



Institute of Actuaries of Australia

4th Financial Services Forum

Innovation in Financial Markets

19 and 20 May 2008 – Melbourne

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Financial Services Forum

Ian Silk
19 May 2008



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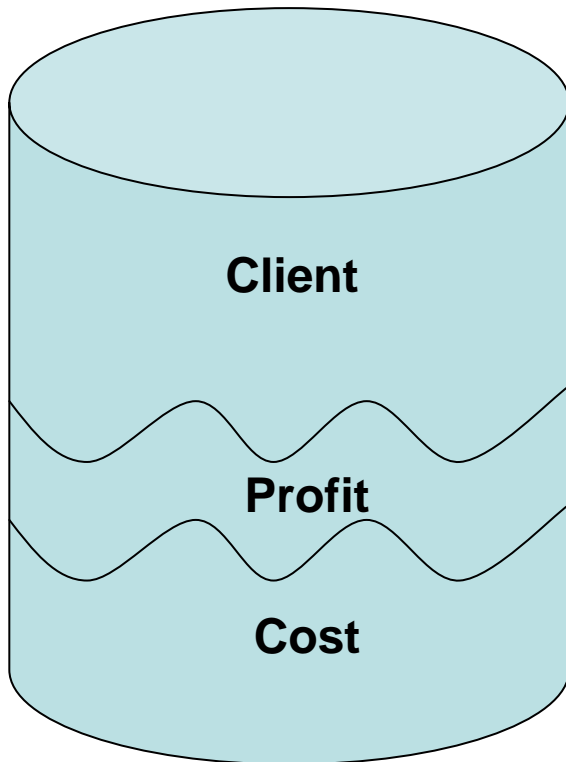
Innovations led by Industry Funds

- Investment
 - new asset classes
 - joint vehicles
- Cost focus
- Product – unbundling
- Distribution – award/workplace
- Member communication – accessibility aim

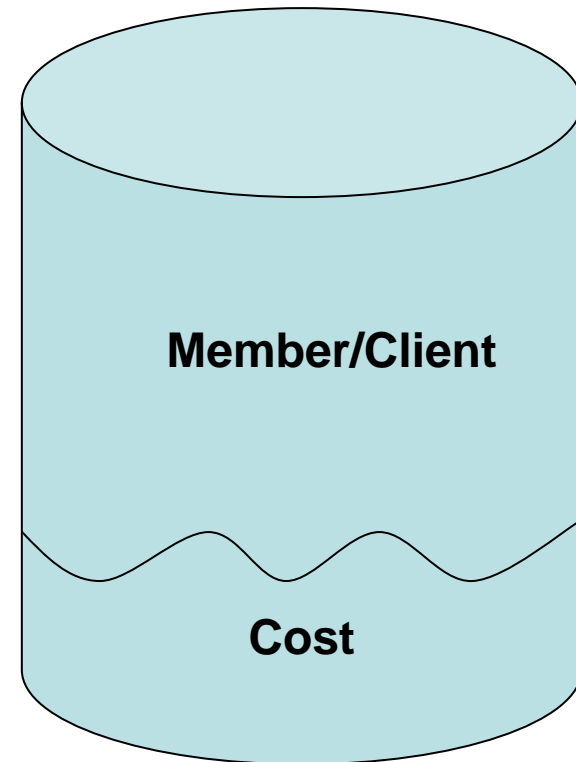


Structural Cost Advantage

Multi-employer Master Trust



Multi-employer Industry Fund





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Outcome of Innovation

- Best industry funds amongst the best in the industry
- Net benefit research shows great results for members
- Ultimate proposition is ‘more for the member’



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Compare the pair



Average Industry Super Fund

Average Retail Master Trust

\$483,755

\$394,233

The comparisons show projected outcomes, applying today's average fees for a sample of Industry Super Funds and a sample of Retail Master Trusts, over 40 years. * Differences in fees may change in the future and this would alter the outcome.



Innovation – The Future

	Past	Future
Investment - new asset classes	✓✓	?
- joint vehicles	✓✓	✓
- new models	-	✓
Cost	✓✓	✓?
Product	-	✓✓
Distribution	✓✓	✓?
Member Communications	✓	✓
Services	✓	✓✓



Financial Advisers

- Muddled message
- Differential commissions distort behaviour –
that's why they exist
- Public policy issue - “What were they
thinking?”

- Sales or Advice – 30 largest dealer groups
- Innovation
 - Low cost advice model
 - Changed remuneration model → changed
behaviour



Industry Structure

	% ↑ in \$s from 6/2001 - 6/2007		Future Growth
Corporate	<1%	(\$69B)	↓
Industry	323%	(\$197B)	↑
Public Sector	74%	(\$178B)	- (↓)
Retail	234%	(\$370B)	↑
SMSF	358%	(\$287B)	↑

- Corporate decline to continue
- Why do we have DC public sector funds?
- 5 major sectors reducing to 3/4



Industry Funds

- Industry funds have been very innovative – good quality outcomes for members – have helped reshape the industry
- Challenge to maintain innovative approach
- Structural issues for the industry under challenge – will impact on success of industry funds



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