

# HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS

## REVIEW OF THE FOUR MAJOR BANKS AND OTHER FINANCIAL INSTITUTIONS SUPERANNUATION SECTOR

Mercer Australia

MER123QW:

Since 1 January 2020, for each fund, please outline:

- a. The date and value at the highest valuation of the fund?
- b. The date and value at the lowest valuation of the fund?
- c. The number of business days between the highest and lowest valuation for the fund?
- d. The nominal value between the highest and lowest valuation for the fund?
- e. The percentage value between the highest and lowest valuation for the fund?
- f. The number of business days between the date of the ASX's lowest valuation, and the lowest day for the valuation of the fund?
- g. The number of business days between the date of the ASX's lowest valuation, and the lowest valuation of unlisted assets in the fund?
- h. What volume of switching of investments occurred between funds between the highest and lowest valuations?
- i. What volume of switching between funds occurred in that time by trustees of the fund that are also members of the fund, between the highest and lowest valuations?
- j. What volume of switching between funds occurred in that time by executives of the fund that are also members of the fund, between the highest and lowest valuations?
- k. What volume of switching between funds occurred in that time by other employees of the fund that are also members of the fund, between the highest and lowest valuations?
- l. What integrity measures were taken to prohibit trustees, executives and employees switching between funds from taking advantage of arbitrage of any gap between the lowest valuation date of the ASX and any revaluation of the fund?

Answer:

The information below is provided by Mercer Superannuation (Australia) Limited (MSAL) in its capacity as the Registrable Superannuation Entity licensee for the Mercer Super Trust. The Mercer Super Trust is MSAL's flagship offering, with \$23 billion of assets under management and over 244,000 members as at 31 March 2020.

As the Mercer Super Trust offers a menu of investment choices across each division, and there is a range of different employer plan arrangements, the information below is provided in respect of the main product offering as being representative for the membership – being the Mercer SmartPath® investment option (which is part of the MySuper offering) and the Mercer Growth investment option. The information provided for the Mercer SmartPath investment option is for the cohort with largest amount of assets under management.

- |   |                              |
|---|------------------------------|
| a. Mercer SmartPath – Age cohort born 1969 to 1973: | \$2.313 billion on 20/2/2020 |
| Mercer Growth:                                      | \$3.346 billion on 20/2/2020 |
| b. Mercer SmartPath – Age cohort born 1969 to 1973: | \$1.747 billion on 23/3/2020 |
| Mercer Growth:                                      | \$2.586 billion on 23/3/2020 |

- c. 20 days
- d. Mercer SmartPath – Age cohort born 1969 to 1973: \$565 million  
Mercer Growth: \$760 million
- e. Mercer SmartPath – Age cohort born 1969 to 1973: -24.5%  
Mercer Growth: -22.7%
- f. Mercer SmartPath – Age cohort born 1968 to 1073: 0 days  
Mercer Growth: 0 days
- g. The vast majority of assets in the Mercer Super Trust are invested in the Mercer Multi-Manager Funds (MMFs) and the Mercer Investment Funds (MIFs) which are distributing unit trusts operated and managed by Mercer Investments (Australia) Limited (MIAL) (MIAL Funds). MIAL is the responsible entity of the MMFs and the MIFs and chooses the underlying investment managers to manage the assets of the MMFs and MIFs either directly or via external investment vehicles.

The fund managers chosen by MIAL for the MMFs and MIFs are responsible for the selection of the underlying investments and management of said assets. MSAL has indirect exposure to unlisted assets via its holdings in underlying MMFs and MIFs that are a component of multi-sector investment options offered in the Mercer Super Trust. Through its investment in the MMFs and the MIFs the number of business days between the date of the ASX's lowest valuation, and the lowest valuation of unlisted assets was:

|  |        |
|--|--------|
| Mercer SmartPath – Age cohort born 1968 to 1973: | 3 days |
| Mercer Growth:                                   | 3 days |

- h. Mercer SmartPath – Age cohort born 1969 to 1973: approximately \$22 million  
Mercer Growth: approximately \$85 million
- i. There was no switching between investment options by trustee directors who are members of the Mercer Super Trust in the period in question.
- j. MSAL operates a fully outsourced model and, as such, has no employees. MSAL's Executive Director was employed by Mercer (Australia) Pty Ltd and made available to MSAL under a group resource-sharing arrangement. In the period in question there was no switching between investment options by the Executive Director.
- k. MSAL operates a fully outsourced model and, as such, has no employees.
- l. MSAL operates a fully outsourced model and, as such, has no employees. MSAL is a wholly owned subsidiary of Mercer (Australia) Pty Ltd (MAPL), MAPL and its subsidiary companies are engaged, under written agreement to provide to services and resources to MSAL. MSAL's unit pricing policy and process has been consistently applied for all members of the Mercer Super Trust in respect of switches between investment options, regardless of their association with MSAL.

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Mercer Australia

MER124QW:

On financial advisers providing non-intrafund advice (i.e. comprehensive advice - beyond the scope of intrafund advice) within the fund over the past five financial years:

- a. How many do you employ (or are you paying for through outsourced arrangements)?
- b. What is the revenue generated from these non-intrafund advisers?
- c. How many financial advisers within the fund also provide intrafund advice?
- d. If you have non-intrafund financial advisers within the fund also providing intrafund advice, how is their remuneration determined from different sources?
- e. Is there any cross-subsidisation for non-intrafund financial advisers within the fund from activities funded through intrafund advice?
- f. Is there any cross-subsidisation for financial advisers from intrafund advice to non-intrafund financial advisers within the fund?
- g. What is the total budgeted cost and actuals for financial advisers?
- h. What is the remuneration level/range for the financial advisers employed to provide non-intrafund advice to your members?
  - i. What is the aggregated cost of their remuneration?
  - ii. What is the aggregated cost for their employment?
  - iii. What is the aggregated cost for their on-costs, including but not limited to, superannuation, leave, training support and office space?
  - iv. What is the aggregated cost for marketing their services?
  - v. What is the aggregated cost for administrative support services?
  - vi. What is the aggregated cost for professional insurance and indemnity?
  - vii. What is the aggregated cost for compliance oversight?
  - viii. What is the aggregated cost for legal oversight?
  - ix. What is the aggregated cost for other regulatory oversight?
  - x. What is the aggregated cost for the unit, including overheads, that provides financial advice within the fund?

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- a. MSAL operates a fully outsourced model, and has no employees (including no employed advisers), and does not have any outsourced arrangements in place with financial advisers to provide non-intrafund advice.

Advice fees can be paid from a member's account at the request of that member, with the proviso that the advice relates to their superannuation in the Mercer Super Trust.

Accordingly, the response to the remaining questions is Not Applicable in all cases.

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### REVIEW OF THE FOUR MAJOR BANKS AND OTHER FINANCIAL INSTITUTIONS SUPERANNUATION SECTOR

Mercer Australia

MER125QW:

On financial advisers providing intrafund advice (i.e. strictly limited to advice on your super fund for the member only - not spouse) within your fund over the last five financial years:

- a. How many do you employ (or are you paying for through outsourced arrangements)?
- b. What is the remuneration level/range for the financial advisers employed to provide intrafund advice to your members?
  - i. What is the aggregated cost of their remuneration?
  - ii. What is the aggregated cost for their employment?
  - iii. What is the aggregated cost for their on-costs, including but not limited to, superannuation, leave, training support and office space?
  - iv. What is the aggregated cost for marketing their services?
  - v. What is the aggregated cost for administrative support services?
  - vi. What is the aggregated cost for professional insurance and indemnity?
  - vii. What is the aggregated cost for compliance oversight?
  - viii. What is the aggregated cost for legal oversight?
  - ix. What is the aggregated cost for other regulatory oversight?
  - x. What is the aggregated cost for the unit, including overheads, that provides intrafund advice?
- c. What is the revenue that intrafund advisers have generated?
- d. How many financial advisers providing intrafund advice also provide it within the fund?
- e. If you have financial advisers providing intrafund advice also providing it within the fund, how is their remuneration determined from different sources?
- f. Is there any cross-subsidisation for financial advisers providing intrafund advice from revenue funded through activities within the fund?
- g. What is the total budgeted cost and actuals for the intrafund advice unit?
- h. What is the revenue generated from these financial advisers?
- i. Within your fund, is there any cross-subsidisation for intrafund advice services?

Answer:

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- a. MSAL operates a fully outsourced model and has no employees (including employed financial advisers). MSAL has an outsourced arrangement for the provision of intrafund advice to members of the Mercer Super Trust. Intrafund advice is included in the administration fees paid by members – ie, it is not a separately charged fee to members. The arrangement is for the provision of intra fund advice and does not commit to a specific number of advisers. As referenced in MER52QW, the cost of intra-fund advice was \$1,271,000 for the year ended 30 June 2019, an average of approximately \$6.00 per member. The cost is included in the administration fees charged to members and is not a specific fee to members.

Accordingly, the response to the remaining questions is Not Applicable in all cases.

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SUPERANNUATION SECTOR

Mercer Australia

MER126QW:

Do you allow members to use their funds to pay for:

- a. Financial advice?
- b. Internal financial advisers?
- c. External financial advisers?

Answer:

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- a. Advice fees can be paid from a member's account at the request of that member, with the proviso that the advice relates to their superannuation in the Mercer Super Trust.
- b. Not applicable, MSAL operates a fully outsourced model and has no employees (including financial advisers).
- c. The facility for advice fees to be paid from members accounts (as per a.) is available in relation to external financial advisers.

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Mercer Australia

MER127QW:

Do you allow external financial advisers access to online facilities to charge for external financial advisers consented by members using their funds?

Answer:

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MSAL does not allow external financial advisers access to online facilities to charge for external financial advice. While a member of the Mercer Super Trust can provide a signed third party authorisation for a financial adviser to have access to information in relation to their superannuation account in the Mercer Super Trust, the adviser cannot transact on the member's account. Members must separately authorise the deduction of any fees for advice provided.