

The results of the model are extremely sensitive to changes in the gaps between the assumptions. More specifically, an increase of 0.25% in the gap between the gross return and the increase in salaries serves to decrease the Retirement Savings Gap by approximately \$114 billion (or 13%).

4.7.2 Management Expense Rates

Our December 2008 report to the Financial Services Council entitled *Superannuation Fees Report 2008 - Market Segment Analysis at 30 June 2008* sets out the fees charged in the superannuation market by industry segment as follows:

Table 14. Fees 2008

Sector	Segment	Total Fees % ¹
Wholesale	Corporate	0.73
	Corporate Super Master Trust ¹¹ (large)	0.79
	Industry	1.07
	Public Sector	0.69
Retail	Corporate Super Master Trust ¹² (small)	2.12
	Personal Superannuation	2.00
	Retirement Income	1.84
	Retirement Savings Accounts	2.30
	Eligible Rollover Funds	2.49
Small Funds	Self Managed Super Funds	0.98
Total		1.21

1. Expressed as a % of average assets over the year to 30 June 2008.

As our model does not segment by fund type, we have considered only an average management expense rate across the entire superannuation industry. In our Savings Gap report at June 2008, we assumed that an overall expense rate of 1.20% p.a. (rounded) of assets will halve to 0.60% p.a. over the 15 years to 30 June 2023. This effectively assumed that expense rates will fall by 0.04% p.a. over this period. We have maintained this assumption resulting in an expense rate of 1.16% for the year commencing 1 July 2009.

Note that we expect fees to reduce as a percentage of assets in all market segments, for a number of reasons including:

- Growth in assets, which will mean that fees will reduce as a percentage of FUM;
- Consolidation of accounts which will lead to elimination of many fees on multiple accounts and reduced fees (as a percentage of assets) on the main account;
- Consolidation of superannuation funds, which will lead to elimination of many smaller less-efficient funds;
- Transfers of corporate funds into other arrangements, which usually results in savings of fund costs;
- Improvements in technology which should drive down the cost of managing superannuation;

¹¹ Excludes employer plans with less than \$5 million in assets.

¹² Employer plans with less than \$5 million in assets.