

IOPS COUNTRY PROFILE: AUSTRALIA



DEMOGRAPHICS AND MACROECONOMICS

GDP per capita (USD)	39 900
Population (000s)	21 515
Labour force (000s)	11 600
Employment rate	94.4
Population over 65 (%)	13.5
Dependency ratio ¹	25.5

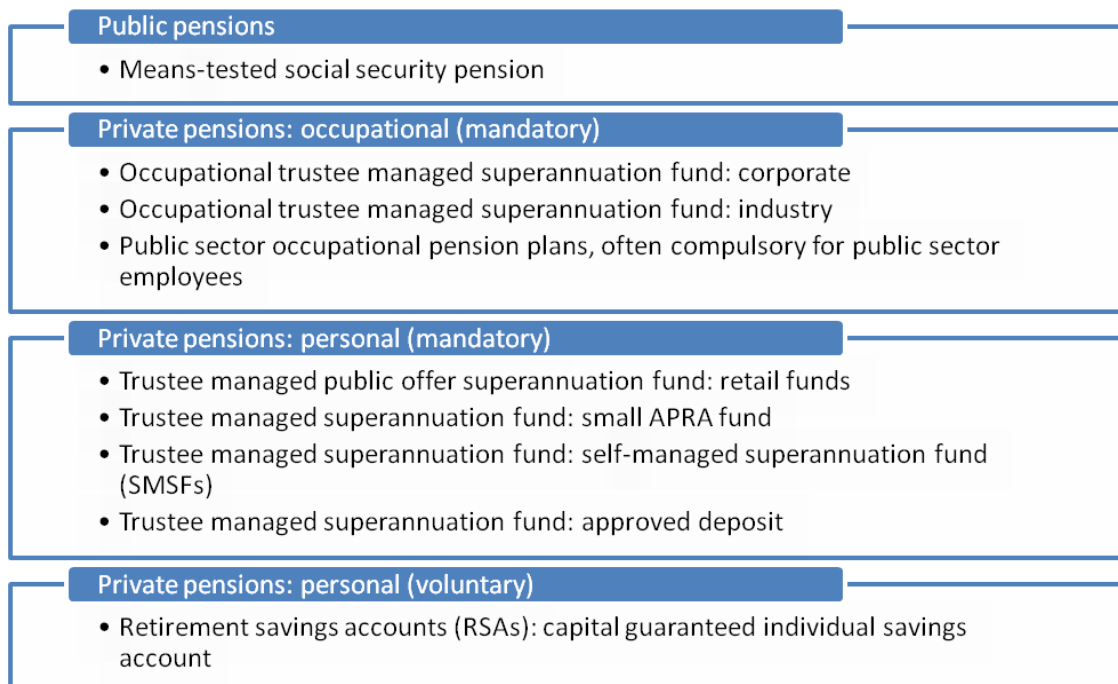
Data from 2010 or latest available year.

1. Ratio of over 65-year-olds / labour force.

Source: OECD, various sources.

AUSTRALIA: COUNTRY PENSION DESIGN

STRUCTURE OF THE PENSION SYSTEM



Source: OECD Global Pension Statistic

AUSTRALIA: PENSION FUNDS DATA OVERVIEW

	2001	2002	2003	2004	2005	2006	2007	2008
Assets								
Total investments (National currency millions)	519,030	518,100	537,781	643,042	766,144	917,829	1,195,495	1,170,370
Total investments, as a % of GDP	75.29	70.42	68.87	76.37	85.46	94.89	114.46	94.69
Of which Assets overseas, as a % of Total investment:								
• Issued by entities located abroad	ND	ND	ND	ND	ND	ND	ND	ND
• Issued in foreign currencies	ND	ND	ND	ND	ND	ND	ND	ND
By financing vehicle (as a % of Total investments)								
• Pension funds	100.00	100.00	100.00	93.73	94.06	95.27	96.42	96.92
• Book reserves	NA	NA	NA	NA	NA	NA	NA	NA
• Pension insurance contracts	ND	ND	ND	ND	ND	ND	ND	ND
• Other financing vehicle	ND	ND	ND	6.27	5.94	4.73	3.58	3.08
By pension plan type								
• Occupational assets	ND	ND	ND	256,488	300,668	355,119	444,044	429,734
• % of DB assets	ND	ND	ND	ND	ND	ND	35.46	32.41
• % of DC (protected and unprotected) assets	ND	ND	ND	ND	ND	ND	64.54	67.59
• Personal assets	ND	ND	ND	346,254	419,956	519,264	708,597	704,547
Structure of Assets (as a % of Total investments)								
Cash and Deposits	6.96	7.10	8.12	6.93	6.86	7.13	9.00	10.37
Fixed Income	4.64	3.85	3.67	5.87	5.17	3.90	3.97	4.27
Of which:								
• Bills and Bonds issued by the public and private sector	ND	ND	ND	ND	ND	ND	ND	ND
• Loans	4.64	3.85	3.67	5.87	5.17	3.90	3.97	4.27
Shares	44.48	44.18	44.57	27.65	27.71	23.59	24.44	22.54
Land and Buildings	6.29	6.13	5.75	3.42	3.45	3.12	3.47	4.35
Other Investments	37.63	38.74	37.88	56.12	56.82	62.27	59.12	58.48
Contributions and Benefits								
Total Contributions, as a % of GDP	7.27	7.01	6.85	7.23	7.81	8.79	15.98	9.74
• Employer Contributions, as a % of Total contributions	54.77	55.39	64.77	66.36	62.62	58.29	40.31	57.59
• Employee Contributions, as a % of Total contributions	45.23	44.61	35.23	33.64	37.38	41.71	59.69	42.41
Total Benefits, as a % of GDP	4.44	4.43	4.25	3.64	3.68	3.89	3.39	3.92
• % of benefits paid as a Lump sum	78.95	78.97	78.62	68.31	68.07	58.73	56.13	61.99
• % of benefits paid as a Pension	21.05	21.03	21.38	31.69	31.93	41.27	43.87	38.01
Membership (in thousands of persons)¹								
Total membership	22,743	23,890	25,101	26,745	27,756	29,035	30,385	32,006
• % of Total active membership	ND	ND	ND	ND	ND	ND	ND	ND
Of which: % of Deferred membership	ND	ND	ND	ND	ND	ND	ND	ND
• % of Passive membership	ND	ND	ND	ND	ND	ND	ND	ND
Other beneficiaries	ND	ND	ND	ND	ND	ND	ND	ND
Number of Pension Funds/Plans								
Total number of funds	222,971	238,753	264,614	291,060	306,683	324,912	363,788	394,217
Total number of plans	ND	ND	ND	ND	ND	ND	ND	ND

Note: From 2001 to 2003, the data are based on information sourced from the publication *Superannuation Trends*, which consists of data collected under the old reporting framework for superannuation entities. From 2004 on, data were sourced from the Annual Superannuation Bulletin. The content of this publication is derived from information collected by APRA under the new reporting framework for superannuation entities, which took effect from 1 July 2003. Contribution, benefits and membership data refer only to pension funds (no data for life office statutory funds).

1. Membership figures reflect 'membership' rather than 'people'. Therefore a person may be a member of more than one types of plan at any one time, particularly if the person has a number of employments in the year.

ND = data not available

NA = data not applicable

Source: OECD, Global Pension Statistics

AUSTRALIA: THE PENSION SYSTEM'S KEY CHARACTERISTICS

PUBLIC PENSION

The cost of the public pension - known as the age pension - is solely covered by Australian government's general revenue (i.e. there are no social security contributions in Australia). The eligibility age for men and women will rise to 65 by 2013. Individuals should be resident in Australia continuously for 10 years or continuously for 5 years if the total residence period exceeds 10 years. Income and assets tests are applied. The age pension benefit is up to AUS\$ 464.20 (US\$359) per fortnight for a single person, and AUS\$ 387.60 (US\$300) per fortnight for a couple, depending on the means tests. The value of the age pension is adjusted biannually and is set to ensure it does not fall below 25% of pre-tax male average weekly earnings.

A strategic reserve fund, known as the Future Fund, was established in 2006 with the main objective of making provision for projected unfunded superannuation liabilities in the future.

OCCUPATIONAL/PERSONAL MANDATORY

Coverage

The system of superannuation funds is mandatory for employed persons older than 17 and younger than 70 earning more than AUD 450 a month, while the self-employed participate on a voluntary basis.

Contributions

The required contribution is 9% of payroll up to a maximum of AUD 30 560 per quarter (approximately 2.5 times average indexed earnings), paid solely by sponsors, although employees may make voluntary contributions. Employer contributions are subject to an annual cap of AUD 50 000 (or AUD 100 000 for employees over the age of 50).

The government will match by a factor of 1.5 additional employee contributions up to AUD 1 000 per year. This matching contribution is made for employees earning less than AUD 58 980 and is reduced by AUD 0.05 for each dollar of earnings above AUD 28 980. These earnings limits are increased in line with average wages.

Benefits

Though some defined benefit schemes do still exist, most funds are now defined contribution occupational pension plans. Benefits are fully funded and portable. Payment is made in the form of a lump sum or annuity once members reach the age of 55 (scheduled to rise to 60 by 2025) and are permanently retired

Taxation

Employer contributions are tax-deductible up to certain limits, while employee voluntary contributions are entitled to a concessional tax within limits. Pension payments, too, are entitled to a concessional tax rate which is currently subject to a limit, but which the government is proposing to remove.

OCCUPATIONAL VOLUNTARY

Voluntary saving personal superannuation contributions may also be paid into existing employer superannuation funds or into separate plans.

PERSONAL VOLUNTARY

Retirement savings accounts (RSAs) are a contractual form of low-cost saving similar to term deposits. They are capital-guaranteed products offered by deposit-taking institutions or life insurance companies. They receive the same tax treatment as other superannuation accounts.

MARKET INFORMATION

Occupational/personal mandatory

In June 2007 the total number of participants was 29 million, and total assets within the superannuation fund system were AUD 1 100 billion (USD 921 billion). Among the different types of schemes retail funds had the largest share at 32% of assets, while the small funds – the second largest market player – represented 25%. Small funds account for 99.8% of the total number of entities. By June 2007 there were 365 992 small funds, while the figure was 289 for corporate funds and 172 for retail funds.

POTENTIAL REFORM

Simplification of tax on superannuation funds in 2007.

REFERENCE INFORMATION

KEY LEGISLATION

- 2006: Future Fund Act. Legalised the establishment of the Future Fund (strategic pension reserved fund) in Australia, with details as to objectives, investment strategies, structure of the board, etc.

http://www.futurefund.gov.au/about_the_future_fund/legislation.

- 1998: Australian Prudential Regulation Authority Act. Established the functions and powers of the Australian Prudential Regulation Authority.

http://bar.austlii.edu.au/au/legis/cth/consol_act/apraa1998477.

- 1992: Superannuation Guarantee (Administration) Act. Forms the basis of Australia's mandatory superannuation system and establishes the superannuation guarantee system.

http://bar.austlii.edu.au/au/legis/cth/consol_act/sga1992430/.

KEY REGULATORY AND SUPERVISORY AUTHORITIES

Australian Prudential Regulation Authority: <http://apra.gov.au>

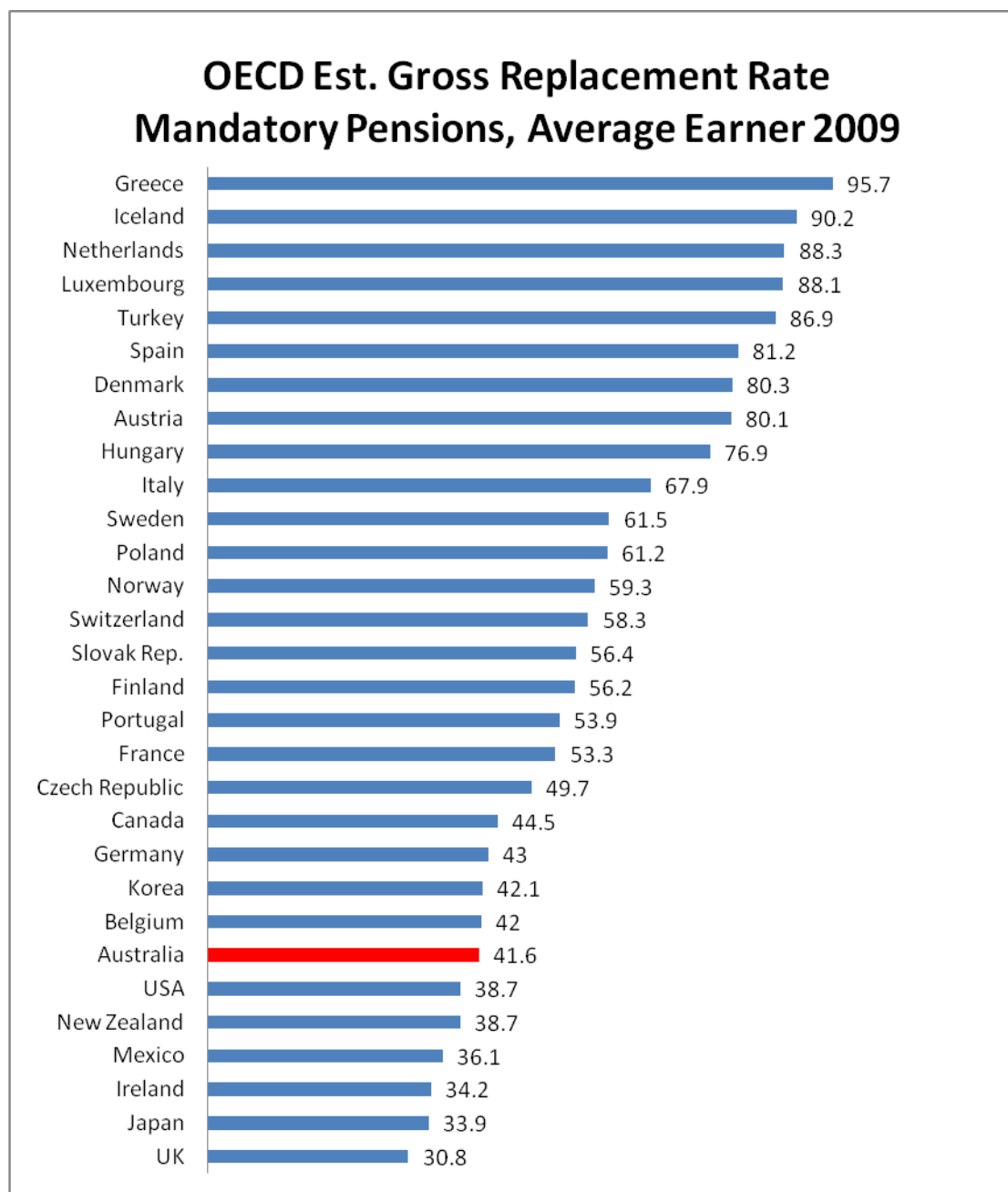
Australian Taxation Office: <http://www.ato.gov.au>

Australian Securities and Investment Commission: <http://www.asic.gov.au>

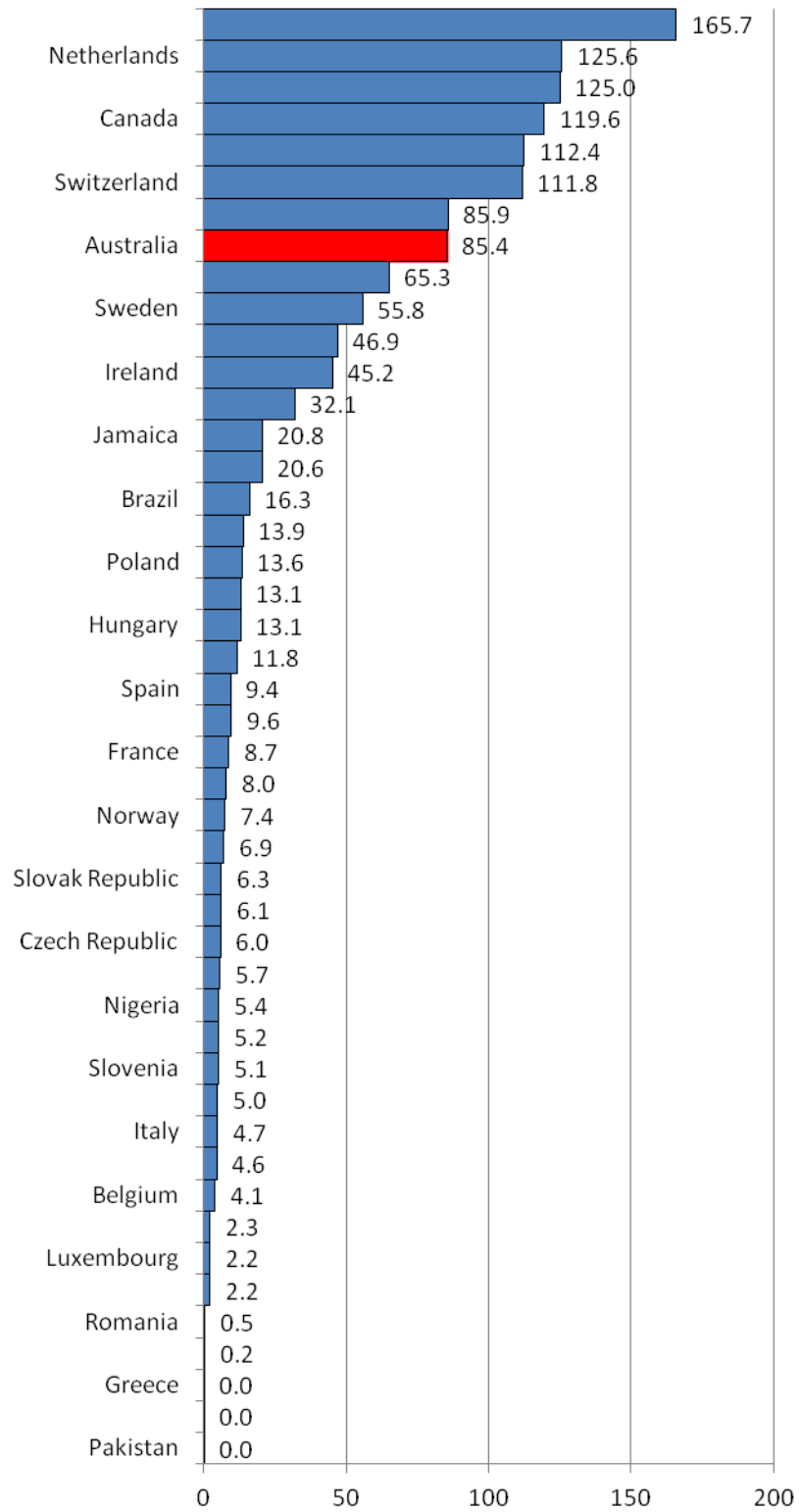
KEY OFFICIAL STATISTICAL REFERENCE AND SOURCES ON PRIVATE PENSIONS

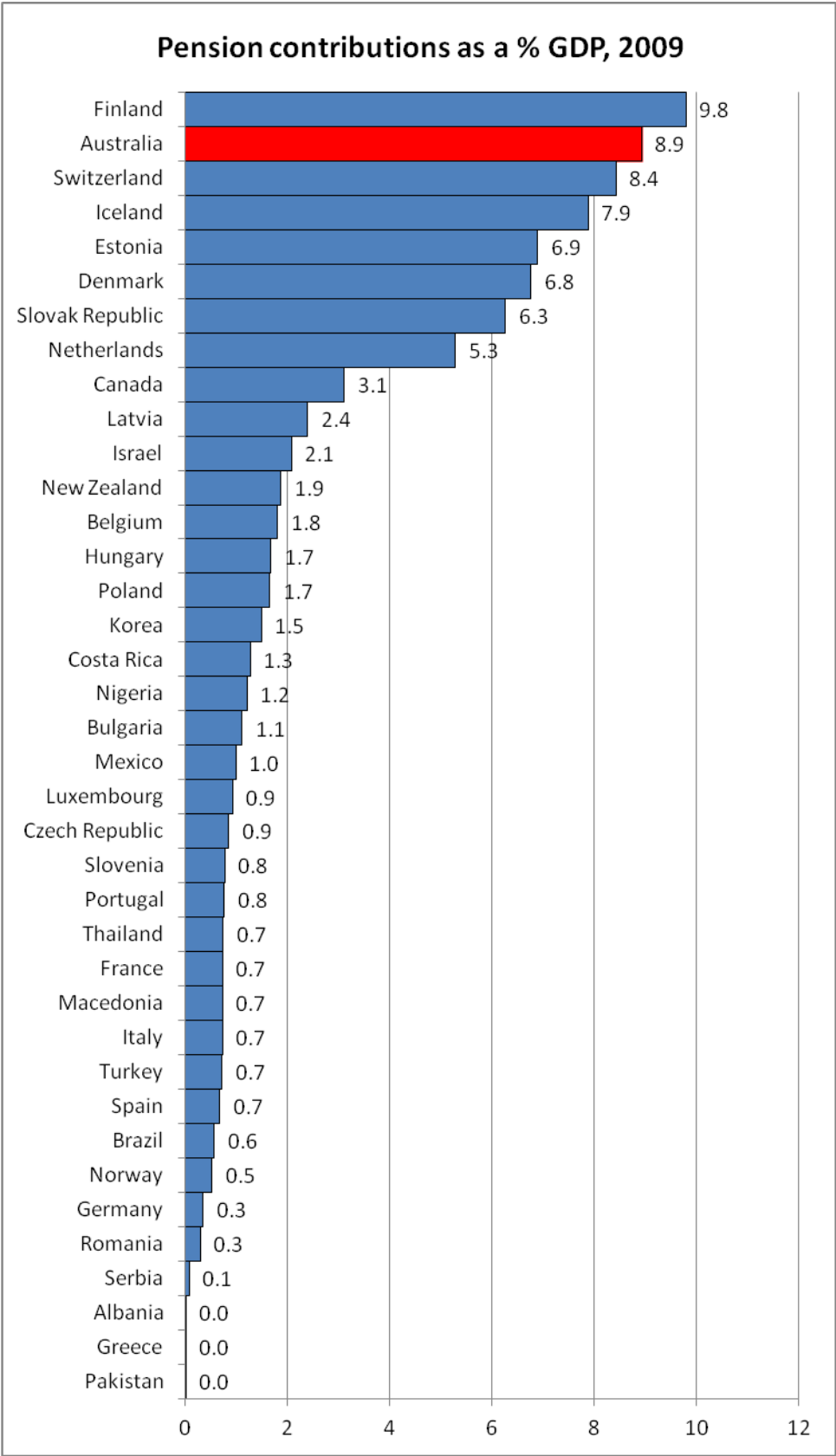
APRA (2007), *Annual Superannuation Bulletin*, June: www.apra.gov.au/statistics.

OECD, Global Pension Statistics project: www.oecd.org/daf/pensions/gps.



Pension Fund Assets as a % GDP 2009





Pension Benefits as a % GDP, 2009

