 'upon request'.[13]

10.13 The ISC noted that:

> *As ADFs are the custodians of retirement income moneys, the arrangements which are put in place, in the longer term, concerning redemption periods, will need to require them to properly match their investments to the 'upon request' requirement. The ISC is liaising with the ASC concerning this matter and will develop proposals to meet this end.*

10.14 The Committee concluded that the existing legislative differences between ADFs and superannuation funds were unnecessary and added a further layer of complexity to a system which is greatly in need of simplification. If ADFs were able to accept contributions, as well as to receive rollover moneys, the Committee believes that the liquidity problems faced by many ADFs could be ameliorated. While recognising that the main institutional beneficiaries of these changes will be banks and funds managers, the Committee considers that this will further enhance competition in the superannuation industry.

> ***Recommendation 10.1:***
>
> *The Committee recommends that the existing legislative differences between ADFs and superannuation funds be removed.*

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11 Evidence, p 823.

12 Sub 151, pp 29-30.

13 *ibid*, p 30.

Bank Account Superannuation

10.15 The Treasury submission noted that the Government's announced commitment to a competitive superannuation industry raised concerns relating to wider institutional access to the superannuation industry and the issue of increased portability of individual superannuation benefits.[14]

10.16 Treasury noted that:

> *... wider institutional access to the superannuation industry is a desirable objective but will require appropriate measures to ensure that the superannuation tax concessions are effectively confined to superannuation and cannot flow through to non-superannuation activities. It will also be vital to ensure that an appropriate prudential framework applies to such institutions.*[15]

10.17 In evidence to the Committee three of the four major banks argued strongly in favour of bank account superannuation.[16] ANZ argued that bank account superannuation will be particularly attractive to farmers and small business employers as well as the self-employed and part-time workers because of its simplicity and security.[17] The ANZ Superannuation Savings Account to be offered by ANZ Life will:

- accept employer and/or employee contributions;
- provide access at any ANZ branch;
- provide standard bank facilities such as statements and inquiries via branches and ATMs;
- be fully vested and fully preserved;
- have a bank account cost structure;
- invest in bank deposits; and
- offer optional life assurance.[18]

10.18 ANZ suggested that bank account superannuation would be:

> *... comparable with capital stable superannuation funds ... It will not be*

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14 Sub No. 195, p 25.

15 *ibid.*

16 The banks were ANZ, CBA and Westpac.

17 Evidence, p 448.

18 *ibid.*

seeking to compete with balanced funds which invest in equities and properties because they take more risk in the hope of gaining a reward that is better than a completely safe investment avenue.[19]

10.19 ANZ argued that bank account superannuation would meet two market segments. The first segment is one which wants:

... a safe, stable product with a predictable return.[20]

10.20 The second segment

... wants a catchment facility to satisfy requirements such as the superannuation guarantee levy, whilst the members are sorting out whether they want to invest in a balanced portfolio of shares, equities, fixed interest and so on.[21]

10.21 The Commonwealth Bank also cited simplicity and security as reasons for the attractiveness of bank account superannuation and suggested another benefit would be that it would provide banks with a pool of funds for banks to on-lend.[22] (See Figure 10.1 for diagram which shows the risk return spectrum.)

10.22 Whilst both ANZ and the Commonwealth Banks emphasised the low risk nature of bank account superannuation, Westpac noted in its evidence to the Committee that passbook type arrangements would widen investor choice and that it is:

... entirely possible to construct passbook savings programs that permit the investors to have access to equity type investments.[23]

10.23 In terms of operation, Westpac suggested that a passbook system would be analogous to an advantage saver product where the investor can make periodic contributions and be advised periodically of interest entitlements.[24]

10.24 The Australian Association of Permanent Building Societies (AAPBS) also argued in favour of passbook savings accounts for superannuation. The AAPBS saw such accounts being linked to housing finance.

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19 Evidence, p 467.

20 *ibid.*

21 *ibid.*

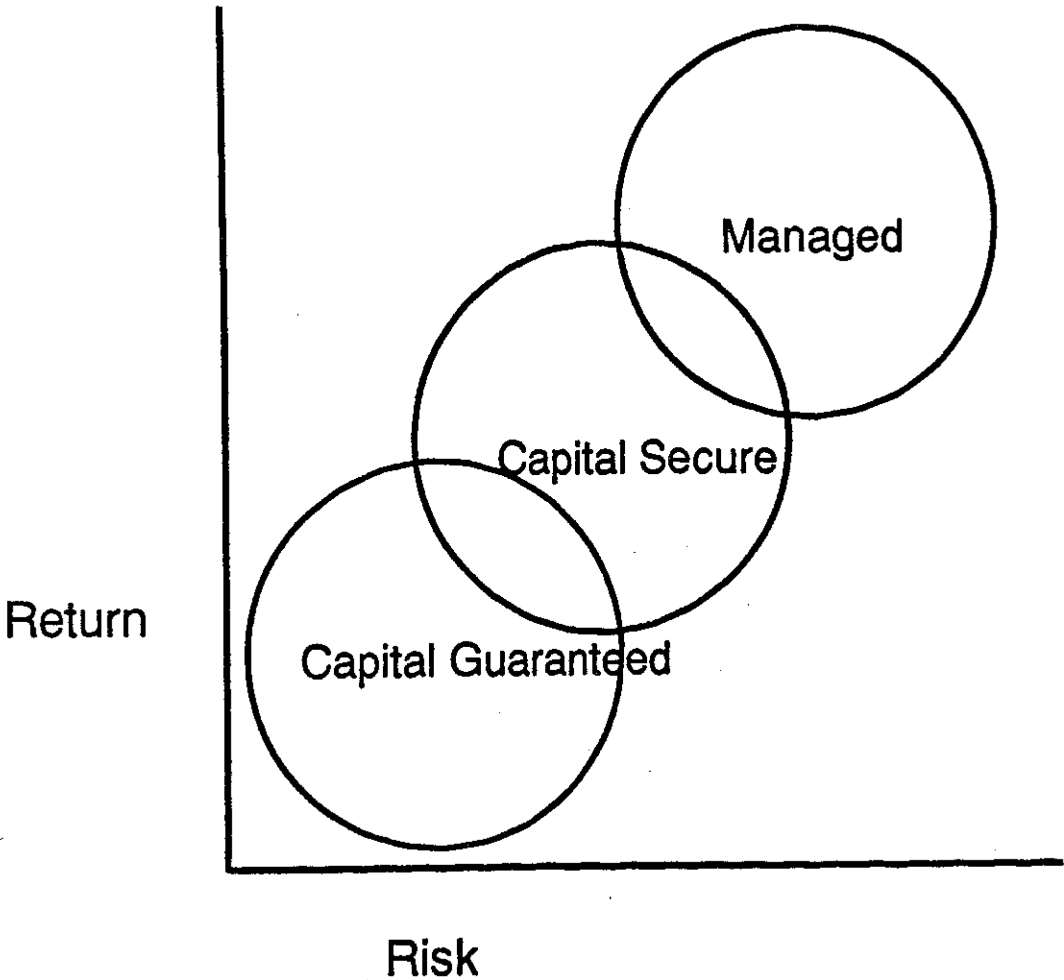
22 Evidence, p 823.

23 Evidence, p 677.

24 Evidence, p 682.

Figure 10.1

Superannuation Product Spectrum



Tabled by Commonwealth Bank of Australia at Public Hearings on 19 February 1992.

10.25 Provided that there was a level playing field, National Mutual told the Committee that it had no difficulties with new superannuation providers entering the industry. In particular, National Mutual was concerned that banks would be able to sell directly to the public without the requirement for trust deeds or prospectuses and that those assets would be treated as part of their normal bank deposits.[25]

10.26 AM does not believe that bank account styled Individual Retirement Accounts would work in Australia because:

- people need to be convinced to utilise superannuation (i.e. it needs to be 'sold'; it is not 'bought');
- superannuation saving should be dovetailed into the person's overall financial planning and therefore professional financial advice was generally advisable;
- the performance of dedicated, professional superannuation investment managers far outperforms the returns available on bank accounts. This means that returns on bank account superannuation will be less, with consequent implications for social security expenditure; and
- the level of disclosure required.[26]

10.27 SBC Dominguez Barry, in its evidence to the Committee, argued that investing in cash or fixed interest securities would not achieve the Government's retirement income objectives.[27] The IAA made a similar point in its submission to the inquiry and provided the tables given at the Attachment to this chapter as an illustration.[28]

10.28 It appeared to the Committee that the desirability of banks offering superannuation passbook accounts was closely related to member choice and portability. Consumer groups also saw significant cost advantages over personal superannuation policies offered by life offices.[29] In this context, the Committee notes that the life assurance industry was asked to provide full details of fees and commissions to the Committee and was assured that this information would be treated *in camera*. Despite ample opportunity to do so, the life assurance industry failed to provide the Committee with sufficient information on fees and commissions. The response reinforces the views put by consumer groups and others that the life assurance industry fails to provide sufficient information to enable consumers to make informed choices. The Committee will be making specific recommendations on fees and commission in its third report.

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25 Evidence, p 193.

26 Sub No. 96, p 2.

27 Evidence, p 808.

28 Sub No. 108, p 16.

29 See for example Gillian Moon, Evidence, p 1039.

10.29 Regarding portability, Treasury argued that whilst:

> *... there are cogent arguments for greater portability of superannuation benefits, ... they must be balanced against the administrative problems ... associated with allowing fund members to move their entitlements between funds.*[30]

10.30 Treasury also noted that greater portability had implications for funds' liquidity risks with consequent effects on investment decisions and it pointed to the administrative costs associated with portability.[31] Other witnesses, however, discounted the administration costs associated with member choice, suggesting that technology such as electronic funds transfer could be utilised.[32]

10.31 The arguments against bank account superannuation were generally that this form of investment would not provide an adequate return because it would not have the equity-type investments necessary for long term growth. (See the Attachment at the end of this chapter for the importance of high risk investment.) There was also concern that bank account superannuation could further entrench the focus on short term investment returns.

Table 10.1

IMPACT OF ALTERNATIVE INVESTMENT STRATEGIES ON RETIREMENT BENEFITS

		Risky Strategy		Safe Strategy
Mean Accumulation ($'000)		571.5		145.4
Annuity Estimates				
Replacement	Year 1 Payment ($)	Replacement Rate (%)	Year 1 Payment ($)	Rate (%)
NO ESCALATION				
Single Life	49,800	73.2	12,700	18.6
Joint Life	39,900	58.7	10,200	14.9
2% ESCALATION				
Single Life	41,900	61.6	10,700	15.7
Joint Life	31,800	46.8	8,100	11.9

Source: Submission No. 150, page 14.

10.32 The Committee concluded that while investing in fixed interest securities might be appropriate for someone nearing retirement, it is certainly not appropriate for an individual entering the work force. This was a point pursued vigorously by the University of NSW Superannuation Economics Research Group which argued that customising risk

30 Sub 195, p 25.

31 *ibid.*

32 Sub Nos 71, 141.

exposure to the age of different contributions should be compulsory.[33] Table 10.1 illustrates the impact of alternative investment strategies on retirement benefits.

10.33 Whilst many submissions spoke in favour of member choice,[34] there was widespread recognition of the administrative problems this could pose for employers and concern that the focus on short term investment returns would be exacerbated.[35] The Queensland Government Superannuation Office advised the Committee that in the United States where there is significant freedom of choice for individuals, the evidence is that:

> *... a significant amount of what otherwise would be superannuation savings ... is being consumed by extensive marketing efforts by various institutions to attract clientele. While from a free market perspective one would be quite comfortable with that if one felt that the people making those choices were making them on an informed basis, the infancy of superannuation in Australia en masse would tend to indicate that people are yet to come to that point, and in fact are relatively unaware of most financial issues, and it will be a considerable time before they are aware.*[36]

10.34 With respect to customised asset allocations, the Queensland Superannuation Office argued that at present people do not have sufficient information that allows them to make a rational choice. As evidence of this phenomenon, the officials pointed to the:

> *... time and effort being spent in trying to communicate with members who in many instances are less than enthusiastic about the prospect of becoming aware of those things.*[37]

Pension and Annuity Providers

10.35 At present only life offices are able to issue complying annuities and some superannuation funds, mainly public sector schemes, provide pensions for their members. A complying pension or annuity is one which:

- is payable for life;
- has no residual capital value; and
- is indexed to the lesser of five per cent and/or the CPI.

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33 Sub No. 150, p 16.

34 See for example ANZ, Rothschilds, County NatWest

35 See for example, Evidence p 56 and p 144.

36 Evidence, p 1173.

37 Evidence, pp 1173-1174.

Recommendation 10.2:

The Committee supports the entry of new entrants into the superannuation industry as this will widen consumer choice and introduce more competition to the industry.

The Committee recommends that cross-subsidisation of the administration costs of bank superannuation products and other banks products be legislatively prohibited under the Banking Act and that this be monitored by the Reserve Bank.

The Committee further recommends that legislation require consumers to be adequately informed about the implications of a low risk profile for bank account superannuation in terms of retirement benefits, and that the ISC and the industry conduct an education campaign to explain to consumers the importance of risky assets in an investment portfolio.

10.36 The Government introduced changes to the RBL rules in the 1988 Economic Statement to encourage retirees to take their benefits in the form of income streams, but despite this, annuities and pensions remain unpopular because:

- there is a fear of capital loss on premature death;
- there is a desire to bequeath capital assets;
- it is expensive to purchase an adequate lifetime pension; and
- some doubt exists about the life industry's capacity to provide annuities in the future because of the solvency requirements under the LIA.

10.37 Whilst recognising that there are certain taxation impediments to taking superannuation benefits in the form of pensions and annuities (these anomalies will be canvassed in the Committee's third report), the Committee believes that institutional factors may also play a role.

10.38 Mercers advised the Committee that currently a retiree can purchase an annuity or pension in one of three ways:

- taking a lump sum benefit, paying tax and then purchasing an ordinary annuity from a life office;
- transferring the fund benefit direct to a life office to purchase a rollover annuity; or
- receiving a pension from a superannuation fund directly.

10.39 A number of submissions called for funds of sufficient size and financial strength

to be able to provide annuities and pensions directly to retirees.[38] Such funds would be subject to special prudential safeguards. Mercers argued that:

> *... the trustees, in deciding what pension they will provide for a given 'lump sum' do not have the objective of making abnormal profit or paying commissions to agents. As such, the ability of a fund to offer pensions imposes on the large financial institutions providing annuities a genuine and most effective competitive discipline. At the same time, the trustees of a fund should be able to 'transfer' their pension obligations to any financial institution meeting the Government's prudential safeguards. The liquidity that this will inject into the retirement incomes system is both powerful and effective – as is evident overseas.*[39]

10.40 The IFA advised the Committee that:

> *... the current need for a company to hold an insurance licence in order to operate in the annuity market is not seen by IFA members as a competitively neutral position. While it may be argued that the reserves provisions of the Life Insurance Act ensure that the money to pay annuities will always be there, IFA believes that its members should be able to satisfy criteria without the need to hold an insurance licence.*[40]

10.41 The IFA went on to argue that growth in the annuity/pension market will be delayed until the public develops an acceptance of, or is forced to accept, pensions in lieu of lump sums. Under current arrangements it argued that most of the growth would accrue to the life offices[41] even though the investment and administrative skills needed to manage annuity type products already exist amongst IFA's membership.

> ***Recommendation 10.3:***
>
> *The Committee recommends that the annuity market be opened up to firms of sufficient size and financial strength. Such funds would be required to meet special solvency and reporting requirements as evidence of their ability to provide indexed income streams.*

10.42 In December 1991, the average amount of annual income that could be purchased with $100 000 from three major Australian life offices was $6 923.[42] (This was based on male age 65, spouse age 60, indexation of five per cent per annum, 85 per cent reversion to spouse and ten year guarantee period.)

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38 See for example Sub Nos 136, 79, 59, 154.

39 Sub No. 79, p 8.

40 Sub No. 154, p 7.

41 *ibid.*

42 Supplementary submission to Sub No. 95, p 1.

10.43 One of the reasons that the cost of life-time annuities is prohibitive is the solvency requirements on life companies in the LIA. Life companies are required to discount their liabilities at a rate no higher than 12 per cent. SBC Dominguez Barry estimated that:

> *... if the existing solvency requirements for life annuities remain unchanged and assuming an average capital requirement of $11 for every $100 invested in a pension based on [certain] assumptions, this would require capital of $15 to $21 billion to support this level of life pension.*[43]

10.44 SBC Dominguez Barry went on to note that:

> *... those managers of superannuation funds that have limited access to capital are arguing quite strongly for the need for more flexibility in product design.*[44]

10.45 Mr Newman told the Committee that the issues that needed to be addressed in developing an innovative, complying annuity market were:

- setting competitive annuity prices, consistent with sound underwriting;
- within the constraints of a capital-guaranteed fund, determining investment policies that realistically hedge against inflation;
- establishing adequate contingency reserves;
- setting upper indexation limits (if any);
- developing deferred annuity options reflecting occupational rather than select mortality – both for groups and individuals – and penalties for early withdrawals;
- financing new business strains under an LIA minimum standard (if any);
- developing participating CPI indexed annuities, which would distribute investment profits derived before disinvestment of purchase price becomes significant;
- developing CPI indexed annuities backed by investment linked funds;
- whether purchase prices of annuities should be based on a medical assessment of the annuitants (life insurance in reverse!) and whether there is a sound basis for the development of an impaired lives annuity market, including total and

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43 Mr R Barry, Report to the Committee for the Economic Development of Australia, 10 December 1991. The assumptions were that the:

> *private sector must fund a pension that provides 30 per cent of AWE for 30 per cent of the retired population in the year 2000. The pension would be indexed at 5 per cent per annum and the return on the fund (discount rate) would be 8.5 per cent.*

permanent disablement with a reasonable prospective of longevity.[45]

10.46 The Committee also noted evidence of the Women's Economic Think Tank that women are severely disadvantaged by the current pricing of annuities because of their longevity and their generally smaller superannuation benefits.[46]

10.47 One of the products referred to by the industry as meeting consumer needs for more flexibility than provided by complying annuities, is the allocated pension. An allocated pension is a pension:

> *... where the member has his own account against which the pension payments are debited and to which any investment earnings are credited. The pension will continue until the death of the pensioner, or until the account is exhausted. When the member dies, any balance remaining in the account is paid to a designated beneficiary as a [taxable] lump sum payment, or is applied to secure further pension payments to a surviving spouse. Part or all of the pension may be selected by the member. Current providers of allocated pensions have, however, set self-regulatory guidelines such as maximum and minimum pension levels.*[47]

10.48 ASFA suggested to the Committee that allocated pensions:

> *... could play a vital role in overcoming the lump sum mentality and in encouraging benefits to be taken in pension or annuity form.*[48]

10.49 AM told the Committee that:

> *... the allocated pension is a natural extension of the allocated [defined contribution] type of super fund, but there is a need for a consistent set of rules as the major providers of allocated pensions have received a range of slightly different approvals to their self regulatory approaches.*[49]

10.50 The allocated pension has become extremely popular as shown by the four main national providers capturing 11 per cent of the Retirement Income Stream market in 1990/91. The following table shows the breakdown:

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44 *ibid.*

Table 10.2

RETIREMENT INCOME STREAM MARKET			
Year Ended 30 June 1991			
	$M	%	Number Pensioners
Cashback Pensions*	107	11	897
Lifetime Annuities#	432	43	6 980
Term Annuities#	464	46	10 370
Totals	1 003	100	18 247

* based on AM LifeTrack, Bains, Connelly & Temple, Le Fort
# based on Solomon & Associates, Consulting Actuaries Report

Source: AM Corporation Sub No. 96.

10.51 SBC Dominguez Barry noted that if the Government allows a more flexible scheme such as allocated pensions, it runs the risk that retirees will revert back to it for the aged pension.[50]

10.52 The ASFA Working Party on Superannuation Pensions has recommended that regulations should be introduced for allocated pensions which cover such issues as:

- periodicity of pension payments;
- minimum and maximum pension payment;
- the right to partial or full commutability;
- the tax on the commuted amount ;
- eligibility criteria should be consistent with deferred annuities and annuities;
- prudential standards;
- disclosure; and
- treatment under social security income and assets test consistent with annuities.[51]

10.53 The Alexander Consulting Group provided the Committee with details of Retirement Income Savings Accounts (RISAs). This is a variant of the allocated pension. A consumer guide to this type of retirement income is given at Appendix 3 of this report.

10.54 As Table 10.2 illustrates, the major annuity market in Australia is term-certain annuities. IFA advised the Committee that:

45 Sub No. 3, *op cit*, p 17.

46 Sub No. 126, p 9.

> *... from a financial institution's view point, term-certain annuities have the same characteristics and risk as securities such as debentures.*[52]

10.55 The IFA noted that unit trust arrangements, including ADFs, currently cannot retain rollover moneys for beneficiaries past the age of 65 and they are therefore precluded from offering a term-certain annuity for retirees. IFA recommended that a level of solvency reserves should be established for institutions capable of offering term-certain annuities and the unit trust managers able to meet this criterion should be able to offer term-certain annuities.[53]

10.56 The Committee was attracted to this recommendation as it would introduce a further element of competition in the annuity market. This would encourage retirees with relatively small ETPs to take their benefits as income stream.

> ***Recommendation 10.4:***
>
> *The Committee recommends that the Government introduce legislation to regulate the provision of allocated pensions and other flexible retirement income products as soon as possible.*
>
> *The Committee further recommends that unit trust arrangements meeting solvency and reporting requirements be allowed to offer term-certain annuities.*
>
> *The Committee notes that if the Government does not address broader socio-economic issues in this context, such as the preservation age, there could be a substantial cost to revenue from such arrangements.*

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52 *op cit*, p 8.

53 *ibid.*

ATTACHMENT – CHAPTER 10

LONG-TERM INVESTMENT RETURNS – SUPERANNUATION FUNDS

RATE OF INCREASE (% PER ANNUM) IN:

PERIOD COVERED	G	S	O	P	Total	AWE	CPI	Real Return
5 years ended:								
30 June 1977	1.3	0.9	6.6	11.6	3.9	15.3	12.4	-9.9
30 June 1978	6.2	3.8	8.9	11.8	6.9	15.5	13.2	-7.4
30 June 1979	9.5	15.4	12.4	12.5	13.2	13.8	12.2	-0.5
30 June 1980	8.2	29.6	14.1	15.5	18.7	10.6	10.9	7.1
30 June 1981	8.2	26.7	12.8	17.5	17.8	10.7	10.2	6.4
30 June 1982	8.2	18.7	12.9	17.6	15.5	11.1	9.5	4.0
30 June 1983	8.8	23.7	13.9	18.4	17.6	11.4	9.9	5.6
30 June 1984	12.2	19.9	14.9	19.7	17.7	11.3	9.7	5.8
30 June 1985	14.0	12.2	15.3	18.9	14.8	10.7	8.5	3.7
30 June 1986	16.0	16.6	16.2	17.3	17.6	9.2	8.3	7.7
30 June 1987	17.0	34.2	16.8	19.9	24.9	7.7	8.1	16.0
30 June 1988	16.1	23.7	14.8	18.0	19.5	6.6	7.2	12.1
30 June 1989	13.4	24.5	14.2	15.4	18.6	6.6	7.3	11.3
10 years ended:								
30 June 1977	3.5	8.6	7.1	-	8.5	11.9	8.2	-3.0
30 June 1978	4.8	4.2	7.8	-	6.3	12.3	8.8	-5.3
30 June 1979	5.1	5.1	8.3	-	6.8	12.4	9.4	-5.0
30 June 1980	5.9	12.2	9.3	-	10.5	12.5	10.1	-1.8
30 June 1981	5.9	15.0	9.9	14.1	12.0	12.7	10.6	-0.6
30 June 1982	4.7	9.5	9.7	14.7	9.6	13.2	11.0	-3.2
30 June 1983	7.5	13.3	11.4	15.0	12.2	13.4	11.5	-1.1
30 June 1984	10.9	17.6	13.7	16.1	15.4	12.5	10.9	2.6
30 June 1985	11.0	20.6	14.7	17.2	16.7	10.7	9.7	5.4
30 June 1986	12.0	21.6	14.5	17.4	17.7	9.9	9.2	7.1
30 June 1987	12.5	26.2	14.8	18.7	20.1	9.4	8.8	9.8
30 June 1988	12.4	23.7	14.3	18.2	18.5	9.0	8.6	8.7
30 June 1989	12.8	22.2	14.6	17.5	18.1	8.9	8.5	8.4
15 years ended:								
30 June 1977	3.9	8.5	-	-	8.0	9.0	6.2	-1.5
30 June 1978	4.5	6.4	-	-	6.2	10.2	6.8	-1.8
30 June 1979	4.5	8.7	-	-	8.3	10.4	7.3	-1.9
30 June 1980	4.7	14.7	8.2	-	11.3	10.5	7.7	0.7
30 June 1981	5.0	15.3	8.9	-	11.8	11.1	8.1	0.6
30 June 1982	5.0	11.8	9.0	-	10.8	11.6	8.7	-0.7
30 June 1983	6.1	10.3	9.8	-	10.0	12.0	9.2	-1.8
30 June 1984	7.4	9.8	10.4	-	10.3	12.0	9.5	-1.5
30 June 1985	8.5	12.2	11.3	-	11.9	11.9	9.6	0.0
30 June 1986	9.2	15.5	12.0	15.1	13.8	11.6	9.8	2.0
30 June 1987	8.7	17.1	12.0	16.4	14.5	11.3	10.0	2.9
30 June 1988	10.3	16.6	12.5	16.0	14.5	11.1	10.1	3.1
30 June 1989	11.7	19.9	13.9	15.8	16.5	10.5	9.7	5.4

RATE OF INCREASE (% PER ANNUM) IN:

PERIOD COVERED	G	S	O	P	Real Total	AWE	CPI	Return
20 years ended:								
30 June 1982	4.9	11.0	-	-	9.8	10.0	7.0	-0.2
30 June 1983	5.6	12.1	-	-	10.5	10.5	7.6	0.0
30 June 1984	6.4	11.4	-	-	10.5	10.6	7.9	-0.1
30 June 1985	7.0	14.1	9.9	-	12.1	10.6	7.9	1.4
30 June 1986	7.7	15.6	10.6	-	13.3	10.6	8.2	2.4
30 June 1987	7.9	17.1	10.9	-	14.2	10.6	8.5	3.3
30 June 1988	8.5	13.5	11.0	-	12.3	10.6	8.7	1.5
30 June 1989	8.9	13.3	11.4	-	12.3	10.6	9.0	1.5
25 years ended:								
30 June 1987	7.2	15.3	-	-	12.7	9.6	7.2	2.8
30 June 1988	7.6	14.3	-	-	12.3	9.7	7.5	2.4
30 June 1989	7.8	13.9	-	-	12.1	9.8	7.8	2.1

NOTES: The figures for G (government securities), S (shares), O (other securities) and P (property) sector performance as well as Total fund performance have been derived where possible from the average rates of return of funds participating in the IMS survey up to 1987 and the TPF&C survey subsequently.

Where figures for each sector performance were unavailable from these surveys, they were obtained from the average performance of the appropriate units in the No 2 Statutory Funds of the AMP society and National Mutual.

For some early years, figures were obtained from Stock Exchange Indices and Commonwealth bond yields.

The Total fund performance statistics for periods prior to 1 July 1970 were based on a model fund with the following investment proportions:

– 30% G, 15% O, 55% S where statistics were available for G, O and S sectors only.
– 40% G, 60% S where statistics were available for G and S sectors only.

ASW is average weekly total earnings for males as published by the Australian Bureau of Statistics.

CPI is the Consumer Price Index eight capitals figure for All Groups published by the Australian Bureau of Statistics.

Real Return is equal to the ratio of the rate of Total investment return to the rate of increase in AWE.

Source: *Superfunds*, June 1990, pp 21-22.