



OECD / IOPS Global Forum on Private Pensions

Long-term investment in low interest rate
environment - a DC perspective

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Defined Contribution perspective



- Australian pension funds predominantly DC
- Australian's prefer lump sum benefits
- Small domestic annuity market
- Modest bills and bonds market
- Emphasis on maximising retirement benefit

The case for investing



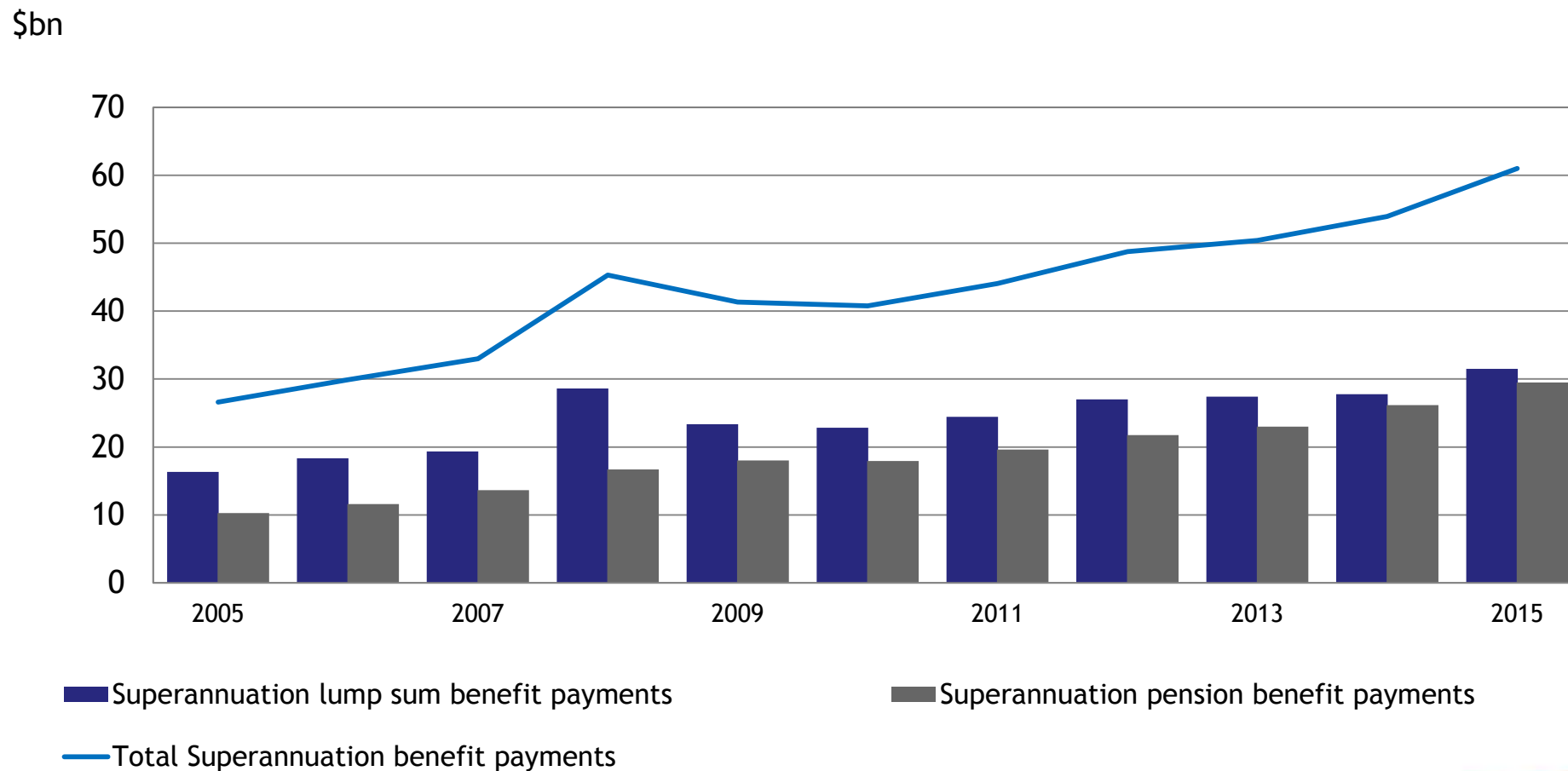
- **Favourable investment environment**
 - G20 / OECD Principles
- **Increasing pension fund assets**
- **Increasing allocation to long-term assets**
- **Sources of investment revenues**
- **Asset / liability matching**
- **Liquidity**

- **Legislative and prudential requirements**
 - Investment Strategy - regard to risks
 - Due diligence on investment options
 - Adequate diversification and liquidity
- **Limited legislative investment restrictions**
 - In-house assets
 - Borrowings
- **No asset allocation restrictions**

Lump sum love affair



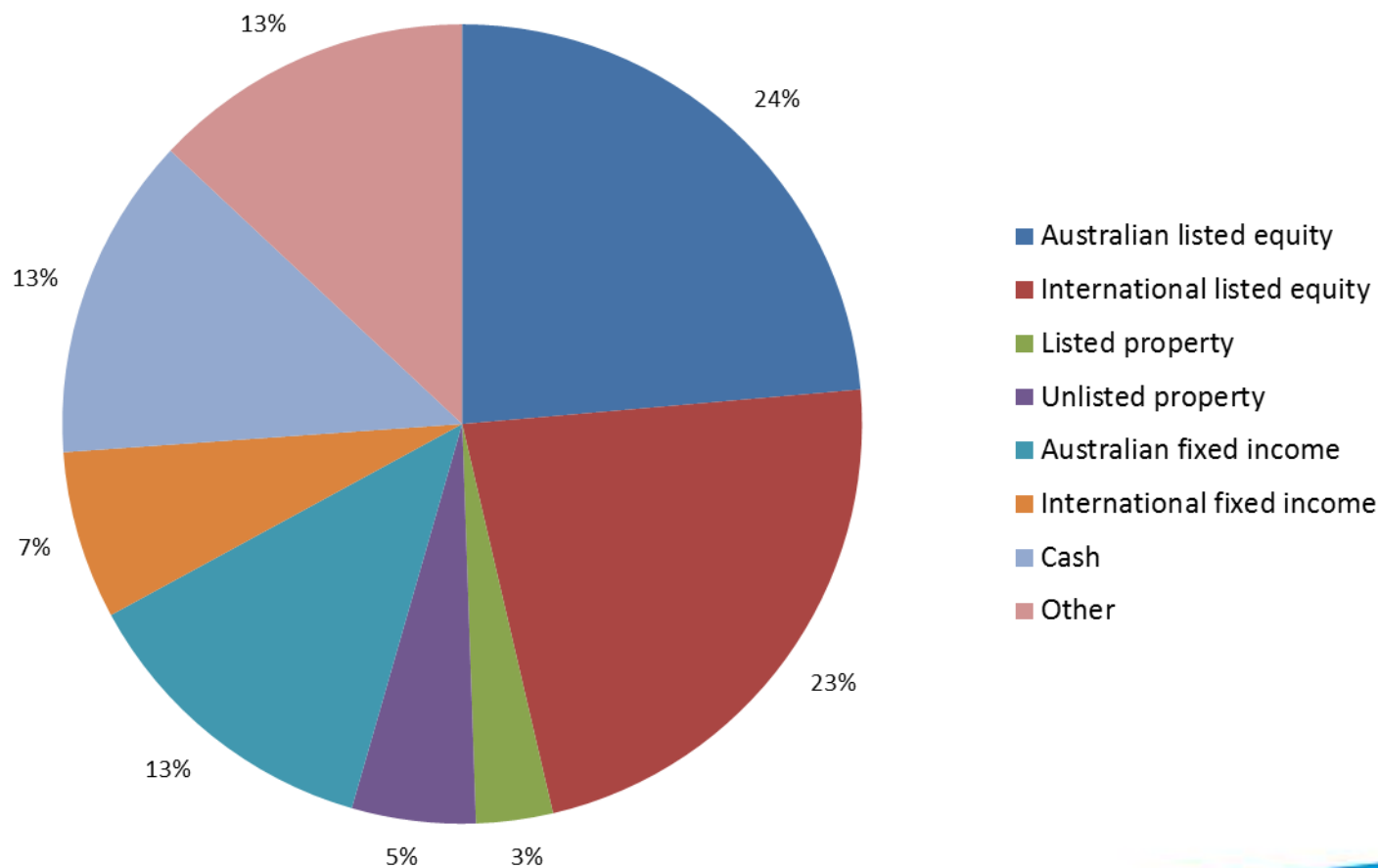
Superannuation benefit payments



Asset Allocation - Domestic



Asset allocation - All funds
30 June 2015

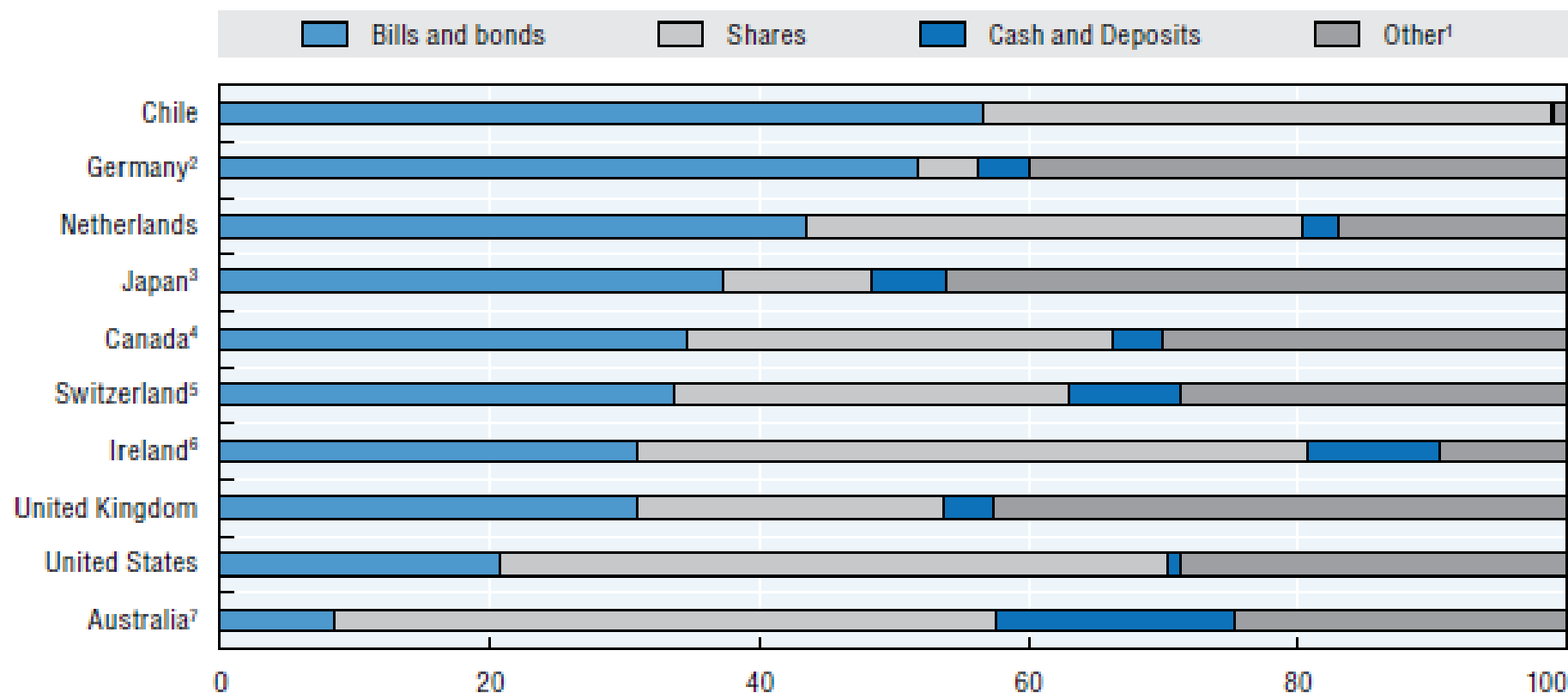


Asset Allocation - Global



Figure 4.6. Pension funds asset allocation in selected investment categories, 2013

Percentage of total assets



Factors Driving Asset Allocation

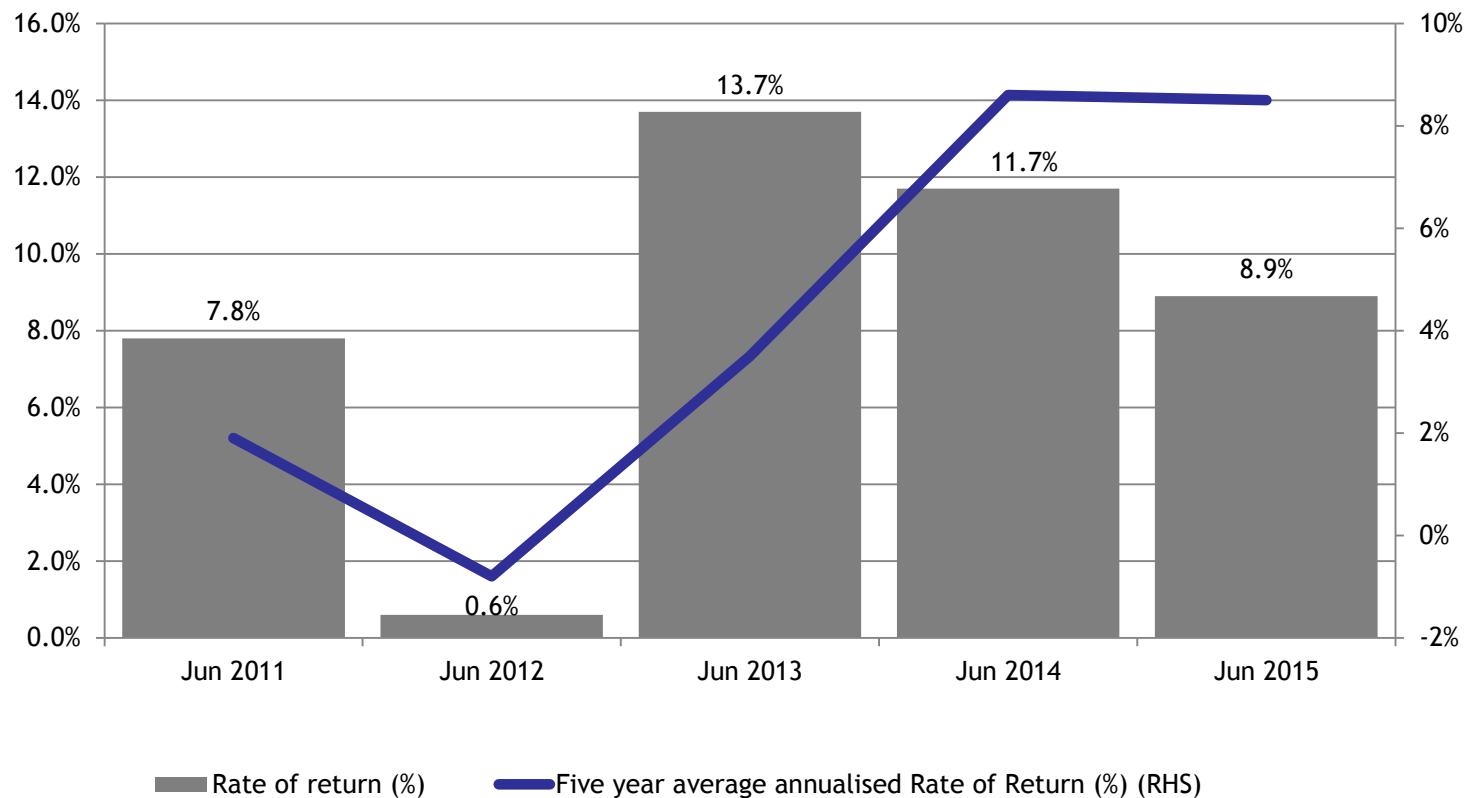


- Small domestic bills and bonds market
- Driven to diversification across other asset classes
- Accept high volatility - pursuit of higher returns
- Maximising DC retirement benefits

Returns - low interest rates



Rate of Return
Entities with more than four members



Outlook - low interest rates



- **Meet investment objectives - in risk parameters**
- **DC promise - maximise retirement benefits**
- **Supervisory oversight for:**
 - Heighted risk taking
 - Amendment of risk / return objectives