

Annual Outcomes Assessment

Mercer Tailored Super – Coles Group

Financial year ending 30 June 2024

The information is published in accordance with the requirements of s52(9) of the Superannuation Industry (Supervision) Act 1993 ('legislation').

| Product | Trustee | Super Fund | Category |
|---|---|-----------------------------------|--------------------|
| Mercer Tailored Super – Coles Group (the Product) | Mercer Superannuation (Australia) Limited (MSAL or Trustee) | Mercer Super Trust (MST) | MySuper and Choice |

Purpose

As required by legislation, this document contains:

- the Trustee's determination as to whether the financial interests of the beneficiaries holding the Product are being promoted by the Trustee having regard to the assessments and comparisons prescribed by legislation; and
- a summary of the assessments and comparisons upon which the Trustee's determination is based. The Trustee's determination is as of 27 February 2025 and is based on information for the year ended 30 June 2024, as well as changes to the Product made after that date.

Overall Determination

The Trustee has determined that the financial interests of the beneficiaries holding the Product are **being promoted**.

This is based on the assessments and comparisons summarised below. In doing so, the Trustee compared the Product against MySuper products and other Choice investment options offered by regulated superannuation funds.

Summary of the Trustee's assessment

When carrying out the assessment, the Trustee considered a number of factors including, fees and costs, investment performance and options, insurance fees and options, and the overall size and scale of the Mercer Super Trust.

The assessment consists of two sections. The table below provides a summary of the factors considered for each Section.

| Factor | Rating |
|---|--------|
| Section One | |
| Fees and costs | |
| Investment returns | |
| Investment risk | |
| Section Two | |
| Options, benefits and facilities | |
| Investment strategy | |
| Insurance strategy | |
| Insurance fees | |
| Scale | |
| Operating costs | |
| Basis for setting fees | |

| Determination | Colour Rating |
|--|---------------|
| Members' financial interests are promoted | |
| Members' financial interests are mostly promoted | |
| Members' financial interests are not promoted | |

Section One: Summary of our performance assessment

Guide to reading this section

Comparison Table Key

| Quartile | Colour Rating |
|---|---------------|
| Bottom 25% of Products (Bottom Quartile) (Q4) | |
| Bottom 50% to 25% of Products (Below Median) (Q3) | |
| Top 50% to 75% of Products (Above Median) (Q2) | |
| Top 25% of Products (Top Quartile) (Q1) | |

For Fees and costs, Above Median refers to the fees being less expensive than the median. Below Median refers to the fees being more expensive than the median.

For Investment returns, Above Median refers to the returns being higher than the median. Below Median refers to the returns being lower than the median.

This section provides the outcome of the Trustee's assessment of Fees and costs, Investment returns and Investment risk compared to peers and benchmarks.

1. Fees and costs

| Determination | Assessment |
|--|---|
| Members' financial interests are promoted | <p>MySuper - Mercer SmartPath achieved a Q2 ranking relative to all MySuper products for the year to 30 June 2024 based on an assessment of fees and costs for a \$50,000 balance.</p> <p>Choice - The Choice fees and costs are mid-market or better (Q1 or Q2) for most options. The \$50,000 and \$100,000 balance comparisons have two options ranked at Quartile 2 with the rest being Quartile 1.</p> |

The Trustee remains committed to delivering products and investment options that promote member outcomes and foster growth to enable benefits of increased scale to be passed onto members.

MySuper

Table 1 - Mercer SmartPath MySuper annual fees and costs comparison compared to the APRA MySuper median¹

| Product | MySuper annual fees and costs |
|------------------|-------------------------------|
| Mercer SmartPath | \$405.00 |
| MySuper median | \$415.00 |

Choice

Table 2 – Choice fees and costs competitor rankings for \$50,000 balance

| | | For \$50,000 balance | | | |
|--------------|----------------------------|-------------------------------|----------------------|---------|----------|
| Fee category | Investment option | Administration fees and costs | Total fees and costs | Rank | Quartile |
| High Growth | Mercer High Growth | 0.12% | 0.87% | 9 / 59 | Q1 |
| Growth | Mercer Growth | 0.12% | 0.74% | 5 / 67 | Q1 |
| Balanced | Mercer Moderate Growth | 0.12% | 0.84% | 13 / 56 | Q1 |
| Conservative | Mercer Conservative Growth | 0.12% | 0.72% | 11 / 67 | Q1 |

Table 3 – Choice fees and costs competitor rankings for \$100,000 balance

| | | For \$100,000 balance | | | |
|--------------|----------------------------|-------------------------------|----------------------|---------|----------|
| Fee category | Investment option | Administration fees and costs | Total fees and costs | Rank | Quartile |
| High Growth | Mercer High Growth | 0.12% | 0.87% | 14 / 59 | Q1 |
| Growth | Mercer Growth | 0.12% | 0.74% | 9 / 67 | Q1 |
| Balanced | Mercer Moderate Growth | 0.12% | 0.84% | 18 / 56 | Q2 |
| Conservative | Mercer Conservative Growth | 0.12% | 0.72% | 17 / 67 | Q2 |

2. Investment returns

| Determination | Assessment |
|--|--|
| Members' financial interests are mostly promoted | MySuper – Mercer SmartPath achieved predominantly a Q1 or Q2 ranking relative to peers over 1, 3, and 5 years to 30 June 2024 (net of fees and taxes). |
| | Choice - Choice options are slightly behind market for the rated options. For 1-year results, five of the 11 rated options are ranked Q1 or Q2. For 3-year results, six of the 11 rated options are ranked Q1 or Q2. For 5-year results, five of the 11 rated options are ranked Q1 or Q2. |

¹ Source: APRA Quarterly MySuper Statistics Tables 2b SRF 700.0 – Item 4 (30 June 2024) and based on a balance of \$50k.

MySuper

Under the Government's Your Future, Your Super reforms, which came into effect on 1 July 2021, APRA is required to conduct an Annual Performance Assessment (**APA**) for MySuper products. The APA assesses the investment performance and administration fee of a product over a ten-year time horizon. Based on the APA results released by APRA on 30 August 2024, the Product **passed** the APA.

Investment returns vary according to the level of risk taken for each Mercer SmartPath cohort. Instances of Q3 and Q4 performance can largely be attributed to lower growth asset allocation compared to peers within the same risk label or the whole MySuper cohort. Those cohorts with Q3 or Q4 MySuper peer relative performance are performing well against other metrics such as the APA, and against their CPI+ target over the year to 30 June 2024.

Table 4 - Mercer SmartPath net investment returns for a representative member (account balance of \$50,000) as at 30 June 2024²

| Lifecycle Stage | 1 yr. net return (% p.a) ³ | 3 yr. annualised net return (% p.a) | 5 yr. annualised net return (% p.a) | Stage of glidepath ⁴ |
|----------------------------|--|---|---|------------------------------------|
| Born prior to 1929 to 1943 | N/A | N/A | N/A | Post glide |
| Born 1944 to 1948 | 7.24% | 3.58% | 4.46% | Post glide |
| Born 1949 to 1953 | 7.83% | 3.74% | 4.59% | Post glide |
| Born 1954 to 1958 | 7.78% | 4.06% | 5.19% | In glide |
| Born 1959 to 1963 | 8.98% | 4.71% | 5.98% | In glide |
| Born 1964 to 1968 | 10.18% | 5.37% | 6.87% | In glide |
| Born 1969 to 1973 | 11.46% | 5.85% | 7.45% | Pre glide |
| Born 1974 to 1978 | 11.57% | 5.85% | 7.52% | Pre glide |
| Born 1979 to 1983 | 11.58% | 5.84% | 7.55% | Pre glide |
| Born 1984 to 1988 | 11.72% | 5.83% | 7.55% | Pre glide |
| Born 1989 to 1993 | 11.74% | 5.81% | 7.47% | Pre glide |
| Born 1994 to 1998 | 11.57% | 5.74% | 7.41% | Pre glide |
| Born 1999 to 2003 | 11.43% | 5.66% | 7.31% | Pre glide |
| Born 2004 to 2008 | 11.22% | 5.45% | 7.09% | Pre glide |
| Born 2009 to 2018 | N/A | N/A | N/A | Pre glide |

Choice

APRA introduced the APA for Trustee-directed Products from 1 July 2023. All MST Choice options surveyed within the 2023-24 APA, **passed** the APA

Investment returns will vary according to the asset class or level of risk taken for each Choice investment option.

The JANA investment options were available at 30 June 2024 and have since been closed on 10 October 2024.

² Quartile rankings are based on risk bands to provide a more accurate assessment compared to ranking against all MySuper funds

³ Values only provided for options funded as at 30 June 2024

⁴ Mercer SmartPath cohorts sit on a glidepath. Younger cohorts (with members aged under ~55 years of age) will be classified as pre-glide as their growth assets haven't begun to decrease. While older cohorts could be classified as in-glide or post-glide depending on whether their growth allocation for their age cohort has reached the terminal growth asset allocation, of roughly 60%.

Table 5 – Choice investment return rankings against comparable investment options⁵

| Investment option | | 1 Year | | 3 Years | | 5 Years | |
|--|--------------------------|---------|----------|---------|----------|---------|----------|
| | Peer group | Rank | Quartile | Rank | Quartile | Rank | Quartile |
| JANA Moderate | Balanced | 102/187 | Q3 | 89/164 | Q3 | 114/158 | Q3 |
| Mercer High Growth | Growth | 16/138 | Q1 | 19/120 | Q1 | 22/111 | Q1 |
| Mercer Select Growth | Balanced | 31/187 | Q1 | 21/164 | Q1 | 22/158 | Q1 |
| JANA Aggressive | High Growth | 54/58 | Q4 | 21/53 | Q2 | 24/49 | Q2 |
| JANA Assertive | Growth | 108/138 | Q4 | 71/120 | Q3 | 88/111 | Q3 |
| JANA Cautious | Conservative Balanced | 43/101 | Q2 | 43/75 | Q3 | 45/74 | Q3 |
| JANA Conservative | Capital Stable | 32/85 | Q2 | 29/76 | Q2 | 55/74 | Q3 |
| JANA Cash | Cash | 12/68 | Q1 | 27/66 | Q2 | 21/65 | Q2 |
| JANA Australian Shares | Australian Shares | 61/69 | Q4 | 53/61 | Q4 | 58/61 | Q4 |
| JANA International Shares | International Shares | 54/72 | Q3 | 40/60 | Q3 | 47/60 | Q4 |
| JANA Australian & International Shares | High Growth | 37/58 | Q3 | 14/53 | Q2 | 16/49 | Q2 |

3. Investment risk

| Determination | Assessment |
|--|--|
| Members' financial interests are promoted | <p>MySuper – The majority of the Mercer SmartPath options level of investment risk is lower than comparable MySuper products. The only option that is ranked in the equivalent to Q2 is the Born 1959 to 1963 option. All other options would be considered Q1.</p> <p>Choice - The Trustee ensures that it has a range of options available for members to choose from, with different risk characteristics and investment objectives. During the last review in 2024 the Trustee confirmed that it was comfortable with the level of investment risk in each choice investment option.</p> |

MySuper

The level of investment risk for MySuper products has been measured using the methodology set out in *APRA Reporting Standard SRS 700.0 Product Dashboard*.

The majority of the Mercer SmartPath cohorts ranked in Q1 for taking the least amount of risk within its designated Standard Risk Measure (**SRM**) label.

⁵ The options surveyed include the four largest options by number of members and seven tailored investment options. The rankings are sourced from the SuperRatings FCRS Survey as at 30 June 2024.

Table 6 – Mercer SmartPath rankings against other MySuper products with the same risk label

| Lifecycle Stage | Estimated number of negative net investment returns over a 20-year period | Stage of glidepath |
|-------------------|---|--------------------|
| Born 1929 to 1933 | 3.20 | Post glide |
| Born 1934 to 1938 | 3.20 | Post glide |
| Born 1939 to 1943 | 3.20 | Post glide |
| Born 1944 to 1948 | 3.20 | Post glide |
| Born 1949 to 1953 | 3.20 | Post glide |
| Born 1954 to 1958 | 3.20 | In glide |
| Born 1959 to 1963 | 3.70 | In glide |
| Born 1964 to 1968 | 4.00 | In glide |
| Born 1969 to 1973 | 4.20 | Pre glide |
| Born 1974 to 1978 | 4.20 | Pre glide |
| Born 1979 to 1983 | 4.20 | Pre glide |
| Born 1984 to 1988 | 4.20 | Pre glide |
| Born 1989 to 1993 | 4.20 | Pre glide |
| Born 1994 to 1998 | 4.20 | Pre glide |
| Born 1999 to 2003 | 4.20 | Pre glide |
| Born 2004 to 2008 | 4.20 | Pre glide |
| Born 2014 to 2018 | 4.20 | Pre glide |

The benefit of the lifecycle strategy is that it is designed with a whole of life approach in mind. The level of investment risk will adjust accordingly for each cohort, with pre-glide and in-glide cohorts taking on more levels of investment risk, while post-glide cohorts taking on lower levels of investment risk but better downside protection.

Choice

There is no publicly available information which provides a breakdown of the level of investment risk for each Choice investment option and therefore it is difficult to make reasonable comparisons against the industry. However, the net returns assessment above implicitly takes into account a comparison of investment risk.

The Trustee performs an annual review of each Choice investment option to understand the level of investment risk inherent in each option and whether that would be in line with the expectations of the members who are invested in that option. During the last review in 2024 the Trustee confirmed that it was comfortable with the level of investment risk in each Choice investment option.

Section Two: Summary of the assessment factors

The Trustee's assessment of the Product as at 30 June 2024 is based on the following criteria specified by the legislation.

| Factor | Determination |
|----------------------------------|--|
| Options, benefits and facilities | <p>Members' financial interests are promoted</p> <p>The options, benefits and facilities are appropriate for Mercer Tailored Super – Coles Group members having regard to the financial interests of beneficiaries in this product.</p> <p>The MST offers access to a broad range of investment options from lifecycle to choice and direct investing options. Insurance coverage is across approximately two thirds of the membership with the highest ratings across all offerings by external ratings houses such as Chant West and SuperRatings. The Trustee is focused on continuing to uplift the member and digital member experience, as well as enhancing the advice offering that supports our members' journey into and in retirement.</p> |
| Investment strategy | <p>Members' financial interests are promoted</p> <p>The last annual investment strategy review was completed for the Mercer SmartPath and Choice options in November 2024.</p> <p>The review identified that the current shape of the Mercer SmartPath glidepath continues to be the most optimal in terms of delivering expected retirement outcomes for default members and that for SmartPath options plus most Choice options the Strategic Asset Allocation (SAA) modelling outcomes are within acceptable ranges, and that the probability of meeting the investment objective, downside risk, factor risk, liquidity and climate stress testing remain satisfactory. Changes to asset allocation have been approved which are expected to improve investment diversification and member outcomes.</p> <p>The JANA investment options were closed on 10 October 2024.</p> |
| Insurance strategy | <p>Members' financial interests are promoted</p> <p>The last comprehensive independent review of the Insurance Management Framework (IMF) occurred in September 2023, with the next independent review due to occur in 2026. The outcomes of the review concluded that the IMF (and Insurance strategy) are operating effectively in members' best financial interests.</p> <p>The IMF also undergoes an annual review to ensure that changes to MSAL's business operations are appropriately reflected in the IMF.</p> <p>The Trustee's insurance strategy underpins a strong insurance offer, making a range of insurance benefits available to members. The nature of the insurance offer reflects the differing needs of members. In cases where default cover is provided on an automatic basis, members can adjust or cancel their cover at any time to ensure that the cover they hold is appropriate and affordable for their circumstances.</p> <p>For insured members, there is a continuing focus to reduce frictions in the member servicing model and improving claims admittance rates and claims durations.</p> |

| | |
|-------------------------------|---|
| Insurance fees | <p>Members' financial interests are promoted</p> <p>Ensuring that insurance fees charged in relation to a product are affordable and do not inappropriately erode the retirement income of beneficiaries is a key objective of the Trustee's insurance strategy.</p> <p>The approach applied by the Trustee to meet this objective is that the cost of default cover provided to members on an automatic basis should not generally exceed 1% of a member's estimated salary. For Mercer Tailored Super – Coles Group the cost of insurance provided to members on an automatic basis does not generally exceed 1% of an estimated salary. There is a risk of exceeding this threshold for some cohorts of members, for example, members who have moved to the Retained division with high default levels of cover.</p> <p>On balance, insurance fees for members are broadly aligned with the financial interests and needs of beneficiaries. Insurance fees for members are highly competitive at Q1 or Q2 for all ages compared, other than older blue-collar members which are within Q3.</p> <p>The Trustee continues to focus on ensuring affordability of insurance premiums and that these do not unduly erode member retirement balances.</p> |
| Scale | <p>Members' financial interests are promoted</p> <p>Scale has grown for the Product and the overall MST over the year. The number of member accounts across MST increased by ~148,000 and FUM increased by \$1.2billion.</p> <p>Mercer Tailored Super – Coles Group and MST both have sufficient scale to be sustainable. Although this Annual Outcomes Assessment is for Mercer Tailored Super – Coles Group specifically, the product benefits from the full scale of the Trustee's operations. The Trustee remains committed to offering and managing products and investment options that enhance member outcomes and foster growth, allowing the advantages of scale to be shared with members.</p> |
| Operating costs | <p>Members' financial interests are promoted</p> <p>The Trustee incurs operating costs in ensuring the efficient and effective operation of the MST, including Mercer Tailored Super – Coles Group. Both current and projected operating costs per member are reasonable with the net operating income per account remaining stable and sustainable.</p> |
| Basis for setting fees | <p>Members' financial interests are mostly promoted</p> <p>One of the Trustee's strategic objectives is to deliver competitive products and services. The Trustee recognises that the manner in which fees are charged to MST members is a material consideration in assessing the promotion of members' financial interests.</p> <p>The Trustee annually assesses the appropriateness of the fees charged to Mercer Tailored Super – Coles Group beneficiaries. The basis for setting fees continues to be suitable for the Product, recognising that the Trustee is continuing to enhance and improve its policies and procedures.</p> |

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Ratings are likely to change and are only one factor to be taken into account when deciding to invest in a product.

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