

HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS

REVIEW OF THE FOUR MAJOR BANKS AND OTHER FINANCIAL INSTITUTIONS

SUPERANNUATION SECTOR

Mercer

MER148QON:

Mr FALINSKI: Mr Bryant, my first question is: the Hayne royal commission made adverse findings against Mercer on the basis that you had declined to fully inform your clients in order to maintain your earnings or revenue stream. What have you done to correct that or did you in fact need to correct it?

Mr Bryant: If I can address that in two areas, the royal commission made no finding of misconduct against Mercer but there was a matter that Mercer noted, which is the matter you've raised, to the royal commission in a case study of conduct that in our view fell below community expectations, and Commissioner Hayne in his report agreed with that assessment. There've been a number of initiatives that have been undertaken within Mercer as a consequence of that.

Mr FALINSKI: Mr Bryant, can I interrupt you there? Who reported it to the royal commission?

Mr Bryant: I would have to take that on notice. Mercer, along with other firms, provided a range of information to the royal commission. Questions came

Mr FALINSKI: So you may have self-reported that to the royal commission?

Mr Bryant: As I understand it, there was a matter raised in the media in regard to this incident which involved Mercer, and that was the basis on which it came to our knowledge and, as I understand it, the royal commission's knowledge as well. But if I could clarify that for you on notice, if that's particularly relevant for you, I can do so.

Mr FALINSKI: Yes. I would find that very helpful, the genesis of how that information came to be reported to the royal commission. It would be very interesting.

Answer:

Mercer self-reported the matter to the Royal Commission by supplementary notice on 23 March 2018.

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Mercer

MER149QON:

Dr LEIGH: When I look at the low-balance accounts, that's where you're really stinging your members. So for a \$10,000 balance account your total fees are more than two per cent. That's an extraordinarily high amount to be charging, wouldn't you agree?

Mr Bryant: Sorry, could I just clarify 'total fees' or 'administration fees' in your question?

Dr LEIGH: Total fees. This is total fees disclosed, \$10,000 account balance. Looking down a series of Mercer funds the fees are ranging from 2.11 per cent to 2.32 per cent. It seems a startlingly high amount to be charging.

Mr Bryant: I am going to need to take that on notice. My understanding is that our total fees are not of that magnitude. I think I if I could restate—

Dr LEIGH: I looked at the APRA heat map. I just downloaded it. It's on the APRA website. I'm not asking you about some document squirrelled away in a basement down a set of stairs guarded by a sign saying 'beware of the leopard'. This is one of the normal questions you would expect to be asked before this committee, isn't it: what's going on with the APRA heat map?

Mr Bryant: Absolutely, but I don't have the APRA heat map in front of me, and the numbers you're quoting are not consistent with my understanding of what the total fees would be. So in order to answer your question properly I'd have to look at the detail and respond. So if I may, that question, as you framed it, take it on notice.

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 confirms that the information in the Heatmap, which was assessed based on the headline fees for the Mercer Super Trust – Mercer SmartPath MySuper Product, is accurate.

As per Mr Bryant's comment in the hearing, MSAL has undertaken a strategic review of the Mercer Super Trust, which includes a fee competitiveness review, which is expected to deliver a reduction in headline fees from the end of Q1 2021.

MSAL focuses on value in terms of delivering the best possible retirement outcomes for members. This includes offering services that will assist them in achieving these outcomes and providing strong investment performance (net of fees and taxes) using a lifecycle approach, while fees are a component of this, in our view, they are not the only measure of value and competitiveness.

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Mercer

MER150QON:

CHAIR: Thank you for appearing before the committee today. One of the issues that has consistently come out of the royal commission is in the context of cultural practices within organisations. How is culture reported to the board of Mercer in terms of alignment of interests and incentives within the organisation as well as human resources and basic issues of respect?

Mr Bryant: The Mercer superannuation board and the other relevant Mercer boards have representatives from our people and culture team report independently to them and engage independently with them. The board also has a subcommittee established for the purposes of reviewing people and culture matters. That is the mechanism by which it is done.

CHAIR: In terms of methods, is an annual report produced to the board? Is there an aggregation of survey-based data?

Mr Bryant: I will have to take that question on notice. I have been with Mercer since July. I know that there is regular reporting and engagement with our people and culture team for those purposes. But perhaps I could take that on notice.

CHAIR: That would be appreciated.

Answer:

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MSAL operates a fully outsourced model and, as such, has no employees. Given that many of the activities are outsourced to related parties, MSAL monitors and receive updates on the embedment and effectiveness of Mercer's broader governance, accountability and culture frameworks and practices. The MSAL Remuneration and Nominations Committee considers and provides input on the remuneration and incentives of key Mercer employees who are 'responsible persons'. As well as regular updates to the MSAL Audit & Risk Committee, the MSAL Board oversees the progress of action items of the Culture Self-Assessment undertaken in 2018. Each year Mercer undertakes an All Colleague Survey, which results are shared with the MSAL Board. Within this survey, a number of cultural items are measured, including integrity, senior leader transparency, communication, and psychological and physical safety in the workplace.

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Mercer

MER151QON:

Ms MURPHY: Thank you for that. I have some questions about the government's early access scheme for superannuation and you may need to take these on notice. I am happy for you to do so. I was after some detail about how that's been taken up by your members, if you've got data about how often people have gone back for the second tranche, having access to money in the first tranche. You've probably heard similar questions being asked of other witnesses. Are you able to give any sort of indication of gender breakdown or income brackets of people that have accessed and how much money has been withdrawn from your fund?

Mr Bryant: Yes, I do have some information available. So from our fund there've been approximately 29,000 payments made, which represents in aggregate around \$255 million. In terms of the age cohort, around 43 per cent of those are under age 35, a similar number for members who are between the age of 35 and 50, and the balance from members over the age of 50. Females were slightly above average for our fund. About 39 per cent of our members are female but they represented around 43 per cent of those requests. So those are some of the statistics that I've got available to me at the moment.

Ms MURPHY: Thank you. If there are any others that you are able to put together, as I said I am happy for you to take that on notice and come back.

Answer:

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Before providing additional information, Mercer advises some corrections to the information provided by Mr Bryant in the hearing on 6 November 2020, namely in relation to the age breakdown. The following is the corrected information for the age of members who have received an early release payment from the Mercer Super Trust over the 6 months to 30 September 2020:

- Around 28% are under age 35,
- Approximately 50% are members who are between the age of 35 and 50, and
- The balance (22%) are members over the age of 50.

Mercer apologises for the incorrect breakdown being provided at the hearing. The information provided in relation to gender breakdown was accurate.

Additional statistics available on early release payments made from the Mercer Super Trust:

- Approximately 30% of the payments were repeat applications (ie, members who applied for a payment in 2019/20 and in 2020/21).
- The account balance remaining after the early release payments in the 6 months to 30 September 2020:
 - 32% of members had an remaining account balance less than \$10,000
 - 13% had an remaining account balance between \$10,000 and \$25,000
 - 31% had an remaining account balance between \$25,000 and \$100,000
 - 21% had an remaining account balance between \$100,000 and \$500,000
 - 3% had an remaining account balance over \$500,000
- As a comparison, in the 12 months to 30 June 2019, there were approximately 900 payments for a total of \$12 million made from the Mercer Super Trust on the basis of severe financial hardship or on compassionate grounds.

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Mercer

MER152QON:

Dr MULINO: I think a lot of my questions have been covered. Thank you both for coming to give evidence today. In relation to early release, could you also please include in that how many people cleared out their accounts?

Mr Bryant: Yes. We are happy to do that. We'll add that to the matter on notice.

Dr MULINO: Thanks. I really just had a few extra

Answer:

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In the period to 6 November 2020, over 1,250 members had depleted their full account balance in the Mercer Super Trust as a result of early release payments.