

# How Australia's Superannuation Landscape is Evolving

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*AUSTRALIA'S SUPERANNUATION LANDSCAPE CONTINUES TO EVOLVE WITH THE BATTLE LINES INCREASINGLY DRAWN BETWEEN THE LARGER MULTI-INDUSTRY FUNDS IN ONE CORNER AND SMALLER FUNDS THAT TARGET PARTICULAR OCCUPATIONAL GROUPS IN THE OTHER, WRITES ANDREW PROEBSTL.*

Like the banking industry, the superannuation industry appears to be inexorably moving to a future dominated by a smaller number of larger super funds.

This trend has been playing out for several years as funds merge to acquire increased scale and operational strength.

The recommendations made by the Super System Review (or Cooper Review), which reported to the Federal Government on 30 June 2010, is likely to only add impetus to this dynamic.

The Super System Review strongly endorsed the view that super funds need to be large to feature in the future landscape, stating that 'there are substantial benefits for members arising out of increased scale in the superannuation industry', and that many funds 'lack the scale necessary to provide optimal outcomes to their members'.

Indeed the Review panel recommended that steps be taken to encourage further consolidation within the industry.

This focus on scale has resulted in the emergence of two clearly defined groups of super funds.

This dichotomy in the super fund

landscape is welcome as it gives superannuants an increased range of options.

So what are these two groups of super funds and what distinguishes them?

The first group are the large super funds that often have a highly heterogeneous membership sourced across a diverse range of occupational groups. Some of these big funds have become highly heterogeneous as they have merged with other funds that serve different industries and have different member profiles.

Like the four big banks, the customer profiles of these funds are becoming more diverse and the products they offer are becoming more similar. As large financial institutions product standardisation becomes the norm as they seek to be all things to all people.

The second group of super funds are specialised funds that serve much more discrete homogeneous

groups of members.

Scale is important in all businesses. However just because a super funds has lower FUM does not mean that it does not have scale. For example, smaller super funds can acquire scale from engaging third party organisations that have scale from their aggregate client base. The practice of out-sourcing administration or investment management is well established in the super industry.

Often this second group has actively maintained their homogeneity by merging with 'similarly minded' super funds in the same industry or members working in similar occupation groups.

The point to all this discussion on super fund categories is that not all funds are the same and that the character of a super fund can define the service you receive, the investment options available and the fees you pay.

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A more homogenous membership may also yield advantages in terms of the insurance cover available. For example, a fund focussing on a white collar profession will be able to negotiate better insurance arrangements compared to a fund for the building industry.

It is increasingly important for superannuants to be aware of the array of funds available.

In terms of how they differ; each has advantages and disadvantages.

The bigger more heterogeneous super funds both gain and lose something due to their size. Some large funds may say their increased scale will yield lower fees for their members. However, they also find it more difficult to provide products and services targeted at their members who are too diverse to characterise. They can also find it more difficult to consistently deliver the type and quality of service that meets the expectations of a large number of members.

On the other hand, more specialised funds with a more homogeneous membership profile can be more nimble and efficient relative to larger funds because they are not seeking to be all things to all people. They can also better align their products and services with the opinions and attitudes of their membership, which will have a more definable, measurable character.

As the superannuation industry continues to change and more mergers are negotiated between funds, the differences between the larger more heterogeneous super funds and the more specialised homogeneous funds will continue to magnify the differences between the products and services offered by each type of fund thereby providing more choices for superannuants. ●

*Andrew Proebstl is Chief Executive of legalsuper, Australia's largest super fund dedicated to the legal profession. He can be contacted directly on 03 9602 0101 or via aproebstl@legalsuper.com.au*

## Congratulations! to the Winners of the Ian Morris Community Contribution Award

The winners of the 2010 Law Society Community Contribution Award, were announced at the Annual Dinner on 21 August by Law Society President, Mr. Matthew Storey.

The award was renamed this year in honour of the late, great philanthropist Mr. Ian Morris QC, and the Society was thrilled that the delightful Mrs. Jill Morris was on hand to present the awards.

Practitioner with less than five years experience:

Ms. Deevya Desai

Practitioner with more than five years experience:

Ms. Christine Osborne

A legal firm or other legal organisation experience:

Clayton Utz ●

## Supreme Court Facilities

Practitioners are requested with cases in both the civil and criminal jurisdictions are requested to assist the Court, by advising the sheriff's office as soon as possible, of all the matters in which the following facilities are required and the times and dates of those requirements:

- Video Conferencing
- Vulnerable witnesses appearing via CCTV
- Document cameras
- DVD playback
- Projector
- Hearing devices
- Any other equipment/information necessary

Please contact the Acting Deputy Sheriff, Rikki-Lee Romeyn at rikki-lee.romeyn@nt.gov.au and make the necessary arrangements with the sheriff's office. Your co-operation will be appreciated and will without doubt avoid delays in providing these facilities to your client and witnesses. ●

