

HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS

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

Mercer Australia

MER62QW:

On 1 January 2020 what was your percentage share and nominal value of your listed and unlisted assets?

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 \$25 billion of assets under management and over 244,000 members as at 31 December 2019.

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) (MIAL-managed options) 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. MSAL has appointed MIAL as the investment manager for these MIAL-managed options in the Mercer Super Trust.

At 1 January 2020 the percentage share and nominal value of listed and unlisted assets in respect of Mercer Super Trust assets invested in the MIAL-managed options was:

- Listed \$23.0 billion (89%)
- Unlisted \$2.8 billion (11%)

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Mercer Australia

MER63QW:

On 1 January 2020 did your fund have liquidity issues resulting from honouring obligations to members?

Answer:

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No, on 1 January 2020 the Mercer Super Trust did not have liquidity issues resulting from honouring obligations to members.

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Mercer Australia

MER64QW:

What write down, if any, has been made to the value of unlisted assets?

Answer:

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On 26 March 2020 the following valuation adjustments at the asset class level occurred:

Asset Class	Adjustment at the asset class level
Unlisted Property	-9.8%
Unlisted Infrastructure	-11.8%
Private Debt	-5.0%
Natural Resources	-5.0%

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Mercer Australia

MER65QW:

Listed companies holding infrastructure assets have had write downs of around 40 per cent:

- a. How does this compare to your write down of unlisted assets?
- b. If there is a difference, why is there a difference?

Answer:

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- a. Please see MER64QW for level of write-down by unlisted asset class.
- b. The valuation adjustments are applied at the fund (asset class) level and are not directly comparable with listed companies for a number of reasons, including mix of assets within the fund (industries/sectors will be impacted to varying magnitudes), valuation differentials going into the crisis (listed assets were generally trading at a premium), listed versus unlisted asset structures (e.g. levels of leverage).

For example, Mercer's infrastructure option has higher exposures to assets such as regulated utilities and contracted energy generation. These types of assets have been less impacted than transport assets such as airports.

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Mercer Australia

MER66QW:

Have you had any liquidity issues in honouring your obligations to members as a result of the:

- a. recent decline in the share market?
- b. permission by the Federal government to allow members to remove up to \$10,000 per financial year if they lose their job?

Answer:

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No, MSAL has not had any liquidity issues in honouring its obligations to members as a result of the:

- a. recent decline in the share market or
- b. permission by the Federal government to allow members to remove up to \$10,000 per financial year if they lose their job.

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Mercer Australia

MER67QW:

What has been the current reduction of the value of your fund, and the unlisted and listed components since 1 January 2020?

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) (MIAL-managed options) 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. MSAL has appointed MIAL as the investment manager for these MIAL-managed options in the Mercer Super Trust.

In respect of Mercer Super Trust assets invested in the MIAL-managed options, the current reduction of the value and the unlisted and listed components since 1 January 2020 is as follows:

	Value as at 1 January 2020	Value as at 31 March 2020	Change
Listed	\$23.0 billion (89%)	\$19.7 billion (88%)	-\$3.3 billion (-14%)
Unlisted	\$2.8 billion (11%)	\$2.6 billion (12%)	-\$0.2 billion (-6%)

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Mercer Australia

MER68QW:

How many members, affected by COVID-19, have requested the early release of their superannuation since 12 March 2020, and to what value?

Please also provide monthly updates on the first of the month for the remainder of 2020 to the secretariat.

Answer:

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As members apply directly to the ATO, not the Mercer Super Trust, through the MyGov website for early release of their superannuation, MSAL does not have details of the number of members who requested early release of their superannuation.

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Mercer Australia

MER69QW:

How many members, affected by COVID-19, have had approved the early release of their superannuation since 12 March 2020, and to what value?

Please also provide monthly updates on the first of the month for the remainder of 2020 to the secretariat.

Answer:

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In the period from 20 April 2020 (when applications opened) to 26 April 2020, MSAL received 3,842 approved applications for early release payments from the ATO in respect of members of the Mercer Super Trust, to a value of \$33,410,778.



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Mercer Australia

MER70QW:

If some members, affected by COVID-19, have required the early release of their superannuation since 12 March 2020 and not been approved, please provide details of the grounds on which they have not been approved.

Answer:

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Members apply directly to the ATO, not the Mercer Super Trust, through the MyGov website for early release of their superannuation. The application process requires a member to certify that they have met the eligibility criteria relevant to their circumstances, the application is then processed by the ATO. If an application is rejected the member will be notified via their MyGov account. MSAL has no visibility of such rejections.

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Mercer Australia

MER71QW:

Liquidity management:

- a. What is your fund's process for complying with APRA's prudential framework which requires trustees to have a liquidity management plan?
- b. How is the plan being reported to the trustee directors?
- c. Who is responsible for the day-to-day liquidity management for the fund?

Answer:

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- a. 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) (MIAL-managed options) 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. MSAL has appointed MIAL as the investment manager for these MIAL-managed options in the Mercer Super Trust. MSAL has adopted MIAL's Liquidity Management Policy (Policy) as it relates to the Mercer Super Trust investment options invested through the MIAL-managed options
- b. The Policy is reviewed annually, approved by the MIAL Board and adopted by the MSAL Board. During the period of COVID-related increases in liquidity requirements, briefings have been provided to the MSAL directors on a frequent basis. Liquidity management status and techniques have been a key part of these briefings.
- c. The Chief Investment Officer is responsible for adherence to the Liquidity Management Policy and oversight of the Investment Management Team who manage the day-to-day liquidity needs against the Policy.