

Target Market Determination Choice Superannuation Products



This Target Market Determination (**TMD**) is required under section 994B of the *Corporations Act 2001* (Cth) (**the Act**). It sets out the class of customers for whom the product, including its key attributes, would likely be consistent with their likely objectives, financial situation and needs. In addition, the TMD outlines the triggers to review the target market and certain other information. It forms part of Challenger Life Company Limited's design and distribution arrangements 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. Persons interested in acquiring this product should carefully read the PDS for Challenger CarePlus before making a decision whether to buy this product.

Important terms used in this TMD are defined in the Definitions at the end of this document. Capitalised terms have the meaning given to them in the product's PDS, unless otherwise defined. The PDS can be obtained at challenger.com.au or by calling 13 35 66.

Target Market Summary

This product is likely to be appropriate for someone who is approaching or is in retirement and seeking to invest their superannuation into a no-fee pension product with access to low-risk investments with stable or guaranteed returns.

This product is not suitable for someone seeking a diverse range of investment options or access to growth investments.

Fund and issuer identifiers

Product	Challenger Guaranteed Allocated Pension (Challenger Pension)
Issuer	Challenger Retirement and Investment Services Limited
Issuer ABN	80 115 534 453
Product SPIN	CIT0101AU
Date approved	30 August 2021
Version	1.0
TMD status	ACTIVE
Product description	Challenger Pension is an account-based pension that allows you to convert your superannuation savings into regular pension payments.

Description of Target Market

TMD indicator key

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

 In target market  Potentially in target market  Not considered in target market

Instructions

In the tables below, customer attributes indicate a description of the likely objectives, financial situation and needs of the class of customers that are considering this product. The TMD indicator, indicates whether a customer meeting the customer attribute is likely to be in the target market for this product.

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. Where a customer attribute corresponds to an **amber** rating, they may be in the target market depending on their personal circumstances.

Please also refer to the Definitions at the end of this document.

Challenger Pension		
Customer attribute	TMD Indicator	Product description including key attributes
Customer's life stage		
Accumulation (aged 18 – 45)	Yellow	<ul style="list-style-type: none"> Challenger Pension is an account-based pension that provides you with a regular income using your superannuation savings. You can invest if you have superannuation money classified as 'unrestricted non-preserved'. Superannuation money that is classified as 'preserved' can only be invested if you have reached your preservation age and to start a 'transition to retirement' pension. There are limited circumstances where you can invest prior to preservation age. For example, if your super fund has assessed you as totally and permanently disabled. If you are using your super money to invest, you must consider the transfer balance cap which limits the amount that can be used to commence a retirement phase income stream.
Pre-retirement (aged 45+)	Yellow	
Retirement	Green	
Customer attribute	TMD Indicator	Product description including key attributes
Customer's desired type of investment menu		
Access to limited investment menu consisting of low-risk stable options	Green	<ul style="list-style-type: none"> Challenger Pension provides you with the choice of two investments options: <ul style="list-style-type: none"> Guaranteed Fixed Rate option that guarantees a rate of return on your investment for a fixed term that you choose between one and 10 years. Guaranteed Cash option that guarantees a rate of return on your investment for up to seven days in advance (set by Challenger Life each Monday).
Access to extensive investment menu allowing exposure to multiple assets classes and/or risk return profiles.	Red	

Customer selected investment options

This section of the TMD is relevant to customers who select the **Guaranteed Cash** option.

Guaranteed Cash		
Customer attribute	TMD Indicator	Product description including key attributes
Customer's investment timeframe		
Short (2 years or less)	Green	<ul style="list-style-type: none"> There is no minimum suggested timeframe. When choosing an investment option, you must consider the likely investment return, the risk and your investment timeframe.
Medium (longer than 2 years)	Green	
Long (longer than 8 years)	Yellow	
Customer attribute	TMD Indicator	Product description including key attributes
Customer's risk (ability to bear loss) and return profile		
Low	Green	<ul style="list-style-type: none"> The Guaranteed Cash option is a very low-risk investment with a standard risk measure of 1. The estimated number of negative annual returns is less than 0.5 years in any 20-year period.
Medium	Yellow	
High	Red	
Very high	Red	
Customer attribute	TMD Indicator	Product description including key attributes
Customer's intended option use		
Solution/standalone (75%-100%)	Yellow	<ul style="list-style-type: none"> The Guaranteed Cash option is a very low-risk investment and provides protection against market risk and no access to capital growth.
Core component (25%-75%)	Yellow	
Satellite/small allocation (less than 25%)	Green	

Guaranteed Cash		
Customer attribute	TMD Indicator	Product description including key attributes
Customer's ability to switch or withdraw money		
Daily		<ul style="list-style-type: none"> You must withdraw a minimum amount every financial year as pension payments which you can choose to receive monthly, quarterly, half-yearly or yearly. Payments made to you after you turn age 60 are tax-free. If you are less than 60, there may be tax payable. Liquidity in the Guaranteed Cash option is high with monies generally paid within five business days.
Weekly		
Monthly		
Quarterly		
Annually or longer		

Customer selected investment options

This section of the TMD is relevant to customers who select the **Guaranteed Fixed Rate** option.

Guaranteed Fixed Rate		
Customer attribute	TMD Indicator	Product description including key attributes
Customer's investment timeframe		
Short (2 years or less)		<ul style="list-style-type: none"> You can choose to invest in a Guaranteed Fixed Rate option for an investment term of between one and 10 years.
Medium (longer than 2 years)		
Long (longer than 8 years)		
Customer's risk (ability to bear loss) and Return profile		
Low		<ul style="list-style-type: none"> The Guaranteed Fixed Rate option is a very low-risk investment with a standard risk measure of 1. The estimated number of negative annual returns is less than 0.5 years in any 20-year period.
Medium		
High		
Very high		
Customer's intended option use		
Solution/standalone (75%-100%)		<ul style="list-style-type: none"> The Guaranteed Fixed Rate option is a very low-risk investment and provides protection against market risk and no access to capital growth.
Core component (25%-75%)		
Satellite/small allocation (less than 25%)		
Customer's need to withdraw money		
Daily		<ul style="list-style-type: none"> You must withdraw a minimum amount every financial year as pension payments which you can choose to receive monthly, quarterly, half-yearly or yearly. Payments made to you after you turn age 60 are tax-free. If you are less than 60, there may be tax payable. The Guaranteed Fixed Rate option is designed to be held until the end of the investment term. If you wish to withdraw early (amounts above what you have nominated as pension payments), then you must withdraw the entire balance. The amount you withdraw may be less than you invested, and less than you would have received had you held the investment for the complete term.
Weekly		
Monthly		
Quarterly		
Annually or longer		

Appropriateness

The Issuer has assessed the product and formed the view that the product, including its key attributes, is likely to be consistent with the likely objectives, financial situation and needs of customers in the target market as described above. The features of this product described the table above are likely to be suitable for customers with the attributes identified with a green TMD Indicator.

Distribution conditions/restrictions

Distribution condition	Permitted distribution channel	Distribution description
Direct (non-advised) retail	Yes	Direct non-advised customers must complete suitability questions on application
Licensed financial adviser	Yes	Customer has been provided with personal advice in relation to this product

Review triggers
Unexpected and material uplift in early withdrawals
Material change in tax treatment of product
Significant dealing, as decided by the Issuer, that is not consistent with the TMD
Material or unexpectedly high number of complaints (as defined in section 994A(1) of the Act) about the product or distribution of the product
The use of Product Intervention Powers, regulator orders or directions that affect the product
Australian Prudential Regulation Authority (APRA) intervenes as a result of Challenger Life Company not being able to meet its statutory capital requirements

Mandatory review periods	
Review period	Maximum period for review
Initial review	31 March 2023
Subsequent reviews	1 year 3 months

Distributor reporting requirements		
Reporting requirement	Reporting period	Which distributors this requirement applies to
Complaints (as defined in section 994A(1) of the Act) relating to the product design, product availability and distribution. The distributor should provide all the content of the complaint, having regard to privacy.	Within 10 business days following the end of the March and September quarters (note this can be done in two separate quarterly reports if required).	All distributors
Significant dealing outside of target market, under section 994F(6) of the Act. See Definitions for further details.	As soon as practicable but no later than 10 business days after the distributor becomes aware of the significant dealing.	All distributors

Definitions

Term	Definition
Customer's life stage	
Accumulation (aged 18 – 45)	In the accumulation phase and/or below age 45
Pre-retirement (aged 45+)	Above the age of 45 but below preservation age
Retirement	In retirement
Customer's desired type of investment menu	
Access to limited investment menu consisting of low-risk stable options	Customer only requires access to a limited menu of investment options that are low on the risk return spectrum.
Access to extensive investment menu allowing exposure to multiple assets classes and/or risk return profiles	The customer requires access to an investment menu that allows them to seek diversification across multiple assets classes in both the growth and defensive category. This could be achieved through the offer of multiple diversified options with different risk return profiles and/or an extensive selection of single sector options.
Customer's intended investment timeframe	
Short (2 years or less)	The customer has a short investment timeframe and may wish to redeem within two years.
Medium (longer than 2 years)	The customer has a medium investment timeframe and is unlikely to redeem within two years.
Long (longer than 8 years)	The customer has a long investment timeframe and is unlikely to redeem within eight years.
Customer's risk (ability to bear loss) and return profile	
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.
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.
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.
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.
Customers intended product use	
Solution/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 (less than 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).
Investable assets	Those assets that the investor has available for investment, excluding the residential home.
Customer's need to withdraw money	
Daily/weekly/monthly/quarterly/annually or longer	The customer seeks to invest in a product which permits redemption requests at this frequency under ordinary circumstances and the issuer is typically able to meet that request within a reasonable period.

Term	Definition
Distributor reporting	
Significant dealings	<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 the Australian Securities and Investments Commission (ASIC) defines when a dealing is 'significant' and distributors have discretion to apply its ordinary meaning. Challenger 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 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>