

MEDIA RELEASE

11 May 2009

WANTED – 5.88 MILLION AUSTRALIANS WHO WANT TO FIND \$5.5 BILLION ELIGIBLE ROLLOVER FUNDS GROW 12% AS AUSTRALIANS IGNORE SUPER

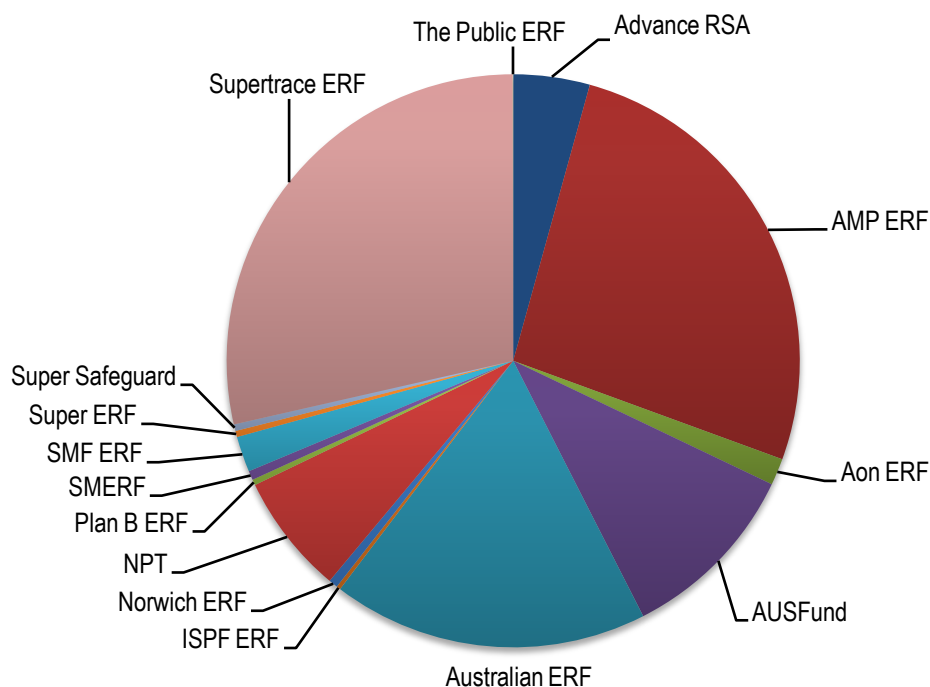
Highlights of ERF Sector Review by SuperRatings

Membership movement for 12 months ended 30 June 2008	▲ 12.78%	to 5.885 million accounts
Membership movement for 5 years ended 30 June 2008	▲ 56.92%	from 3.762 million in June 2003
Change in assets for 12 months ended 30 June 2008	▼ 3.90%	to \$5.454 billion
Change in assets for 5 years ended 30 June 2008	▲ 45.01%	from \$3.762 billion in June 2003
Average Account Balance change for 12 months ended 30 June 2008	▼ 14.79%	to \$927
Average Account Balance change for 5 years ended 30 June 2008	▼ 7.58%	from \$1,003 in June 2003
Average fee change over last 3 years (\$1,000 account balance)	▲ 15.70%	to 3.27% per annum
Estimated total fee deductions from accounts in 2007/08		\$125 million which equates to 2.25% across all accounts

The issue of small and lost account balances in the superannuation industry has once again come to the forefront with SuperRatings' recent research showing that small and lost accounts in the Eligible Rollover Fund ("ERF") sector soared by over 12% in 2007/08, more than double the comparable member increase in mainstream super funds of less than 6% over the same period. During the 2007/08 financial year, some 15 providers fought for market share and a slice of the estimated \$125 million in fees stripped from these lost and small accounts each year. If the Government is truly intent on reducing fees to 1% of balances, then this is clearly the starting point for any action. On the positive side however, many of these ERFs are finally creating a level of transparency by more actively assisting Australians to find their lost and unclaimed super. By way of example, some 87% of funds now actively perform ATO matching, up from just 18% three years ago. Similarly, some 87% of funds now have a dedicated website, in this case up from 50% just three years ago, whilst 67% of funds also allow visitors to search for lost monies via their website, up from just 42% three years ago.

So the prolonged and vocal attack by SuperRatings and others over the past four on this highly fragmented and inefficient part of the superannuation market appears to be finally paying dividends for consumers. But is it too little, too late – the Government may think so!

ERF Industry Synopsis – 30 June 2008



Fund	FUM (\$Mill)	Market Share	Members' 000	Website
AUSFund	568.1	10.4%	1,799.0	unclaimedsuper.com.au
Supertrace ERF	1,557.0	28.5%	1,359.0	supertrace.com.au
Australian ERF	972.5	17.8%	1,088.0	perpetual.com.au
NPT	370.8	6.8%	640.0	npterf.com.au
AMP ERF	1,433.0	26.3%	361.1	amp.com.au
Super Safeguard	20.3	0.4%	194.5	supersafeguard.com.au
ISPF ERF	12.3	0.2%	113.9	ispf.com.au
SMF ERF	109.8	2.0%	112.2	smf.com.au
Aon ERF	82.2	1.5%	76.5	aon.com.au
SMERF	28.2	0.5%	65.0	smerf.com.au
Advance RSA	235.2	4.3%	38.4	-
Super ERF	18.9	0.3%	25.8	supererf.com.au
Plan B ERF	17.5	0.3%	8.4	-
Norwich ERF	28.0	0.5%	3.0	-
The Public ERF	1.3	0.02%	1.2	wealthpac.com.au

On an overall basis, little has changed over recent years with the top 5 ERFs holding over 90% of the assets and membership. Those five suppliers are namely AMP, AUSfund, Australian ERF, National Preservation Trust (NPT) and SuperTrace.

The ERF sector in its current form continues to be justifiable only by those who benefit from its revenues. Whilst we have continually and forcefully, with the help of the media, communicated to all stakeholders the need for attention, revision and a degree of self-regulation in the sector, it appears that not enough is being done to protect these accounts from gross fee stripping. The key points we have presented for consideration over this period are:

- The regulatory setting of a maximum fee scale for all aggregated costs associated with the management of an ERF. Current ERF fees are more than double what could be reasonably expected
- The introduction of compulsory single cross-matching facility between all ERFs, the ATO and eligible superannuation funds to increase the level of consolidation within the industry. Auto-consolidation may be an option here
- The requirement that the Trustee Directors of ERFs be required to disclose all other directorships on a public register, including the identification of possible conflicts of interest
- That all ERFs be required to establish public websites to include PDS documents, Annual Reports and audited financial statements, all of which are to be available to the public
- That the Trustee of all superannuation funds required to nominate an ERF be required to formally review their nominated ERF on at least a tri-annual basis

Based on our 2008 review, it is apparent that some of these key requirements are starting to be self fulfilled. But with just two funds able to demonstrate above median investment performance over the past 5 years, and with fees on average being more than double what should be reasonably expected, then it is time the Government stepped in to either consolidate the sector, by introducing more rigid regulation, or to dismantle the sector by changing the regulations surrounding small accounts and lost members and how mainstream super funds need to deal with those.

One of the key issues is the inequitable dollar based fee protection currently provided to accounts in the superannuation system that have under \$1,000. This protection, whilst admirable when compulsory contributions were just 3% of wages, is effectively encouraging the proliferation of superannuation accounts in Australia as people move from job to job and fail to take control of their super. Hence we now have an estimated 30 million superannuation accounts for just 10 million working Australians. These excessive account numbers go on to artificially support parts of the industry that would otherwise be unsustainable in their current form, the ERF sector being an excellent example.

With an increase in ERF membership of some 2.1 million accounts over the past five years, it is clear that the issues surrounding these small and lost accounts are not going away. It is estimated that lost super now accounts for some \$12 billion of retirement savings and possibly up to 10 million accounts. Managing Director of SuperRatings, Jeff Bresnahan, summarised the findings of the research by saying *“if Australians continue to ignore their superannuation and fail to consolidate their accounts, then unless the Government steps in to more heavily regulate the industry, people will continue to pay way too much on their superannuation savings. This will ultimately lead to lower retirement benefits and hence a lower standard of living for many Australians. The self funding of retirement benefits is critical for our future economy and if that means that the Government needs to step in with increased regulation, then so be it”*.



On an overall basis, just one ERF qualified for the top rating of Platinum, namely the 1.8 million member AUSfund. Notable improvements in overall value offered were registered by AMP, SuperTrace and NPT, all of which were elevated to a Gold Rating. Super Safeguard meanwhile, indicated a firm commitment to the sector by significantly reducing fees and improving benefits, seeing its rating improve to Silver. The complete list of ERFs and their final ratings are shown below.

Each fund was ranked in terms of SuperRatings' key rating criteria and the final ranking of each fund determined their eligibility or otherwise for the awarding of a Platinum, Gold or Silver SuperRating. Where an ERF was not deemed to provide at least reasonable value for money, or insufficient data was evident, then the ERF was allocated an "Other Rated" status.

The following SuperRatings were awarded to those ERF reviewed:

Fund Name	Rating
Advance RSA	Other
AMP ERF	Gold
Aon ERF	Silver
AUSfund	Platinum, ERF of The Year
Australian ERF	Silver
ISPF ERF	Silver
Norwich ERF	Other
NPT	Gold
Plan B ERF	Silver
SMERF	Other
SMF ERF	Other
Super ERF	Silver
Super Safeguard	Silver
SuperTrace ERF	Gold
The Public ERF	Silver

The whole issue of lost and small account balances within superannuation is one that is compounding each year. Self regulation in the ERF sector appears to be working incredibly slowly, whilst Australians continue to show their apathy towards superannuation in general. The lack of automated cross-matching of lost and inactive super accounts exacerbates the multi-account problem, whilst it is likely that many lost members do not actually exist, being the result of fictitious itinerant workers employed in various industries many years ago prior to the tightening up of the TFN procedures.

As long as the Government does nothing to address these issues, then inefficiencies will continue to proliferate. The efficient operation of our National Retirement Savings system is critical to future Australians and faith in the superannuation system by those participating in same can only be enhanced through improved regulatory measures designed to increase overall benefits.

ADDITIONAL INFORMATION

We believe our database to be the largest in Australia dealing with multi-employer superannuation funds, where the great majority of Australians have their retirement benefits invested. SuperRatings created the first and market leading monthly superannuation performance survey back in 2003, which now covers many thousands of investment options including those from the following option types:

Balanced	Conservative Balanced
Growth	High Growth
Australian Shares	Secure
International Shares	Diversified Fixed Interest
Capital Stable	Cash
Property	

RELEASE ENDS

SUPERRATINGS

To encourage and where necessary create disclosure within the Superannuation industry.



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More Info?? Simply go to our website
www.superratings.com.au

Click on "Latest Investment Returns" to view the various tables. The website currently shows all 31 March results. The "SuperRatings' Index" as shown in the tables is the median result of all funds. We welcome any Media enquiries regarding any of the information held on our database and where possible we will provide customised tables/graphs for your use.

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