

2020 SUPPLEMENTARY ANNUAL REPORT – PART 3

Mercer Super Trust

MT338 Ford Management Superannuation Plan

Issued December 2020

Your Mercer Super Trust 2020 Annual Report consists of three parts:

Part one – Your Mercer Super Trust 2020 Annual Report - which contains a general update on the Mercer Super Trust and tells you about the changes that have been made to the Mercer Super Trust during the year to 30 June 2020. These changes may have an impact on your super now and in the future so it's important that you carefully read the section entitled 'Changes to the Mercer Super Trust' to see how this applies to you.

Part two – The Investment Options Details booklet - which contains information relating to the investment options available in the Corporate Superannuation Division and Allocated Pension Division. This includes investment performance, asset allocation and Indirect Cost Ratios for these investment options for the year ended 30 June 2020.

Part three – This 2020 Supplementary Annual Report which contains additional information specific to your plan for the year ended 30 June 2020.

All parts should be read in conjunction and kept together for future reference. A reference to this Annual Report means parts one, two and three collectively unless the context requires otherwise.

ABOUT YOUR PLAN

Membership numbers	
At 30 June 2020	221
Plan assets	
As at 30 June 2020 [^]	\$155,793,128

[^] This figure is prepared on a cash basis. This means that it does not allow for any accruals such as outstanding contributions or benefits due as at 30 June 2020.

YOUR PLAN STYLE

Your plan provides members with accumulation and/or defined benefit style super.

For members with accumulation style super, your super relates to the amounts contributed by you or in respect of you and by your employer, the investment returns (which may be positive or negative) of the investment options in which your super is invested less deductions for fees, taxes and any insurance premiums.

For members with defined benefit style super, generally some or all of your super relates to salary and years of membership/service.

EMPLOYER SUPERANNUATION GUARANTEE CONTRIBUTIONS

By law, your employer is generally required to provide a minimum level of super for its employees - the Superannuation Guarantee (SG). There may be some circumstances where your employer is not required to meet the SG. The SG is the amount the employer must provide for each employee, not a minimum amount to be contributed to each fund. Your employer may provide the SG through more than one fund.

The SG rates are set out below:

Period	SG - % of Ordinary Time Earnings (OTE*)
1 July 2019 to 30 June 2020	9.50%
1 July 2020 to 30 June 2021	9.50%

* OTE refers to your remuneration, which generally includes your regular salary or wage, any over-award payments, shift allowances, bonuses and commissions. It generally does not include overtime payments or benefits subject to fringe benefits tax.

An employer is only required to provide SG on OTE up to the maximum contribution base, which is \$55,270 per quarter for the year ending 30 June 2019 (\$57,090 per quarter for the year ending 30 June 2021) and is indexed on 1 July each year.

For members with only accumulation style super, your employer will generally be required to make super contributions at least equal to the SG amount.

For employees who are members with defined benefit style super, the benefits paid by the plan must be equal to or greater than a minimum level specified by your plan's actuary which is deemed to be equivalent to an employer contribution equal to the SG amount. Please see 'Financial position of the plan' for more information about employer contributions and the financial position of the plan generally.

FINANCIAL POSITION OF THE PLAN

For members with defined benefit style super, the amount your employer contributes varies depending on the advice of an actuary. At least every three years, the plan's actuary prepares an investigation report that states how much your employer needs to contribute so that plan assets are expected (on the actuary's assumptions) to be sufficient to meet any super payouts now and in the future. For members with only accumulation style super, your employer will generally be required to make super contributions at least equal to the SG amount.

As at 30 June 2020, the value of the plan's assets was 119% of (greater than) the sum of all members' super payouts assuming all employed members ceased employment at that date and other members were paid their Accrued Benefit amount. This means, the plan was in a satisfactory financial position at that date, as defined by superannuation legislation.

Since the last actuarial investigation, 31/12/2019, your employer has contributed in line with the contributions recommended by the plan's actuary.

In the event of your plan being wound up while the value of the plan's assets is lower than the sum of all members' super payouts assuming all employed members ceased employment at that date, your actual super payout may be less than your leaving service payout i.e. your leaving service payout may be reduced. Benefit entitlements of lifetime pensioners and former employees with retained benefits may also be reduced. However, your employer may choose to make an additional contribution at that time to make up the difference.

Note that the trustee has not been advised of any intention to wind up the plan at the date of this report - the above is provided for information purposes only.

*Note: A reference to members in the above section includes defined benefit members, accumulation members and lifetime pensioners of the plan.

ACCRUED BENEFITS CALCULATION

As at 30 June 2020, the value of the plan's assets was 107% of greater than the plan's accrued benefits. As at 30 June 2020, the plan's accrued benefits amounted to \$145,587,984.

The plan's accrued benefits are:

- For accumulation members, the sum of their super payout assuming they ceased employment at that date, plus
- For defined benefit members the actuarial present value at the valuation date of the amount required to meet the proportion of future benefit payments attributed to membership completed at the valuation date.
- For pensioners, the present value of their future pension payments.

The main assumptions used to determine the value of accrued benefits for defined benefit members and pensioners are shown below.

The plan's Actuary considers the following movements in the assumptions used to calculate the accrued benefits are reasonably possible for the reporting period:

Assumption	Rate used at 30 June 2020	Reasonably possible change	Amount of increase in accrued benefits	Amount of decrease in accrued benefits
Discount Rate (or Investment earning rate)	5.25%	+1%		\$6,265,796
		-1%	\$8,579,193	
Salary adjustment rate	2.50%	+1%	\$2,484,681	
		-1%		\$1,624,599

POLICY COMMITTEE

Your plan has a policy committee made up of three member and three employer representatives. This policy committee has been set up with members' interests in mind.

As at 30 June 2020 your representatives were:

Member elected	<ul style="list-style-type: none"> • Greg Accornero • Andrew Field • Rick Nayler
Employer-appointed	<ul style="list-style-type: none"> • Anoop Chaudhuri • Mick Sullivan • Atul Srivastava

From 20/11/2020 your representatives were:

Member elected	<ul style="list-style-type: none"> • Greg Accornero • Andrew Field • Rick Nayler
Employer-appointed	<ul style="list-style-type: none"> • Mick Sullivan • Atul Srivastava • Des Saiti

Appointment and removal of policy committee members

Member representatives are elected by the members. Employer representatives are appointed by your employer.

Member representatives generally serve for a term of three years. The term of office for the current member representatives expires on 31/7/2023. A new election will be held shortly before this date. You're entitled to see a copy of the election rules for the Mercer Super Trust. Call the Helpline on **1800 682 525** for more details.

Member representatives will cease to hold office sooner if they:

- cease to be a member of the plan;
- become ineligible under the law;
- resign as a member representative; or
- are removed by a notice in writing to the trustee signed by a majority of members.

Filling casual vacancies

If there is a casual vacancy for a member representative the remaining member representatives on the policy committee may be asked to assist the trustee in determining how the vacancy will be filled in accordance with the election rules.

FORD SELECT INVESTMENT OPTION

The Ford Select investment option is only available to members of the Ford Management Superannuation Plan and the Ford Employees Superannuation Plan. As it is not available to other members of the Mercer Super Trust, it is appropriate that we provide you with the following details regarding the Ford Select investment option in this supplementary annual report. Details regarding all of the other investment options available through your plan are set out in Part one of the *2020 Annual Report*.

Objectives

- To achieve a return (after tax and investment fees) that exceeds AWE increases by at least 1.50% per annum over rolling five year periods.
- To achieve a return (after tax and investment fees) above the median result for a relevant industry survey over rolling five year periods.
- To achieve a return (before tax and investment fees) that exceeds the option's target benchmark performance by 0.50% over rolling three year periods.
- To ensure the long term probability of a negative annual return does not exceed 20%.

Standard risk measure

Medium to high. Please refer to 'Standard Risk Measure' in Part one of the *Annual Report* for more information.

Asset allocation at 30 June

Asset Class	2020	2019
Australian Shares	39%	41%
International Shares	29%	28%
Property & Infrastructure	4%	5%
Alternative Assets	0%	0%
Higher Yielding Fixed Interest	0%	0%
Defensive Fixed Interest & Cash	28%	26%

Investment performance

Returns to 30 June 2020

Year	Single year return %
2020	(1.4)
2019	9.0
2018	9.2
2017	10.4
2016	2.7

Compound return to 30 June 2020

Period	Compound return % per annum
1 year	(1.4)
2 years	3.7
3 years	5.5
4 years	6.7
5 years	5.9

Single year and compound returns are calculated assuming that \$1.00 is invested at the start of the relevant period and that no further amounts are invested over the period. Returns are based on exit prices and allow for the deduction of tax and investment fees (but not administration fees or other fees).

Compound returns are calculated as the average of annual returns.

Understanding investment performance

Consistent with industry practice, your plan's investment returns are disclosed net of tax and investment fees only.

You should carefully consider the risks of each of the options before making any investment decisions. You should be aware that investment returns can be volatile and the value of your investments may increase or decrease. You should not rely on past performance as an indicator of the future performance of any of the investment options.

You can obtain up to date returns for your plan's investment options (excluding the Mercer Direct investment option) in the *Mercer Super Trust Monthly Report* at mercersuper.com (sign in using your personal log-in) and go to the Documents section or call the Helpline.

We strongly recommend that you speak to a licensed, or appropriately authorised, financial adviser before making any decision about your super.

Investment structure and investment managers

The Ford Select investment option is an investment option specifically designed for the Ford Employees Superannuation Plan and the Ford Management Superannuation Plan. The trustee chooses and monitors the investments managers and decides how to allocate investments between the different asset classes based on advice from Ford Pacific Asset Management, a global investment arm of the Ford group, based in the USA.

The investment managers for the Ford Select investment option as at 30 June 2020 are:

- Pimco
- State Street
- Pandal (formerly BT)
- AMP
- BlackRock

INDIRECT COST RATIO (ICR) AND EXPENSE ALLOWANCE

Details of ICR and expense allowance are set out in the Product Disclosure Statement and/or other member materials (as applicable) for your plan.

Indirect cost ratio

The ICR* for the relevant period of 1 July 2019 to 30 June 2020 for the Ford Select investment option was 0.06% per annum.

* The ICR is for the year ending 30 June 2020 and is based on the actual information available and/or reasonable estimates for the period as at the date of this Supplementary Annual Report. The ICR may vary from year to year. The ICR consists of indirect costs (including but not limited to, performance related fees, any expense allowance charged by external investment trusts or managers, the net explicit transactional and operational costs and Over the Counter Derivative costs used for either hedging and non-hedging purposes) incurred by the underlying investment vehicles of the Mercer Super Trust.

Expense allowance

The expense allowance charged for the period 1 July 2019 to 30 June 2020 was 0.05% per annum.

CHANGE IN NET ASSETS IN YOUR PLAN TO 30 JUNE 2020

Net assets at 1 July 2019	\$188,029,882
Plus	
Net investment revenue	\$(3,372,448)
Employer contributions*	\$7,631,560
Member contributions	\$59,372
Government co-contributions	\$3,002
Transfers from other funds	\$3,601,223
Insurance proceeds	\$0
Total revenue	\$7,922,707
Less	
Benefits paid	\$38,829,749
Administration fees	\$54,565
Group insurance premiums	\$247,019
Contributions and surcharge tax	\$1,028,130
Total expenses	\$40,159,463
Equals	
Net assets# at 30 June 2020	\$155,793,128

* The amounts shown as employer contributions include any pre-tax or salary sacrifice member contributions.

This may include unallocated assets which may be used to pay plan expenses, insurance premiums and for any other purpose approved by the trustee.

This information has been prepared on a cash basis.

The financial information contained in this Supplementary Annual Report for your plan has not been audited. This information does form part of the full financial accounts for the Mercer Super Trust in which your plan participates. You can request a copy of the Mercer Super Trust full audited accounts and the auditor's report by contacting the Helpline.

This supplementary annual report has been issued by Mercer Superannuation (Australia) Limited (MSAL) ABN 79 004 717 533, Australian Financial Services Licence #235906, the trustee of the Mercer Super Trust ABN 19 905 422 981. Mercer is a registered

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The information contained in this Supplementary Annual Report includes general product advice which has been prepared without taking into account the personal objectives, financial situation or needs of individual members. Before making any decisions about your super, you should consider the information in light of your own objectives, financial situation and needs and read and consider the current Product Disclosure Statement (PDS) and/or other member materials specific to your plan. Copies of these documents are available at mercersuper.com or by calling the Helpline.

It is also recommended that you obtain advice from a licensed, or appropriately authorised, financial adviser.

You should be aware that the value of an investment in the Mercer Super Trust may rise and fall. Neither MSAL, Mercer nor any of the investment managers guarantees the investment performance, earnings or return of capital invested in the Mercer Super Trust. © 2020, Mercer LLC. All rights reserved.

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STATEMENT OF FINANCIAL POSITION OF YOUR PLAN AT 30 JUNE 2020

Assets (investment options)

Ready-made investment options	
Mercer SmartPath	\$3,344,228
Mercer Diversified Shares	\$19,119
Mercer High Growth	\$1,017
Mercer Select Growth	\$0
Mercer Growth	\$179,572
Mercer Moderate Growth	\$0
Mercer Conservative Growth	\$49,847
Mercer Cash	\$556,319
Select-your-Own investment options	
Ford Select	\$150,947,192
Mercer Socially Responsible Shares	\$0
Mercer Socially Responsible Australian Shares	\$0
Mercer Socially Responsible Global Shares (Unhedged)	\$0
Mercer Socially Responsible High Growth	\$0
Mercer Socially Responsible Growth	\$0
Mercer Socially Responsible Moderate Growth	\$0
Mercer Socially Responsible Conservative Growth	\$0
Mercer Australian Shares	\$61,726
Mercer International Shares	\$234,165
Mercer International Shares - Hedged	\$0
Mercer Property	\$13,655
Mercer Fixed Interest	\$239,389
Mercer Passive Australian Shares	\$0
Mercer Passive International Shares	\$0
Mercer Passive Australian Listed Property	\$2,349
Mercer Enhanced Passive Growth	\$0
Mercer Enhanced Passive Conservative Growth	\$0
Mercer Direct	\$144,550
Total	\$155,793,128

