

HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS

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

Mercer Australia

MER128QW:

Please advise the total remuneration package of your:

- a. company secretary, and
- b. Chief Executive Officer, including:
 - i. total remuneration
 - ii. base salary
 - iii. annual bonuses
 - iv. deferred bonuses
 - v. equity or other options
 - vi. additional compensation not covered in the above.

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.

MSAL operates a fully outsourced model and, as such, has no employees.

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SUPERANNUATION SECTOR

Mercer Australia

MER129QW:

For each year of the past decade, please advise the:

- a. annual remuneration of the average worker who contributes to your fund
- b. average annual superannuation contribution from an employee to your fund
- c. multiple your CEO is remunerated compared to the annual remuneration of the average worker who contributes to your fund.

Answer:

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Parts a and b:

The information provided below relates to Accumulation members of the Mercer Super Trust

Financial Year	a. Average annual remuneration ¹	b. Average annual superannuation contribution ²
FY2011	\$70,988	\$2,661
FY2012	\$72,638	\$2,758
FY2013	\$75,704	\$2,912
FY2014	\$78,664	\$2,989
FY2015	\$81,232	\$3,619
FY2016	\$85,101	\$4,011
FY2017	\$84,760	\$5,055
FY2018	\$87,773	\$5,058
FY2019	\$88,797	\$5,429
FY2020	\$93,568	\$5,386

¹ Average for members where salary information is available

² Average allows for members where contributions are not currently being received

Part c:

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SUPERANNUATION SECTOR

Mercer Australia

MER130QW:

In the context of marketing and advertising campaigns:

- a. How many is your fund currently running individually, or in collaboration with others?
- b. How many have run, or are currently running since the beginning of calendar year 2020?
- c. What is the actual cost for each campaign (including development, production, broadcasting, and distribution) to 30 June 2020?
- d. What is the actual cost for each campaign (including development, production, broadcasting, and distribution) budgeted?
- e. What is the budgeted cost for each campaign (including development, production, broadcasting, and distribution) from 1 July 2020 – 31 December 2020?
- f. What is the budgeted cost for any existing or proposed campaigns (including development, production, broadcasting, and distribution) for the period 1 January 2021 – 30 June 2021?
- g. What is the budgeted cost for any existing or proposed campaigns (including development, production, broadcasting, and distribution) for the period 1 July 2021 – 31 December 2021?

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.

MSAL operates a fully outsourced model and does not undertake any marketing or advertising campaigns. Some of MSAL's internal service providers may, as part of their broader business development and marketing activities for the broader enterprise, undertake marketing or advertising campaigns. There are no separately identifiable costs paid by MSAL for such activities.

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SUPERANNUATION SECTOR

Mercer Australia

MER131QW:

For each of the following categories, please provide the percentages of employees that are women, men, or who identify otherwise:

- a. all employees
- b. non-executive employees
- c. executive employees
- d. senior executive employees.

Answer:

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Mercer Australia

MER132QW:

Do you have a target for the employment of:

- a. women as a share of:
 - i. all employees?
 - ii. executive employees?
 - iii. senior executive employees?
- b. people who are gender non-binary as a share of:
 - i. all employees?
 - ii. executive employees?
 - iii. senior executive employees?

Answer:

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Mercer Australia

MER133QW:

Since the introduction of Superstream, which has standardised the transfer of funds, has there been:

- a. A reduction in the cost to the fund for transferring funds, and if so, by how much?
- b. A reduction in the fees charged to members reflecting any saving, and if so, by how much?

Answer:

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Mercer Outsourcing (Australia) Limited (MOAPL) has been engaged, under written agreement to provide to services and resources to MSAL, including superannuation administration services.

MOAPL has been improving member outcomes for MSAL, with investments in scale and simplicity continuing to reduce the fees charged to members.

MOAPL has been driving down the cost of servicing members, and, this has supported the average fees that are charged to Mercer Super Trust reducing in recent years. There are a series of technology and process innovations that have made a contribution to being able to drive down the cost of servicing members over time – these include, but are not limited to, SuperStream, reconciliation automation, Lean Six Sigma reviews and straight through processing. Future investments in robotics and artificial intelligence could support further reductions in average fees charged to MSAL members.

By the end of 2020, the average administration fees charged to members in the Mercer Super Trust will be down from 54 to 36 basis points since 2014. The continued investment in efficiency and innovation has also provided the opportunity to target further reductions in average administration fees in 2021.

Apportionment of specific technology innovations to reductions in costs for members over this period is not available.

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Mercer Australia

MER134QW:

Greenhouse gas emissions

- a. Does your fund have an internal target for your own greenhouse gas emissions footprint by:
 - i. 2030?
 - ii. 2035?
 - iii. 2040?
 - iv. 2045?
 - v. 2050?
- b. Does your fund have a target for reducing greenhouse gas emissions from investments by:
 - i. 2030?
 - ii. 2035?
 - iii. 2040?
 - iv. 2045?
 - v. 2050?
- c. Does your fund intend to divest from investments if they do not reach their greenhouse gas emissions reduction targets by:
 - i. 2030?
 - ii. 2035?
 - iii. 2040?
 - iv. 2045?
 - v. 2050?

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 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 is the responsible entity of the MMFs and the MIFs (MIAL managed investment options) and chooses the underlying investment managers to manage the assets of the MMFs and MIFs either directly or via external investment vehicles.

MSAL does not currently have internal or fund wide greenhouse gas emissions targets. MSAL takes a holistic approach to measuring climate risk and building portfolio climate resilience. MSAL's policy is outlined in the Climate Change Management Statement, which MIAL implements for the MIAL managed investments options. MSAL's approach is in line with the Task Force on Climate-related Financial Disclosures (TCFD) recommendations. The holistic approach to climate measurement includes top down climate scenario modelling and stress testing, as well as bottom up carbon intensity indicators. The evolution of climate transition analytics, and consideration of targets will form part of the MSAL board agenda in late 2020 and early 2021.

A copy of the Climate Change Management Statement is provided as attachment 134.1QW

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Mercer Australia

MER135QW:

The New Daily

- a. Have you ever completed a cost benefit analysis of The New Daily to your fund?
 - i. If so, when did you complete this cost benefit analysis?
 - ii. Please provide a copy of the cost benefit analysis.
- b. Have you ever completed a cost benefit analysis of The New Daily to your members?
 - i. If so, when did you complete your cost benefit analysis of the New Daily to your members?
 - ii. Please provide a copy of the cost benefit analysis.

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.

MSAL does not have a relationship with The New Daily.

- a. MSAL has never completed a cost benefit analysis of The New Daily to the Mercer Super Trust.
- b. MSAL has never completed a cost benefit analysis of The New Daily to the members of the Mercer Super Trust.

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Mercer Australia

MER136QW:

Financial advisers remuneration

- a. Are your financial advisers paid:
 - i. a base salary?
 - ii. non-salaried remuneration, including bonuses?
- b. Are your financial advisers, who are only remunerated with a base salary, eligible to provide:
 - i. personal advice?
 - ii. general advice?

Answer:

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MSAL operates a fully outsourced model and, as such, has no employees (including no employed advisers).

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Mercer Australia

MER137QW:

Have any technology innovations within the fund reduced the cost of operating the fund over the past decade?

If so, please outline:

- a. the technological innovations
- b. the cost saving
- c. the cost saving passed through to fees charged to members.

Answer:

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Mercer Outsourcing (Australia) Limited (MOAPL) has been engaged, under written agreement to provide to services and resources to MSAL, including superannuation administration services.

MOAPL has been improving member outcomes for MSAL, with investments in scale and simplicity continuing to reduce the fees charged to members.

MOAPL has been driving down the cost of servicing members, and, this has supported the average fees that are charged to Mercer Super Trust reducing in recent years. There are a series of technology and process innovations that have made a contribution to being able to drive down the cost of servicing members over time – these include, but are not limited to, SuperStream, reconciliation automation, Lean Six Sigma reviews and straight through processing. Future investments in robotics and artificial intelligence could support further reductions in average fees charged to MSAL members.

By the end of 2020, the average administration fees charged to members in the Mercer Super Trust will be down from 54 to 36 basis points since 2014. The continued investment in efficiency and innovation has also provided the opportunity to target further reductions in average administration fees in 2021.

Apportionment of specific technology innovations to reductions in costs for members over this period is not available.

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SUPERANNUATION SECTOR

Mercer Australia

MER138QW:

Valuations

- a. What data is provided to valuation teams to assess the value of unlisted assets?
- b. When the fund provides data to valuation teams to assess the value of unlisted assets, does this include internal modelling of asset valuations?
- c. What assumptions are provided to valuation teams when assessing the value of unlisted assets?
- d. When valuation teams assess the value of unlisted assets, do they solely take account of past performance?
- e. When valuation teams assess the value of unlisted assets, what weighting do they take on the projected value of the market for such unlisted assets to inform their valuations?
- f. For the past decade can you please complete the below table for each unlisted asset valued under your valuation policy.

Answer:

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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 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.

As such, MSAL does not directly value any unlisted assets and does not have an internal or external valuation function. For valuation purposes MSAL uses the value of its holdings in the underlying funds based on issued unit prices and valuations.

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Mercer Australia

MER139QW:

In the Financial Services Royal Commission documentation an 'Audit and Risk Management Committee' paper was compiled for CBUS ('Review of payments made to sponsoring organisations'—<https://financialservices.royalcommission.gov.au/public-hearings/Documents/Additional-exhibits-round-5/EXHIBIT-5.368.pdf>).

Please advise how many times, over the last decade, such a paper, or equivalent, has been prepared for:

- a. your Board?
- b. Board subcommittee?
- c. executive management?

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.

MSAL does not make payments to sponsoring organisations. Accordingly no such paper, or equivalent, has been prepared for the MSAL Board or Board subcommittee. Neither has such a paper, or equivalent, been prepared for executive management as MSAL operates a fully outsourced model and, as such, has no employees.

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Mercer Australia

MER140QW:

Over the past decade, how many non-disclosure agreements have you agreed to in relation to:

- a. human resources issues?
- b. sexual harassment issues?

Answer:

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

Mercer Australia

MER141QW:

Do you use an internal clearing house to receive the superannuation payments from employers, or their payroll representatives, before they are allocated to an individual member's account and/or fund?

If so:

- a. What is the name of the clearing house?
- b. Why do you use a clearing house?
- c. How much does it cost annually to use the clearing house?
- d. How much does it cost annually to each member to use the clearing house?
- e. What happens to interest accrued from funds held in the clearing house?
- f. What happens to non-interest income and/or capital gains accrued from funds held in the clearing house?

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.

MSAL does not use an internal clearing house to receive superannuation payments from employers or their payroll representatives.

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Mercer Australia

MER142QW:

Do you use an external clearing house to receive the superannuation payments from employers, or their payroll representatives, before they are allocated to an individual member's account and/or fund?

If so:

- a. What is the name of the clearing house?
- b. Who owns the clearing house?
- c. Why do you use an external clearing house?
- d. How much does it cost annually to use the external clearing house?
- e. How much does it cost annually to each member to use the external clearing house?
- f. What happens to non-interest income and/or capital gains accrued from funds held in the external clearing house?

Answer:

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Yes, an external clearing house is used to receive superannuation payments from employers, or their payroll representatives before they are allocated to an individual member's account and/or fund.

- a. QuickSuper
- b. Westpac Banking Corporation
- c. The QuickSuper clearing house offers employers participating in the Mercer Super Trust a government compliant, automated online payment system. It allows employers to securely and quickly make payments for all of their employees.
- d. Mercer Outsourcing (Australia) Limited (MOAPL) has been engaged, under written agreement to provide to services and resources to MSAL. There is no specific cost for the provision of an external clearing house, the appointment of an external clearing house is part of the services MOAPL provides to MSAL
- e. Refer d. above
- f. Funds held by the Clearing House provider awaiting clearance are held in a non-interest bearing account. The Mercer Super Trust does not earn any interest on amounts held by the Clearing House.

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Mercer Australia

MER143QW:

If you use an internal clearing house please outline when money is received into the clearing house:

- a. On average, how long does it stay in the clearing house before it:
 - i. is allocated to a member's account and/or fund?
 - ii. is allocated to purchase units for a member's account and/or fund?
 - iii. appears in a member's account and/or fund statement and/or online record?
- b. What is the longest time that it has stayed in the clearing house before it:
 - i. is allocated to a member's account and/or fund?
 - ii. is allocated to purchase units for a member's account and/or fund?
 - iii. appears in a member's account and/or fund statement and/or online record?
- c. What is the shortest time that it has stayed in the clearing house before it:
 - i. is allocated to a member's account and/or fund?
 - ii. Is allocated to purchase units for a member's account and/or fund?
 - iii. appears in a member's account and/or fund statement and/or online record?
- d. For interest accrued from holding funds in the clearing house for the member, is it then subsequently allocated to:
 - i. the individual member's account and/or fund?
 - ii. a different account and/or fund? If so, what is its name?
- e. For non-interest income and/or capital gains accrued from holding funds in the clearing house for the member, is it then subsequently allocated to:
 - i. the individual member's account and/or fund?
 - ii. a different account and/or fund? If so, what is its name?

Answer:

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MSAL does not use an internal clearing house to receive superannuation payments from employers or their payroll representatives.

HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS

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

Mercer Australia

MER144QW:

If you use an external clearing house please outline when money is received into the clearing house:

- a. On average, how long does it stay in the clearing house before it:
 - i. is allocated to a member's account and/or fund?
 - ii. is allocated to purchase units for a member's account and/or fund?
 - iii. appears in a member's account and/or fund statement and/or online record?
- b. What is the longest time that it has stayed in the clearing house before it:
 - i. is allocated to a member's account and/or fund?
 - ii. is allocated to purchase units for a member's account and/or fund?
 - iii. appears in a member's account and/or fund statement and/or online record?
- c. What is the shortest time that it has stayed in the clearing house before it:
 - i. is allocated to a member's account and/or fund?
 - ii. is allocated to purchase units for a member's account and/or fund?
 - iii. appears in a member's account and/or fund statement and/or online record?
- d. For interest accrued from holding funds in the clearing house for the member, is it then subsequently allocated to:
 - i. the individual member's account and/or fund?
 - ii. a different account and/or fund? If so, what is its name?
- e. For non-interest income and/or capital gains accrued from holding funds in the clearing house for the member, is it then subsequently allocated to:
 - i. the individual member's account and/or fund?
 - ii. a different account and/or fund? If so, what is its name?

Answer:

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- a. On average, money remains in the Clearing House for one business day.
Where accurate and reconciled money and data for a known active fund member is received by the Mercer Super Trust via the Contribution Gateway it is allocated to the member account and is usually invested within the chosen investment strategy on the next business day.
- b. If payments cannot be reconciled within three Business Days, the Clearing House provider will attempt to return the money to the employer.
- c. One business day. If the payment and accompanying data is received before 4:00pm EST, all reconciled payments are paid to the Mercer Super Trust via the Contribution Gateway on the following business day.
- d. Funds held by the Clearing House provider awaiting clearance are held in a non-interest bearing account. No earnings from the Clearing House are paid to the Mercer Super Trust.
- e. Funds held by the Clearing House provider awaiting clearance are held in a non-interest bearing account. No earnings from the Clearing House are paid to Mercer Super Trust.

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Mercer Australia

MER145QW:

During the first half of 2020 there were significant market movements because of the economic response to the COVID-19 pandemic. Please complete the following table outlining the total payouts and losses in foreign exchange hedging.

Month in 2020	Payouts for FOREX hedges (\$)	Losses for FOREX hedges (\$)
January		
February		
March		
April		
May		
June		

Answer:

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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 does not undertake any direct foreign exchange hedging. MSAL's exposure to hedged assets is via its holdings in underlying MMFs and MIFs that are a component of multi-sector investment options offered in the Mercer Super Trust. The settlement of FX hedging losses is managed within the underlying entities.

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Mercer Australia

MER146QW:

Assuming a young Australian whose birthday was 1 July 1989, got their first job on 1 July 2005, opened a default superannuation account on 1 July 2005, made the average contribution of a person in that age bracket, using the default product offer made at that time and made no additional contributions, received the average growth, paid all fees, insurances and deductibles, please complete the following table.

Answer:

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Over the period in question the Mercer Super Trust consisted of four divisions, being:

- Corporate Superannuation Division (CSD) – which consists of employer sponsored plans, i.e. plans with bespoke arrangements applicable to that employer and plan. In addition, within the CSD, there is the Mercer SmartSuper Plan (SmartSuper) which provides superannuation schemes for smaller employers. SmartSuper also includes an Individual Section. Members join the Individual Section where they have been members of an employer-sponsored plan, leave their employer and do not elect to roll over their superannuation to another fund.
- Allocated Pension Division (APD) – which provides retirement income (in the form of account-based pensions) for members who are in retirement or transitioning to retirement.
- Mercer Retail Division (MRD) – currently has four arrangements that are open to individual retail investors (and for one arrangement, small to medium employers), and an insurance only arrangement.
- Personal Superannuation Division (PSD) - was wound-up effective 31 December 2019 and all members were transferred to the Individual Section. Prior to this the PSD closed to new members from 1 January 2014 – before that date members joined the PSD where they had been members of an employer-sponsored plan and left their employer prior to 31 December 2013 and had not elected to roll over their superannuation to another fund.

As the CSD consists of employer sponsored plans with bespoke arrangements applicable to each employer and plan, the information provided below:

- is based on a member who joined the PSD prior to 1 January 2014, and who was then transferred to the Individual section effective 1 January 2014,
- fees shown are the headline fees that apply in the PSD and the Individual Section as appropriate and as outlined in relevant disclosure material from time to time;
- assumes the member was invested in the default investment option in the PSD, Mercer Growth, and in the MercerSmartPath MySuper investment option on transfer to the Individual Section;
- assumes the member had 3 units of death and total and permanent disablement insurance cover.

Age	Financial Year	Annual average income of fund members from that age bracket in that year (\$)	Average Compulsory superannuation contribution in that year (%) of income	Resulting average annual superannuation contribution made (\$)	All fees, insurances, indirect cost ratios and other deductibles not classified as fees ¹ (\$)	Average growth in that year (\$)	Balance at the end of that year (\$) ²
16	2005/2006	12,590	9.00%	1,133.10	230.51	168.53	1,071.12
17	2006/2007	16,049	9.00%	1,444.41	318.69	420.85	2,617.69
18	2007/2008	19,686	9.00%	1,771.74	397.59	(367.00)	3,624.84
19	2008/2009	25,426	9.00%	2,288.34	503.99	(840.55)	4,568.64
20	2009/2010	30,418	9.00%	2,737.62	660.71	749.83	7,395.38
21	2010/2011	34,094	9.00%	3,068.46	792.39	1,126.76	10,798.21
22	2011/2012	39,024	9.00%	3,512.16	921.95	134.20	13,522.62
23	2012/2013	46,894	9.00%	4,220.46	1,131.07	2,824.36	19,436.37
24	2013/2014	51,790	9.25%	4,790.58	1,365.24	3,505.48	26,367.19
25	2014/2015	57,721	9.50%	5,483.50	1,452.76	3,511.66	33,909.59
26	2015/2016	59,140	9.50%	5,618.30	1,537.23	656.04	38,646.70
27	2016/2017	63,851	9.50%	6,065.85	1,654.36	5,492.87	48,551.06
28	2017/2018	66,425	9.50%	6,310.38	2,109.88	6,816.97	59,568.53
29	2018/2019	73,409	9.50%	6,973.86	2,383.99	5,758.24	69,916.64
30	2019/2020	76,316	9.50%	7,250.02	2,465.85	(609.77)	74,091.04
Totals				62,668.78	17,926.21	29,348.48	74,091.04

¹ Includes contribution tax

² Assumes all contributions are paid at the start of the financial year and that fees and costs are deducted at the end of the financial year.