

# Target Market Determination

Mercer SmartRetirement Income



# Legal disclaimer

**A Target Market Determination (TMD) is required under section 994B of the Corporations Act 2001 (Cth).** This TMD describes the class of consumers that comprises the target market for the financial product and matters relevant to the product's distribution and review (specifically, distribution conditions, review triggers and periods, and reporting requirements). Distributors must take reasonable steps that will, or are reasonably likely to, result in distribution of the product being consistent with the most recent TMD (unless the distribution is excluded conduct). It forms part of the Mercer Superannuation (Australia) Limited (MSAL) design and distribution framework for the product.

**This document is not a Product Disclosure Statement (PDS), and is not a summary of the product features or terms of the product.** This document does not take into account any person's individual objectives, financial situation or needs. Customers interested in acquiring this product should carefully read the PDS for the Mercer SmartRetirement Income product before making a decision whether to buy this product.

Important terms in this TMD are defined at the end of the document. Capitalised terms have the meaning given to them in the product's PDS, unless otherwise defined. The PDS is available and can be obtained from [mercersuper.com.au/pds](https://mercersuper.com.au/pds).

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').

# 1. Product summary

1.1	<b>Name of product</b>	Mercer SmartRetirement Income
	<b>Issuer name</b>	Mercer Superannuation (Australia) Limited (MSAL)
	<b>Issuer AFSL</b>	235906
	<b>Fund ABN</b>	19 905 422 981
	<b>USI code</b>	19 905 422 981 710
1.2	<b>TMD date</b>	27 March 2024
	<b>TMD version</b>	4
	<b>Distribution status of product</b>	Open
1.3	<b>Product description</b>	<p>This is a superannuation product for individuals who have met a condition of release wanting to hold wealth and provide income during retirement.</p> <p>The product is for individuals wanting a Transition to Retirement Allocated Pension or Allocated Pension.</p>
1.4	<b>Key product attributes</b>	<ul style="list-style-type: none"><li>• This is a pension product. Customers can control how long their money will last by choosing the amount and frequency of their regular income payments (subject to legislated minimum and maximum amounts).</li><li>• The customer can choose what investment option they are invested in from an extensive investment menu.</li><li>• This product is subject to drawdown rules – customer can take out extra money (lump sum minimum withdrawal amount of \$500) whenever they need it (subject to regulations).</li><li>• Online access. Allows customers to manage their accounts online and includes:<ul style="list-style-type: none"><li>- Check account balance, account activity and download account statements.</li><li>- Check beneficiaries.</li></ul></li></ul>

## Target Market

The Target Market is the class of customers who have the needs and objectives and are in the financial situation as 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.

### 2.2 Customer objectives

For an individual customer, Mercer SmartRetirement Income is likely to be consistent 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 intended 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	Not considered in target market
Default investment options applied where no investments selected	In target market
Customers transferring in from a Mercer Corporate Superannuation account who are not choosing investment options have their accumulation	In target market

Customer's intended level of decision making	Product consistency with target market
options mapped to the most appropriate option in the Mercer SmartRetirement Income product	
Customers requiring a range of death and disability insurance arrangements	<b>Not considered in target market</b>

## 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	
	Allocated Pension customers (tax free)	Transition to Retirement customers (taxed)
Diversified actively managed multi sector options	In target market	In target market
Sustainable Plus investment options*	In target market	In target market
Sector options	In target market	In target market
Passive options	In target market	In target market
Direct Investment Options	In target market	In target market

\*On or around late-May 2024, these investment options will be known as Mercer 'Sustainable' options rather than 'Sustainable Plus' options.

## 2.5 Number of investment holdings

Customer's intended holding of multiple investment options/ strategies	Product consistency with target market
Low – customer intends to hold no more than 6 investment options	In target market
Medium – customer intends to hold between 7 and 10 investment options	In target market
High – customer intends to hold more than 10 investment options	<b>Not considered in target market</b>

## 2.6 Financial Advice

Customer's desired availability of financial advice	Product consistency with target market
Customer wishes to have the option to receive comprehensive personal financial advice paid by them through the fund.	In target market
Customer wishes to have the option to receive personal financial advice through the fund that relates to the customer's interest in the fund (intrafund advice).	In target market
Customer does not wish to have the option to receive advice through the fund.	In target market
Customer wishes to have the option to authorise an external financial adviser to assist in managing the customer's interest in the fund.	In target market

# 3. Financial situation of customer

## 3.1 Life stage of customer

Life stage of customer	Product consistency with target market
Satisfied at least one statutory condition of release and wishes to commence a retirement income stream	In target market
Not satisfied a statutory condition of release	Not considered in target market
Customer does not wish to commence a retirement income stream	Not considered in target market

## 3.2 Intended size of investment

Customer's intended account balance	Product consistency with target market
Below \$10,000	Not considered in target market
Over \$10,000	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 after joining the product), and/or the free limited financial advice service available 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 Standard risk measure	Very high risk	High risk	Medium – high risk	Medium risk	Low – medium risk	Low risk	Very low risk
<b>Customer's risk appetite</b>							
Very confident							
Confident							
Slightly confident							
Slightly cautious							
Cautious							
Very cautious							
<b>Customer's investment timeframe</b>							
Short (<3 years)							
Medium (3 < 7 years)							
Long (> 7 years)							
<b>Customer's intended option use</b>							
Solution/Standalone (75% - 100%)							
Core component (25% - 75%)							
Satellite/small allocation (<25%)							
<b>Customer's need to switch investments</b>							
Any timeframe							

## 4. Other elements of TMD

### 4.1 Appropriateness requirements

#### Explanation of consistency of key attributes with TMD

Mercer Superannuation (Australia) Limited (**MSAL**) 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 advice	Yes	

## 4.3 Review triggers

- Where MSAL has determined that any of the following occurred:
  - The occurrence of a significant dealing.
  - 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.
  - Material change to key product attributes, terms and/or conditions.
  - The use of Product Intervention Powers, regulator orders or directions in relation to the distribution of this product.
  - External events such as adverse media coverage or regulatory attention.
  - The issuing of a Significant Event Notice for this product where the product issuer considers this reasonably suggests that this TMD is no longer appropriate.
  - The issuer's monitoring of investment performance under SPS 530 (including APRA heatmaps) reasonably suggests the TMD is no longer appropriate.
- The trustee (MSAL) 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	NA – initial review has already occurred
Subsequent review	3 years and 3 months

## 4.5 Distributor Information Reporting Requirements

Regulated person(s)	Requirement	Reporting deadline
All distributors	Complaints (as defined in section 994A(1) of the Act) relating to the product. 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. See Definitions for further detail.	As soon as practicable but no later than 10 business days after distributor becomes aware of the significant dealing.

\* Quarterly reporting is due as soon as practicable, but no later than 10 business days after the end of the March, June, September and December quarters.

Distributors must report to MSAL.

## 4.6 Important terms within this TMD Document

Term	Definition
<b>Extensive Investment Menu</b>	More than 10 investment options.
<b>Limited Investment Menu</b>	Less than 10 investment options.
<b>Material Change</b>	A material change is a change to the product attributes, fees, charges, terms and conditions or the manner of distribution which may cause the TMD to no longer be appropriate.
<b>Product Disclosure Statement</b>	The Product Disclosure Statement is a summary of the features of the Mercer SmartRetirement Income product 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 Investments booklet and the Sustainable Investment Information booklet.

Term	Definition
<b>Robo Advice</b>	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.
<b>Significant dealings</b>	<p>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.</p> <p>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.</p> <p>Dealings outside this TMD may be significant because:</p> <ul style="list-style-type: none"> <li>they represent a material proportion of the overall distribution conduct carried out by the distributor in relation to the product, or</li> <li>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).</li> </ul> <p>In each case, the distributor should have regard to:</p> <ul style="list-style-type: none"> <li>the nature and risk profile of the product (which may be indicated by the product's risk rating or withdrawal timeframes),</li> <li>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</li> <li>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).</li> </ul> <p>Objectively, a distributor may consider a dealing (or group of dealings) outside the TMD to be significant if:</p> <ul style="list-style-type: none"> <li>it constitutes more than half of the distributor's total retail product distribution conduct in relation to the product over the reporting period,</li> <li>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.</li> </ul>
<b>Customer's intended product use</b>	
<b>Standalone (75-100%)</b>	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).
<b>Core Component (25-75%)</b>	The customer intends to hold the investment as a major component, up to 75%, of their total investable assets (see definition below).
<b>Satellite/small allocation (&lt;25%)</b>	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).

Term	Definition
<b>Customer's Risk (ability to bear loss) and Return profile</b>	
<p>This TMD uses the Standard Risk Measure (SRM) to estimate the likely number of negative annual returns for an option over a 20-year period. However, 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. The SRM methodology may be supplemented by other risk factors. For example, some options 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.</p> <p>A customer's desired product return profile would generally take into account the impact of fees, costs and taxes.</p>	
<b>Very high</b>	<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>
<b>High</b>	<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>
<b>Medium</b>	<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>
<b>Low</b>	<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>