



Target Market Determination

**Mercer Superannuation Trust
– Allocated Pension Division**



1. Product Summary

1.1	Name of product	Mercer Superannuation Trust – Allocated Pension Division
	Issuer name	Mercer Superannuation (Australia) Limited (MSAL)
	Issuer AFSL	235906
	Fund ABN	19 905 422 981
	USI code	19905422981799
1.2	TMD date	23 September 2021
	TMD Version	V.1
1.3	Product description	This is a product for individuals who have met a condition of release wanting to receive a regular income stream. The product is for individuals wanting a Transition to Retirement Allocated Pension or Allocated Pension.
	Key product attributes	<ul style="list-style-type: none"> • Customers can receive regular pension payments or adhoc lump sum payments. • Pension payments must satisfy statutory minimums and maximums. • For adhoc lump sum payments, customers must withdraw at least \$5000, and must leave at least \$2400 in the account for the account to remain open. • The customer can make investment choices in this product. There are both taxed and untaxed investment options applicable to APD customers depending on their life stage.

Target Market

The Target Market is the class of persons who are the type of customer set out below, who have the needs and objectives set out below and are in the financial situation set out below.

2. Needs and Objectives of Customer

2.1 TMD indicator key

The Customer Attributes for which the product is likely to be appropriate have been assessed using a red/amber/green rating methodology with appropriate colour coding:

In target market

Potentially in target market

Not considered in target market

Instructions

Generally, a customer is unlikely to be in the target market for the product if:

- **one or more** of their Customer Attributes correspond to a **red** rating, or
- **three or more** of their Customer Attributes correspond to an **amber** rating.

Definitions of terms are in the attachment or otherwise in the PDS.

2.2 Customer objectives

A customer with any one or more of the following short term and long term objectives:

- to accumulate capital/wealth for retirement
- to hold capital/wealth during retirement
- to provide a source of income during retirement
- to provide an environment for concessional taxation of savings if customer is still working and transitioning to retirement

2.3 Level of decision making

Customer's desired level of decision making	Product consistency with target market
Fully self-managed, including fund administration (SMSF)	Not considered in target market
Investment options chosen by customer from extensive investment menu	In Target Market
Investment options chosen by customer from limited investment menu	In target market
Default investment options applied where no investments selected	In target market
Customers transferring in from CSD who are not choosing investment options have their accumulation options mapped to the most appropriate option in the Allocated Pension Division (APD)	In target market
Customers requiring a range of death and disability insurance arrangements	Not in target market

2.4 Product investment menu

Looking to invest in one, or a combination of, investment options that sit within the following categories of investment:

Customer's desired type of strategy on investment menu	Product consistency with target market	Product consistency with target market
	Allocated Pension Customers (tax free)	Transition to Retirement Customers ineligible for untaxed earnings
Diversified actively managed multi sector options	In target market	In target market
Socially Responsible investment options	In target market	Not in target market
Sector options	In target market	In target market
Passive options	In target market	Potentially in target market
Direct Investment Options	In target market	target market In

3. Financial situation of customer

3.1 Life stage of customer

Table 9: Life stage of customer	Product consistency with target market
Satisfied statutory condition of release	In target market
Not satisfied a statutory condition of release	Not in target market

3.2 Intended size of investment

Table 10: Customer’s intended account balance	Product consistency with target market
Below \$10000	Not in target market
Over \$10000	In target market

3.3 Customer selected investment options

This section of the TMD is relevant to customers who choose one or more investment options when entering the product (that is, customers who do not rely on the default investment option).

The investment menu, is designed to provide a range of choices across the risk/return spectrum and with a corresponding suggested minimum time for holding the investment option. It is therefore encouraged that customers utilise the Risk Attitude Questionnaire found in the Customers’ Dashboard (available once joined the plan), and/or the free limited financial advice service through the Helpline, or seek their own financial advice.

Each of the sections in the table below should be taken into account individually.

Investment Option	Very High Risk	High Risk	Medium-High Risk	Medium Risk	Low-Medium Risk	Low Risk	Very Low Risk
Standard Risk Measure							
Customer’s Risk Appetite							
Very Confident	Green	Green	Green	Green	Yellow	Yellow	Yellow
Confident	Yellow	Green	Green	Green	Yellow	Yellow	Yellow
Slightly Confident	Yellow	Yellow	Green	Green	Yellow	Yellow	Yellow
Slightly Cautious	Red	Yellow	Yellow	Green	Yellow	Yellow	Yellow
Cautious	Red	Red	Yellow	Yellow	Green	Green	Green
Very Cautious	Red	Red	Red	Yellow	Yellow	Green	Green
Customer’s investment timeframe							
Short (< 3 years)	Red	Red	Yellow	Yellow	Green	Green	Green
Medium (3 ≤ 7 years)	Red	Yellow	Green	Green	Green	Yellow	Yellow
Long (> 7 years)	Green	Green	Green	Green	Green	Green	Green
Customer’s intended option use							
Solution/Standalone (75-100%)	Yellow	Yellow	Green	Green	Green	Yellow	Yellow
Core Component (25-75%)	Yellow	Green	Green	Green	Green	Green	Yellow
Satellite/small allocation (<25%)	Green	Green	Green	Green	Green	Green	Green
Customer’s need to switch investments							
Any timeframe	Green	Green	Green	Green	Green	Green	Green

*There may be penalties associated with early withdrawal of term deposits

4. Other elements of TMD

4.1 Appropriateness requirements

Explanation of consistency of key attributes with TMD

Mercer Superannuation (Australia) Limited has reviewed the manner in which existing customers are using the product as at the date of this TMD. This review of customer data and behaviour confirms that the key product attributes (as listed in section 1) are consistent with customer needs and objectives.

4.2 Distribution Conditions/Restrictions

Distribution channel	Permitted channel?	Distribution conditions/Restrictions
Direct retail, where permitted	Yes	
Personal advice	Yes	An adviser can only recommend the product not establish an account on behalf of the customer
Through authorised representatives by general or intrafund advice	Yes	
Robo advised	Yes	

4.3 Review Triggers

- 1) Any event or circumstances arise that would suggest the TMD is no longer appropriate. This may include (but is not limited to):
 - a) The occurrence of a significant dealing.
 - b) Material or unexpectedly high number of complaints (as defined in section 994A(1) of the Act) regarding product design, product availability or any distribution condition .
 - c) Material change to key product attributes, terms and/or conditions.
 - d) The use of Product Intervention Powers, regulator orders or directions in relation to the distribution of this product.
 - e) external events such as adverse media coverage or regulatory attention;
- 2) The trustee of this product makes a determination for purposes of s52(9) of Superannuation Industry (Supervision) Act 1993 that the financial interests of the customers who hold this product are not being promoted.

4.4 Mandatory review periods

Review periods	Maximum period for review
Initial review	1 year and 3 months
Subsequent review	3 years and 3 months

The review period allows for the collection of data for 1 year/3 years, plus three months for the completion of the review.

4.5 Distributor Information Reporting Requirements

Regulated person(s)	Requirement	Reporting deadline
All distributors	To the extent a distributor is aware of dealings outside the target market these should be reported to the issuer, including reason why acquisition is outside of target market, and whether acquisition occurred under personal advice.	Quarterly *
All distributors	Complaints (as defined in section 994A(1) of the Act) relating to the master trust and options offered on the master trust, where the nature of the complaints relate to product design, insurance claims, product availability and distribution conditions. The distributor should provide all the content of the complaint, having regard to privacy.	Quarterly *
All distributors	Significant dealing outside of target market under s994F(6) of the Act.	As soon as practicable but no later than 10 business days after distributor becomes aware of the significant dealing.

* Quarterly reporting is due 10 business days after the end of the March, June, September and December quarters.

Distributors must report to Mercer Superannuation (Australia) Limited (MSAL).

4.6 Important terms within this TMD Document

Term	Definition
Robo Advised	A self-guided online wealth management service that provides automated investment advice at low costs and low account minimums, employing portfolio management algorithm. Also known as Digital Advice.
Material Change	A material change is a change to the product attributes, fees charges, terms & conditions or the manner of distribution which may cause the TMD to no longer be appropriate.
Product Disclosure Statement	The Product Disclosure Statement is a summary of the features of the Allocated Pension Division of the Mercer Super Trust. It includes references to important information in a series of booklets that are part of this PDS. These booklets are the Other Things You Should Know booklet and the Investments booklet.
Extensive Investment Menu	More than 10 Investment Options
Limited Investment Menu	Less than 10 Investment Options

Customer's intended product use

Standalone (75-100%)	The customer intends to hold the investment as either a part or the majority (up to 100%) of their total investable assets (see definition below).
Core Component (25-75%)	The customer intends to hold the investment as a major component, up to 75%, of their total investable assets (see definition below).
Satellite/Small Allocation (<25%)	The customer intends to hold the investment as a smaller part of their total portfolio, as an indication it would be suitable for up to 25% of the total investable assets (see definition below).

Customer's Risk (ability to bear loss) and Return profile

Issuers should undertake a comprehensive risk assessment for each product. The FSC strongly recommends adoption of the Standard Risk Measure (SRM) to calculate the likely number of negative annual returns over a 20 year period, using the guidance and methodology outlined in the [Standard Risk Measure Guidance Paper For Trustees](#). SRM is not a complete assessment of risk and potential loss. For example, it does not detail important issues such as the potential size of a negative return or that a positive return could still be less than a customer requires to meet their investment objectives/needs. Issuers may wish to supplement the SRM methodology by also considering other risk factors. For example, some products may use leverage, derivatives or short selling, may have liquidity or withdrawal limitations, or otherwise may have a complex structure or increased investment risks, which should be documented together with the SRM to substantiate the product risk rating.

Very high	<p>The customer has a more aggressive or very high risk appetite, seeks to maximise returns and can accept higher potential losses (e.g. has the ability to bear 6 or more negative returns over a 20 year period (SRM 7) and possibly other risk factors, such as leverage).</p> <p>Customer typically prefers growth assets such as shares, property and alternative assets.</p>
High	<p>The customer is higher risk in nature and can accept higher potential losses (e.g. has the ability to bear up to 6 negative returns over a 20 year period (SRM 6)) in order to target a higher target return profile.</p> <p>Customer typically prefers predominantly growth assets such as shares, property and alternative assets with only a smaller or moderate holding in defensive assets such as cash and fixed income.</p>
Medium	<p>The customer is moderate or medium risk in nature, seeking to minimise potential losses (e.g. has the ability to bear up to 4 negative returns over a 20 year period (SRM 3 to 5)) and comfortable with a moderate target return profile.</p> <p>Customer typically prefers a balance of growth assets such as shares, property and alternative assets and defensive assets such as cash and fixed income.</p>
Low	<p>The customer is conservative or low risk in nature, seeks to minimise potential losses (e.g. has the ability to bear up to 1 negative return over a 20 year period (SRM 1 to 2)) and is comfortable with a low target return profile.</p> <p>Customer typically prefers defensive assets such as cash and fixed income.</p>

Significant dealings

Section 994F(6) of the Act requires distributors to notify the issuer if they become aware of a significant dealing in the product that is not consistent with the TMD. Neither the Act nor ASIC defines when a dealing is 'significant' and distributors have discretion to apply its ordinary meaning.

The issuer will rely on notifications of significant dealings to monitor and review the product, this TMD, and its distribution strategy, and to meet its own obligation to report significant dealings to ASIC.

Dealings outside this TMD may be significant because:

- they represent a material proportion of the overall distribution conduct carried out by the distributor in relation to the product, or
- they constitute an individual transaction which has resulted in, or will or is likely to result in, significant detriment to the customer (or class of customer).

In each case, the distributor should have regard to:

- the nature and risk profile of the product (which may be indicated by the product's risk rating or withdrawal timeframes),
- the actual or potential harm to a customer (which may be indicated by the value of the customer's investment, their intended product use or their ability to bear loss), and
- the nature and extent of the inconsistency of distribution with the TMD (which may be indicated by the number of red or amber ratings attributed to the customer).

Objectively, a distributor may consider a dealing (or group of dealings) outside the TMD to be significant if:

- it constitutes more than half of the distributor's total retail product distribution conduct in relation to the product over the reporting period,
 - the customer's intended product use is Solution / Standalone, or the customer's intended product use is Core component and the customer's risk (ability to bear loss) and return profile is Low.
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