Is Pension Fund Collaboration Possible and Sustainable? Insights from Australian Experience

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Keywords: Pension Funds, Superannuation, Collaboration, Economies of Scale

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ABSTRACT

The design of national pension systems can have substantial influence upon the way in which financial sectors evolve. While economies of scale may appear to preclude certain design options involving a nascent industry comprising small private sector pension funds, collaboration provides scope for offsetting such concerns. The growth of the Australian superannuation sector, involving the creation and development of “non-profit”, representative trustee, industry funds provides a useful case study in this regard. The paper examines collaboration by Australian industry funds in the context of the sector’s growth and development and considers the longer run sustainability of various elements of that collaboration.

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Introduction

Increasing attention being given internationally to retirement savings policy has been accompanied by the evolution of a number of structural models for accumulation and management of those funds. These range from government run, mandatory, national contribution schemes through to voluntary (but tax preferred) individually managed schemes.\(^1\) The wide range of options in between these extremes includes collective investment arrangements operated by government accredited private providers on either a for-profit or not-for-profit basis.

Developing an optimal structural model for retirement savings is an important public policy issue, still to be determined for many emerging economies, and is (or should be) a matter for ongoing review in economies with existing schemes. And because pension fund management is an industry involving economies of scale and specialist expertise, the growth and development phase throws up particular challenges for the viability of various structural models during that phase. For example, multiple private providers may appear less efficient than a single national provider in the development phase (due to small size, marketing costs, and limited expertise), but may prove more efficient in a mature, large scale, phase.\(^2\)

Consequently, there is potential value to be had in examining ways in which strategies, such as collaboration between private pension funds, can overcome some of the inefficiencies arising from small scale and lack of experience in the developmental phase of pension fund evolution. The Australian experience provides a useful case study in this regard, since it has been marked by successful collaboration strategies by a particular group of pension fund providers across a wide range of activities. That experience also prompts several questions for consideration, which this paper addresses. They include: what types of activities present potential benefits from collaborative strategies; what institutional arrangements are likely to induce collaboration; can

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1 Bateman and Mitchell (2004, Table 1) provide examples of the range of approaches found internationally.

2 Vittas, Impavido and O’Connor (2008) describe how many public pension funds have shown poor investment performance due to poor governance, political interference, and problems with accountability and transparency.
collaboration developed in the early phases of the sector’s evolution survive as the industry matures and grows?

Section 1 of the paper considers in more detail the rationale and motivation for collaboration between private pension funds, based on an analysis of the broad characteristics of their activities and their organizational structures. Section 2 then examines specific areas in which potential benefits from collaboration may exist. Section 3 provides a brief overview of the development of Australian pension fund arrangements (generally referred to as superannuation) as a prelude to outlining, in section 4, the nature of collaboration which has evolved between the not-for-profit industry superannuation funds. The role of the trade union movement in campaigning for universal superannuation and the resulting development of increasingly influential and important not-for-profit financial institutions is an important feature of this development. Section 5 concludes by drawing out some implications for public policy.

1 Motives for Pension Fund Collaboration

Although pension fund arrangements vary across countries, the basic economic functions\(^3\) performed by pension funds are common. First, they reduce transactions costs associated with the process of collecting, managing, and ultimately drawing down long term savings (and complying with regulations associated with any preferential tax treatment accorded to such savings). Second they pool funds from multiple contributors and are thus able to provide access to a broader and diversified investment universe. Third, they provide access to specialized investment knowledge to manage risk and possibly generate higher risk-adjusted returns for savers. Fourth, the range of financial products offered by pension funds increases the opportunity set available to individuals, and may involve risk transformation and risk bearing by the fund managers (such as in the case of defined benefit products). Fifth, their investment activities transmit any specialist information they have generated into financial market prices and may also involve governance and monitoring activities.

\(^{3}\) Merton (1995) and Levine (2005) provide lists of economic functions performed by financial institutions, which differ slightly from the descriptions used here.
The performance of these economic functions involves the use of real resources (such as labor and accounting and information systems), specialist knowledge and risk bearing by the managers of the pension fund, all of which involve economies of scale. Consequently, smaller organizations face a competitive disadvantage, unless they are able to find alternative ways of performing these economic functions. Here, two possibilities present themselves. The first is the outsourcing of particular functions to independent specialist providers who, because they provide these services to a number of entities are able to achieve economies of scale and develop expertise. If competition exists among such specialists, these benefits will be passed on to small pension funds using outsourcing in the form of lower fees for services provided than could be achieved internally. A second possibility is collaboration among small institutions by creation of a jointly owned specialist provider of particular services.

Use of the second option is, arguably, more likely when the institutions involved are not competing for business. And although collaboration might be anticipated to be more likely when the participants operate on a not-for-profit basis, there are numerous examples of collaboration between for-profit oriented organizations. More recently a number of global initiatives have fostered collaboration among institutional investors (including pension funds) that are less focused on business operations per se. Issues concerning corporate governance, sustainable investments, corporate social responsibility have come to the fore. One example is the Institutional Investors Group on Climate Change which is a collaboration between pension funds and fund managers, but there are many others.

2. Potential Forms of Collaboration

A typical, privately run, pension fund undertakes a range of activities, many of which can be outsourced to an external provider or collaborative joint venture. It is convenient to divide them into a number of categories. First, there are operational activities including the collection of contributions and administration of member accounts. Second, there are investment activities including making and managing

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4 Bateman and Mitchell (2004), Bikker and de Dreu (2009) and Ghilarducci and Terry (1999), are among a large number of studies which report significant evidence of economies of scale in pension fund management.
investments. Third, there is *retirement products provision*. Fourth, there are *governance activities* arising from voting rights associated with equity investments. Fifth, there are *political lobbying activities* involving attempts to influence government policy in ways beneficial to members. Sixth, there are a variety of collaborative associations emerging that are concerned with broader *corporate social responsibility*.

In addition to these typical activities, there are potential economies of scope arising from the provision of ancillary financial services to members in conjunction with superannuation services. Such services might include financial planning/advising, insurance, legal services, banking and payments services, where the existing relationship with the member facilitates cross-selling of additional services. While legislation requiring that superannuation funds satisfy a *sole purpose* test prevents funds directly exploiting this potential advantage, there is no prohibition on funds having an equity interest in suppliers of these ancillary services – provided that the investment is justifiable as part of portfolio allocation on financial (risk-return) grounds. Such investments may also be strategic in terms of operational efficiency by assisting efficient delivery of superannuation services to members through enhanced marketing and economies of scale and scope.

3. **Pension Fund Evolution in Australia**

By 2008 Australia’s pension fund (superannuation) industry had grown to be the fourth largest in the world in terms of funds under management, characterized by five main fund types. *Retail Funds* offer superannuation investments to the general public, including employers who do not wish to establish an occupational fund. They comprise 29 percent of industry assets at June 2008. *Industry Funds* tend to draw membership from a particular industry segment (such as construction, retail or hospitality) and are generally associated with trade unions which may have negotiated compulsory membership with employers; the relevant employer associations (or employers) and unions must appoint equal numbers of trustees. In 2008 these funds held 17 percent of industry assets. *Corporate Funds* which are established by an individual employer for its employees comprise 5 percent of industry assets. *Public Sector Funds* which are run by the national and state governments for their employees have 14.5 percent of industry assets. The last
remaining group consists of the \textit{Self-managed Superannuation Funds} which have a very small number of members and are generally not prudentially regulated. In 2008 these funds held 30.5 percent of the industry’s assets.\footnote{See Thompson (2008) for a more detailed description.}

The industry was dramatically transformed in the 1980s when the Labor Government of the time (with close associations with the trade union movement) began the process of introducing compulsory contributory arrangements for all employees.\footnote{APRA (2007) provides a detailed outline of the recent history of superannuation in Australia.} Prior to that time, pension schemes were primarily government schemes for public servants, corporate sponsored schemes for salaried employees, and “public offer” schemes operated by financial institutions available to the self employed or other individuals. The trade union movement, led by the Australian Council of Trade Unions (ACTU) had however taken action to broaden the availability of superannuation through promoting its inclusion in provisions of award wage agreement and through the development of industry based superannuation funds (commencing in 1984) for particular industries. The process of change begun in the 1980s provided impetus for the development of industry based, not-for-profit, representative trustee, superannuation funds (generally described as “industry funds”)\footnote{Trustees are appointed by employer groups and trade unions representing the particular industry.} which have since grown substantially in importance.

The initial policy stimulus to the growth of industry funds occurred in 1986, when as part of the national wage bargaining process, it was agreed that employers would make superannuation contributions (equal to 3 per cent of wages) into approved funds on behalf of members under wage awards rather than a wage increase being awarded. Subsequently, in 1992, the Federal Government introduced the “Superannuation Guarantee” legislation which required all employers to make superannuation contributions for employers, with the size of those contributions being increased over time to reach a level of 9 per cent of wages in 2003.\footnote{Approved funds for the initial 3 per cent contribution were the relevant industry funds. Employers could make the additional contributions under the superannuation guarantee to other funds, but generally made all contributions to the industry fund.}
Together with substantial tax incentives for superannuation savings, the introduction of compulsory superannuation has seen massive growth in the size of the pension fund sector in Australia. Table 1 documents that at June 2008 total assets under management were over $1 trillion, and shows the significant changes to the structure of the sector over 1996 to 2008.

<table>
<thead>
<tr>
<th></th>
<th>Jun-08</th>
<th>Jun-01</th>
<th>Jun-96</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets $b</strong></td>
<td><strong>Entities</strong></td>
<td><strong>Assets $b</strong></td>
<td><strong>Entities</strong></td>
</tr>
<tr>
<td><strong>By fund type</strong></td>
<td></td>
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<tr>
<td>Corporate</td>
<td>62</td>
<td>228</td>
<td>68</td>
</tr>
<tr>
<td>Industry</td>
<td>199</td>
<td>72</td>
<td>61</td>
</tr>
<tr>
<td>Public sector</td>
<td>170</td>
<td>40</td>
<td>102</td>
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<tr>
<td>Retail</td>
<td>342</td>
<td>166</td>
<td>158</td>
</tr>
<tr>
<td>Self-managed super funds</td>
<td>358</td>
<td>387,936</td>
<td>80</td>
</tr>
<tr>
<td>Other</td>
<td>41</td>
<td>50</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1172</strong></td>
<td><strong>519</strong></td>
<td><strong>245</strong></td>
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</tbody>
</table>

**TABLE 1: Australian Pension Fund Sector Evolution**

Reflecting global trends, defined benefit schemes have diminished substantially in relative importance (compared to defined contribution schemes). Coupled with these developments, over the past decade or so the regulators have intensified licensing requirements for funds and their trustees. Many corporate funds decided it would be simpler to outsource their pension obligations to industry funds or master trusts, with the number of corporate funds declining dramatically. Table 1 illustrates how the industry funds have grown in size relative to corporate, public sector and retail public offer funds (although growth in self managed funds has been even greater). Also evident in Table 1 is the declining number of schemes as a result of mergers and closures involving transfers of members to other (industry) funds. Notably, the number of industry funds has also fallen as a result of mergers.

A further influence upon the sector’s development has been the introduction of “Fund Choice” in 2005 providing individuals with the option to choose their preferred fund, and also to shift easily between funds. One consequence has been that industry funds are now potentially in competition for members. This has also encouraged a number of industry funds to broaden their trust deeds to become “public offer” funds allowing membership of individuals not employed in the relevant industry. In practice, most individuals commencing employment accept the “default option” fund chosen by the employer and few shift between funds.

These developments have significant social and economic implications. The funds management sector has burgeoned partly in response to the growth of superannuation savings, and the industry funds have become substantial and significant financial institutions. This is in distinct contrast to the decline of mutual, not-for-profit, financial institutions elsewhere in the Australian financial sector (such as insurance, building societies and credit unions). Whether a not-for-profit objective leads to better outcomes for member-customers is controversial, but the industry funds have provided the trade union movement with the potential for increased influence in the financial sector. In practice this occurs more through alignment of trustees’ values with those of the union movement than through a coordinated union agenda. Nevertheless, the sector’s growth has promoted increased debate about the importance of governance in investee companies, investment in national infrastructure, and socially responsible investment (and the compatibility of these issues with maximizing investment returns for members).

Also important is the option which emerges for such large financial institutions to expand the range of financial services to their member-customers, and thus compete more directly with banks and other for-profit financial institutions. Economies of scope may exist in marketing other financial services to, and in managing a broader relationship with, members. In practice, this option is constrained by government legislation requiring superannuation funds to pass a “sole purpose” test that all the activities are for the purpose of providing retirement savings for members. Finding mechanisms for exploiting

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10 Coleman, Esho and Wong (2006) conclude that not-for-profit funds provide superior returns than for-profit funds which they attribute to agency cost issues. Davis (2005) provides a survey of the mixed evidence of relative performance of mutual versus non-mutual depository institutions.
potential advantages in providing such services to members which are consistent with the sole purpose test has been one driver of innovative collaboration among the industry funds.

4. Collaboration between Industry Super Funds

As at the start of 2009, collaboration between Industry Funds in Australia took a number of forms, as shown in Table 2.

<table>
<thead>
<tr>
<th>Organization</th>
<th>Structure</th>
<th>Activities</th>
</tr>
</thead>
<tbody>
<tr>
<td>ACSI, Australian Council of Superannuation Investors</td>
<td>Membership body for not for profit Superannuation Funds</td>
<td>Research and activism re corporate governance in investee companies</td>
</tr>
<tr>
<td>AIST, Australian Institute of Superannuation Trustees</td>
<td>Membership body for trustees/staff</td>
<td>Training, education, advocacy</td>
</tr>
<tr>
<td>ISPT, Industry Super Property Trust</td>
<td>Trustee Co owned by 26 funds</td>
<td>Trusts have approx 60% of major industry funds’ property investments</td>
</tr>
<tr>
<td>ISH, Industry Super Holdings (formerly IFS)</td>
<td>Owned by 40+ funds</td>
<td>Services to Funds: Credit Control, Retirement Income Products (IFS) Infrastructure &amp; Private Equity investments (IFM) Services to members: Banking (MEB) Funds management (MEPM) Other (IFS)</td>
</tr>
<tr>
<td>Super Partners</td>
<td>Owned by 12 funds (spun off by IFS in 2002)</td>
<td>Fund administration services $95 bill funds under administration (50% of industry funds total)</td>
</tr>
<tr>
<td>Frontier Investment Consulting</td>
<td>Owned by 4 funds (spun off by IFS in 2000)</td>
<td>Asset consultant $97 bill funds under advice</td>
</tr>
</tbody>
</table>

*TABLE 2: Current Industry Fund Collaboration in Australia*
Many of those collaborative arrangements exist under the umbrella of Industry Super Holdings (ISH), a holding company established in 2007 by a restructuring of the existing interrelated collaborative ventures of IFS, IFM and ME. In addition, Super Partners and Frontier Investment Consulting were spun off by IFS, while the development of the industry fund associations (AIST and ACSI) were highly interrelated with that of IFS. Figure 1 shows the current organizational structure of ISH.

![Industry Super Holdings Current Structure](image)

**FIGURE 1: Industry Super Holdings Current Structure**

These collaborative arrangements have evolved over time, with the Australian Council of Trade Unions (ACTU) playing a key role. Its influence includes intangible effects such as establishing a culture in which collaboration is seen as the norm and also providing key strong personalities who had enough influence to ensure that disparate parties and organizational units worked together. Particular individuals have played major roles in establishing and promoting collaborative ventures aimed at enhancing the
efficiency of the industry funds and also for providing additional financial services for trade union members on a not-for-profit basis.

One of the early initiatives was in the provision of collective investment vehicles for superannuation funds which would support national projects seen as socially and economically important. The Development Australia Fund (DAF) was created in 1990 as an initiative of the ACTU, The Australian Chamber of Manufacturers (ACM) and AMP (a large mutual life assurance company), providing an investment vehicle specializing in national infrastructure projects for superannuation funds. Half of the initial funding came from four industry funds and half from AMP. The first infrastructure project invested in was the NSW Government’s “Rent-Buy Scheme” aimed at providing affordable housing to lower income groups.

Ultimately, the provision of collective investment vehicles, focused on infrastructure, private equity and other securities has become the responsibility of Industry Funds Management (IFM) which has also developed in-house funds management capabilities. Initially, Industry Funds Services (IFS) which was established in 1994, took on an advisory role to DAF with AMP as an investment manager, and subsequently assumed full responsibility in 1995. Specialist fund managers (Hastings Fund Management and Macquarie Bank) were appointed until management was taken over by IFM in 2004.

The creation of Industry Fund Services in 1994 was a pivotal event in the development of collaborative arrangements, and was aided by seed funding from the large mutual life insurance company Colonial Mutual Life (CML). Subsequently industry funds obtained 100 per cent ownership. The role of IFS was to provide services to industry funds and members that the sole purpose test prevented the funds from directly providing. As well as the management of the DAF, asset consulting services, and development of private equity investment capabilities on the investments side, IFS developed the provision of operational services for funds as well as particular services for fund members.

One important development was in the provision of fund administration services, leading ultimately to the creation of Superpartners, which provides fund administration
services to industry funds representing around 50 per cent of the assets of that sector. That company, traces its origins back to 1983 when the mutual life assurance company, Colonial Mutual, established Jacques Martin as a subsidiary to provide such services. It gradually acquired industry funds as clients and in 1998 part ownership was transferred to Industry Fund Services representing a number of those clients, with full ownership occurring several years later. Subsequently, in 2002, the current name was adopted, and the ownership transferred to twelve of the industry funds using its services.

A number of other services for industry funds have been developed by IFS. One is credit control services, involving the collection of delinquent contributions from employers on behalf of members. A second is the provision of retirement income products, marketed individually by the industry funds, but administered by IFS with contributions invested in a pooled superannuation trust for which IFS is the responsible entity. Other areas include provision of insurance broking services and specialist legal services for industry funds, together with development of industry wide marketing campaigns. A further service, asset consulting which had operated within IFS as Frontier Investment Consulting since 1994, was spun out of IFS in 2000 into the ownership of four industry funds.

While IFS also developed ancillary financial services for members of industry super funds, such as financial planning, the main innovation in this area has been through the establishment of Members Equity Bank which is now a wholly owned subsidiary of ISH. MEB has its origins in the Super Members Home Loan Program established in 1994 by the large mutual life assurance company National Mutual (which became part of AXA in 1995), with the support of ACTU. The initial objective was to improve the provision and terms of home mortgage loans to trade union members, using securitization. In 1999, Members Equity was established (with 50 per cent ownership by each of AXA and IFS). It received a banking licence in 2001 and in 2006, IFS raised funding from its Industry Fund shareholders to achieve 100 per cent ownership. Through its subsidiary, Super Members Investments, it also provides retail funds management services to individuals.

In addition to the collaborative activities undertaken through ISH’s predecessors and its spin-offs, several other collaborative ventures can be identified. Initially, the
Association of Superannuation Funds of Australia (ASFA) was dominated by the ‘for-profit’ superannuation funds, and the Conference of Major Superannuation Funds (CMSF) was established in 1990, followed in 1992 by AIST, which has since taken over CMSF. In 2001 ACSI was formed to facilitate research into and influence governance in investee companies.

Another major collaborative venture was the creation of ISPT, Industry Super Property Trust in 1994, which is a trustee company initiated by 4 industry funds and now owned by 26 funds and whose property trusts have approximately 60% of property investments of the major industry funds.

It is interesting to compare the IFM and ISPT models. IFM operates as a conventional profit oriented fund manager, owned by super funds, which creates and markets investment vehicles, obtains funding commitments (mandates) and makes asset decisions. Management fees, covering both operating costs and profit, are charged to the investment vehicles, with the profits ultimately accruing to the industry fund owners of ISH. IFM has opened offices in London and New York in recent years to generate greater deal flow in international infrastructure investments, and has also acquired some not-for-profit pension funds as off-shore clients.

The ISPT model involves the Trust operating as a manager, owned by a small number of super funds, which operates on cost recovery basis. It identifies possible real estate assets for investment, and industry super funds then make investment decisions regarding funding.

A number of potential implications flow from these differences. First, there is different potential for independent growth, with IFM appearing to have greater independence. There is also some element of differential risk sharing because of owner and investor groups differing. Managerial incentives may differ, with IFM potentially at greater risk of agency problems if growth and size becomes a management objective. Finally, the different structures may generate differential long run prospects for continued collaboration.
5. Conclusion

The pension fund industry in Australia provides an interesting case study of the evolution of collaboration between pension funds and the role this played in forming the current structure of the industry. There are a number of lessons to be drawn from the analysis.

*First, it is likely that collaboration between pension funds has arisen because of a particular confluence of initial industry structure, powerful labor union movements and associated strong leaders, and particular events (such as the introduction of the mandatory superannuation guarantee) in Australia.*

The current structure of the superannuation industry in Australia reflects the influence of a number of interacting historical factors. Collaboration by members of a nascent industry was instrumental in the evolution of the industry. The burden of regulatory and legislative changes\(^ {11}\) made it increasingly difficult for small funds to survive, many of which were too small to be cost-effective under a mandatory pension system (Bateman and Mitchell, 2004). Partly in response to these regulatory pressures there was considerable consolidation as a result of merger activity resulting in a substantial reduction in the number of funds over 1996 to 2008 (documented in Table 1). Concurrently, collaboration between funds in setting up ancillary services circumvented the legislated sole purpose test and gave smaller funds a greater chance of surviving because they were able to maintain low operating costs through the achieved economies of scale.

The trade union movement played an important role in the development of the pension fund industry through its lobbying for universal superannuation. And then subsequent to the introduction of compulsory superannuation, and partly as a result of non-overlapping membership, strong trade union personalities were able to bring about

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\(^ {11}\) The Occupational Superannuation Standards Act 1987, replaced in 1994 with the Superannuation Industry Supervision Act (as a response to the introduction of the compulsory superannuation guarantee) required all superannuation funds to conform to the Commonwealth operational standards.
co-operation between industry funds and a collective shared vision for future growth in their market share.

Second, there are lessons from the case study for feasible collaborative management structures in transition economies.

Dobrogonov and Murthi (2005) study the potential impact of fees on pension fund savings. They document the reduction in yield with accompanying reduction in asset values as a result of costs across a number of economies with nascent pension fund industries. Coleman, Esho and Wong (2003) find statistically significant economies of scale in expenses and returns for Australian pension funds. Collaboration that achieves shared services including back office operations, investment in technology on a shared basis and collaborative investment management structures potentially creates economies of scale that can lead to improved performance.

The case studied in this paper offers different types of collaborative structures within the investment activities of the funds. The first is the Industry Funds Management model with a conventional profit oriented fund manager. It is owned by superannuation funds, and creates and markets investment vehicles, obtains funding commitments and makes asset decisions. Fees are charged to investment vehicles. The second, the Industry Super Property Trust model, is also owned by super funds, but has a manager which operates on a cost recovery basis. It identifies possible assets and the owners of the business (the superannuation funds) make the investment decision. These two models offer different potential for independent growth and differential risk sharing if owner and investor groups differ. Ensuring the right managerial incentives is paramount for the model to be sustainable and add value.

Third, we have argued that industry development threatens some collaborative incentives.

We have argued that collaboration via investment vehicles and firms providing administrative services is valuable in an “infant industry” but such collaboration is at risk with industry and individual fund growth and development. “In-house” development of some skills and activities becomes increasingly feasible with size, and potential cross-subsidization across unequal sized participants of pricing decisions by a joint venture
supplier or services makes governance and management arrangements of such entities an important consideration for survival. More generally, professional managers of “not for profit” organizations such as industry superannuation funds will, naturally, have personal goals which they wish to achieve – amongst which may be growth of the organization either organically or by merger, which reduce willingness and incentives to collaborate. In Australia, legislative changes such as the introduction of “Fund Choice” of superannuation fund, together with the switch of many industry funds to “public offer” status, has introduced competition between funds at the potential expense of further collaboration.

Fourth, and finally, the Australian experience indicates the potential for collaboration by pension funds in sustainably providing other, non-pension, financial services to members.

While the sole purpose test for pension funds prevents direct provision of other financial services to members, the relationship developed between members and their fund creates opportunities for efficient provision of such services. Joint ventures between pension funds as equity partners in banking, or other financial services, firms can draw on operational and informational economies arising from the customer relationship. Provided that the joint venture operates with a goal of achieving an appropriate risk-adjusted return on equity, that there are no investments by the pension funds in the joint venture’s financial products at below market rates, and the pension fund assets are not put at risk (beyond the equity stake involved), there is nothing inherently inconsistent with the sole-purpose test. Moreover, through Board representation, organizational culture and non-financial goals consistent with the ultimate non-profit objectives of its pension fund owners can be determined. Non-listed company status can also allow management to focus more on longer-term performance than short term stock price performance, although the absence of such stock market discipline increases the importance of good internal corporate governance arrangements.

The continuing world-wide, government supported, development of the pension fund sector has implications for savings and investment levels, patterns of financial flows, and financial market structure. It also has significant implications for the potential
ownership structure and culture of significant parts of the financial sector. The potential for collaborative ventures to achieve efficiencies among small organizations in nascent industries is an important consideration in deliberations over the preferred design of pension fund systems. Also important, from a political economy perspective, is the potential for such collaboration to influence the longer term ownership structure and “culture” of significant parts of the financial system.
REFERENCES


