Actuarial Investigation as at 30 June 2022 City of Perth Superannuation Plan in Equipsuper

PREPARED BY: **The Heron Partnership Pty Limited**

December 2022

The Heron Partnership Pty Limited
ABN 79 100 196 272 AFSL 252538
Level 9, 412 St Kilda Road
Melbourne Vic 3004
www.heronpartners.com.au

Table of Contents

EXECUTIVE SUMMARY

Outlined below is a summary of the results of the actuarial investigation of the City of Perth Superannuation Plan (the Plan) within Equipsuper (the Fund) as at 30 June 2022.

Purpose

This report is provided to the Trustee of the Fund by the actuary for the Plan, Nerida Seccombe on behalf of The Heron Partnership Pty Limited. A copy of this report should be provided to the Employer.

The main purpose of the actuarial review is to evaluate the financial position of the Plan, recommend an appropriate employer contribution program to finance the benefits arising and provide the various reporting statements required under SIS, SPS 160 and AASB 1056.

In line with SPS 160 requirements, this actuarial investigation complies with all requirements of a full investigation.

City of Perth Superannuation Plan Financial Position

As at 30 June 2022, there were 88 active defined benefit members. We have summarised in the table below the Plan's financial position at 30 June 2022 and compared it with the previous full investigation of the Plan at 30 June 2019. The assets and liabilities below exclude voluntary accumulation accounts.

	At 30 June 2022		At 30 June 2019	
	($'000s)	Asset Coverage	($'000s)	Asset Coverage
Assets	31,760		47,697	
Minimum Requisite Benefits	19,555	162.4%	28,337	168.3%
Vested Benefits	28,250	112.4%*	41,030	116.2%
Present Value of Accrued Benefits	28,250	112.4%	41,030	116.2%

** The table above shows the Vested Benefits reported at 30 June 2022. Subsequent to year end, we were advised of a new EBA including backdated salaries in 2021, leading to a revised VBI at 30 June 2022 of 112.2%.*

The Plan is in a sound financial position.

As expected the Plan's overall financial position has declined over the three years to 30 June 2022 primarily due to the employer contribution holiday.

However, the Plan's position as at 30 June 2022 is slightly better than previously projected due to average salary increases (1.7% p.a.) over the three years being lower than assumed (3.5% p.a.). This offset the negative impact of average investment returns (3.3% p.a.) over the three years being lower than assumed (5.0% p.a.).

Key Financial Assumptions

For this investigation, we have assumed a future long term investment earning rate of 5.0% per annum in conjunction with an assumed long term future salary increase rate of 3.5% per annum. These assumptions result in a 'real investment return' of 1.5% p.a., consistent with the previous investigation.

Investment Policy

The Employer with the approval of the Trustee has adopted an investment policy of investing the assets supporting the defined benefit liabilities in the Balanced investment option.

We confirm the Plan's current investment policy, with a benchmark exposure to 'growth' assets of 52%, remains appropriate provided that the Trustee and Employer are comfortable with the volatility of the funding position and the potential for additional company contributions to be required.

However, with the ageing of the membership, projected benefits from the Plan are expected to reduce the Plan's assets by around 40% over the next 5 years. As such, the Employer may wish to reduce its ongoing exposure to market volatility as the Plan continues to mature, achieved by reducing the allocation to growth assets further. To minimise the risk of poor market timing, this could be achieved by gradually reducing the exposure to growth investments in stages, say over the next 3-5 years rather than as a single change.

We would be happy to discuss this further, if it is of interest to the Employer.

SPS 160 Shortfall Limit

We recommend the Shortfall Limit be set equal to 99%, in accordance with the Trustee's policy.

Insurance

We confirm that the current insurance arrangements are appropriate for this Plan.

Recommended Level of Contributions

The financial position is sound and consequently the Employer can continue with a contribution holiday in respect of defined benefit members. We therefore recommend that the Employer contributes:

- Nil into the Defined Benefit Reserve until 31 December 2025 and then 9% of defined benefit members' salaries thereafter; and
- From 31 December 2025, the 0.5% of salary contribution allocated into defined benefit members' voluntary accounts, if required under the member's enterprise agreement.

In addition, the Employer should continue to make deemed member or salary sacrifice member contributions as applicable.

The Employer could choose to contribute at a rate higher than 9% (e.g. the Superannuation Guarantee rate) once contributions are required to recommence, if that is more convenient.

Note that we understand there are no accumulation members in the Plan.

Alternative contribution programs are possible and we would be happy to discuss these with the Trustee and the Employer.

Next Actuarial Valuation

The next full actuarial investigation will have an effective date of 30 June 2025 (to be completed by 31 December 2025).

In accordance with SPS160, an interim valuation will usually be required if the Vested Benefit Index falls below the Shortfall Limit.

1 INTRODUCTION

1.1 General

This report contains the results of the actuarial investigation of the City of Perth Superannuation Plan (the Plan) in Equipsuper (the Fund) as at 30 June 2022. The previous investigation of the Plan was conducted by Nerida Seccombe of The Heron Partnership as at 30 June 2019, presented in a report dated 4 December 2019.

This report was commissioned by the Trustee of the Plan, Togethr Trustees Pty Ltd.

A copy of this report should be provided to the Employer.

1.2 Requirement

An actuarial review of the Plan is required on entry to the Fund and thereafter not less than every three years to meet the provisions of the Trust Deed and Superannuation legislation.

This report has been prepared in accordance with the Institute of Actuaries of Australia Professional Standard 400.

1.3 Purpose

The purpose of this valuation is to:

- Examine the financial position of the Plan;
- Recommend an Employer contribution level;
- Satisfy the requirements of the Trust Deed;
- Include any additional requirements under SPS 160 and PS 400; and
- Meet the relevant legislative requirements.

1.4 Source of information

This review has been based on the latest Employer Participation Agreement and Trust Deed incorporating this Plan.

Accumulation only members are not specifically included in this investigation as their balances are matched by the assets supporting them. We understand there are currently no accumulation members in the Plan.

All membership and investment balance information is based on the details held by the Plan's administrator as at 30 June 2022 for the defined benefit members. Allowance has been made for relevant events after the effective date of the investigation. We have not verified or audited any of the data provided. However, we have reviewed the data for consistency and have no reason to doubt that it is suitable for the purpose of this report.

The Trustee is ultimately responsible for the validity, accuracy and comprehensiveness of the documents and data provided. If the data or Plan provisions are not accurate and complete, the valuation results may differ from results obtained with accurate and complete information and may require a revision of this report.

1.5 Fund structure

The Plan is a sub-plan within Equipsuper. The Plan has been closed to new defined benefit members since 1 July 2009.

The Plan is a "regulated fund" under SIS and is treated as a "complying superannuation fund" for taxation purposes.

Further details on the Plan's benefit design are set out in Appendix A.

1.6 Superannuation Guarantee Certificates

A Benefit Certificate effective 1 July 2018 and a Funding and Solvency Certificate effective 1 July 2022 were issued in accordance with the Superannuation Guarantee and Superannuation Industry (Supervision) legislation. They remain valid and do not require any further updates.

2 PLAN EXPERIENCE

2.1 Investments

Assets supporting the defined benefit liabilities of the Plan are invested in Equipsuper's Balanced option. The strategic asset allocation of the Balanced option is:

Benchmark Asset Allocation	%
Australian shares	19%
International shares	22%
Direct/Listed Property	6%
Infrastructure	6%
Growth Alternative	4%
Defensive Alternative	14%
Traditional Fixed Interest	15%
Cash	14%
Total	100%

The benchmark allocation to "growth" assets like shares and property is 52%.

The investment performance of the Plan since the last investigation is summarised in the table below:

Period	Investment Return
1 July 2019 to 30 June 2020	2.0%
1 July 2020 to 30 June 2021	11.8%
1 July 2021 to 30 June 2022	-3.4%
Compound Average	3.3%

The compound average return over the three years was lower than the 5.0% per annum assumed in the previous investigation. This has had a negative impact on the financial position of the Plan.

We have allowed for the Plan's actual investment return over the period from 30 June 2022 to 1 December 2022 (4.8%) in the projections of the Plan's financial position shown in this report.

2.2 Unit Pricing/Crediting Rate Policy

We understand that members' account balances subject to investment choice are credited with investment earnings through daily unit prices and that non-investment choice account balances are credited with the investment earnings through the daily unit price of the Balanced option. We consider that this approach is generally suitable for crediting investment earnings to members' accounts.

2.3 Salary increases

Subsequent to year-end, we were advised of a new EBA effective August 2022 that included backdated salary increases effective from November/December 2021 of $2,500 per member.

For current members, the average salary increase over the three years to 30 June 2022 was 1.7% per annum including the backdated EBA. This is lower than the long term assumption of 3.5% p.a. assumed in the previous investigation. Since the defined benefits are salary-related after age 55, the isolated net effect of a lower rate of increase will reduce the need for further employer contributions to finance these benefits and vice versa.

2.4 Differential between Investment Return and Salary Increases

The key determinant of the cost of providing defined superannuation benefits relating to salary is the margin between investment returns and salary increases. This margin is effectively the "real investment return" of the Plan. Over the period from 1 July 2019 to 30 June 2022, investment returns exceeded salary increases by an average of 1.6% per annum which was above the long term "gap" assumption of 1.5% p.a. This has had a positive impact on the Plan's financial position.

However, because the resignation benefits are accumulation in nature, these benefits tend to move in line with movements in investment returns, thus dampening the effects of higher or lower than expected real investment return on the financial position of the Plan with respect to Vested Benefits in the short term.

2.5 Employer Contributions

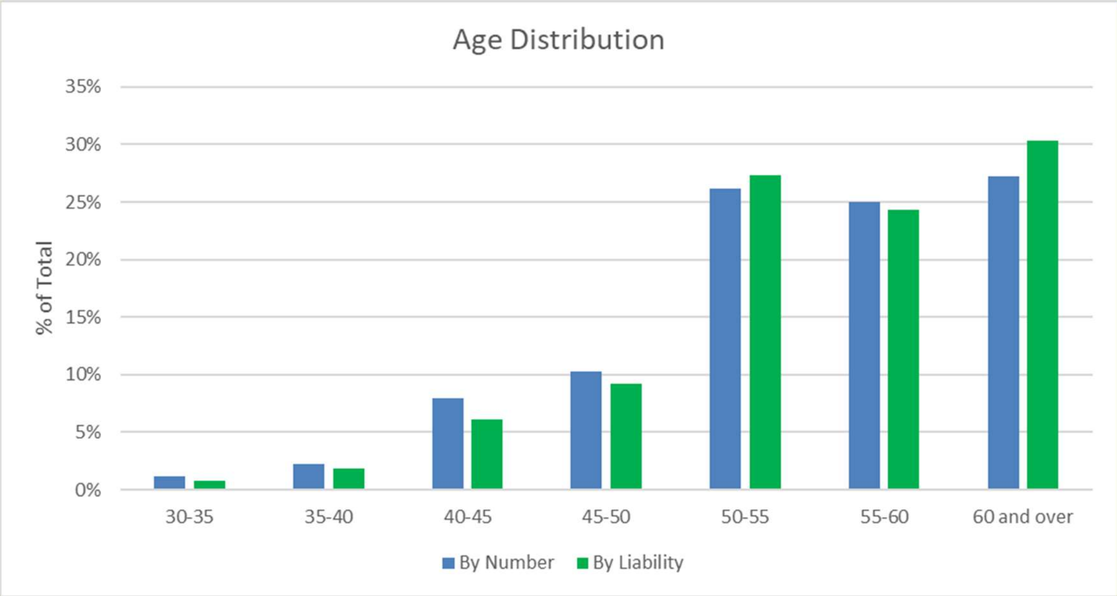
The Employer was on a contribution holiday for defined benefit members from 1 July 2019 to 30 June 2022 including in respect of the 0.5% normally paid into members' voluntary accounts (for those members where the 0.5% is included in the enterprise agreement).

2.6 Membership

Membership has reduced from 141 at 30 June 2019 to 88 at 30 June 2022.

Defined Benefit members	30 June 2022	30 June 2019
No. of members	88	141
Average Age	55.0 years	54.3 years
Average Service	19.4 years	17.4 years
Average Salary	$87,659 *(including backdated salary increase)*	$86,119

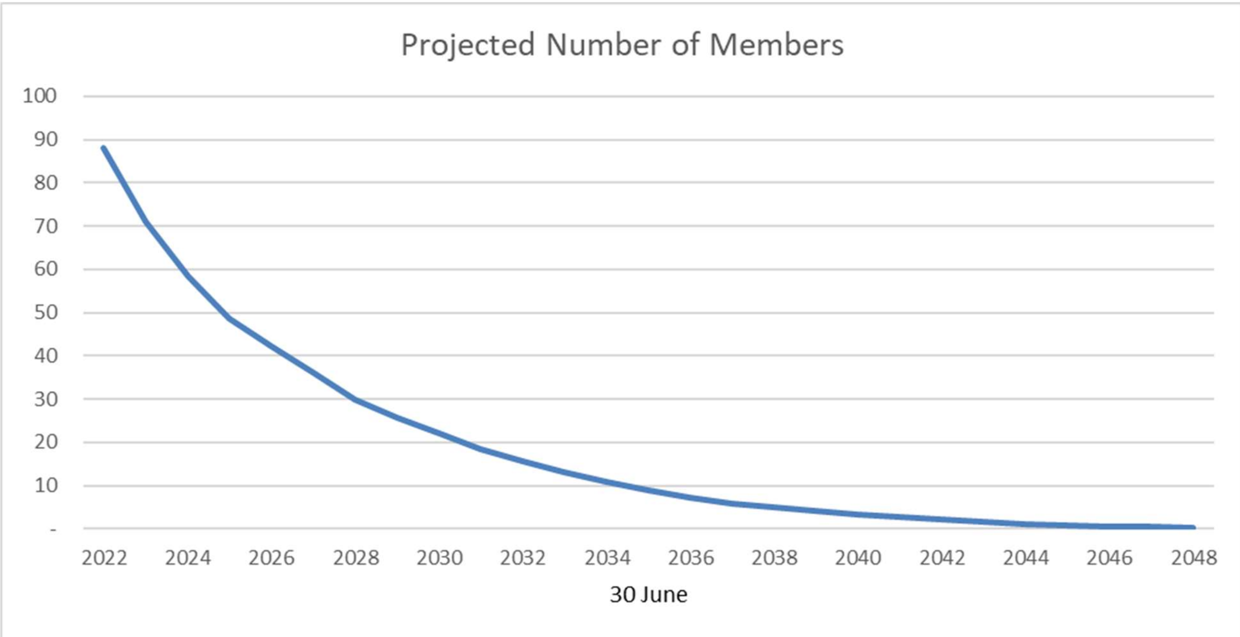
The Plan is closed to new entrants. The profile of the 88 active defined benefit members by age is shown in the chart below:



On this basis, 78% of the active Plan members are over age 50 and 82% of the Plan liabilities relate to members over age 50. In addition, 52% of Plan members are over age 55 and 55% of Plan liabilities relate to members over age 55. Consequently, about 27% of Plan liabilities will reach age 55 within the next 5 years.

2.7 Projected Membership

The following graph shows the Plan's projected defined benefit membership based on the decrement assumptions adopted for the actuarial investigation.



The number of defined benefit members is expected to reduce by 60% over the next 4 years.

2.8 Assumptions and Financing Approach

Financing Approach

The financing approach adopted is unchanged from the previous actuarial investigation of the Plan, i.e. to target coverage of Vested Benefits.

Investment Returns and Salary Increases

As mentioned in section 2.4, the key determinant of the cost of providing defined superannuation benefits relating to salary is the margin between investment returns and salary increases. Analysis covering long periods (20 - 30 years) has confirmed that the real rate of return from typical moderately conservative funds exceeds community salary increases by around 1% - 3% per annum. Over shorter periods the experience is more volatile.

Given the size and age of the membership, and taking into account that the Plan's defined benefit assets are invested in the Balanced option, we have adopted a long term real return of 1.5% per annum. Using an expected salary escalation of 3.5% per annum applies an assumed future long term investment return of 5.0% per annum. These assumptions are the same as those used in the previous actuarial investigation.

The future long term investment return of 5.0% per annum is consistent with the option's long-term objective of CPI + 2.5% (assuming long term average CPI of 2.5% per annum). Consequently, we are comfortable that a long-term investment return of 5.0% per annum is an appropriate expectation for the purpose of this investigation.

It should be emphasised that due to the maturity of the Plan, a variation in this key real return assumption can translate to wide variations in required employer contribution rates.

Assumed rates of leaving services

With an average age of 55 and 30% of Plan liabilities due to reach retirement age in the next 5 years, the Plan is going to reduce in size quite quickly over the next 5-10 years. As the membership reduces any surplus is effectively spread over a smaller group leading to an improvement in the coverage of assets over plan liabilities, and vice versa.

Therefore, the key assumption in terms of projecting the future financial position of the Plan, is the rate of resignation/retirement between ages 55 and 64. Based on the decrement assumptions adopted for the 2019 actuarial investigation we expected there would be 84 members left as at 30 June 2022 which is quite close to the actual number of 88 members.

As a result, we have continued to adopt resignation and retirement rates that are consistent with past assumptions. These are summarised below.

Age	Rate of Exit	Age	Rate of Exit
25	10.0%	45	2.9%
30	7.1%	50	1.7%
35	4.6%	55-64	20.0%
40	3.8%	65	100.0%

Assumed death and disablement incidence is assumed to be consistent with those implied by the premium rates applied by Equipsuper.

Expenses

Based on the administration expenses and insurance premiums applied by Equipsuper. An additional allowance is made for actuarial and other consulting costs resulting in a total cost of around 3.0% of defined benefit salaries.

2.9 Additional Accumulation Accounts

Accumulation accounts arise under the Plan in a number of areas. Where they form a minimum benefit, this has been taken into account in the future projections. If these are payable in addition to the defined benefit or relate to members with purely accumulation benefits (e.g. late retirees), these amounts have been excluded from both the assets and liabilities as these accounts are matched by the assets supporting them.

3 FINANCIAL POSITION

3.1 Coverage of Benefit Liabilities

In recommending the Employer contribution rate to apply in future, consideration must be given to the current and projected financial strength of the Plan.

Net Assets
The net asset value is based on unit holdings and prices at 30 June 2022 in the defined benefit reserve provided by Equipsuper. Assets were taken as the net market value of assets at 30 June 2022 for defined benefits, excluding additional accumulation account balances. The net market value of defined benefit assets for this investigation is $31.760m. This asset valuation has not been audited.

Minimum Requisite Benefits
Minimum Requisite Benefits (MRB's) which are the minimum Superannuation Guarantee (SG) benefits set out in the Plan Benefit Certificate are used to determine the solvency of the Plan under SIS. For this purpose "solvency" is defined in a limited sense by considering only whether minimum SG benefits are covered by the Plan assets. Where employer contributions are made above SG levels or where defined benefits exceed these SG accumulations, these extra benefits are not counted in the determination of this measure.

Ratio of Assets/Minimum Requisite Benefits = $31.760m/$19.555m = 162.4%

The value of MRBs for members as at 30 June 2022 was $19.555m. The assets exceeded MRBs by $12.205m at 30 June 2022.

The Minimum Benefit Index is calculated as the Plan assets divided by MRBs. At 162.4% the Plan is technically solvent.

Vested Benefits
"Vested Benefits" are the benefits which would have been payable had all members voluntarily resigned on the review date. The Vested Benefits Index is calculated as the total assets divided by Vested Benefits and represents the extent to which the net assets cover Vested Benefits.

Ratio of Assets/Vested Benefits = $31.760m/$28.250m = 112.4%

The value of Vested Benefits as at 30 June 2022 was $28.250m. The assets exceeded Vested Benefits by $3.510m at 30 June 2022.

The figures above show the Vested Benefits reported at 30 June 2022. Subsequent to year end, we were advised of a new EBA including backdated salaries in November/December 2021, leading to a revised VBI at 30 June 2022 of 112.2%.

Total Vested Benefits are normally regarded as the minimum which should be covered by assets in the Plan. A Fund is considered to be in an unsatisfactory financial position if its Vested Benefits Index falls below 100% (i.e. net assets are less than Vested Benefits).

The Plan was in a satisfactory financial position at 30 June 2022.

Accrued Benefits Reserve
The Accrued Benefits Reserve represents the value in today's dollars of members' accrued benefits allowing for future salary increases, investment earnings and expected incidence and type of payment. No allowance is made for future administration expenses. It is subject to a minimum of the total Vested Benefits.

Ratio of Assets/Accrued Benefits Reserve = $31.760m/$28.250m = 112.4%

The Accrued Benefits Reserve Index (ABRI) is calculated as the total assets divided by the Accrued Benefits Reserve and represents the extent to which Plan assets cover the Accrued

Benefits Reserve. A fully secured position is represented by an Accrued Benefits Reserve Index of 100%. At this level, if no further benefits were allowed to accrue to current members, assets would be sufficient to meet all future benefit payments if the actuarial assumptions are borne out in practice.

The assets exceeded the Accrued Benefits Reserve by $3.510m at 30 June 2022.

The method of calculating "Accrued Benefit Reserve" in this report is not consistent with AASB 119 or AASB 1056 and should not be used for purposes of disclosures in Employer or fund financial statements.

Retrenchment Benefits

"Retrenchment Benefits" are the benefits which would have been payable had all members been retrenched on the review date. The Retrenchment Benefit is the greater of the total account balances of the member or the amount the Actuary determines is held for the provision of the Member's retirement benefit in respect of membership up to the date of leaving service. Consequently, for members over age 55, the Retrenchment Benefit is equal to the Vested Benefit, whereas for members under age 55, the Retrenchment Benefit could be larger.

Ratio of Assets/Retrenchment Benefits = $31.760m/$28.431m = 111.7%

The value of Retrenchment Benefits for as at 30 June 2022 was $28.431m. The assets exceeded Retrenchment Benefits by $3.329m at 30 June 2022.

Assets/Termination Benefits = 100%

If the sub-plan is terminated and there are insufficient assets to pay Vested Benefits to all members, the Trustee will apply the sub-plan assets in a fair and reasonable manner after consultation with the Actuary. Hence, the termination benefits are automatically covered by the sub-plan assets.

Comments

The Plan is in a sound financial position as at 30 June 2022.

3.2 Long Term Adequacy of Employer Contributions

Funding Cost

This section considers the funding requirement of the Employer having regard to the current financial position and the long term funding cost.

The long term funding rate was estimated to be 15% of salaries (gross of contribution tax) based on the valuation assumptions and ignoring the impact of surplus. This is the employer contribution rate required to fund all future benefits payments if the current assets are equal to the Accrued Benefit Reserve. An additional 0.5% is payable by the Employer to member voluntary accounts.

In accordance with the Trustee's funding policy, the Employer may reduce their contribution rate below the long term funding rate of 15% (plus 0.5% to member voluntary accounts) if the funding ratio is higher than the Plan's Target Funding Ratio (TFR). The TFR is calculated as follows:

TFR = 100% + 7.69% x GAA x PSPR, rounded to the higher whole number

where

GAA = Growth assets allocation = 52%
PSPR = Proportion of salary and pension related benefits = 28.5%

Based on the above the Plan's TFR is 102%.

Currently, the Employer contributes nil into the reserve in respect of defined benefits and nil in respect of the 0.5% allocated to members' voluntary accounts (where applicable). Considering the financial position of the Plan and the Trustee's funding policy, we believe the current contribution level for the defined benefit members remains appropriate for the next 3 years.

Projection of Indices

It should be emphasised that the funding indices shown in Section 3.1 relate to the current position only. A projection of the Plan is required to assess the adequacy of Employer contribution rates in the future.

Balancing the need to hold a reasonable level of excess assets in order to withstand fluctuations in funding levels, is the consideration not to build an unnecessarily large surplus as the Plan is closed to new members and the membership is ageing and declining.

As the number of members in the Plan falls over time, any surplus is spread over a smaller group and the margin of assets over Vested Benefits will increase, and vice versa.

Taking into account the investment strategy adopted, the size of the plan and the maturity of the Plan, a small margin of assets over Vested Benefits and Accrued Benefit Reserve would be considered adequate to provide security for member's benefits while also assisting in stabilising employer contribution obligations.

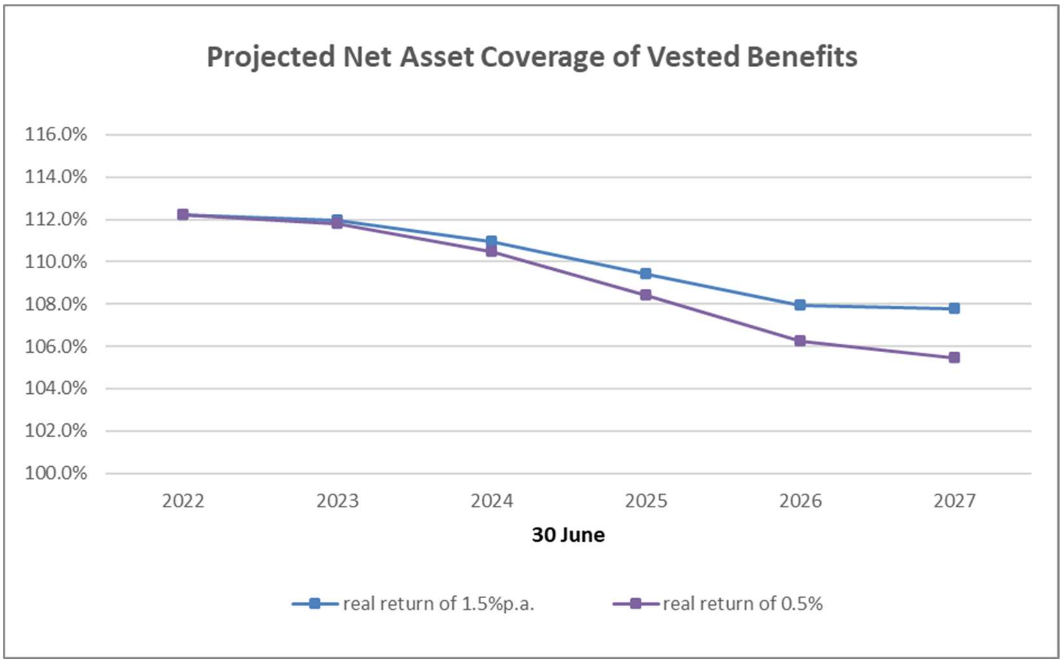
Projected financial position

The chart below shows the projected financial position over the next 6 years with regard to asset coverage of Vested Benefits.

Two scenarios are considered:

(a) Nil employer contributions into the Defined Benefit Reserve until 31 December 2025 and thereafter contributions of 9% of defined benefit members' salaries into the Defined Benefit Reserve plus contributions of 0.5% to members' voluntary accounts where applicable, with a real return of 1.5% per annum; and

(b) Same as (a) but assuming investment returns are 1% lower than expected (i.e. a real return of 0.5% per annum).



The Vested Benefit Index (VBI) is projected to remain at 111% or above over the next two years before reducing to around 108% by 30 June 2026 if the Employer contributes as proposed.

If the real return is 1% p.a. lower than the valuation base assumptions, the VBI is projected to reduce but remain above 106% by 30 June 2026 by which time the next actuarial investigation would be completed.

Conclusion

As shown in the above projections, the current contribution holiday is expected to reduce the surplus gradually over the next three years while maintaining a reasonable buffer against adverse experience. It is important not to reduce the coverage level too low, only to be followed by a sharp increase in the contribution rate in the future if there is insufficient buffer to withstand a period of negative market performance. However, it is also important not to build an unnecessarily large surplus as the membership reduces.

Keeping the above in mind, we are recommending contributions recommence from 1 January 2026 at 9% of defined benefit salaries plus the 0.5% contributed to members' voluntary accounts (where applicable). This rate is expected to maintain VBI coverage at 108% or above over the period to 30 June 2028.

Alternative contribution programs are possible and I would be happy to discuss these with the Trustee and the Employer.

3.3 Insurance Coverage

Given the current financial position of the Plan, the insurance basis for defined benefit members of Death and TPD benefit less Vested Benefit remains appropriate.

The position with regard to the insurance coverage of lump sum death and total and permanent disablement benefits is shown in the table below:

Item	Total for all members
Death/TPD Benefits	$43.7m
Insured Benefits	$16.1m
Excess of Death and Disablement Benefits after allowing for Insured Portion	**$27.6m**
Net Assets	$31.8m
Excess of Net Assets to D & TPD benefits less Insurance	**$4.2m**

Whilst the surplus continues, it could be argued that the Plan is currently over-insured. However, in view of the employer contribution holiday, the "excess" insurance cover will reduce over time. Ultimately, depending on the Plan's financial position at the time, the Plan may have a small exposure if all members were to die or become disabled at the same time. However, such a level of exposure is acceptable due to the spread of such risks and the small number of remaining defined benefit members. As such no change to insurance coverage is required.

In summary, we believe that the Plan is appropriately insured at 30 June 2022.

3.4 Investment Policy

We confirm the sub-plan's current investment policy remains appropriate provided that the Trustee and sponsoring Employers are comfortable with the volatility of the funding position and the potential for additional employer contributions to be required.

However, with the ageing of the membership, projected benefits from the Plan are expected to reduce the Plan's assets by around 40% over the next 5 years. As such, the Employer may wish to reduce its ongoing exposure to market volatility as the Plan continues to mature, achieved by reducing the allocation to growth assets further. To minimise the risk of poor market timing, this could be achieved by gradually reducing the exposure to growth investments in stages, say over the next 3-5 years rather than as a single change.

We would be happy to discuss this further, if it is of interest to the Employer.

Refer to section 4 on material risks for further commentary.

3.5 Shortfall Limit

Based on our assessment of the current investment strategy and the membership data, we have determined the Shortfall Limit to be 99% based on the following calculation:

Shortfall Limit = 100% - 4.6% x GAA x PSRVB

= 100% - 4.6% x 52% x 15%

= 99% (rounded down to the nearest percentage)

Where:

GAA = percentage of allocation to growth assets

PSRVB = proportion of the Vested Benefit liability that is salary related

We note that the PSRVB has reduced from 19% to 15% since the previous actuarial investigation. This is due to experience over the three years with investment returns having been relatively higher than salary increases having shifted some members to having their accumulation benefit applying rather than their salary based benefit.

We recommend that the Shortfall Limit be set equal to 99% for this Plan.

4 MATERIAL RISKS

4.1 Investment returns and salary inflation

As a mature fund that is closed to new entrants, the funding of benefits relies more on the investment returns on fund assets than on future contributions. Worse than expected investment returns over an extended period will increase future contributions required to fund the benefits.

Some components of the defined benefit are calculated based on salary. Salary increases in excess of investment returns will increase the value of these components relative to the assets supporting them and so the future contributions required to fund the benefits will increase.

5 RECOMMENDATIONS

5.1 Recommended Contribution Rates

The Plan's financial position is sound and consequently the Employer can continue with a contribution holiday in respect of defined benefit members. This will prevent the funding surplus from reaching excessive levels. We therefore recommend that the Employer contributes:

- Nil into the Defined Benefit Reserve until 31 December 2025 and then 9% of defined benefit members' salaries thereafter; and
- From 1 January 2026, the 0.5% of salary contribution allocated into defined benefit members' voluntary accounts, if required under the member's enterprise agreement.

In addition, the Employer should continue to make deemed member or salary sacrifice member contributions as applicable.

The Employer could choose to contribute at a rate higher than 9% (e.g. the Superannuation Guarantee rate) once contributions are required to recommence, if that is more convenient.

Note that we understand there are no accumulation members in the Plan.

Alternative contribution programs are possible and we would be happy to discuss these with the Trustee and the Employer.

5.2 Investment Policy

We confirm the Plan's current investment policy remains appropriate provided that the Trustee and Employer are comfortable with the volatility of the funding position and the potential for additional company contributions to be required.

However, with the ageing of the membership, projected benefits from the Plan are expected to reduce the Plan's assets by around 44% over the next 5 years. As such, the Employer may wish to reduce its ongoing exposure to market volatility as the Plan continues to mature, achieved by reducing the allocation to growth assets further. To minimise the risk of poor market timing, this could be achieved by gradually reducing the exposure to growth investments in stages, say over the next 3-5 years rather than as a single change.

We would be happy to discuss this further, if it is of interest to the Employer.

5.3 Shortfall Limit

We recommend that the Shortfall Limit be set equal to 99% for this Plan, in accordance with the Trustee's policy.

5.4 Insurance Coverage

Based on the foregoing analysis, we recommend that insurance coverage remain unchanged.

5.5 Next Actuarial Investigation

The next full actuarial investigation will have an effective date of 30 June 2025 (to be issued by 31 December 2025).

In accordance with SPS160, an interim valuation will usually be required if the Vested Benefit Index falls below the Shortfall Limit.

Nerida Seccombe BEc
Fellow of the Institute of Actuaries of Australia

19 December 2022

APPENDIX A: Summary of Benefit Design

The following summary does not include benefits for accumulation members.

Member Contributions	4% of salaries (4.7% if paid by salary sacrifice)
Final Average Salary	Average Superannuation Salary received over the three years prior to the date of exit
Early Retirement Age	55
Member Account	Is the accumulation of member contributions with interest to the date of payment
Notional Employer Account	Is the accumulation of employer contributions of 14% of salary with interest to the date of payment
Normal Retirement Benefit	On retirement each member is entitled to a lump sum benefit equal to a multiple of the member's Final Average Salary. The multiple is calculated as follows: • 18.75% for each year of membership of the Plan prior to 30/6/1989; plus • 20.5% for each year of membership of the Plan after 1/7/1989. where periods of membership are measured in years and complete months and are subject to minimum hours worked after age 65.
Late Retirement Benefit	On retirement after age 65, provided the Member continues in employment as an employee for at least 10 hours each week and makes the required Member Contributions then the Member can continue to accrue define benefits until the earlier of age 70 and leaving service. After age 70, a lump sum benefit is payable equal to the Normal Retirement Benefit calculated at age 70 with interest, plus the Employer Compulsory Account post age 70.
Early Retirement Benefit	On retirement before 65 a member's benefit is calculated in the same way as the Normal Retirement benefit based on service completed to date.
Death Benefit	On the death of a member prior to age 65 a lump sum benefit is payable equal to the benefit that would have been payable at the Normal Retirement Date assuming the member's salary remained unaltered from the date of death to age 65.
Total and Permanent Disablement (TPD) Benefit	If a member becomes Totally and Permanently Disabled, a lump sum benefit is payable equal to the benefit that would have been paid if the member had died on the date they became Totally and Permanently Disabled.
Total and Temporary Disablement (TTD) Benefit	A member who becomes Totally and Temporarily Disabled prior to age 65 will receive a monthly income benefit equal to 75% of the Member's salary for a period of up to 2 years, offset by other sickness or accident benefits received.
Retrenchment Benefit	The retrenchment benefit is the amount the Actuary determines is held for the provision of the Member's retirement benefit in respect of membership up to the date of leaving service.
Leaving Service Benefit	If a member leaves the service of the Company and no other benefit is payable, a lump sum benefit is payable equal to the sum of their Member Account and Notional Employer Account. All other benefits are subject to a minimum of the Leaving Service Benefit.
Additional Accounts	Any additional contributions, amounts transferred in from other funds and any surcharge liability are accumulated with investment earnings and paid on leaving the Plan for any reason.
Superannuation Guarantee (SG)	The benefits payable, after allowing for any amounts contributed by the Company to any other superannuation Plan, are subject to a minimum benefit specified by the Company and advised to the Trustee having regard to the Plan's actuarial Benefit Certificate. This is in accordance with Federal Government legislation requirements.

APPENDIX B: Financing Method and Assumptions

Financing Method

The financing approach adopted is to target coverage of Vested Benefits.

Actuarial Assumptions

We have adopted the following actuarial assumptions in projecting the Plan's financial position and evaluating the employer contribution program.

Investment Returns and Salary Increases

The most critical factor affecting the cost of benefits is the "gap" between the investment earnings and salary increases i.e. the real rate of return.

At this investigation we assumed a long term investment return (net of tax on investment income and investment charges) averaging 5.0% per annum. We have assumed long term salary increases averaging 3.5% per annum, i.e. a long-term "real investment return" of 1.5% per annum.

Insurance Premiums and Death and Disablement Rates

Rates of members leaving through death or total and permanent disablement are consistent with the insurance premiums applied.

Taxation

A tax of 15% on Company contributions (net of administration and insurance expenses) has been assumed.

New Members

No new members are assumed to join the Plan.

Leaving Service Rates

The following are a sample of the leaving service rates assumed in the assessment of the employer contribution rate.

Age	Withdrawals	Retirements
20	10.7%	-
25	10.0%	-
30	7.1%	-
35	4.6%	-
40	3.8%	-
45	2.9%	-
50	1.7%	-
55-64	-	20%
65	-	100%

Expenses and Premium cost

Future administration expenses and insurance costs are assumed to be around 3.0% of members' salaries.

APPENDIX C: Prudential Requirements

ACTUARIAL STATEMENT REQUIRED BY PRUDENTIAL STANDARD SPS 160

As the Actuary to the Fund, we hereby certify that:

(i) At 30 June 2022, the value of the assets of the Plan in respect of defined benefit liabilities was $31.760m.

(ii) In my opinion, the value of the assets of the Plan at 30 June 2022 was adequate to meet the liabilities of the Plan in respect of accrued benefits in the Fund (measured as the present value of members' accrued entitlements using the valuation assumptions).

(iii) This report contains a projection of the likely future position of the Plan during the three years following the valuation date, based on assumptions as to future experience, which I consider reasonable.

(iv) Based on Employer contributions as recommended in the report and the assumptions regarding future experience, which we consider as reasonable, we consider that the value of assets of the Plan together with the contributions recommended will be adequate to meet the accrued liabilities of the Plan throughout the period to 30 June 2025.

(v) In my opinion, the Plan's financial position was not unsatisfactory, nor about to become unsatisfactory under SIS Regulation 9.04 at 30 June 2022.

(vi) We recommend the Shortfall Limit be set to 99% for this Plan.

(vii) In my opinion, the value of the assets of the Plan at 30 June 2022 was adequate to meet the liabilities of the Plan in respect of the minimum requisite benefits in the Plan, estimated to be $19.555 in section 3 of this report.

(viii) All Funding and Solvency Certificates required for the Plan covering the period from 1 July 2019 to 30 June 2022 required by the Superannuation Industry (Supervision) Act were obtained. In my opinion, the solvency of the sub-plan will be able to be certified in the Funding and Solvency Certificate required under the Superannuation Industry (Supervision) Regulations during the period to 30 June 2022.

(ix) I have recommended that the Employer contribute from 1 July 2022 as follows:

- Nil into the Defined Benefit Reserve until 31 December 2025 and then 9% of defined benefit members' salaries thereafter;
- From 1 January 2026, the 0.5% of salary contribution allocated into defined benefit members' voluntary accounts, if required under the member's enterprise agreement; and
- Deemed member or salary sacrifice member contributions as applicable.

Nerida Seccombe BEc
Fellow of the Institute of Actuaries of Australia

19 December 2022

APPENDIX D: Additional Information for AASB 1056

This information has been prepared at the request of the Trustee of the Plan and sets out the value of Accrued Benefits and other actuarial information required under AASB 1056 in respect of the defined benefit Plan.

Defined Benefit Liabilities at 30 June 2022

For the disclosure purposes of AASB 1056, the Accrued Benefits and Vested Benefits for the defined benefit members are summarised in the table below:

	$m
Accrued Benefits	28.055
Vested Benefits	28.250
Ratio of Accrued Benefits to Vested Benefits (K factor)	0.993

The weighted average term of the defined benefit liabilities as at 30 June 2022 was 4.6 years.

The method of determining Accrued Benefits has been applied in a manner consistent with Professional Standard 402 issued by The Institute of Actuaries of Australia.

Data and Assumptions

The assumptions and data used to calculate Accrued Benefits were summarised as follows:

Discount Rate:	5.0% p.a.
Future Salary Increases:	3.5% p.a.

All other assumptions are the same as those adopted in the 30 June 2022 Actuarial Investigation.

The discount rate is considered to be a reasonable expectation of actual future Plan returns over the average expected term of the benefit liabilities, in the light of the Plan's present investment strategy and taxation position.

I am not aware of any contractual or statutory arrangement in place between the superannuation entity and the employer sponsor that would cause an employer-sponsor receivable to be held, and as such I confirm that paragraph 26 of AASB 1056 is not relevant to the Plan.

Sensitivities

The table below shows the sensitivity of the Accrued Benefits to changes in key assumptions on a univariate basis:

Impact on Accrued Benefits	Impact on Accrued Benefit (%)	K Factor
Discount rate 1% higher	-0.2%	0.991
Discount rate 1% lower	0.7%	1.000
Salary increase 1% higher	0.5%	0.998
Salary increase 1% lower	-0.2%	0.992

This information has been prepared in accordance with Practice Guideline 499.06 issued by the Institute of Actuaries of Australia.

Nerida Seccombe

Fellow of the Institute of Actuaries of Australia

19 December 2022