

MERCER SUPERANNUATION TRUST

1. THE PLAN

Membership of the plan over recent years is summarized in the following table:

31 December	Accumulation	Defined Benefit	Pensioners	Total
2017	(Incl in DB)	995	1440	2435
2020	(Incl in DB)	827	1427	2254
2023	332	362	1387	2081

These figures reflect the progressive ageing of the membership 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

The Beneficiary Fund has now been a sub-plan within the Mercer Superannuation Trust (MST) for nine years. The relationship with the Trustee continues to be sound with strong recognition of the unique characteristics of the Beneficiary Fund relative to other similar funds within the MST.

The 2023 year has seen substantial changes within the Mercer organisation following its acquisition of BT. This has led to a number of changes in staffing and administrative arrangements. The trustee has ensured that the Policy Committee is fully informed of changes and maintained consultation about the impact of changes.

These changes also enabled Mercer to substantially reduce fees charged to the Fund.

Administration of the plan continues to be managed by Mercer Outsourcing (Australia) Pty Ltd, a specialist superannuation administration arm within the Mercer organisation.

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 MST 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.

Members are appointed for a term of four years on a rotation basis with one position terminating on 30 June each year.

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.

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 2023, the investments of the Plan comprised

Australian Shares	\$ 102,430,107	24.4%
International Shares	\$ 73,503,878	21.3%
Growth Fixed Interest	\$ 43,368,794	9.8%
Property and Infrastructure	\$ 114,061,620	22.3%
Defensive Fixed Interest and Cash	\$ 104,014,208	22.3%
TOTAL	\$ 437,378,608	100%

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 2023, 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

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 low.

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

Bruce Binnie
Chair, Policy and Employer Committees

