

# Annual Outcomes Assessment

## Mercer SmartPath and Choice

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 SmartPath and Mercer Choice (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 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	Determination
<b>Section One</b>	
<b>Fees and costs</b>	
<b>Investment returns</b>	
<b>Investment risk</b>	
<b>Section Two</b>	
<b>Options, benefits and facilities</b>	
<b>Investment strategy</b>	
<b>Insurance strategy</b>	
<b>Insurance fees</b>	
<b>Scale</b>	
<b>Operating costs</b>	
<b>Basis for setting fees</b>	

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
<b>Members' financial interests are promoted</b>	<p>MySuper – Mercer SmartPath Born 1964 to 1968 achieved a Quartile 2 ranking relative to all MySuper products for a \$50,000 balance for the year to 30 June 2024 based on an assessment of fees and costs.</p> <p>Choice - The fees and costs are mid-market or better (Quartile 1 or Quartile 2) for most options. The \$50,000 and \$100,000 balance comparisons have one option ranked at Quartile 1 with the remainder Quartile 2.</p>

### MySuper

Table 1 - Mercer SmartPath MySuper annual fees and costs comparison compared to the APRA MySuper median<sup>1</sup>

Product	MySuper annual fees and costs
Mercer SmartPath	\$425.00
MySuper median	\$415.00

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

## Choice

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

Fee category	Investment option	For \$50,000 balance			
		Administration fees and costs	Total fees and costs	Rank	Quartile
High Growth	Mercer High Growth	0.22%	0.97%	15 / 59	Q2
Growth	Mercer Growth	0.22%	0.84%	9 / 67	Q1
Balanced	Mercer Moderate Growth	0.22%	0.94%	21 / 56	Q2
Conservative	Mercer Conservative Growth	0.22%	0.82%	22 / 67	Q2

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

Fee category	Investment option	For \$100,000 balance			
		Administration fees and costs	Total fees and costs	Rank	Quartile
High Growth	Mercer High Growth	0.22%	0.97%	21 / 59	Q2
Growth	Mercer Growth	0.22%	0.84%	16 / 67	Q1
Balanced	Mercer Moderate Growth	0.22%	0.94%	25 / 56	Q2
Conservative	Mercer Conservative Growth	0.22%	0.82%	25 / 67	Q2

The Trustee remains committed to delivering products and investment options that promote member outcomes and foster growth to enable the benefits of scale to be passed onto members by way of low administration fees.

## 2. Investment returns

Determination	Assessment
Members' financial interests are promoted	<p>MySuper – Mercer SmartPath achieved predominantly an above median ranking against peers over 1, 3, and 5 years to 30 June 2024 (net of fees and taxes).</p> <p>Choice - Most options are rated mid-market or better (Quartile 1 or Quartile 2) over the different periods. For 1-year results, six of the seven rated options are ranked Quartile 1 or Quartile 2. For 3-year results, five of the six rated options are ranked Quartile 1 or Quartile 2. For 5-year results, four of the six rated options are ranked Quartile 1 or Quartile 2.</p>

### 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 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 are influenced by the level of risk associated with 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.

Table 4 - Mercer SmartPath net investment returns for a representative member (account balance of \$50,000) as at 30 June 2024<sup>2</sup>

Lifecycle Stage	1 yr. net return (% p.a) <sup>3</sup>	3 yr. annualised net return (% p.a)	5 yr. annualised net return (% p.a)	Stage of glidepath <sup>4</sup>
Born 1929 to 1933	7.64%	3.66%	4.69%	Post glide
Born 1934 to 1938	7.64%	3.66%	4.69%	Post glide
Born 1939 to 1943	7.45%	3.62%	4.52%	Post glide
Born 1944 to 1948	7.33%	3.63%	4.46%	Post glide
Born 1949 to 1953	7.24%	3.58%	4.46%	Post glide
Born 1954 to 1958	7.83%	3.74%	4.59%	In glide
Born 1959 to 1963	7.78%	4.06%	5.19%	In glide
Born 1964 to 1968	8.98%	4.71%	5.98%	In glide
Born 1969 to 1973	10.18%	5.37%	6.87%	Pre glide
Born 1974 to 1978	11.46%	5.85%	7.45%	Pre glide
Born 1979 to 1983	11.57%	5.85%	7.52%	Pre glide
Born 1984 to 1988	11.58%	5.84%	7.55%	Pre glide
Born 1989 to 1993	11.72%	5.83%	7.55%	Pre glide
Born 1994 to 1998	11.74%	5.81%	7.47%	Pre glide
Born 1999 to 2003	11.57%	5.74%	7.41%	Pre glide
Born 2004 to 2008	11.22%	5.66%	7.31%	Pre glide
Born 2009 to 2013	11.43%	N/A	N/A	Pre glide
Born 2014 to 2018	10.93%	N/A	N/A	Pre glide

## Choice

APRA introduced the APA for Trustee-Directed Products from 1 July 2023 onwards. The test assesses the investment performance of a product over a ten-year time horizon. All MST Choice options surveyed within the 2023-24 APA, **passed** the APA.

Investment returns are influenced by the asset class or level of risk associated with each Choice investment option.

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

<sup>3</sup> Values only provided for options funded as at 30 June 2023

<sup>4</sup> 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 options<sup>5</sup>

Investment option		1 Year		3 Years		5 Years	
	Peer group	Rank	Quartile	Rank	Quartile	Rank	Quartile
<b>Mercer Cash</b>	Cash	43/68	Q3	39/66	Q3	34/65	Q3
<b>Mercer Growth</b>	Balanced	53/187	Q2	45/164	Q2	62/158	Q3
<b>Mercer High Growth</b>	Growth	16/138	Q1	19/120	Q1	22/111	Q1
<b>Mercer Select Growth</b>	Balanced	31/187	Q1	21/164	Q1	22/158	Q1
<b>Ford Select</b>	Balanced	74/187	Q2	39/164	Q1	57/158	Q2
<b>Nine Super</b>	Balanced	89/187	Q2	44/164	Q2	38/158	Q1
<b>Mercer Heritage Australian Shares</b>	Australian Shares	16/69	Q1	N/A	N/A	N/A	N/A

### 3. Investment risk

Determination	Assessment
<b>Members' financial interests are promoted</b>	<p>MySuper – The majority of the Mercer SmartPath options' level of investment risk is lower than comparable MySuper products. All options are ranked 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*.

All of the Mercer SmartPath cohorts ranked in Q1 for taking the least amount of risk within its growth asset band and designated Standard Risk Measure (**SRM**) label.

<sup>5</sup> 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 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 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
<b>Options, benefits and facilities</b>	<p><b>Members' financial interests are promoted</b></p> <p>The options, benefits and facilities are appropriate for Mercer SmartPath and Choice 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 the highest ratings across all offerings by external ratings houses such as Chant West and SuperRatings. The Trustee is focused on improving member experience and engagement, including advancements in Digital Experience, Service Transformation and Product Simplification, as well as enhancing the advice offering that supports our members' journey into and in retirement.</p>
<b>Investment strategy</b>	<p><b>Members' financial interests are promoted</b></p> <p>The last annual investment strategy review was completed in November 2024.</p> <p>The review identified that:</p> <ul style="list-style-type: none"> <li>- 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</li> <li>- that for Mercer SmartPath options plus most Choice options the Strategic Asset Allocation (<b>SAA</b>) 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.</li> </ul> <p>Changes to asset allocations for SmartPath have been approved which are expected to improve investment diversification and member outcomes. Changes to the asset allocation have been approved for the Mercer Enhanced Passive options, which are expected to reduce volatility and downside risk.</p>
<b>Insurance strategy</b>	<p><b>Members' financial interests are promoted</b></p> <p>The most recent triennial review of the Insurance Management Framework (<b>IMF</b>) conducted in September 2023 determined that the IMF and insurance strategy are operating effectively in members' best financial interests. The next independent review is scheduled for 2026.</p> <p>The IMF also undergoes an annual review to ensure that changes to MSAL's business operations are appropriately reflected in the IMF. The IMF was last updated in September 2024, with most changes occurring within the Retail Division section of the document.</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, most 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>



Factor	Determination
<b>Insurance fees</b>	<p><b>Members' financial interests are mostly promoted</b></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 and Choice members 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. 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. Premiums are consistently reviewed to ensure they remain fair and reasonable for members. Under the Insurance Harmonisation Program, new premium rates and product features will be implemented mid-2025, providing a robust insurance offering at a reasonable price while evaluating the risk pools that influence these prices.</p>
<b>Scale</b>	<p><b>Members' financial interests are promoted</b></p> <p>Mercer SmartPath and Mercer Choice options have sufficient scale to be sustainable.</p> <p>MST and the Product scale has grown over the year, with the number of member accounts across MST increasing by ~148,000 and an increase in Funds Under Management (FUM) of \$1.2 billion.</p> <p>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>
<b>Operating costs</b>	<p><b>Members' financial interests are promoted</b></p> <p>The Trustee incurs operating costs in ensuring the efficient and effective operation of the MST, including Mercer SmartPath and Choice. Both current and projected operating costs per member are reasonable with the net operating income per account remaining stable and sustainable.</p>
<b>Basis for setting fees</b>	<p><b>Members' financial interests are mostly promoted</b></p> <p>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>Analysis of the fund's fee structure and levels show they are appropriate, given the allocation of costs between products, options, and members.</p> <p>The Trustee annually assesses the appropriateness of the fees charged to Mercer SmartPath and Choice 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>

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](https://mercersuper.com.au). The product Target Market Determination can be found at [mercersuper.com.au/tmd](https://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.

'MERCER' is an Australian registered trademark of Mercer (Australia) Pty Ltd ABN 32 005 315 917. Copyright ©2025 Mercer. All rights reserved.