

Annual Outcomes Assessment

Mercer SmartRetirement Income

Financial year ending 30 June 2023

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 SmartRetirement Income (the Product)	Mercer Superannuation (Australia) Ltd (MSAL or Trustee)	Mercer Super Trust (MST)	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 22 February 2024 and is based on information for the year ended 30 June 2023, 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 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	Members' financial interests are promoted.
Investment returns	Members' financial interests are promoted.
Investment risk	Members' financial interests are promoted.
Section Two	
Options, benefits and facilities	Members' financial interests are promoted.
Investment strategy	Members' financial interests are promoted.
Insurance strategy	N/A – Mercer SmartRetirement Income does not offer insurance.
Insurance fees	N/A – Mercer SmartRetirement Income does not offer insurance.
Scale	Members' financial interests are promoted.
Operating costs	Members' financial interests are promoted.
Basis for setting fees	Members' financial interests are mostly 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)	Red
Bottom 50% to 25% of Products (Below Median) (Q3)	Yellow
Top 50% to 75% of Products (Above Median) (Q2)	Green
Top 25% of Products (Top Quartile) (Q1)	Dark Green

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	The fees and costs are mid-market or better (Quartile 1 or Quartile 2) for most options. The \$100,000 and \$250,000 balance comparisons have three of the four ranked options at Quartile 2.

Effective 1 April 2023, the Trustee:

- Reduced the asset-based administration fees and removed the dollar-based administration fee for most members.
- Reduced the estimated costs associated with product and strategic services from 0.036% per annum of MST assets to 0.017% per annum.

As demonstrated by the transition of members through the BT Successor Fund Transfer (SFT), the Trustee has a continued strategic focus on building scale within the MST, with the aim of passing benefits to members by way of providing lower fees.

Table 1 – Choice fees and costs competitor rankings for \$100,000 balance

For \$100,000 balance					
Fee category	Investment option	Administration fees and costs	Total fee	Rank	Quartile
High Growth	Mercer High Growth	0.22%	0.94%	19 / 67	Q2
Growth	Mercer Select Growth	0.22%	1.45%	59 / 70	Q4
Balanced	Mercer Moderate Growth	0.22%	0.85%	20 / 63	Q2
Conservative	Mercer Conservative Growth	0.22%	0.75%	19 / 69	Q2

Table 2 – Choice fees and costs competitor rankings for \$250,000 balance

For \$250,000 balance					
Fee category	Investment option	Administration fees and costs	Total fee	Rank	Quartile
High Growth	Mercer High Growth	0.22%	0.94%	22 / 67	Q2
Growth	Mercer Select Growth	0.22%	1.45%	64 / 70	Q4
Balanced	Mercer Moderate Growth	0.22%	0.85%	24 / 63	Q2
Conservative	Mercer Conservative Growth	0.22%	0.75%	25 / 69	Q2

2. Investment returns

Determination	Assessment
Members' financial interests are promoted	For the assessment period, two of the four largest Choice investment options (by number of members) achieved Quartile 1 or Quartile 2 performance for the year to 30 June 2023. The cash option was 0.08% away from achieving median performance.

The Mercer Growth option in the MSRI product does not have sufficient performance history to be assessed, however the same option in the accumulation environment is achieving Q2 performance.

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

Table 3 – Choice investment return rankings against comparable investment options¹

Investment option	Peer group	1 Year		3 Years		5 Years	
		Rank	Quartile	Rank	Quartile	Rank	Quartile
Mercer Growth	Balanced	N/A	N/A	N/A	N/A	N/A	N/A
Mercer Cash	Cash	37 / 56	Q3	38 / 55	Q3	35 / 56	Q3
Mercer Conservative Growth	Capital Stable	25 / 69	Q2	37 / 65	Q3	21 / 63	Q2
Mercer Moderate Growth	Conservative Balanced	6 / 53	Q1	21 / 50	Q2	17 / 47	Q2

3. Investment risk

Determination	Assessment
Members' financial interests are promoted	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 2023 the Trustee confirmed that it was comfortable with the level of investment risk in each Choice investment option.

There is no publicly available information which provides a breakdown of the level of investment risk for each Choice product 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 2023 the Trustee confirmed that it was comfortable with the level of investment risk in each Choice investment option.

¹ The options surveyed include the four largest options by number of members and three tailored investment options. The rankings are sourced from the SuperRatings FCRS Survey as at 30 June 2023.

Section Two: Summary of the assessment factors

The Trustee's assessment of the Product as at 30 June 2023 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 SmartRetirement Income members having regard to the financial interests of beneficiaries in this product.</p> <p>MST offers access to a broad range of investment options from lifecycle to choice options. Insurance coverage is across approximately half the membership with excellent 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 SmartRetirement Income options in November 2023.</p> <p>The review identified that the investment strategy for the Mercer SmartRetirement Income options remains appropriate, with a separate review of the Sustainable Plus options. Changes to asset allocation have been approved for the Ready-made options, which are expected to improve investment diversification and member outcomes.</p> <p>A review has been completed of the SPIOs to ensure that the options are aligned with member expectations, members' best financial interests, contemporary industry practice and relevant regulatory guidance with recommendations to be implemented by July 2024.</p>
Insurance strategy	<p>N/A – Mercer SmartRetirement Income does not offer insurance</p>
Insurance fees	<p>N/A – Mercer SmartRetirement Income does not offer insurance</p>
Scale	<p>Members' financial interests are promoted</p> <p>Scale has increased significantly with the BT Successor Fund Transfer (SFT) and other SFTs throughout the year. The number of member accounts across MST increased to 740,000 with funds under management of \$65 billion.</p> <p>Mercer SmartRetirement Income and MST both have sufficient scale to be sustainable. Although this Annual Outcomes Assessment is for Mercer SmartRetirement Income specifically, the product benefits from the full scale of the Trustee's operations and therefore the comparison has been completed at the most comparable level for the Trustee which is Registrable Superannuation Entity level.</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 SmartRetirement Income. Both current and projected operating costs per member are reasonable with the net operating income per account remaining stable and sustainable.</p>

Factor	Determination
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 SmartRetirement Income beneficiaries and continues to enhance policies.</p>

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 Super').

Any advice provided is of a general nature and does not take into account your objectives, financial situation or needs. Before acting on any advice we recommend you obtain your own financial advice and consider the Product Disclosure Statement available at mercersuper.com.au. The product Target Market Determination can be found at mercersuper.com.au/tmd.

Past performance is not a reliable indicator of future performance. The value of an investment in Mercer Super may rise and fall from time to time. The investment performance, earnings or return of capital invested are not guaranteed.

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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