



## **B9 MERCER SUPERANNUATION TRUST**

### **1. THE PLAN**

At 31 December 2020, the Plan had 2,254 members comprising 827 'actives' and 1,427 pensioners. The corresponding figures for 2017 were 2,435 members; 995 'actives'; and 1,440 pensioners. These figures reflect the progressive ageing of the membership of the plan and the changing face of ministry across the church. The potential impacts of this progression are addressed later in this report.

### **2. MERCER SUPERANNUATION TRUST**

As advised in the report to the 14<sup>th</sup> Assembly, the Assembly Standing Committee, on the advice and recommendations of the then Trustee, approved a change of trustee of the Beneficiary Fund from Benefund Ltd to Mercer Superannuation (Australia) Ltd (MSAL) with effect from 1 July 2015. From that date, the fund became a plan within the Mercer Super Trust.

Administration of the plan has been transferred to Mercer Outsourcing (Australia) Pty Ltd, a specialist superannuation administration arm within the Mercer organisation. The Beneficiary Fund Plan has its own dedicated Mercer team available to handle telephone and on-line enquiries. In addition, a Minister Care Advocate (MCA) has been placed in each mainland capital city. The role of the MCA is to be available to meet with individual members as required and to liaise with Synod officers to facilitate resolution of any issues affecting members, contributions or other administrative matters.

### **3. POLICY COMMITTEE**

Superannuation law requires that where an independent body acts as trustee for a plan within a master trust and the number of members is 49 or more, the trustee must establish a Policy Committee. Members of the Policy Committee are appointed by the Assembly Standing Committee in accordance with procedures agreed between MSAL and the Assembly, to ensure the Plan meets Equal Representation Rules.

The Policy Committee meets three times per annum to receive reports on the investment performance and the administration of the Plan. The Policy Committee is a reference point for Mercer in matters of communication with members and their pastoral concerns. The Committee also monitors the services provided to members and acts as a reference point for Mercer in relation to improvement in service provision.

During the transition period for the change in trustee, membership of the Policy Committee was expanded from four to six members to allow participation by additional members from the previous trustee board to assist with the transition phase and induction of new members. Since the 14<sup>th</sup> Assembly in July 2018, progressive retirements have not been replaced to allow the membership to move to its prescribed level of four. The Committee would wish to express its appreciation and thanks for the contribution of Mr Robert Locke and Rev Sharon Hollis to the work of both the Policy and Employer Committees.

Members are appointed for a term of four years on a rotation basis with one position terminating on 30 June each year. Rev Robert Elkhuizen will retire on 30 June 2021 after serving as a director on the previous trustee board and on the policy committee for a total of 14 years. Throughout these years Robert has made a special contribution to the work of the Board, the Policy Committee and the Employer Committee from his position as a minister in active service and a member of the Fund. His insight and experience has been particularly valuable and the Committee extends best wishes to Robert for a relaxed and enjoyable retirement (with his Benefund pension). The Synod of Victoria and Tasmania is currently seeking a nomination for recommendation to the Assembly Standing Committee.

## 4. EMPLOYER COMMITTEE

The Employer Committee provides a link between the Trustee and the Church on policy and fund administration matters and is authorised to exercise limited powers on behalf of the Church. These powers are set down in a charter adopted by the Assembly at the time of the change in trustee.

The exercise of these powers relies on the knowledge and understanding of the structure and operation of the Uniting Church in conjunction with the understanding of superannuation legislation and administration. It has been deemed that the members of the Policy Committee are an appropriate group to undertake these tasks.

The charter prescribes that the members of the Employer Committee are the members of the Policy Committee. The Employer Committee must appoint one of its members as the Employer Committee Representative who acts as a single point of contact with Mercer for communication between Mercer and the Employer Committee and where necessary or appropriate, the Assembly. This has proven to be a valuable arrangement enabling timely responses to Mercer while also providing a reporting channel back to the Assembly as the “Employer Sponsor” of the Beneficiary Fund in the Mercer Super Trust.

## 5. INVESTMENT PERFORMANCE

A key responsibility of the trustee is to manage the investments of the plan to maximise its capacity to meet the obligation for long-term future pension payments. The trustee provides regular reports and updates to the Policy Committee and consults with the Committee if it considers significant changes are required in investment strategy.

The Committee is pleased to report that although investment markets have been volatile and challenging since early 2020, average investment returns over 3, 5 and 15 years have consistently exceeded benchmark targets.

## 6. FINANCIAL STATUS

At 31 December 2020, the investments of the Plan comprised

Australian Shares	\$ 102,430,107	23.4%
International Shares	\$ 73,503,878	16.8%
Alternatives	\$ 43,368,794	9.9%
Property and Infrastructure	\$ 114,061,620	26.1%
Defensive Fixed Interest and Cash	\$ 104,014,208	23.8%
TOTAL	<u>\$ 437,378,608</u>	<u>100%</u>

The financial status of the Plan is a key characteristic for both members and the Assembly. The standard industry measure for financial status of a defined benefit pension plan is the Vested Benefit Index (VBI). A VBI of 100 indicates that, at the time of valuation, the assets of the plan are sufficient to meet 100% of its current accrued liabilities at that date. A feature of the Uniting Church Beneficiary Fund Plan is a provision for annual pension increases linked to movements in the Consumer Price Index (CPI). The level of increase is determined after annual financial results are known and measured as a proportion of CPI at a level which ensures the VBI does not fall below 100. Shortfalls in allocation of the full CPI are accumulated and where investment performance allows, a pension increase greater than the CPI rate may be applied.

The second assessment of financial status of the Fund is through actuarial review. Actuarial reviews are conducted on an annual basis in accordance with the requirements of SIS legislation and the Australian Prudential Regulation Authority (APRA). From the most recent review at 30 June 2020, the actuary has confirmed that the Uniting Church in Australia Beneficiary Fund Plan is in a sound financial position with sufficient assets to meet its long term pension liabilities.

## 7. ASSEMBLY FINANCE AUDIT AND RISK COMMITTEE (AFARC)

With assets in excess of \$430 million and an underlying liability to the Church for the ongoing payment of pensions for defined benefit members, it has been appropriate for AFARC to undertake its oversight role in relation to the Plan. Since the previous Assembly there have been multiple communications and meetings as AFARC has sought to understand the Plan and the extent of risk associated with the Church’s responsibilities.

A good relationship and ongoing reporting process has been established.

## **8. CLOSURE OF DEFINED BENEFITS CATEGORY**

The report to the 14<sup>th</sup> Assembly noted that the take-up rate for membership of the defined benefit section of the plan which is available to all new ordinands was fewer than 1 in 4. After substantial consideration, the Committee believed it was obliged to recommend to the Assembly Standing Committee that this section of the plan be closed to new entrants. This closure came into effect on 1 October 2020.

Those sections of the plan which can continue to accept new members are Category 4 which allows retired ministers to accumulate SG contributions which arise from any supply or other work that they might undertake in retirement; and Category 3 which is available for non-UCA ministers in placement for the receipt of SG and personal superannuation contributions. Both of these categories are for accumulation funds only and have no defined benefit capacity.

## **9. LOOKING FORWARD**

Closure of the defined benefit section of the Plan means that there is now a finite limit to the liability and risk to the church for its obligation to meet future pension payments to retired ministers. At this point, that limit is decades into the future and the sound financial status of the plan means that risk to the Church is very low. Of the 827 active members mentioned at the commencement of this report, 472 are defined benefit contributors and future pensioners.

The Employer Committee will continue to monitor membership movements and maintain dialogue with AFARC and the Assembly Standing Committee

**Rev Robert Elkhuisen**  
**Chair, Policy Committee**

**Bruce Binnie**  
**Chair, Employer Committee**