

Annual Outcomes Assessment

Mercer SmartPath

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 SmartPath (the Product)	Mercer Superannuation (Australia) Ltd (MSAL or Trustee)	Mercer Super Trust (MST)	MySuper

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 MySuper products 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.



75 years' experience

We're backed by Mercer, a locally-led, global expert in retirement and investments with US\$420 billion¹ in assets under management globally.



Strong past performance

Mercer Super's default investment option, Mercer SmartPath® has delivered 7.5% p.a. over seven years for one of our largest member groups,² outperforming the comparative industry median of 6.5%.



Low fees

Our fees are some of the most competitive in Australia. This means our members can benefit from material savings which can make a difference in securing their financial future.

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	Members' financial interests are promoted.
Insurance fees	Members' financial interests are mostly promoted.
Scale	Members' financial interests are promoted.
Operating costs	Members' financial interests are promoted.
Basis for setting fees	Members' financial interests are mostly promoted.

¹ Marsh McLennan announces US\$420 billion assets under delegated management (as of December 31, 2023 / end of 4Q23) for Mercer.

² Mercer Super Trust's analysis of Mercer SmartPath (Born 1974-1978), one of the largest cohorts, after investment fees and tax, compared to the median of all default funds reported in SuperRatings Fund Crediting Rate Survey – Default Options as at 31 December 2023. Based on Mercer SmartPath membership data as at 31 December 2023 and for members invested for the full period. Past performance should not be relied upon as an indicator of future performance.

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	SmartPath Born 1964 to 1968 achieved a Quartile 2 ranking relative to all MySuper products for the year to 30 June 2023 based on an assessment of fees and costs.

Mercer SmartPath Born 1964-1968³ achieved a ranking of 22 out of 49 against all MySuper products for the year to 30 June 2023.

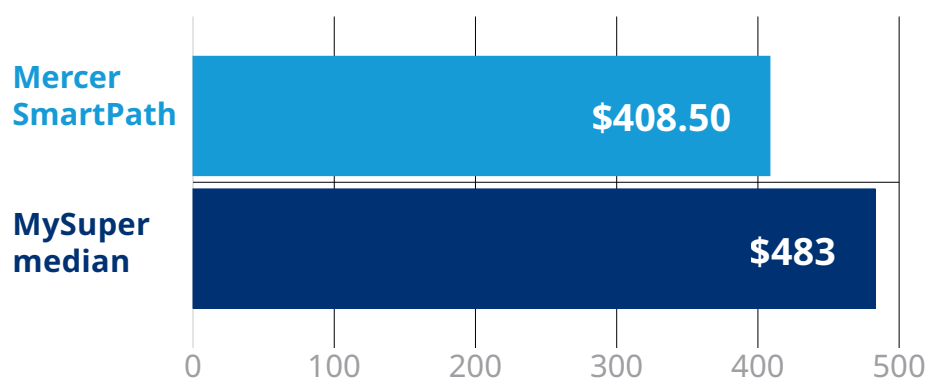
Effective 1 April 2023, the Trustee:

- 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.

³ Mercer SmartPath 1964-1968 selected for this comparison as it had the greatest level of FUM for the SmartPath investment option with the highest level of fees and costs for the annual period ending 30 June 2023.

Table Table 1 - Mercer SmartPath MySuper annual fee comparison compared to the APRA MySuper median⁴



2. Investment returns

Determination	Assessment
Members' financial interests are promoted	SmartPath achieved predominantly a Quartile 2 ranking relative to peers over 1, 3, and 5 years to 30 June 2023 (net of fees and taxes).

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 of a product over an eight-year time horizon. Based on the APA results released by APRA on 31 August 2023, the Product **passed** the APA.

Investment returns vary according to the level of risk taken for each 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.

⁴Source: APRA Quarterly MySuper Statistics Tables 2a and 2b SRF 700.0 – Item 4 (30 June 2023) and based on a balance of \$50k

Table 2 - Mercer SmartPath net investment returns for a representative member (account balance of \$50,000) as at 30 June 2023⁵

Lifecycle Stage	1 yr. net return (% p.a) ⁶	3 yr. annualised net return (% p.a)	5 yr. annualised net return (% p.a)	Stage of glidepath ⁷
Born 1929 to 1933	7.47	4.30	3.96	Post glide
Born 1934 to 1938	7.55	4.21	3.85	Post glide
Born 1939 to 1943	7.68	4.24	3.80	Post glide
Born 1944 to 1948	7.53	4.24	3.76	Post glide
Born 1949 to 1953	7.50	4.30	3.79	Post glide
Born 1954 to 1958	8.28	5.38	4.44	In glide
Born 1959 to 1963	9.63	6.49	5.01	In glide
Born 1964 to 1968	11.08	7.78	5.74	In glide
Born 1969 to 1973	11.86	8.50	6.10	Pre glide
Born 1974 to 1978	11.83	8.58	6.17	Pre glide
Born 1979 to 1983	11.84	8.60	6.21	Pre glide
Born 1984 to 1988	11.76	8.54	6.20	Pre glide
Born 1989 to 1993	11.81	8.41	6.10	Pre glide
Born 1994 to 1998	11.70	8.34	6.06	Pre glide
Born 1999 to 2003	11.53	8.21	5.91	Pre glide
Born 2004 to 2008	11.36	7.75	N/A	Pre glide
Born 2009 to 2013	N/A	N/A	N/A	Pre glide
Born 2014 to 2018	N/A	N/A	N/A	Pre glide

⁵ Quartile rankings are based on risk bands to provide a more accurate assessment compared to ranking against all MySuper funds

⁶ Values only provided for options funded as at 30 June 2022

⁷ 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%.

3. Investment risk

Determination	Assessment
Members' financial interests are promoted	Most 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 Quartile 3 is the Born 1959 to 1963 option. All other options would be considered Quartile 1.

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 SmartPath cohorts ranked in Q1 for taking the least amount of risk within its designated Standard Risk Measure (SRM) label. The SmartPath Born 1959 to 1963 cohort is classified with a Medium to High SRM label and is assessed against other options that are expected to have between 3 and 4 estimated number of negative annual returns over any 20-year period.

Table 3 – 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.

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 SmartPath 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 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 SmartPath options in November 2023.</p> <p>The review identified that for each cohort the probability of achieving the relevant stated investment objective remains satisfactory. Changes to asset allocations have been approved or are under investigation which are expected to improve investment diversification and member outcomes.</p>
Insurance strategy	<p>Members' financial interests are promoted</p> <p>A comprehensive independent review of the Insurance Management Framework (IMF), including insurance strategy, occurred in September 2023. The outcomes of the review concluded that the IMF and insurance strategy are operating effectively in members' best financial interests.</p> <p>The Trustee's insurance strategy underpins a strong insurance offer, making a range of insurance benefits available to members (i.e. Death, Total and Permanent Disablement, and Income Protection). The nature of the insurance offer reflects the differing needs of members. Where default cover is provided on an automatic basis members can adjust or cancel their cover at any time to ensure the types and amounts of 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 SmartPath the cost of insurance provided to members on an automatic basis does not generally exceed 1% of an estimated salary.</p> <p>On balance, insurance fees for SmartPath members are broadly aligned with the financial interests and needs of beneficiaries. However, for some members, an opportunity exists to improve the competitiveness of insurance fees. The Trustee continues to focus on ensuring affordability of insurance premiums and that these do not unduly erode member retirement balances.</p>

Factor	Determination
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 SmartPath and MST both have sufficient scale to be sustainable. Although this Annual Outcomes Assessment is for SmartPath MySuper 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 SmartPath. 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 SmartPath 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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