

# ACTIVE SUPER ACCOUNT-BASED PENSION PLAN

## Target market determination

### 1. About this document

This target market determination (**TMD**) applies to membership of the Active Super Account-Based Pension Plan (**product**) referred to in the Product Disclosure Statement and incorporated fact sheets outlined below (**PDS**).

This TMD seeks to provide consumers, distributors and Active Super staff with an understanding of the class of consumers for which this product has been designed, having regard to their likely objectives, financial situation and needs. It also sets out the steps taken to ensure that the product is issued only to consumers who are likely to be in the target market, and how and when this TMD will be reviewed to ensure it remains up to date.

This document is not an exhaustive summary of the product's terms and conditions. It is not intended to provide financial advice, nor take anyone's individual circumstances into account. It does not compare this product to other products, including other products that a consumer may already hold. Consumers must refer to the PDS and if necessary, obtain advice tailored to their personal circumstances.

### Product Disclosure Statement to which this target market determination applies

This TMD applies to the Active Super Account-Based Pension Plan, which includes a non-commutable Transition to Retirement pension option. The product is referred to in the following Product Disclosure Statement:

- [Account-Based Pension Plan](#)

### Other documents to which this target market determination applies

This TMD applies to the Active Super Account-Based Pension Plan referred to in the following documents:

- [Risk and diversification](#)
- [Taxation](#)
- [How we invest your money](#)
- [Pension payments](#)
- [Fees and other costs](#)

## 2. Effective date

Date from which this target market determination is effective and replaces previous TMDs for the product (**effective date**):

7 December 2023

## 3. Class of consumers that fall within this target market

There are two types of account-based pensions offered under the Active Super Account-Based Pension Plan:

- transition to retirement account-based pensions (**TTR pension**); and
- commutable account-based pensions.

This section describes the target market for the two types of pensions available through the product.

The product is consistent with the likely needs, objectives and financial situation of most customers within the relevant target market. However, customers who meet the target market definition may also have current or future personal circumstances that may make the product unsuitable for them. Some examples appear below. Customers must consider their own personal circumstances and the PDS before making any decisions.

### **TTR pension accounts**

The target market for TTR pension accounts available through the product is Australian Residents who:

- are over the preservation age;
- are less than 65 years old;
- are still employed;
- are eligible for a TTR pension but have not met any other condition of release;
- want to supplement their income by accessing some of their superannuation balance as regular income in the form of a TTR pension, and
  - are comfortable that this may reduce their superannuation balance available to fund their income when they fully retire; and/or
  - are comfortable making salary sacrifice contributions to super while drawing down the TTR;
- have a superannuation lump sum of at least \$25,000 to establish the TTR pension account;
- want their account balance to be invested in the market (investment earnings will be taxed at 15%);
- will not exceed their contribution cap amount;
- are comfortable with the risk that market fluctuations will affect the value of the account balance and the amount and longevity of their pension payments;
- need a simple range of investment options that allow them to adjust their investment allocation if they wish to suit their investment objectives, risk profile and investment timeframe;

- want the flexibility to adjust the frequency and amount of that pension income within the minimum and maximum allowed by superannuation and/or tax law (the minimum depends on your age, the maximum is 10% of the account balance per year); and
- are comfortable that they cannot withdraw from their TTR pension except:
  - for TTR pension payments;
  - after they meet a condition of release; or
  - in other limited circumstances

(and if they have funded the TTR pension account from the Active Super Retirement Scheme, subject to the additional restrictions on withdrawals for contributory members of that scheme).

### **Other pensions**

The target market for commutable account-based pensions available through the product is Australian residents who:

- want to provide an income stream funded from superannuation benefits;
- satisfy one or more of the following criteria:
  - have reached their preservation age and are permanently retired;
  - have an unrestricted non-preserved superannuation lump sum;
  - have ceased employment and are aged 60 or over; or
  - are totally and permanently incapacitated;
- have a superannuation lump sum of at least \$25,000 to establish the pension account, and will not exceed the transfer balance cap of \$1.9 million;
- want the flexibility to adjust the frequency and amount of that pension income above the minimum allowed;
- want their account balance to be invested in the market without paying tax on the investment earnings;
- are comfortable with the risk that market fluctuations will affect the value of the account balance and the amount and longevity of their pension payments; and
- need a simple range of investment options that allow them to adjust their investment allocation if they wish, to suit their investment objectives, risk profile and investment timeframe.

### **Investment options**

Specific investment options have additional target market requirements, which are described later in this TMD.

### **Customers for whom the product may not be suitable**

Customers for whom the product **may not** be suitable include individuals who:

- want or need to consolidate their super to fund their pension, but have not yet done so;
- have not considered the financial, tax and social security implications of setting up their pension;

- want to be able to choose or invest or trade in:
  - particular listed or unlisted investments;
  - sector specific investment options such as international equities or Australian equities; and/or
  - passive index-based investment options.

## Product description and key attributes

The key eligibility requirements and product attributes of the Active Super Account-Based Pension Plan are:

### ELIGIBILITY

- Consumers who are eligible to commence an account-based pension or TTR pension under superannuation preservation legislation (and if the pension account is funded from the Active Super Retirement Scheme, comply with the additional eligibility requirements for that scheme).
- Consumers who are the recipients of total and permanent disablement, terminal illness or death benefits.
- Consumers who have an existing superannuation, account-based pension, or TTR account who wish to transfer all or a portion of that account into a new account-based pension or TTR account.

### PRODUCT ATTRIBUTES

- A profit to members fund.
- A simple, flexible and convenient way for you to convert accumulated superannuation into a tax-effective commutable pension.
- Can also be taken as a non-commutable TTR pension which allows people who are at or over their preservation age and still employed to access a pension, subject to stricter rules relating to when you can commute or withdraw either some or all of your TTR pension as a lump sum, and TTR pension earnings are taxed the same as earnings in the accumulation phase.
- Allows you to control your retirement income by simply pre-selecting how often and how much you wish to receive as a pension, within prescribed minimum and maximum limits.
- A choice of five investment options.

## Investment options

The table below sets out the target market for each investment option. The target market for each option assumes that the consumer is in the overall target market for the investment component.

INVESTMENT OPTION	THIS OPTION IS DESIGNED FOR MEMBERS WHO
High Growth	

- Invests approximately 85–95% of funds in growth assets, such as Australian and international shares and property.
- Target investment return is 3.5% p.a. net<sup>1</sup> above Consumer Price Index (**CPI**) over a rolling 10 year period.
- Risk band<sup>2</sup> is 6 and risk label<sup>2</sup> is HIGH, based on an estimate of 4.7 negative annual returns in any 20-year period.

- Are seeking to earn high real investment growth above the Consumer Price Index (CPI) over a 10 year period.
- Are comfortable with the value of their investment fluctuating over the shorter term.
- Are comfortable with a suggested investment timeframe of 10 years.

### **Balanced**

- Invests approximately 60–80% of funds in growth assets, such as Australian and international shares and property.
- Target investment return is 3.0% p.a. net<sup>1</sup> above CPI over a rolling 10 year period.
- Risk band<sup>2</sup> is 6 and risk label<sup>2</sup> is HIGH, based on an estimate of 4.1 negative annual returns in any 20-year period.

- Are seeking to earn real investment growth above the CPI over a 10 year period.
- Are comfortable with the value of their investment fluctuating over the shorter term.
- Are comfortable with a suggested investment timeframe of 7 years.

### **Conservative Balanced**

- Invests approximately 44–64% of funds in growth assets, such as Australian and international shares and property, semi liquids and private equity and the balance in income-producing assets such as interest-bearing securities.
- Target investment return is 2.0% p.a. net<sup>1</sup> above CPI over a rolling 10 year period.
- Risk band<sup>2</sup> is 5 and risk label<sup>2</sup> is MEDIUM TO HIGH, based on an estimate of 3.2 negative annual returns in any 20-year period.

- Are seeking to earn real investment growth above the CPI over a 10 year period.
- Are comfortable with the value of their investment fluctuating over the shorter term.
- Are comfortable with a suggested investment timeframe of 7 years.

### **Conservative**

- Invests approximately 24–44% of funds in growth assets and the balance in income-producing assets such as interest-bearing securities.
- Target investment return is 1.5% p.a. net<sup>1</sup> above CPI over a rolling 10 year period.
- Risk band<sup>2</sup> is 3 and risk label<sup>2</sup> is LOW TO MEDIUM, based on an estimate of 1.6 negative annual returns in any 20-year period.

- Are seeking an option more suitable for shorter-term investing with good security and some potential for growth.
- Are comfortable with the value of their investment fluctuating, albeit to a lesser extent than the High Growth, Balanced and Conservative Balanced options.
- Are comfortable with a suggested investment timeframe of 5 years.

### **Managed Cash**

- Invests 100% of funds in defensive assets such as cash, term deposits and money market securities.
- Target investment return is 0.20% p.a. net<sup>1</sup> above the cash rate (as measured by the Bloomberg AusBond Bank Bill Index) over a rolling 10 year period.
- Risk band<sup>2</sup> is 1 and risk label<sup>2</sup> is VERY LOW, based on there being no negative annual returns in any 20-year period.
- Are seeking an option with exposure to investments in money market securities with a very low risk of capital loss.
- Are short term investors or seeking exposure to investments in money market securities with a very low risk of capital loss.
- Are comfortable with a suggested investment timeframe of 3 years.

<sup>1</sup> Net of Fees and Taxes.

<sup>2</sup> The risk band and risk label are determined using the Standard Risk Measure (**SRM**) methodology which focuses on the number of negative returns each investment option would be expected to achieve over the course of a 20-year period. Further information can be found in the [Risk and diversification](#) factsheet.

Investment returns aren't guaranteed. Past performance isn't a reliable indicator of future returns.

For more information on Investments, download the PDS Factsheet [How we invest your money](#).

## Consistency between target market and the product

This product is likely to be consistent with the likely objectives, financial situation and needs of the class of consumers in the target market. This is based on our analysis of the rules, key terms, features and attributes of the product and our finding that these are consistent with the identified class of consumers.

The Active Super Account-Based Pension Plan:

- Fulfils a need for most consumers in the target market;
- Includes features/attributes that are consistent with the likely objectives, financial situation and needs of the target market;
- Is likely to benefit the consumers in the target market; and
- Has benefited consumers in the target market in the past.

## 4. How this product is to be distributed

### Distribution channels

The Active Super Account-Based Pension Plan is designed to be distributed via the following channels:

- Directly: By applying for membership by completing our application for membership
- Active Super financial advisers authorised by Industry Fund Services Limited (IFS) ABN 54 007 016 195 AFSL No 232514
- Other financial services licensees (or their representatives).

## Distribution conditions

The Active Super Account-Based Pension Plan should only be distributed where the prospective member is an Australian resident and is eligible to commence an account-based pension or TTR pension.

To establish and maintain your membership in Active Super, the Trustee requests that you provide certain information to its service providers when you join the Active Super Account-Based Pension Plan and when you provide instructions in relation to your account.

Financial advisers and others who deal in the product must be appropriately authorised by or under an Australian Financial Services Licence.

We provide access to financial advisers who are representatives of Industry Fund Services Limited (AFSL 232514) for consumers who want personal advice to assist them in making decisions and arranging transactions. These financial advisers receive training from Active Super in relation to the product features and benefits and the types of consumers who are likely to benefit from the product.

We refer consumers to the PDS and relevant fact sheets, and provide general advice and factual information on our website, in our consumer communications and through authorised and trained staff who are available through our call centre, workplace visits and face to face.

## Adequacy of distribution conditions

We consider that these distribution channels and distribution conditions will make it likely that consumers who purchase the product are in the relevant target market.

### 5. Reviewing the target market determination

We will review this TMD to ensure it remains appropriate. The TMD is **appropriate** if it would be reasonable to conclude that if the product were to be issued or sold:

- to a consumer in accordance with the distribution conditions, it would be likely that the consumer is in the target market; and
- to a consumer in the target market, it would likely be consistent with the likely objectives, financial situation and needs of the consumer.

We will review the TMD at the times set out in the table below.

REVIEW	TIMING
First review	To be completed no later than 31 October 2024.
Subsequent reviews	To be completed no later than one year after the previous review.
Review triggers	We become aware that one or more of the following events or circumstances has occurred, and as a result, we reasonably conclude that the TMD is no longer appropriate: <ul style="list-style-type: none"><li>• A material change to the design or distribution of the product</li></ul>

- Legislative change comes into effect that significantly impacts the design and distribution of the product
- A significant dealing that is not consistent with this TMD
- The trustee makes a determination for the purposes of s52(9) of the Superannuation Industry (Supervision) Act 1993 (Member Outcomes Assessment) that the financial interests of the customers who hold this product are not being promoted
- Failure to meet the performance test stipulated under the Your Future Your Super legislation
- Adverse findings by a regulator in relation to the product
- Adverse media coverage that identifies an issue that is substantiated by LGSS Pty Limited
- Unexpected and significant increase in member commutations, measured as an increase in volume of more than 25% when compared to the annualised reference period volume
- High volumes of unexpected investment switching activity, measured as an increase in volume of more than 25% when compared to the annualised reference period volume
- Excessive substantiated member complaints over a prolonged period in relation to the design of the product, its features, its availability and/or its distribution, measured as more than 10 substantiated complaints in each of the four quarters within each annual review period.

The reference period is the previous three financial years. The annualised reference period volume is the average of these three financial years.

## 6. Reporting and monitoring this target market determination

LGSS Pty Limited will require the following information from the distributors of this product. Distributors should use the template report available for download [here](#).

### INFORMATION

#### Complaints

- Unless the number of complaints received is nil, all distributors will report the complaints received in relation to the Active Super Account-Based Pension Plan on a quarterly basis.
- Complaints reported should be complaints made in relation to:
  - The design of the product
  - The features of the product
  - The availability of the product
  - The distribution of the product.
- Information to be provided should include:
  - The volume of complaints received
  - The date each complaint was received



- Details of each complaint received.
  - As well as providing details of complaints, distributors will be encouraged to provide general feedback in relation to the product and their views on its performance.
- Significant dealings
- If a distributor becomes aware of a significant dealing not in accordance with this TMD, they will advise LGSS Pty Limited as soon as possible and no later than 10 business days of becoming aware of the significant dealing.
  - The distributor must:
    - Provide details of the significant dealing
    - Advise when the significant dealing occurred
    - Advise why the significant dealing occurred
    - Advise how many consumers were impacted
    - Advise if consumers were adversely affected by the significant dealing.

This Target Market Determination (TMD) is issued by LGSS Pty Limited (ABN 68 078 033 497) as Trustee for Local Government Super (ABN 28 901 371 321) ('Active Super') in accordance with section 994B of the Corporations Act 2001 (Cth). This TMD is not a product disclosure statement and is not a summary of the product features or terms of the product.

This TMD does not take into account any person's individual objectives, financial situation or needs. Before making a decision about the Active Super Account-Based Pension Plan, you should consider whether or not this product is appropriate for you by reading the Product Disclosure Statement available from Active Super at [activesuper.com.au](http://activesuper.com.au) or by calling 1300 547 873.