Issues with S African Institutional Investments

Practical Alternatives in an Account-based Environment

Risk in Superannuation

16th Colloquium of Superannuation Researchers
University of NSW, Sydney

Rob Rusconi July 2008

Brief agenda

- Context
- Concerns
- Causes
- Risks
- Alternatives

The S African system in 5-pillar language

- Redistribution
- Saving
- Community

- Non-contributory
- Mandatory
- Voluntary

- Contributory
- Voluntary

- I
- II
- III
- IV

- Context
- Flexibility
- Diversification

Putting it another way

- Utility of old age benefits received

- Increasing personal wealth
Putting it another way

Market conduct concerns - evidence

1. Index-linked investment
2. Training
3. Independent consultants
4. Incentive effects
5. Hedges & other alternatives
6. Marketing
7. Performance surveys
8. Trading activity
9. Responsible Investment
10. Multi-managers

Market conduct concerns - possible causes

1. Owner-agent distinction
2. Market complexity
3. Behavioural bias: overconfidence
4. Conflicts of interest
5. Information inequity

Market conduct concerns - risks

1. Member security
2. Trustee commitment
3. Reputation of providers
4. Consumer confidence
Policy options

- Continuation of SOAG
  - removal of the means test
  - policy statement on increases (5)

- Mandatory contributions
  - to a central fund
  - to private alternatives

- Participation incentives
  - wage or explicit subsidy

- Risk benefit provision

- Nature of private sector vehicles

- Annuitization issues

- Transition rules

- Reduced tax concessions

- Reducing certainty

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