

# target market determination

30 September 2023

## For HESTA for Mercy Super product

The HESTA for Mercy Super product provides a range of investment options. It also provides insurance options that cover income protection, total and permanent disability, and death.

<b>Trustee of Superannuation Fund</b>	H.E.S.T. Australia Ltd
<b>Fund name</b>	HESTA
<b>Australian Business Number (ABN)</b>	66 006 818 695
<b>Unique Superannuation Identifier (USI)</b>	64971749321001
<b>Australian Financial Services Licence (AFSL)</b>	235249

## 1. About this document

This target market determination (TMD) seeks to provide consumers and distributors with an understanding of the target market for whom this product (including its key attributes) has been designed and is likely to be appropriate for, having regard to their likely objectives, financial situation, and needs.

This document is not a full summary of the product's risks and features and is not intended to provide financial advice. Consumers and distributors must refer to the Product Disclosure Statement and any supplementary documents when deciding whether to join this product.

### Product Disclosure Statement to which this TMD applies

This TMD applies to the HESTA for Mercy Super product referred to in the HESTA for Mercy Super Product Disclosure Statement (PDS) and the supplementary documents available at [hestaformercy.com.au/pds](https://hestaformercy.com.au/pds)

## 2. Important dates

Date from when this TMD is <b>effective</b>	30 September 2023
Date when this TMD was <b>last reviewed</b>	30 September 2023
Latest date when this TMD will be <b>next reviewed</b>	31 December 2024

### 3. Target market

#### Type of consumers that fall within this target market

The HESTA for Mercy Super product is designed for consumers who:

- are looking to save for their retirement within the superannuation system
- at any life stage want a product that offers a choice of investment options with different potential risks and returns, allowing a member to choose an option that is likely to suit their age, employment situation and financial situation
- are employees of Mater Misericordiae Ltd or its associates (a Core Participating Employer) as detailed in the *Insurance options guide*
- are a spouse of a member in a HESTA for Mercy product
- may wish to access insurance cover in the event of death or disablement.

There is no minimum contribution value or pre-existing superannuation balance requirement to join the product.

The product remains appropriate for members whilst transitioning to retirement, for members who may take career breaks or on the expiry of an employment arrangement with a Core Participating Employer after joining the product.

#### Consumers for whom this product is not appropriate

For consumers wishing to access insurance cover as part of the product, it is not appropriate for consumers who:

- are not an Australian Resident or a holder of a Visa residing in Australia;
- for death or Total Disablement Cover, have previously claimed or are in the process of claiming a total and permanent disability or terminal illness benefit from any super fund or insurance policy;
- for Income Protection cover, have previously claimed or are in the process of claiming a total and permanent disability benefit or terminal illness benefit, total disablement benefit or partial disablement benefit from any super fund or insurance policy. If you have previously received a total disablement benefit or a partial disablement benefit but are no longer receiving benefit payments you are still eligible for Standard Income Protection cover ;
- have an illness or injury when cover starts that may result in a claim being declined due to a Pre-Existing Condition restrictions;
- have been assessed by a medical professional as terminally ill;
- are age 67 and over that are wanting death, total and permanent disability or income protection cover;
- require total and permanent disability cover that is not combined with death cover.

Consumers working in high-risk occupations (as determined by our insurer) may be eligible for default insurance cover but may not be accepted for any additional insurance cover.

#### Product description and key attributes

This product is designed for consumers to save for their retirement and is designed to accept super guarantee (SG) contributions from employers or for members who are a spouse of a member in HESTA for Mercy products, other forms of contributions such as personal or spouse contributions.

The key product attributes include:

- ability to select from 10 investment options allowing members to create their own portfolio to suit their specific investment needs
- ability to increase their retirement savings by making additional contributions on a before or after-tax basis
- access to a tax efficient way to save for retirement
- access to Insurance Cover (if eligible) as well as the option to apply for additional insurance cover to suit their personal financial situations and needs.

## Objectives, financial situation and needs

### Investment options

Refer to *Investment choices* at [hestaformercy.com.au/pds](https://hestaformercy.com.au/pds) for detailed information.

The following Ready-Made options are designed to meet the needs of members who want exposure to a diversified portfolio of investments across different asset classes and with different risk/return outcomes. Members can choose one or more options and can switch in and out at any time. In the table below, there are some references to 'long term', which for practical purposes means 10 years.

<b>Balanced Growth (Our default option)</b>	<p>This option is designed for members who:</p> <ul style="list-style-type: none"><li>• are seeking to invest in a wide range of asset classes including shares, debt and infrastructure with some property, private equity, alternatives and cash investments</li><li>• are seeking over the long term, to earn an after-tax return after investment fees and indirect costs equivalent to or higher than CPI + 3.0% p.a.</li><li>• are comfortable with a higher exposure to growth assets</li><li>• are comfortable with exposure to a high-risk investment option with a probable number of negative annual returns of between 4 to less than 6 over 20 years</li><li>• would ideally invest in the option for a minimum investment timeframe of 5 to 7 years.</li></ul>
<b>Conservative</b>	<p>This option is designed for members who:</p> <ul style="list-style-type: none"><li>• are seeking to invest in a wide range of asset classes with a higher allocation than Balanced Growth to debt and cash investments, with some shares, property, infrastructure, and alternatives investments</li><li>• are seeking over the long term, to earn an after-tax return after investment fees and indirect costs equivalent to or higher than CPI + 1.5% p.a.</li><li>• are comfortable with less exposure to growth assets and more exposure to defensive assets</li><li>• are comfortable with exposure to a medium-risk investment option with a probable number of negative annual returns of between 2 to less than 3 over 20 years</li><li>• would ideally invest in the option for a minimum investment timeframe of 1 to 3 years.</li></ul>
<b>Indexed Balanced Growth</b>	<p>This option is designed for members who:</p> <ul style="list-style-type: none"><li>• are seeking to invest in low-cost investment strategies that aim to closely match index returns</li><li>• are seeking over the long term, to earn an after-tax return after investment fees and indirect costs equivalent to or higher than CPI + 2.0% p.a.</li><li>• are comfortable with a high exposure to listed shares</li><li>• are comfortable with exposure to a high-risk investment option with a probable number of negative annual returns of between 4 to less than 6 over 20 years</li><li>• would ideally invest in the option for a minimum investment timeframe of 5 to 7 years.</li></ul>
<b>Sustainable Growth</b>	<p>This option is designed for members who:</p> <ul style="list-style-type: none"><li>• seek to avoid exposure to particular activities and tilt investment towards companies and assets whose activities are thematically aligned with one or more of the UN Sustainable Development Goals (SDGs)</li><li>• are seeking to invest in shares, debt and property, with some private equity, alternatives, infrastructure and cash investments</li><li>• are seeking over the long term, to earn an after-tax return after investment fees and indirect costs equivalent or higher than CPI + 3.0% p.a.</li><li>• are comfortable with a higher exposure to growth assets</li><li>• are comfortable with exposure to a high-risk investment option with a probable number of negative annual returns of between 4 to less than 6 over 20 years</li><li>• would ideally invest in the option for a minimum investment timeframe of 5 to 7 years.</li></ul>
<b>High Growth</b>	<p>This option is designed for members who:</p> <ul style="list-style-type: none"><li>• are seeking to invest in a wide range of primarily Australian and international shares, infrastructure, and private equity, along with some exposure to alternatives, property, debt and cash</li><li>• are seeking over the long term, to earn an after-tax return after investment fees and indirect costs, equivalent to or higher than CPI + 4.0% p.a.</li><li>• are comfortable with the highest exposure to growth assets across our Ready-Made Options</li><li>• are comfortable with exposure to a high-risk investment option with a probable number of negative annual returns of between 4 to less than 6 over 20 years</li><li>• would ideally invest in the option for a minimum investment timeframe of 7 to 10 years.</li></ul>

The following Your Choice options are designed to meet the needs of members who are seeking to create a portfolio or would like specific exposure to a certain asset class or asset classes to suit their financial needs and objectives. These investment options have limited diversification in their allocation to asset classes and may not suit members who are looking for their super to be invested across a number of different asset classes. Members can choose one or more options and can switch in and out at any time. In the table below, there are some references to 'long term', which for practical purposes means 10 years.

<b>Cash and Term Deposits</b>	<p>This option is designed for members who:</p> <ul style="list-style-type: none"> <li>• are seeking a specific exposure to at-call bank deposits and short-dated term deposits, and may have a small allocation to other cash investments</li> <li>• are seeking over the long term, to earn an after-tax return, after investment fees and indirect costs, equivalent to or higher than the return (net of tax*) of the Bloomberg Ausbond Bank Bill Index</li> <li>• are comfortable with exposure to a very low risk investment option with a probable number of negative annual returns of less than 0.5 over 20 years</li> <li>• would ideally invest in the option for a minimum investment timeframe of less than 1 year.</li> </ul>
<b>Diversified Bonds</b>	<p>This option is designed for members who:</p> <ul style="list-style-type: none"> <li>• are seeking a specific exposure to, Australian and international government bonds and other debt</li> <li>• are seeking over the long term, to earn an after-tax return, after investment fees and indirect costs, equivalent to or higher than the return (net of tax*) of the combination of: <ul style="list-style-type: none"> <li>• 50% Bloomberg AusBond Composite 0+ Year Index</li> <li>• 50% Bloomberg Global Aggregate ex Australia Index Hedged to \$A</li> </ul> </li> <li>• are comfortable with exposure to a medium risk investment option with a probable number of negative annual returns of between 2 to less than 3 over 20 years</li> <li>• would ideally invest in the option for a minimum investment timeframe of 1 to 3 years.</li> </ul>
<b>Property and Infrastructure</b>	<p>This option is designed for members who:</p> <ul style="list-style-type: none"> <li>• are seeking a specific exposure to, Australian and global property and infrastructure, along with a smaller allocation to cash</li> <li>• are seeking over the long term, to earn an after-tax return after investment fees and indirect costs, equivalent to or higher than CPI + 3.0% p.a.</li> <li>• are comfortable with exposure to a medium-to-high-risk investment option with a probable number of negative annual returns of between 3 to less than 4 over 20 years</li> <li>• would ideally invest in the option for a minimum investment timeframe of 3 to 5 years.</li> </ul>
<b>International Shares</b>	<p>This option is designed for members who:</p> <ul style="list-style-type: none"> <li>• are seeking a specific exposure to, a range of companies listed on stock exchanges around the world</li> <li>• are seeking over the long term, to earn an after-tax return, after investment fees and costs, equivalent to or higher than the return (net of tax*) of the MSCI All Country World Ex-Australia Index (unhedged in AUD)</li> <li>• are comfortable with exposure to a high-risk investment, with a probable number of negative annual returns of between 4 to less than 6 over 20 years</li> <li>• would ideally invest in the option for a minimum investment timeframe of 7 to 10 years.</li> </ul>
<b>Australian Shares</b>	<p>This option is designed for members who:</p> <ul style="list-style-type: none"> <li>• are seeking a specific exposure to, a range of companies listed on the Australian stock exchange as well as a few that are not</li> <li>• are seeking over the long term, to earn an after-tax return, after investment fees and indirect costs, equivalent to or higher than the return (net of tax*) of the S&amp;P/ASX 300 Accumulation Index</li> <li>• are comfortable with exposure to a very high-risk investment, with a probable number of negative annual returns of 6 or greater over 20 years</li> <li>• would ideally invest in the option for a minimum investment timeframe of 7 to 10 years.</li> </ul>

\*Estimated tax rate provided by an external investment consultant

## Insurance options

Refer to the *Insurance options guide* at [hestaformercy.com.au/pds](https://hestaformercy.com.au/pds) for detailed information.

The HESTA for Mercy Super product gives eligible members access to the following types of insurance below, if they apply for insurance cover (or additional insurance cover) or receive default cover when joining.

<b>Standard Cover</b>	<p>Standard Cover is available to eligible members who are aged at least 15 and under 67, are working for a Core Participating Employer at the time they meet the eligibility requirements for Standard Cover.</p> <p>This option is designed for members who require a minimum cover of \$2,500 per month of Income Protection Cover and 10 units of Death and TPD Cover and who are seeking access to:</p> <ul style="list-style-type: none"><li>• a monthly income benefit to help with ongoing living expenses if they are temporarily or permanently disabled</li><li>• death cover to assist with the financial impact their death would have on their dependants</li><li>• a lump sum benefit if they become totally and permanently disabled and unlikely to ever be able to return to work.</li></ul>
<b>Income Protection Cover</b>	<p>This option is designed for members, aged at least 15 and under 67, who are seeking access to:</p> <ul style="list-style-type: none"><li>• a monthly income benefit to help with their ongoing living expenses if they are temporarily or permanently disabled</li><li>• the ability to apply to increase their Income Protection Cover, up to the maximum monthly cover of \$30,000 (capped at up to 75% of Pre-disability Salary and up to 10% as a superannuation contribution in some circumstances)</li><li>• flexible cover options with the ability to vary benefit periods and waiting periods.</li></ul> <p>Members who are eligible to receive a benefit, may have the benefit reduced by other income or benefits the member receives during the claim period.</p>
<b>Death Cover</b>	<p>This option is designed for members, aged at least 15 and under 67, who are seeking access to:</p> <ul style="list-style-type: none"><li>• a lump-sum benefit to help their dependants with ongoing expenses and one-off costs if they died or were terminally ill</li><li>• the ability to increase their Death Cover subject to approval from our insurer. The terminal illness cover component of Death Cover is limited to a maximum cover of \$3 million</li><li>• available as unitised cover (each unit provides an amount of cover that reduces in value as they age) or fixed cover (specific dollar value of death cover that maintains the benefit amount as they get older in age).</li></ul>
<b>Lump-sum TPD Cover</b>	<p>This option is designed for members, aged at least 15 and under 67, who hold Death Cover, who are seeking access to:</p> <ul style="list-style-type: none"><li>• a lump-sum benefit if they are totally and permanently disabled and unlikely or incapable of ever working again</li><li>• the ability to increase their TPD cover subject to a maximum cover of \$3 million</li><li>• available as either unitised cover (each unit provides an amount of cover that reduces in value as they age) or fixed cover (specific dollar value of disability insurance cover that maintains the benefit amount as they get older in age).</li></ul>

The insurance options are subject to the terms, conditions, and eligibility criteria of the insurance policies. Members can also apply for Voluntary Cover. Where members hold voluntary cover, insurance fees (also referred to as premiums) are based on occupational classifications and gender in respect of that cover. Some options are not designed for members who are in high-risk occupations as determined by our insurer. For more information on insurance, download the *Insurance options guide*, available at [hestaformercy.com.au/pds](https://hestaformercy.com.au/pds)

## **Consistency between target market and the product**

HESTA believes that the HESTA for Mercy Super product is likely to be consistent with the likely objectives, financial situation and needs of the members in the target market. This is based on an analysis of the key terms and attributes of the product and a finding that these are consistent with the identified target market. This includes consideration of the varying levels of choice that members have in the product particularly with the investment and insurance features to cater to their personal situation and life stage.

To ensure this, HESTA regularly reviews:

- our investment options to provide members with the opportunity for competitive, risk-adjusted net long-term returns (returns after fees and costs)
- member engagement across the suite of investment options offered to ensure the appropriateness and need for a broad range of investment options appropriate for differing levels of risk tolerance and investment horizons of members
- administration fees, including benchmarking against similar leading super funds
- insurance features, fees and costs to minimise the account erosion of our members, while providing appropriate insurance options for members
- the design of our product to ensure it is not complex and allows for a high degree of self-servicing.

## **4. How this product is to be distributed**

### **Distribution channels**

The HESTA for Mercy Super product has been designed to be distributed directly to members and on an advised basis through the following means:

- directly by Mater Misericordiae Ltd or its associates
- directly through physical application form for a spouse of a member in a HESTA for Mercy product
- through representatives of the fund trustee
- through third-party financial advisers and other regulated persons (holding an AFSL) who engage in retail product distribution.

### **Distribution conditions**

The HESTA for Mercy Super product is distributed narrowly to employees of Mater Misericordiae Ltd or its associates and the spouses of these employees that are members of this product.

The insurance offering in this product is only distributed where a member meets the relevant insurance eligibility criteria outlined above in the Insurance options section and in the PDS. Members may be provided with Standard Cover upon joining or later when they meet the eligibility requirements otherwise they must apply for Voluntary Cover.

### **Adequacy of distribution conditions and restrictions**

The HESTA for Mercy Super product distribution conditions and restrictions attempt to ensure that only consumers who meet eligibility conditions enter this product because:

- the HESTA for Mercy Super product is only offered through Mater Misericordiae Ltd and its associates or directly through the fund (by calling the customer service team)
- contact centre and member facing employees are trained on the product, including the product eligibility.

The trustee has determined that the distribution conditions and restrictions will make it likely that members who join the product are in the target market for which it has been designed.

## 5. Reviewing this TMD

The trustee will review this TMD in accordance with the below:

<b>Annual review</b>	31 December 2024
<b>Periodic reviews</b>	Annually before the 31 <sup>st</sup> December 2024
<b>Review events</b>	<p>An event or circumstances arising that would suggest the TMD is no longer appropriate. This includes:</p> <ul style="list-style-type: none"><li>• significant changes in member engagement that suggest the target market is no longer appropriate</li><li>• material change to the design or distribution of the product, including related documentation</li><li>• occurrence of any significant dealings having considered reportable incidents defined below as notified by product distributors</li><li>• an unexpectedly high level of complaints or adverse feedback from members about investment options, insurance options, fees and costs or the product in general that would suggest that the product is no longer appropriate</li><li>• notification by the regulator of serious concerns about the distribution and design of the product</li><li>• indications that the distribution conditions do not make it likely that the consumers who acquire the product are in the target market</li><li>• outcomes from Member Outcomes Assessments and Business Performance Reviews, which indicate the product is not meeting stated member outcomes.</li></ul>

Where a review event has occurred, this TMD will be reviewed within 10 business days.

## 6. Reporting and monitoring this TMD

It is an obligation for a distributor of this product to provide the following information in relation to this TMD.

**Note that these obligations do not apply to employers.**

This information must be sent to HESTA via email at [product@hesta.com.au](mailto:product@hesta.com.au)

<b>Complaints</b>	<p>Distributors must report quarterly (within 10 business days following the end of the quarter) the number and details of complaints received in relation to the product covered by this TMD.</p> <p>This will include the substance of complaints and general feedback relating to the product and its performance.</p>
<b>Reportable Incidents</b>	<p>Distributors will report incidents relating to the following within 10 business days, to assist the trustee in its assessment of any significant dealings in relation to this TMD.</p> <p>Information to be reported:</p> <ul style="list-style-type: none"><li>• the number of members who have acquired the product that are not in the target market</li><li>• the number of members who have acquired the product that have characteristics that are specifically excluded from the target market</li><li>• distribution conditions have regularly not been met</li><li>• there is a consistent feature that identifies when or how members outside the target market acquire the product (e.g., at a particular time period; consistently from a particular adviser).</li></ul>

## contact us

[information@hestaformercy.com.au](mailto:information@hestaformercy.com.au) | 1300 368 891 | PO Box 8334, Woolloongabba, QLD 4102 | [hestaformercy.com.au](http://hestaformercy.com.au)