

# AKBC / KABC – 36<sup>TH</sup> JOINT MEETING

## STRATEGIC COOPERATION IN FINANCIAL SERVICES

AMP CAPITAL 

2 OCTOBER 2015  
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AMP CAPITAL



# AUSTRALIA'S PENSION SYSTEM

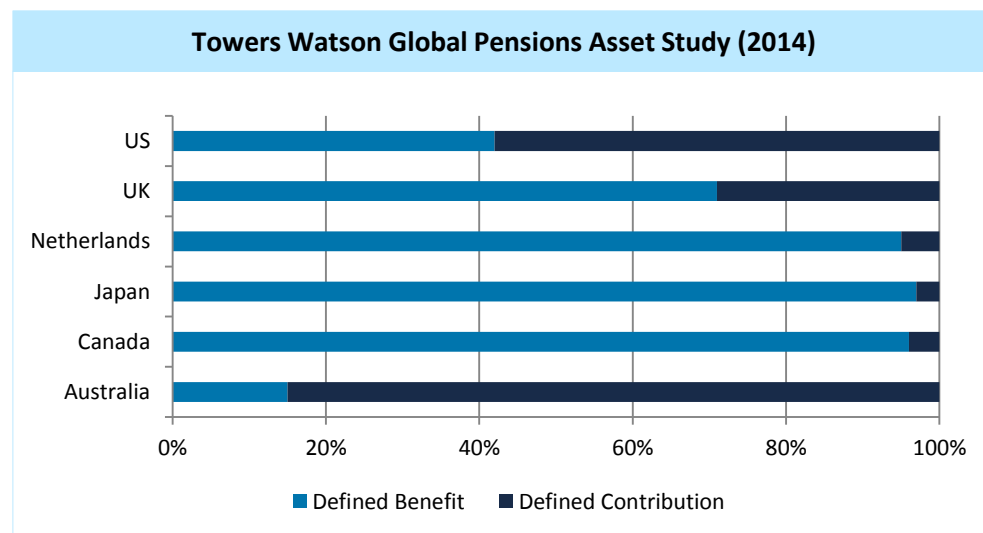
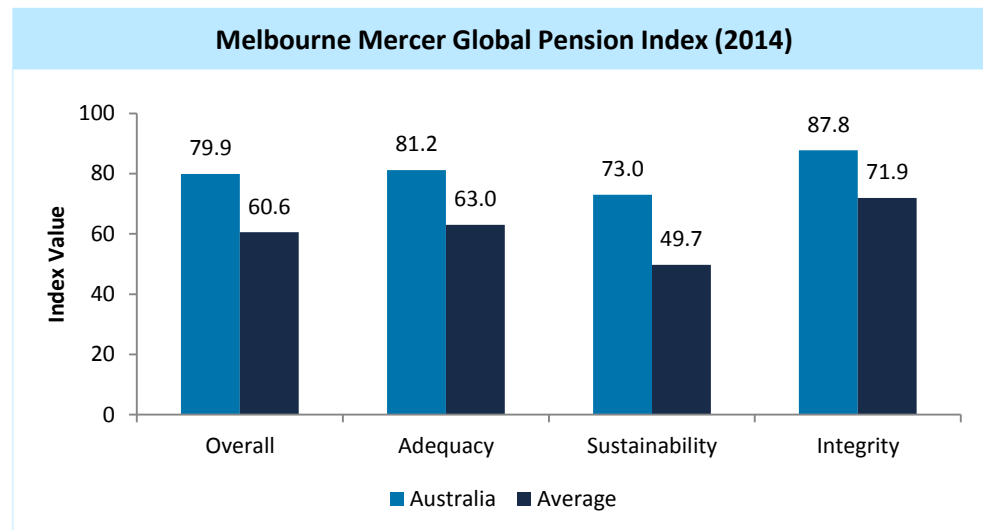
## OUR COMPETITIVE ADVANTAGE

- > **Size** – the fourth largest pension market in the world, with A\$1.2 trillion in total assets<sup>(1)</sup>
- > **Experience** – Over two decades since the introduction of compulsory superannuation
- > **Robust** – a global leader in terms of the adequacy, sustainability and integrity of our pension system<sup>(2)</sup>
- > **Type** – the vast majority of Australian pension assets today are in Defined Contribution schemes<sup>(3)</sup>

(1) Source: APRA (as at June 2015)

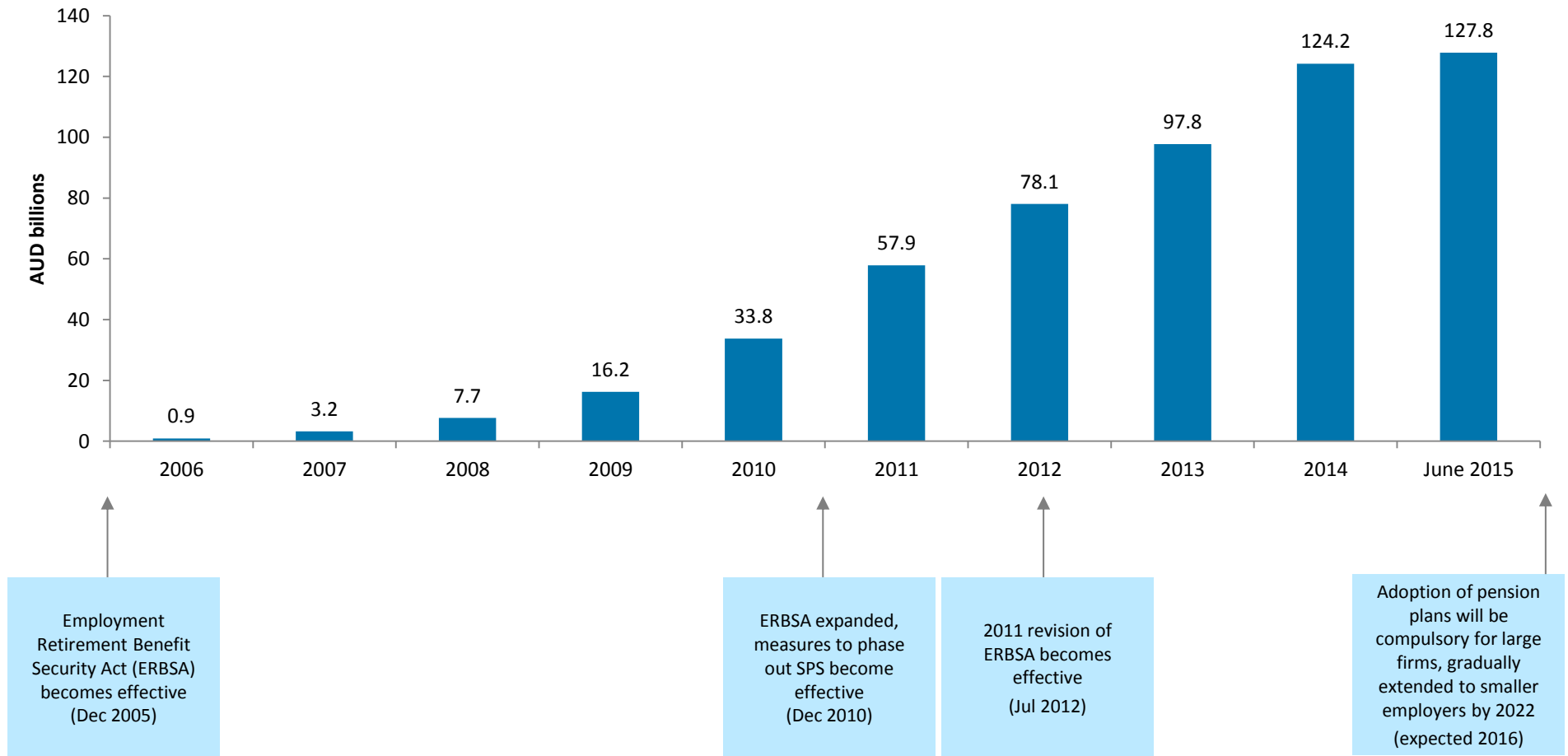
(2) Source: Melbourne Mercer Global Pension Index, 2014

(3) Source: Towers Watson Global Pensions Asset Study, 2014



# KOREA'S CORPORATE PENSION SYSTEM

## GROWTH AND EVOLUTION

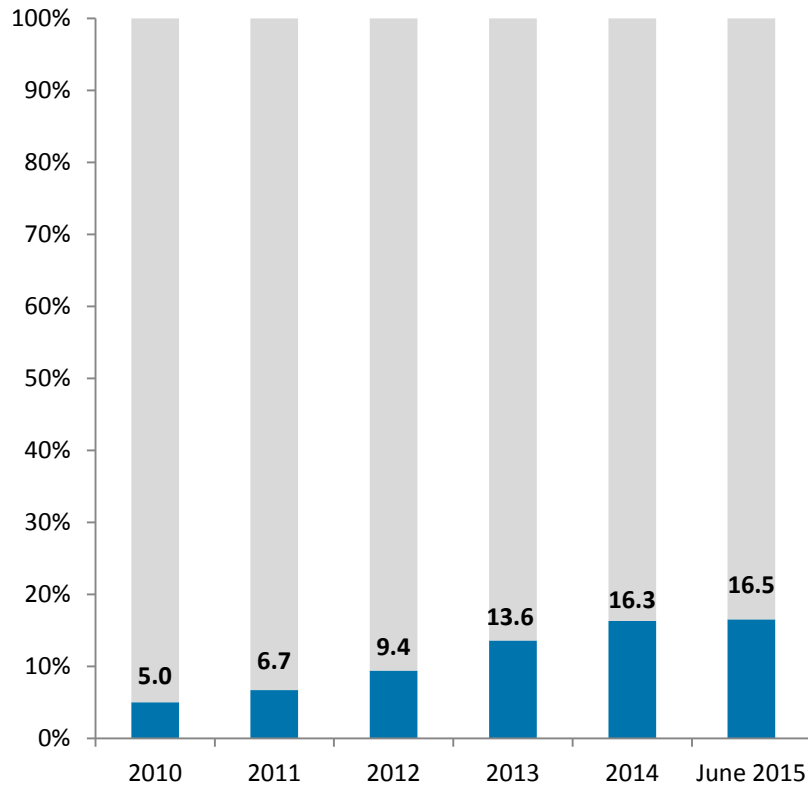


Source: Korea Ministry of Employment and Labor, June 2015

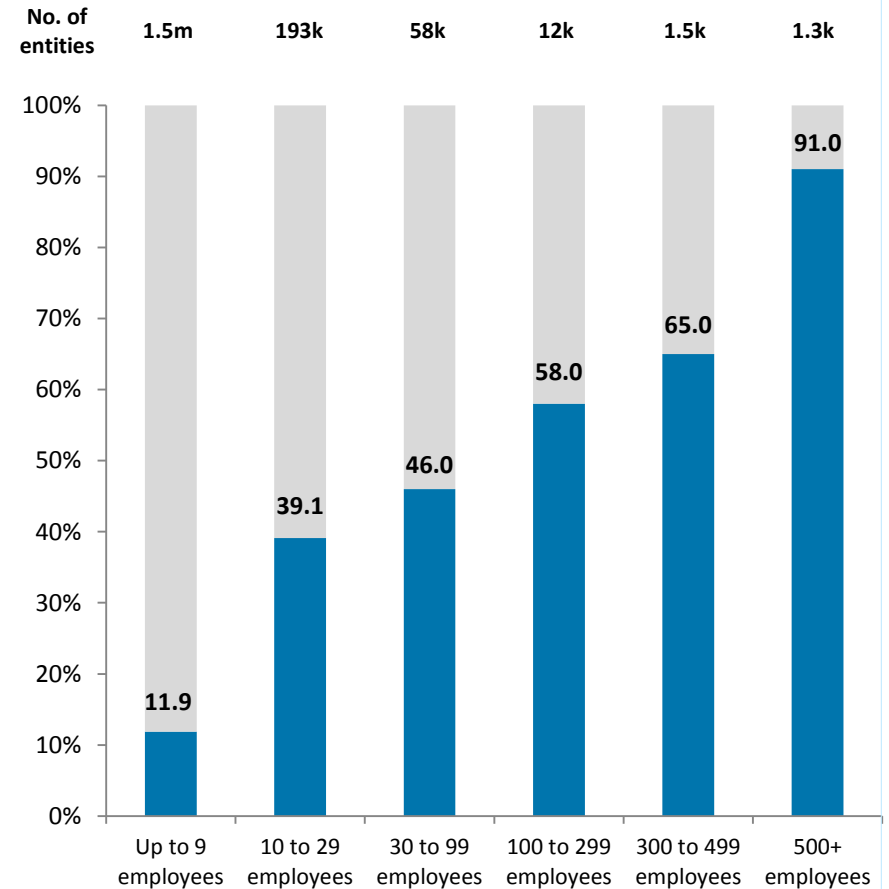
# KOREA'S CORPORATE PENSION SYSTEM

## SOURCE OF FUTURE GROWTH

Overall Corporate Pension Plan Adoption Rate (2010 to 2015)



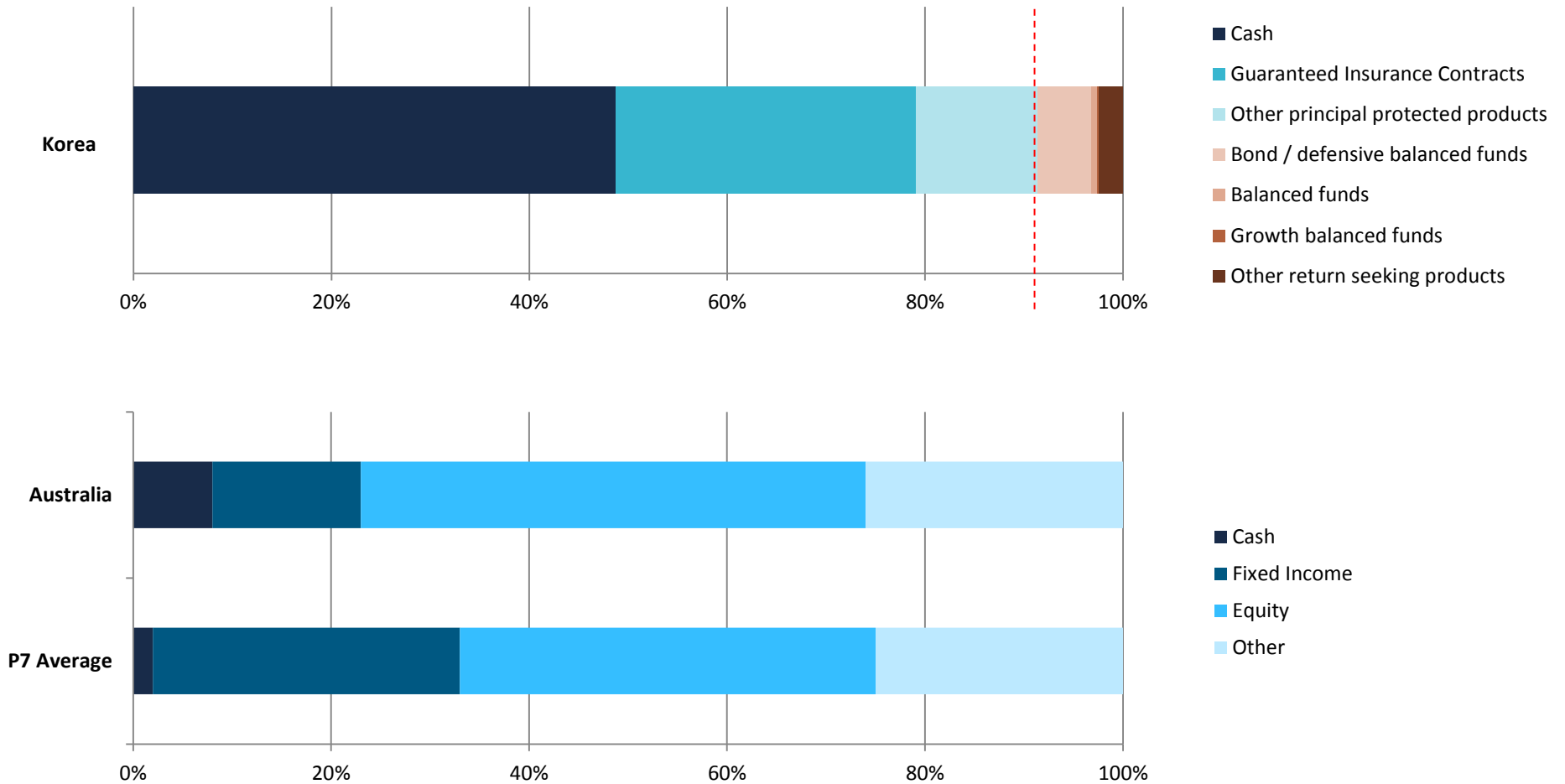
Corporate Pension Plan Adoption Rate – By Company Size (2015)



Source: Korea Ministry of Employment and Labor, June 2015

# KOREA'S CORPORATE PENSION SYSTEM



## ASSET ALLOCATION HIGHLY SKEWED TO PRINCIPAL PROTECTION



Source: Korea Ministry of Employment and Labor, June 2015; Towers Watson Global Pensions Asset Study, 2014

# PENSIONS IN AUSTRALIA & KOREA

## FOLLOWING THE SAME PATH

Theme	 Australia	 Korea (Current State)	Korea (Future State)
<b>Introduction of private corporate pension schemes</b>	Introduction of compulsory superannuation in 1992	Legislation introduces DB and DC schemes in 2005 (albeit not mandatory), take-up increases after 2010 as the system is expanded and reforms are introduced	Pension scheme adoption expected to become mandatory post 2016, to be gradually extended to smaller employers
<b>Shift from Defined Benefit (DB) to Defined Contribution (DC)</b>	Australia was predominantly DB up until the 1980s, now the vast majority of pension assets are DC (ie. shift is complete)	DB represents about 70% of corporate pension assets today <sup>(1)</sup>	DB share is forecast to reduce to 50% by 2020 (ie. shift is beginning) <sup>(1)</sup>
<b>SME segment</b>	Due to compulsory nature, adoption rates were a non-issue, however the industry needed to develop a cost-effective solution – master trusts – for this important segment	Adoption rates of SMEs remain very low due in part to implementation costs and master trusts remain a relatively new concept	Compulsory adoption to be phased in and legislative reform to encourage further development of multi-employer master trusts
<b>Asset allocation</b>	Regulatory restrictions are liberalised and there are meaningful allocations to growth assets – whilst domestic bias remains, overseas exposure is also significant	Regulatory restrictions are stringent and allocations are heavily tilted towards principal protection (especially cash), with minute exposure to overseas investments	Regulatory restrictions are being loosened and the increase in DB funding requirements will lead to more comprehensive ALM and greater diversification

*Australia's lessons learnt are meaningful and relevant in a Korean context*

# AUSTRALIAN PENSION PROVIDERS' EXPERIENCE

## POTENTIAL AREAS OF INTEREST TO KOREA

### Pension Value Chain

Pension offer	Investment management	Trustee services	Account administration	Corporate relationship management	Distribution management	Corporate clients
<p><b>Product</b></p> <p>Bundled insurance into pension offers</p> <p>Pension offers in corporate, retail and self-managed pensions</p>	<p><b>Investment solutions</b></p> <p>Real-return and goal-based investment funds</p> <p>Incorporating unlisted assets into DC allocations</p>	<p><b>Platforms</b></p> <p>Development of master trusts, platforms, wraps and self-managed pension administration systems</p> <p>Back office (call centres, online admin)</p>		<p><b>Employer and member services</b></p> <p>Straight-through-processing for employers lodging pension payments online</p> <p>Online member services providing 24/7 access to tools and employer/member accounts</p> <p>Mobile apps for clients</p>		<p><b>Employer insights</b></p> <p>Developing pension offers based on the specific needs of employers</p> <p>Tailored default options to the needs of the employer</p>

### Corporate Strategy

Core business transition	Distribution	SMEs
<p>Transition from life insurance business to pension company</p>	<p>Leverage life insurance agency force into network of professional financial advisors</p>	<p>Large and historically under-served segment</p> <p>Focus on cost effective solutions</p>

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