



Mercer Superannuation (Australia) Limited
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PRIVATE & CONFIDENTIAL

Sent via email to: FSRCSolicitor@royalcommission.gov.au

3 August 2018

Dear Sir/Madam

ROYAL COMMISSION INTO THE BANKING, SUPERANNUATION & FINANCIAL SERVICES INDUSTRY

We refer to our letter of 23 March 2018 and the email from the Office of the Solicitor assisting the Royal Commission to MinterEllison dated 1 August 2018.

Thank you for the opportunity to make a further and updated submission in connection with the media program referred to in our letter dated 23 March 2018, which transpired to be a report on the ABC's 'Four Corners' on 26 March 2018.

Further response to question 2

Mercer Superannuation (Australia) Limited (**MSAL**) has identified additional conduct which it considers was below community standards or expectations. The Four Corners' report referred to an internal email dated 12 December 2013 (**Email**). The Email is Exhibit BJWC-130 to my witness statement in response to Rubric 5-57. The circumstances in which the Email was discovered and Mercer's response to the Email are addressed in that witness statement.

Mercer considers that the making of the statements in the email to the effect that MSAL did not want to make it easy for members to find out about lower fees was conduct which fell below community standards or expectations. The statements made in the Email are completely at odds with the values of MSAL and the wider Mercer group. The Email does not reflect the way MSAL does business or the way it thinks about members of the Mercer Super Trust (**MST**).

MSAL takes seriously its responsibility to act in members' best interests. The Email suggests otherwise, which is a matter of very significant regret. Mercer well understands that its staff, members and other stakeholders felt let down by the Email and the negative impression it created.

As I said in my witness statement, the Email was unauthorised and incorrect. It was not elevated to any senior executive of Mercer at any time prior to 6 March 2018 (in the lead up to the Four Corners report). Had it been elevated, it would have been immediately repudiated and we would have confirmed to staff that it was to be disregarded.



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Further response to question 3

- (a) Yes, the matters referred to in the Four Corners program have been reported to, and are the subject of consideration by, APRA and ASIC.
- (b) No.
- (c) No.
- (d) No.
- (e) Mercer is undertaking a full review of its products across all divisions of the MST, guided by the following principles endorsed by the MSAL board:
 - (i) provide appropriate value for services, and seek fairness and equity across the customer base;
 - (ii) simplify the experience our customers have with us and look to make our products and pricing as transparent as possible;
 - (iii) reduce legacy products, systems and processes where possible;
 - (iv) remove grandfathered commissions where possible;
 - (v) ensure our products are competitively priced for our target market and customer segments.

This review process began before the Four Corners report. As a result of that report, precedence was given to the review of our Allocated Pension Division (**APD**) products. This has resulted in the MSAL board resolving to introduce a new pricing structure for the APD from a nominated future date, targeted to be 1 January 2019.

MSAL has also resolved to make a goodwill gesture to members who have remained in the pre-1 January 2014 pension product, or who exited the product this year. Mercer will make an allowance to these members based on, in effect, capping their fees from 1 January 2014 at 1.5%. MSAL is of the view that this level of 1.5% reflects a competitive fee for pension products, based on external benchmarking undertaken by MSAL.

It will also remain open to APD members generally to contact Mercer if they believe they have not been treated fairly. Any such contact will be considered on its merits.

Mercer is continuing to work with its regulators, APRA and ASIC, in relation to the provision of the allowance to eligible members.

Yours sincerely,



Ben Walsh
Managing Director