

Target Market Determination

Mercer Super Trust –
Mercer MyChoice

Retail Division

1 September 2023



Legal disclaimer

A Target Market Determination (TMD) is required under section 994B of the Corporations Act 2001. This TMD describes the class of customers that comprises the target market for the Mercer MyChoice product and matters relevant to the product's distribution and review (specifically distribution conditions, review triggers and periods, and reporting requirements). It forms part of the Mercer Superannuation (Australia) Limited 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 Product Disclosure Statement before making a decision whether to join this product.

Important terms used in this TMD are defined in the TMD Definitions which supplement this document. Capitalised terms have the meaning given to them in the product's PDS, unless otherwise defined. The Product Disclosure Statement can be obtained from mercersuper.com.au/pds.

This TMD sets out the target market for Mercer MyChoice within the Retail Division of the Mercer Super Trust (MST).

1. Product summary

1.1	Name of product	Mercer MyChoice
	Fund ABN	19 905 422 981
	Issuer name	Mercer Superannuation (Australia) Limited (MSAL)
	Issuer AFSL	235906
1.2	TMD date	1 September 2023
	TMD Version	1
	Distribution status of product	Open
1.3	Product description	Mercer MyChoice is a product in the Retail Division of the Mercer Super Trust. This is a product for individuals to accumulate savings for retirement through superannuation.
1.4	Key product attributes	<ul style="list-style-type: none"> • This product is an accumulation account. • The customer must make investment choices in this product. • This product is subject to superannuation preservation legislation. • Insurance cover generally available for eligible customers is: <ul style="list-style-type: none"> – Death (including Terminal Illness), – Total and Permanent Disablement (TPD), and – Income Protection (subject to eligibility). • Online access. Allows customers to manage their accounts online and includes; <ul style="list-style-type: none"> – check account balance, account activity and download account statements – check insurance available – check beneficiaries

Target market

The Target Market is the class of customers who have the needs and objectives 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.

2.2 Customer objectives

For an individual customer, Mercer MyChoice 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 provide an environment for concessional taxation of savings, or
- to obtain protection through having insurance in their super account.

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	Not considered in target market
Default investment options applied where no investments selected	Not considered in target market
Investment options chosen by customer from Limited Investment Menu	In target market
A range of Death, Total and Permanent Disablement and Income Protection insurance arrangements able to be applied for and subject to underwriting.	In target market
Automatic Death and Total and Permanent Disablement insurance arrangements to be automatically applied upon joining the product subject to eligibility requirements.	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
Diversified actively managed multi sector options	In target market
Sustainability related investment options	Not considered in target market
Sector options	In target market
Passive options	In target market
Member Direct Investment Options.	Not considered in target market

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 15 investment options	Not considered in target market
High – customer intends to hold more than 15 investment options	Not considered in target market

2.6 Financial Advice

Table 3a: Customer's desired availability of financial advice	Product consistency
Customer wishes to have the option to receive comprehensive personal financial advice 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

2.7 Insurance Options available and eligibility criteria

Customers in the accumulation phase are the target market for the insurance options as shown in the table below.

- Customers receive automatic Death and Total and Permanent Disablement (TPD) cover upon meeting the eligibility criteria of the product (see below for further details of the eligibility criteria).
- Customers can apply for additional cover through Voluntary cover. This provides customers the ability to apply for the type and amount of cover that reflects customers' likely needs based on factors such as age, occupation and salary.
- Typically, the amount of automatic cover is highest when customers' needs (e.g., to cover debt and dependents) are highest with the amount of cover, then reducing as customers approach retirement.

Customers have flexibility to either opt-in or opt-out of automatic insurance cover, apply to increase, decrease or cancel their insurance cover at any time depending on their needs.

Customers in the target market are those:

- Seeking insurance cover to assist with financial or financial in-kind commitments that will not otherwise be satisfied in the event of Death, Terminal illness or disability (as applicable), and
- Who satisfy the eligibility requirements for the product's insurance cover.

Insurance Cover available	Mercer MyChoice
Death cover including Terminal Illness (TI) cover Provides a lump sum benefit to those who depend on the customer for financial security if the customer is diagnosed with a terminal illness or passes away.	In target market
Total and Permanent Disablement (TPD) cover Protects a customer if it leaves them no longer being able to work permanently as a result of illness or injury. <i>(TPD cover cannot be held separately and must be held jointly with Death cover.)</i>	In target market
Income Protection (IP) cover * Provides a monthly benefit while a customer recovers from a temporary illness or injury.	In target market

Cover available	Type of customer – Mercer MyChoice		Product consistency with target market
Death (including Terminal Illness) and TPD cover	This type of cover is designed for customers seeking Death cover, or Death and TPD cover through their Mercer MyChoice super account. Subject to meeting certain eligibility criteria, this option provides customers with access to:		In target market
TPD cover cannot be held without Death cover			

Cover available	Type of customer – Mercer MyChoice	Product consistency with target market
Income Protection (IP) cover	This type of cover is designed for customers seeking Income Protection insurance through their Mercer MyChoice super account. Subject to meeting certain eligibility criteria, this option provides customers with access to:	In target market
	Cover through underwriting, subject to insurer approval Yes	
	Cover when the customer is working At least 15 hours per week.	
	Maximum cover amount A fixed amount which is the lesser of: <ul style="list-style-type: none"> • 75% of Salary plus 12% Super Contribution Benefit, or • \$30,000 per month. 	
	Apply for cover between the ages 15 to 64	
	Cover expiry age (Age next birthday) 65	
	Benefit period and waiting period 2 or 5 year benefit periods and 30 or 90 day waiting periods	
	Customer characteristics A customer must meet the following criteria to be eligible to access Income Protection insurance: <ul style="list-style-type: none"> • have a Mercer MyChoice Super account and roll-over funds and/or make super contributions into the account, • be working at least 15 hours per week • be an Australian resident, and • be aged between 15 and 64. 	

Customers not in the target market for insurance include those who:

- do not meet the criteria outlined above, or
- want to apply for or hold TPD cover separately.

3. Financial situation of customer

3.1 Life stage of customer

Life stage of customer	Product consistency with target market
Child (under 18), subject to eligibility rules	In target market
Accumulation phase (over 18)	In target market
Pension draw down phase (over 55)	Not considered in target market

3.2 Intended size of investment

Customer's intended account balance	Product consistency with target market
	Mercer MyChoice
Below \$500	In target market
Over \$500	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.

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 Product), 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 Standard risk measure	Very high risk	High risk	Medium - high risk	Medium risk	Low - medium risk	Low risk	Very low risk
Customer's risk appetite							
Very confident							
Confident							
Slightly confident							
Slightly cautious							
Cautious							
Very cautious							
Customer's investment timeframe							
Short (< 3 years)							
Medium (3 < 7 years)							
Long (> 7 years)							
Customer's intended option use							
Solution/Standalone (75 - 100%)							
Core component (25 - 75%)							
Satellite/small allocation (<25%)							
Customer's need to switch investments							
Any timeframe							

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	There is a direct retail functionality available, subject to completing an online application accessed via employers payroll system
Personal advice	Yes	An adviser can only recommend the product not establish an account on behalf of the customer
Customers enrolled via their employer	No	Can be a customer of this product as an employee
Robo advice	Yes	



4.3 Review triggers

Where Mercer Superannuation (Australia) Limited has determined that any of the following occurred;

- a) The occurrence of a significant dealing.
- b) A material or unexpectedly high number of complaints (as defined in section 994A(1) of the Act) regarding product design, product availability or product distribution.
- c) Material changes to key product attributes and terms and/or conditions.
- d) An unexpected change in:
 - The number, duration, nature and amount of Death (Terminal Illness), Total and Permanent Disablement or Income Protection claims paid, declined or withdrawn, or
 - Insurance cancellation rates.
- e) The use of Product Intervention Powers, regulator orders or directions in relation to the distribution of this product.
- f) External events such as adverse media coverage or regulatory attention.
- g) 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.
- h) The issuer's monitoring of investment performance under SPS 530 (including the APRA heatmaps) reasonably suggests the TMD is no longer appropriate.

Mercer Superannuation (Australia) Limited 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

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 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. 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 10 business days after the end of the March, June, September and December quarters.

4.6 Important terms within this TMD Document

Term	Definition
Death (including Terminal Illness) cover	A lump sum Benefit paid to you if you're diagnosed with a Terminal Illness, or to your beneficiaries if you die.
Total and Permanent Disablement (TPD) cover	A lump sum Benefit paid to you if you become Totally and Permanently Disabled and you can never work again. You cannot hold TPD cover without Death cover.
Income Protection	A monthly Benefit paid to you if you become Temporarily Disabled due to Total Disability or Partial Disability. A monthly benefit can help you focus on your recovery and return to work without draining your savings.
Material Change	A material change is a change to the product attributes, fees, charges, terms and conditions or the manner of distribution that may cause the TMD to no longer be appropriate.
Product Disclosure Statement	The Product Disclosure Statement is a summary of the features of the relevant plan in the Retail Division of the Mercer Super Trust. It includes references to important information in a series of booklets that are specific to the plan.
Extensive Investment Menu	More than 10 investment options.
Limited Investment Menu	Less than 10 investment options.
Robo Advice	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.
Significant dealings	<p>Section 994F(6) of the Corporations Act 2001 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"> • 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). <p>In each case, the distributor should have regard to:</p> <ul style="list-style-type: none"> • 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). <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"> • 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 <p>the customer's intended product use is Core component and the customer's risk (ability to bear loss) and return profile is Low.</p>

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).

Term Definition

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

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 (including under conditions of market stress) 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; may have underlying investments with valuation risks or risks of capital loss; 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.

A customer's desired product return profile would generally take into account the impact of fees, costs and taxes.

Very high	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). Customer typically prefers growth assets such as shares, property and alternative assets.
High	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. 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.
Medium	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. Customer typically prefers a balance of growth assets such as shares, property and alternative assets and defensive assets such as cash and fixed income.
Low	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. Customer typically prefers defensive assets such as cash and fixed income.

