

MERCER KIWISAVER SCHEME

ANNUAL REPORT 2016



MAKE TOMORROW, TODAY



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MESSAGE FROM MARTIN

Another financial year is over and it is a great time to reflect on some of the milestones we were able to achieve together.

We welcomed 6,500 of the Mercer Super Trust KiwiSaver scheme customers into the Mercer KiwiSaver scheme and transitioned to the new regulatory regime called Financial Markets Conduct Act.

While this probably hasn't impacted your experience, it was great to achieve this important regulatory milestone last year and focus on further improvements to the scheme this year.

Mercer Protect, the new insurance benefits package, was launched and now over 1,000 Mercer KiwiSaver scheme customers can have peace of mind that should something happen to them, their KiwiSaver contributions, their life or bills can be protected.

Markets have also been interesting to watch. With more than 100 staff involved in manager research, we track over 5,400 managers and more than 26,000 investment strategies across the globe, monitoring the markets very closely. This active investment approach means we can act quickly if necessary.

This report covers all the legally required information we must report each year, but we also wanted to ensure you can access additional information if required and be able to do it on the go. We again have developed a digital report to enhance your experience. You can visit www.myannualreport.co.nz/mks2016 to access additional content.

Once again it is a pleasure and a privilege to be writing to you and I personally want to thank you for partnering with Mercer. As a team we are looking forward to helping you retire with more.



Martin Lewington
Mercer CEO and Director
of Mercer (N.Z.) Limited



SECTION ONE

DETAILS OF THE SCHEME

Name of the scheme: Mercer KiwiSaver scheme

Type of scheme: KiwiSaver

Manager: Mercer (N.Z.) Limited

Supervisor: Trustees Executors Limited

Product Disclosure Statement: The current product disclosure statement for the scheme is dated 29 October 2015.

Fund Updates: A fund update for each of the seven investment funds is available to 30 June 2016.

Financial statements and auditor's report:

The latest full financial statements for the scheme that comply with, and have been registered under, the Financial Markets Conduct Act 2013 cover the financial year 1 April 2015 to 31 March 2016 and were authorised for issue by the manager, Mercer (N.Z.) Limited, on 22 July 2016.

The auditors report on those financial statements was dated 22 July 2016. The auditors report did not refer to any fundamental uncertainty, and nor was it qualified or modified in any respect.



SCHEME SNAPSHOT

as at 31 March 2016

▶ **99,303**
members

▶ **\$1.4B**
invested

▶ **\$14,707** average
member
balance

▶ **21%** who made an
active investment
choice

▶ **\$393.62** average
member
tax credit

▶ **82%** contributed
during
the year

CONTRIBUTIONS

A photograph of a woman with long brown hair, seen from the side, kissing a young girl on the cheek. The girl has a large white bow in her hair and is smiling. The background is softly blurred, suggesting an indoor setting with light coming from a window.

Contributions are what helps you grow your retirement savings, these can come from you, your employer and from the Government.

HOW CONTRIBUTIONS WORK

- ▶ You can choose to contribute 3%, 4% or 8% from your before-tax salary or wages.
- ▶ You can also make voluntary additional contributions directly to your Mercer KiwiSaver scheme from your online banking. This is great if you are self-employed or are on a contributions holiday and want to maximise your member tax credits. This is also an option for children in the scheme.
- ▶ Employers must contribute a minimum of 3% of your before-tax salary or wages, but may also contribute at other rates. An employer needs to contribute only when you are contributing from your pay.
- ▶ The Government will contribute to your account through member tax credits, if you're eligible.

SECTION TWO

INFORMATION ON CONTRIBUTIONS AND SCHEME PARTICIPANTS

All of the membership and other information in this section is shown for the year to 31 March 2016.

MEMBERSHIP DETAILS	CONTRIBUTING MEMBERS	NON CONTRIBUTING MEMBERS	TOTAL NUMBER OF MEMBERS	MEMBERS' ACCUMULATION
NUMBER OF MEMBERS AT THE START OF THE YEAR	57,241	37,430	94,671	\$1,082,943,437
PLUS				
New Members			7,966	
New Members transferring from other KiwiSaver schemes			6,679	
New Members transferring from other registered superannuation schemes			51	
New Members transferring in from Australian superannuation schemes			15	
LESS				
Members transferring to other KiwiSaver schemes			8,765	
Retirement			623	
Death			106	
Other exits			585	
TOTAL MEMBERSHIP AT THE END OF THE YEAR	58,585	40,718	99,303	\$1,397,937,118

CONTRIBUTIONS

TYPE	NUMBER OF MEMBERS	TOTAL AMOUNT
Member contributions	76,883	\$119,872,291
Member voluntary contributions	4,252	\$11,312,432
Employer contributions	76,653	\$73,851,481
Kick-start contributions	3,614	\$3,609,960
Member tax credits	68,868	\$27,108,168
Transfers from other registered schemes	6,836	\$245,238,906
Transfers from Australian superannuation schemes	64	\$2,132,202

YEAR IN REVIEW



OUR BIRTHDAY

Mercer celebrated its 59th birthday in New Zealand this year and KiwiSaver is now in its 10th year. Here are some other significant events that happened during the year.



\$1,000 KICK-START

MAY 2015
Government removes \$1,000 kick-start contribution to new joiners.



LICENSED MANAGER

JUNE 2015
Mercer becomes a licensed manager under the Financial Markets Conduct Act.

MERCER SUPER TRUST KIWISAVER SCHEME

Mercer Super Trust KiwiSaver scheme members join the Mercer KiwiSaver scheme.



MERCER PROTECT

OCTOBER 2015
Mercer Protect was launched, the new insurance benefits package.



SMART STEPS LAUNCHED

FEBRUARY 2016
Smart Steps to retirement successfully launched to help customers maximise their membership in the scheme as soon as they join.



REMINDER TO MAXIMISE MEMBER TAX CREDITS

APRIL 2016
Each year we remind our members to maximise their government contributions.



WE ALSO WON SOME AWARDS ALONG THE WAY

LOCALLY

- ▶ SuperRatings Platinum Rating 2015
- ▶ Workplace Savings Communications Award 2015
- ▶ WriteMark New Zealand Plain English Award 2015

GLOBALLY

- ▶ Money Magazine's Best of the Best 2015
- ▶ Innovation Award at the Pensions Age Awards 2016
- ▶ Financial News names Mercer "Investment Consultancy of the Last 20 Years" 2016



Find out more at www.mercerfinancialservices.co.nz

SECTION THREE

CHANGES RELATING TO THE SCHEME

Trust Deed

The scheme's trust deed was amended on 10 September 2015 for the purpose of complying with the requirements of the Financial Markets Conduct Act and other enactments as required by that legislation together with updates to reflect other legislative and administrative changes affecting the scheme.

Terms of Offer of Interests in the Scheme

Due to the transition of the scheme to the Financial Markets Conduct Act during the year, the terms of offer of interests in the scheme are now governed by that legislation and a product disclosure statement dated 29 October 2015 (which has been issued in accordance with the Financial Markets Conduct Act).

The Investment Policy and Objectives of the scheme's funds

A number of changes have been made to the Statement of Investment Policy and Objectives (SIPO).

Financial Markets Conduct Act terminology is now used throughout, such as replacing references to the trustee with the supervisor and investment options now being referred to as funds.

Adding details of the supervisor's role and responsibilities.

Details of Mercer's investment beliefs and process updated and the investment structure.

Return objectives relative to inflation added.

More information can be found in the Statement of Investment Policy and Objectives. You can request a copy by contacting us on 0508 637 237.

Related Party Transactions

There were no changes to the nature or scale of the related party transactions. All related party transactions were conducted on normal commercial terms and conditions during the accounting period and were on arm's-length terms.

SECTION FOUR OTHER INFORMATION FOR A KIWISAVER SCHEME

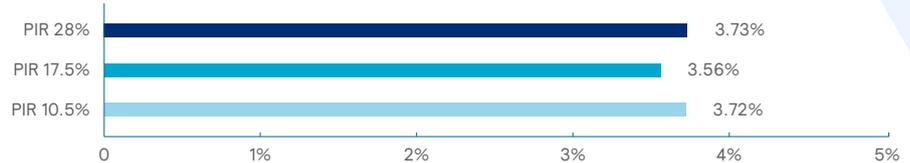
PERFORMANCE

Whether you're an aggressive investor with an appetite for risk, the type who likes to play it safe or somewhere in between, we've got an investment option for you.

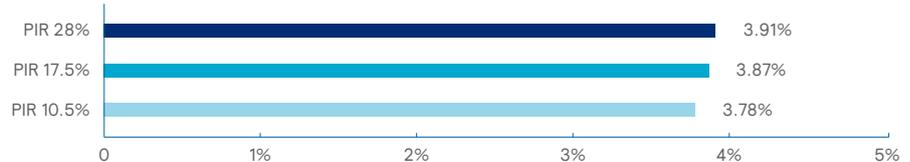
See how the options performed during the year and for longer-term investment performance, please visit www.myannualreport.co.nz/mks2016.

1 YEAR RETURNS AS AT 31 MARCH 2016 (AFTER TAX AND FEES).

Mercer Shares

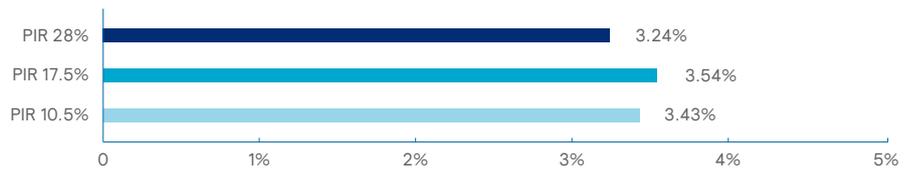


Mercer High Growth

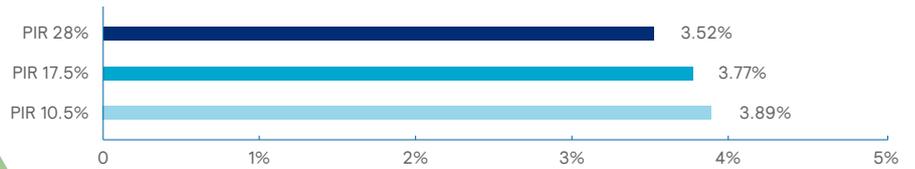




Mercer Growth



Mercer Balanced

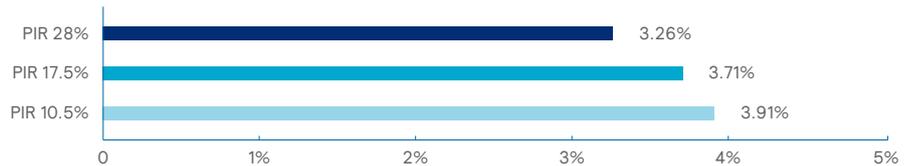


The investment returns are shown after fund fees (excluding membership fees) and after tax at the Prescribed Investor Rate (PIR) indicated.

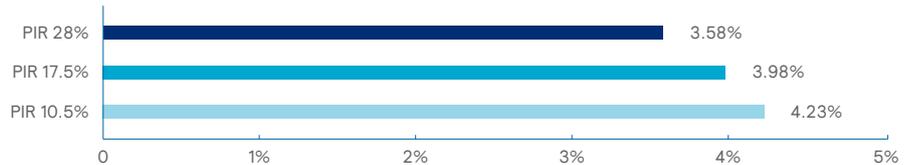
It's important to note that investment returns shown don't tell you how the investment options will perform in the future and that past performance is not a reliable indicator of future performance.

Your individual returns within an investment portfolio will depend on timing of contribution payments and actual fees charged, allowing for any fee rebates. The returns shown are therefore indicative of investment results but may differ from the actual after fees and tax returns achieved by you.

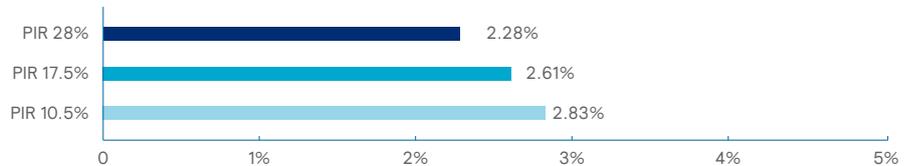
Mercer Moderate



Mercer Conservative



Mercer Cash



UNIT PRICES

TYPE	AT 1 APRIL 2015*			AT 31 MARCH 2016		
	28% PIR	17.5% PIR	10.5% PIR	28% PIR	17.5% PIR	10.5% PIR
Mercer Shares	0.998937	0.997890	1.001882	1.036204	1.033424	1.039188
Mercer High Growth	1.152833	1.194885	1.535041	1.197921	1.241150	1.593093
Mercer Growth	1.000212	1.000508	1.007661	1.032667	1.035883	1.042204
Mercer Balanced	1.239657	1.279793	1.446225	1.283322	1.328026	1.502424
Mercer Moderate	1.003398	1.000666	1.004037	1.036137	1.037791	1.043297
Mercer Conservative	1.362126	1.403146	1.343248	1.410902	1.458956	1.400071
Mercer Cash	1.244265	1.284033	1.166094	1.272619	1.317573	1.199144

WITHDRAWALS

	NUMBER OF MEMBERS	TOTAL AMOUNT
First home withdrawal	789	\$15,245,811
Death	106	\$1,610,215
Late opt outs/enrolments in error	416	\$867,528
Permanent emigration	88	\$973,126
Significant financial hardship	311	\$1,152,416
Serious illness	86	\$1,070,633
Retirement withdrawals	1,372	\$18,403,229
Transfers to other KiwiSaver schemes	8,765	\$169,633,301
Transfers to Australian superannuation schemes	6	\$155,950

*Opening price as at 1 April 2015, is the closing price on 31 March 2015

MERCER AND KIWISAVER

SECTION FIVE

CHANGES TO PERSONS INVOLVED IN THE SCHEME

There were no changes to the manager, the supervisor, administration manager, investment manager, securities registrar or auditor of the scheme.

Change to the directors of the manager:
Benjamin Walsh appointed on 1 June 2015.
David Anderson resigned on 30 June 2015.

Change to the directors of the supervisor:

David Roman Neidhart appointed on
29 September 2015.
James Brendan Bolger resigned on
8 July 2015.

Custodian appointed:

BNP Paribas Fund Services Australasia
Pty Ltd appointed as the custodian of
the scheme on 10 September 2015.

KiwiSaver was introduced in 2007 to help New Zealanders save for their retirement and since then Mercer has been providing the Mercer KiwiSaver scheme to its customers.

Helping you retire with more is what Mercer is all about. We search the globe for the best investments and deliver them back home for you. Our scope of global investments, tailored for the New Zealand market, is what makes us different. The other thing that makes us different is our people.

Get to know the people involved in providing and managing your scheme and ensuring you have a great experience as a member, while growing your savings.

MEET THE TEAM



Sarah Whitelock

Sarah is the Master Trust and KiwiSaver Product Leader, based in Wellington. Sarah has been with Mercer for 17 years.

Sarah's Tip: Investment Choice

You should always consider your own personal circumstances when choosing your investment options. Here are two questions you should answer:

- 1) How long do you have until you start drawing down your savings?
- 2) How comfortable you are with risk? Mercer's risk quiz can help you answer this question.



Nicky Burns

Nicky is the Administration Leader and she has been with Mercer for 16 years.

Nicky's Tip: Maximising member tax credits

We see so many KiwiSaver members miss out on their member tax credits because they leave it too late to top up their KiwiSaver accounts. 30 June is an important date to remember if you want to ensure you get your annual member tax credit, and remember to allow plenty of time to ensure your payment is processed. The countdown to 2017 member tax credits has already begun.



Philip Houghton-Brown

Philip is the Investments Leader and he has been with Mercer for 4 years. Philip is based in Auckland.

Philip's Tip: Market volatility – don't panic

The “Brexit” vote in the UK showed that markets can react very quickly to an event in another country, with the market in New Zealand dropping -2.3% on the day. Then we saw markets recover globally and in New Zealand over the week following the event. It is important not to panic and react just to market events without considering your personal circumstances. Unless these have changed, the best action may be not to do anything.



Glenys Wilson

Glenys is the Education Manager and a financial adviser, based in Wanaka. Glenys has been with Mercer for 15 years.

Glenys's Tip: Getting sound advice

Many New Zealanders don't seek help from an appropriately authorised financial adviser, but they are comfortable seeking help from friends or family – who may not be qualified or experienced to give any financial advice. A simple conversation with a financial adviser should provide clarity and direction when it comes to your retirement goal setting, the markets and a suitable investment strategy.



Tatiana Mes

Tatiana is the Marketing and Communications Manager based in Auckland and has been with Mercer for 8 years.

Tatiana's Tip: Providing your email address and selecting how we communicate with you

We want to ensure that you get the best possible experience from your membership in the scheme. By updating your communication preferences from your online account, you'll take control of how we communicate with you. There will always be important or legislatively required information, as well as news and tips on how to maximise your retirement savings. By telling us how you'd like to receive these we'll ensure you stay connected.



FURTHER INFORMATION

There are lots of useful sources of further information to help you plan for your future and save for retirement. Here is a list of things you may want to check out.

Mercer Magazine is a leading source of information on health, wealth and career, which we believe are integral to helping you get the most out of life. Find it online at www.mercerkiwisaverscheme.co.nz

The scheme's website also contains a lot of information to help you maximise your membership in the scheme including useful articles, documents and forms. You can also sign in to your personal account to view information about your account.

Our Retirement Income Simulator is a useful tool to help you stay on track and plan for your retirement. www.retirementsimulator.co.nz

SECTION SIX

HOW TO FIND FURTHER INFORMATION

Information relating to the Mercer KiwiSaver scheme, for the offer register and the scheme register can be found at www.business.govt.nz/disclose.

The scheme register includes financial statements, trust deed and statement of investment policy and objectives.

The offer register includes information relating to the membership and funds. It also includes fund updates and other material information.

Information relating to the scheme, such as fund updates, the annual report, current product disclosure statement and other useful information is available at www.mercerkiwisaverscheme.co.nz.

You can also call us on 0508 637 237 to request this information.

All the information can be obtained from us without charge.





MANAGER'S ANNUAL STATEMENT

As the manager of the Mercer KiwiSaver scheme, we confirm that for the year ended 31 March 2016

- ▶ all the benefits required to be paid from the scheme in accordance with the governing documents have been paid;
- ▶ the market value of the assets of the Scheme at the close of the financial year, 31 March 2016, equalled or exceeded the total value of the benefits that would have been payable had all members of the scheme ceased to be members at that date and, where necessary, had provision been made for the continued payment of all benefits being paid to members and other beneficiaries as at the close of the financial year.

Martin Lewington
Mercer (N.Z.) Limited
29 July 2016



CONNECT

We'll do everything we can to resolve your query or complaint quickly.



0508 637 237

We are available between 9am and 7pm, Monday to Friday, or leave us a message and we'll call you back.



www.mercerkiwisaverscheme.co.nz

Submit your query from your online account



Mercer KiwiSaver scheme
PO Box 1849
Wellington

If you do have a complaint please call us on 0508 637 237. Our administration team or the Complaints Officer will investigate it and respond to you as soon as possible.

Help is just a click or a call away, we would love to hear from you.

SECTION SEVEN

CONTACT DETAILS AND COMPLAINTS

Contact details for the Manager and the Securities Registrar

Mercer (N.Z.) Ltd
151 Queen Street
PO Box 105591
Auckland 1010
0508 637 237

Supervisor

Trustees Executors Ltd
Level 7
51 Shortland Street
Auckland 1140

Privacy Officer

Mercer (N.Z.) Ltd
Attn: Privacy Officer
151 Queen Street
PO Box 105591
Auckland 1010
0508 637 237

How to complain

Please direct any complaints about your investment to Mercer at:

Mercer (N.Z.) Limited

151 Queen Street
PO Box 105591
Auckland 1010

Attn: Inquiries and Privacy Officer
Telephone: 0508 637 237
Email: NZ.Privacy@mercero.com

If we are unable to resolve your complaint, you may choose to contact the supervisor at:

Trustees Executors Limited

Level 7, 51 Shortland Street
Auckland 1140

Attn: Client Services Manager -
Governance & Investor Oversight
Telephone: 09 308 7100

Mercer is a member of the Insurance and Financial Services Ombudsman Scheme (IFSO) and the supervisor is a member of Financial Services Complaints Limited (FSCL), both of which are independent dispute resolution schemes approved by the Ministry of Consumer Affairs. The IFSO and FSCL will not charge a fee to any complainant to investigate or resolve a complaint.

If you make a complaint to us and the complaint cannot be resolved, you may refer it to the IFSO subject to certain conditions being met.

Further information about referring a complaint to the:

- ▶ IFSO can be found at www.ifso.nz
- ▶ FSCL can be found at www.fscl.org.nz



WANT TO KNOW MORE?



www.mercerkiwisaverscheme.co.nz



0508 637 237



@Mercer_NZ

Disclaimer

Mercer (N.Z.) Limited is the manager of the Mercer KiwiSaver scheme and the issuer of this annual report. This annual report has been prepared by the manager to meet its legislative obligations under the Financial Markets Conduct Regulations 2014, and the KiwiSaver Act 2006. The information contained in this annual report is of a general nature only and does not take into account the personal objectives, financial situation or financial goals of individual members. Accordingly, before making any decisions, you should consider the information in light of your own objectives, financial situation and needs and read and consider the current product disclosure statement. It is also recommended that you obtain advice from an appropriately authorised financial adviser. A copy of the current product disclosure statement is available on the website www.mercerkiwisaverscheme.co.nz or by calling the Helpline on 0508 637 237. You should be aware that the value of any investment in the Mercer KiwiSaver scheme may rise and fall from time to time. Mercer, Trustees Executors Limited, MMC Inc., any member of the worldwide Marsh and McLennan Group of Companies does not guarantee the investment performance, earnings or return of capital invested in any of the Mercer KiwiSaver scheme investment options. The investment returns shown in this annual report do not take into account the unique characteristics that apply to each member (such as timing of cashflow). As a result, the actual returns applying to a particular member are different from the investment returns shown. You should also remember that past performance should not be relied upon as an indicator of future performance.

MAKE TOMORROW, TODAY

