



# Australian pension funds growth the world's highest

Australia has experienced the highest growth rate in pension (superannuation) assets and remains the world's fourth largest pension market, valued at US\$1.6 trillion, according to the Towers Watson *Global Pensions Asset Study – 2014*. The figure represented a compound annual growth rate (CAGR) of 14 per cent between 2003 and 2013.

Australia's superannuation assets rose to 105 per cent of the GDP in 2013, up from 79 per cent a decade ago. This latest ratio was the fifth highest among the 13 major pension markets in the survey. The findings have illustrated the size and long-term growth of Australia's superannuation system, which is a major driver behind the country's rapidly expanding, globally significant funds management industry.

- Following a 6.9 per cent increase in 2012, world institutional pension fund assets in the 13 key markets rose by 9.5 per cent in 2013 to reach almost US\$32 trillion. This growth is the continuation of a trend which started in 2009 when assets grew 18 per cent. It is in sharp contrast to a 22 per cent fall during 2008 when assets fell to around US\$20 trillion.
- Global pension fund assets (in US\$) have grown at over 6.7 per cent on average per annum since 2003. Over the same period, the asset growth rate of Australia's superannuation has been more than double the global average at 14 per cent per year – the highest compound growth rate among the 13 major pension markets.
- In terms of ten-year CAGR (in local currency terms), South Africa has the highest growth rate of over 14 per cent followed by Australia (12 per cent), Hong Kong (12 per cent) and the UK (11 per cent). The lowest are Japan (1 per cent), France (1 per cent) and Switzerland (5 per cent).
- The US has remained the world's largest pension market (59.0 per cent of the total), followed by the UK (10.2 per cent), Japan (10.1 per cent) and Australia (4.9 per cent).
- Ten-year figures (in local currency) has shown the UK grew their pension assets the most as a percentage of GDP, by 64 percentage points (ppt) to reach 131 per cent, followed by the Netherlands (up 56 ppt to 170 per cent), the US (by 27 ppt to 113 per cent) and Australia (up 27 ppt to 105 per cent). Over the same period, Japan's ratio of pension assets to GDP has declined by three ppt to 65 per cent of the GDP, and Brazil and France's ratios each fell by two ppt to 13 per cent and six ppt of GDP respectively.
- When compared to the world's seven largest pension markets (Towers Watson's deeper analysis for the seven biggest markets – USA, UK, Japan, Australia, Canada, Netherlands and Switzerland), Australia also has the highest proportion in defined contribution assets (84 per cent) relative to defined benefit assets (16 per cent). In terms of asset allocation, Australia has the second highest proportion to equities and alternatives at 54 per cent and 25 per cent respectively, and the lowest allocation to bonds at 13 per cent.
- In the UK, Australia and Switzerland, the private sector holds the biggest portion of pension assets, accounting for 88 per cent, 84 per cent and 75 per cent respectively of total assets in 2012.

Detailed information is available in the [Towers Watson Global Pension Assets Study 2014](#).

## GLOBAL PENSION ASSETS

Market	Total Assets				Growth Rate		Pension Fund Assets % GDP	
	(US\$ Billion)		% Share of 13 Major Pension Markets		(in US\$)	(in Local Currency)	(in Local Currency) <sup>6</sup>	
	Year end 2003	Year end 2013e	Year end 2003	Year end 2013e	% CAGR (2003 to 2013e)	% CAGR (2003 to 2013e)	Year end 2003	Year end 2013e
US <sup>1</sup>	9,942	18,878	59.2	59.0	6.6	6.6	86	113
UK	1,261	3,263	7.5	10.2	10.0	10.8	67	131
Japan <sup>2</sup>	2,906	3,236	17.3	10.1	1.1	0.9	68	65
<b>Australia</b>	<b>424</b>	<b>1,565</b>	<b>2.5</b>	<b>4.9</b>	<b>14.0</b>	<b>12.0</b>	<b>79</b>	<b>105</b>
Canada	636	1,451	3.8	4.5	8.6	6.5	72	80
Netherlands	614	1,359	3.7	4.2	8.3	7.3	114	170
Switzerland <sup>3</sup>	355	786	2.1	2.5	8.3	4.7	106	122
Germany <sup>4</sup>	229	509	1.4	1.6	8.3	7.3	9	14
Brazil <sup>5</sup>	83	284	0.5	0.9	13.1	10.8	15	13
South Africa	100	236	0.6	0.7	9.0	14.1	59	67
France	139	169	0.8	0.5	2.0	1.1	8	6
Ireland	64	130	0.4	0.4	7.4	6.4	40	59
Hong Kong	37	114	0.2	0.4	12.1	12.0	23	41
<b>Total (US\$)</b>	<b>16,787</b>	<b>31,980</b>	<b>100</b>	<b>100</b>	<b>6.7</b>	<b>7.7</b>	<b>NA</b>	<b>83</b>

1. Includes IRAs (Individual Retirement Accounts); 2. Do not contain the unfunded benefit obligation of Corporate pensions (account receivables); 3. Only includes total of autonomous pension funds. Do not consider insurance companies Assets; 4. Only collect pension assets for company pension schemes; 5. Brazil Pension Assets only include those from closed entities; 6. Assets/GDP ratio for the world is calculated in US\$ and assets were estimated as of 31 December 2013.

CAGR = Compound annual growth rate

Sources: Towers Watson *Global Pensions Asset Study – 2014*; Austrade