

**Immediate release**

### **Australian funds continue to rise on the world stage**

*Total value of world's largest 300 pension funds increases by 15.1% in 2017. Australian funds reap benefits of growth allocations and mergers, but improved governance and diversification should be on the agenda.*

**MELBOURNE, 3 September 2018** – Assets under management (AUM) at the world's largest pension funds increased in value by 15.1% in 2017 to reach a total of US\$18.1 trillion, a significant increase from the 6.1% growth achieved in 2016, according to [the latest global 300 research from Willis Towers Watson's Thinking Ahead Institute](#).

The research shows the top 20 funds account for 41.1% of the AUM in the ranking, a slight increase from 40.3% in the previous year. There are now two funds with assets of more than US\$1trillion – with the Norwegian Government Pension Fund joining Japan's Government Pension Investment Fund in surpassing this mark. Australian funds have generally continued to move up the rankings, with the biggest, the Future Fund moving to 26<sup>th</sup> on the list.

Paul Newfield, Senior Investment Consultant at Willis Towers Watson said: "Australia has 17 funds on the top 300 list – around 6% by the number of funds. In terms of both relative positioning and net participants, Australia has continued to fare incredibly well. Over the past five years, we have had two net new entrants, second only to the United States. Many other developed countries including Canada, U.K., Germany and others have actually had reductions in the number of funds they have on the list."

2017 was a strong year for Australia. Newfield commented: "In 2017 we had one new entrant in VicSuper and, of the remaining 16 funds which were on the list from previous years, 15 improved their relative positioning, which is evidence of the strong growth underpinning Australia's retirement savings system."

The drivers for growth within the Australian funds continue to be three key factors, Newfield said, being compulsory superannuation contributions, the high allocation to growth investments such as equities and real assets relative to global peers and continued merger activity within the Australian landscape. "Those funds with the highest allocation to equities and real assets or who merged in recent years have tended to jump further ahead on the list." Newfield said.

"While those past results are extremely positive, over a five year timeframe we are concerned about likely future returns and we believe that risks are skewed to the downside. We advocate for more diverse portfolios to increase the likelihood that funds can perform well if significant risk events occur, while still providing solid returns if markets continue to perform well."

Newfield said there are probably two key areas of focus for Australian funds:

1. “We need to look at governance. The Royal Commission has illustrated a number of shortcomings within the Australian system and how funds have operated. While we have a big superannuation system and one that has generated good returns on average, our system has not lived up to member expectations in terms of building trust and delivering retirement outcomes. Improving governance is an area for attention; studies have shown that improved governance could deliver an additional return of around 1% per annum<sup>1</sup>
2. “Diversification should be improved – we believe that risks are skewed to the downside although the expected return is still positive. By that, we mean that a negative surprise and reduced returns are more likely than returns surprising on the upside. Given the increase in political, economic and capital markets uncertainty and risk, we are strongly encouraging all our clients to diversify their portfolios. This will improve the likelihood of funds delivering on the commitments made to members, regardless of the single economic outcome that eventuates. This is extremely hard because, particularly in Australia, funds and other bodies continue to place excessive weight on short-term peer-relative returns”.

Global results from the survey show sovereign and public sector pension funds account for 68.6% of the total assets, increasing by 0.2% from 2016.

Emerging markets have become more prominent in the rankings in recent years, with the Employees’ Provident Fund (India) a new entrant into the top 20 in 2017. A total of four new entrants from emerging market countries have entered the top 20 over the last ten years, from Asia (3) and Africa (1).

Among the top 300 funds, defined contribution (DC) assets increased during 2017 by 17.6% whilst defined benefit (DB) assets grew 13.5%. DB assets accounted for 64.7% of the disclosed total AUM, (down from 65.5% in 2016). Australia has the highest proportion of DC of any country as measured in another Willis Towers Watson annual research piece the Global Pension Asset Study, with 87% in DC.

North American funds remain the largest region in terms of AUM, accounting for 42.3% of all assets in the research, followed by Asia-Pacific (27.3%) and Europe (26.5%). North America shows the fastest annualised growth during the period 2012/17 at 6.2%, slightly outpacing Asia-Pacific’s 6.1% and Europe’s 3.8%.

A total of 26 new funds entered the top 300 over the last five years, with the U.S. contributing the greatest net number of new funds (9). The U.S. continues to have the largest number of funds within the top 300 ranking (133), followed by the U.K. (25), Canada (18), Japan and Australia (both 17).

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<sup>1</sup> Sound leadership, Smart Followership 2017 Willis Towers Watson Asset Owner Study.

On a weighted average for the top 20 funds, assets are predominantly invested in equities (46.3%), followed by fixed income (36.1%), and alternatives and cash (17.6%). Looking at the allocations by region, APAC funds had the largest allocation to fixed income (52.5%) and North American funds the largest allocation to alternatives (34.8%).

### Top 20 pension funds (US \$ millions)

Rank	Fund	Market	Total Assets	
1.	Government Pension Investment	Japan	\$1,443,554	
2.	Government Pension Fund	Norway	\$1,063,456	
3.	National Pension	South Korea	\$582,938	
4.	Federal Retirement Thrift	U.S.	\$531,489	
5.	ABP	Netherlands	\$494,796	
6.	National Social Security	China	\$456,853	
7.	California Public Employees	U.S.	\$336,684	
8.	Canada Pension	Canada	\$283,454	1
9.	Central Provident Fund	Singapore	\$269,133	
10.	PFZW	Netherlands	\$235,995	1
11.	California State Teachers	U.S.	\$216,193	
12.	Local Government Officials	Japan	\$209,880	
13.	New York State Common	U.S.	\$201,263	
14.	Employees Provident Fund	Malaysia	\$200,265	
15.	New York City Retirement	U.S.	\$189,794	
16.	Florida State Board	U.S.	\$167,900	
17.	Ontario Teachers	Canada	\$150,730	2
18.	Texas Teachers	U.S.	\$146,326	
19.	Employees' Provident	India	\$134,272	
20.	GEPP	South Africa	\$133,944	2

<sup>1</sup> As of March 31, 2018

<sup>2</sup> As of March 31, 2017

**Australian funds included in the Global 300 (US\$ millions)<sup>1</sup>**

Rank	Last year	Fund	Total Assets
26.	32.	Future Fund	\$108,545
32.	36.	AustralianSuper	\$103,180
59.	90.	First State Super	\$67,610
65.	72.	QSuper	\$60,629
83.	92.	UniSuper	\$51,227
114	125.	REST	\$39,178
116	140.	SunSuper	\$38,576
136	153	Cbus	\$33,985
137	141.	CSC	\$33,969
138.	145.	HESTA	\$33,938
142.	133.	State Super	\$33,688
195.	255.	HOSTPLUS	\$23,693
204.	220.	ESSSuper	\$22,021
222.	232.	GESB	\$20,686
223	237.	Super SA	\$20,553
288.	300.	Telstra Super	\$15,860
289.	N/A	VicSuper	\$15,860

<sup>1</sup> As of December 31, 2017

**About the Thinking Ahead Institute**

The [Thinking Ahead Institute](#) is a global not-for-profit member organisation whose aim is to influence change in the investment world for the benefit of savers. The Institute's members comprise asset owners, investment managers and other groups that are motivated to influence the industry for the good of savers worldwide. It has 45 members with combined responsibility for over US\$12 trillion and is an outgrowth of Willis Towers Watson Investments' Thinking Ahead Group.

**About Willis Towers Watson**

Willis Towers Watson (NASDAQ: WLTW) is a leading global advisory, broking and solutions company that helps clients around the world turn risk into a path for growth. With roots dating to 1828, Willis Towers Watson has over 40,000 employees serving more than 140 countries. We design and deliver solutions that manage risk, optimise benefits, cultivate talent, and expand the power of capital to protect and strengthen institutions and individuals. Our unique perspective allows us to see the critical intersections between talent, assets and ideas — the dynamic formula that drives business performance. Together, we unlock potential. Learn more at [willistowerswatson.com](http://willistowerswatson.com).

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