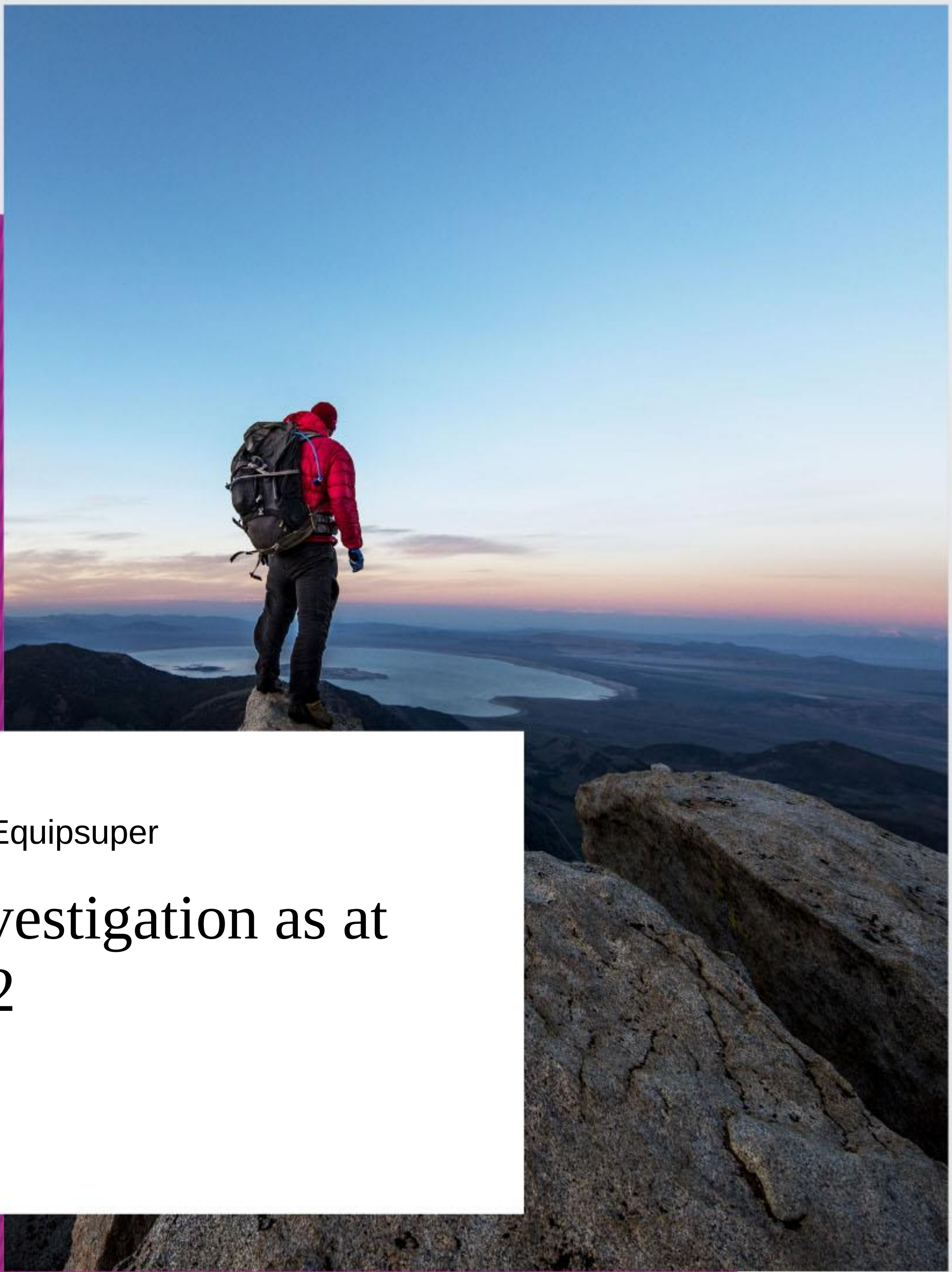

IBM Sub-Division of Equipsuper

Actuarial Investigation as at 30 June 2022

20 December 2022

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Reliance statement and data

This report is provided subject to the terms set out in the Master Agreement dated 5 July 2016 between Equipsuper Pty Ltd and Russell Investments Employee Benefits Pty Ltd and any accompanying or referenced terms and conditions that were subsequently transferred and novated to Towers Watson Australia Pty Ltd in accordance with the letter executed on 17 March 2017. This letter is provided solely for the use of Equipsuper and for the specific purposes indicated above. It is not intended for and may not be suitable for use in any other context or for any other purpose.

Equipsuper may make a copy of this report available to its auditors, but we make no representation as to the suitability of this report for any purpose other than that for which it was originally provided and accept no responsibility or liability to Equipsuper's auditors in this regard. Equipsuper should draw the provisions of this paragraph to the attention of its auditors when passing this report to them. Except where we expressly agree in writing, this report should not be disclosed or provided to any other third party, other than as provided above. In the absence of such consent and an express assumption of responsibility, no responsibility whatsoever is accepted by us for any consequences arising from any third party relying on this report or any advice relating to its contents. There are no other intended third party users of this report or the work underlying it.

In preparing these results, we have relied upon information and data provided to us verbally, electronically and/or in writing by Equipsuper. We have relied on all the data and information provided, including plan provisions, participant data and asset information, as being complete and accurate. Based on discussions with Equipsuper, assumptions or estimates may have been made if data were not available. We have not independently verified the accuracy or completeness of the data or information provided, but we have performed limited checks for consistency. We are not aware of any errors or omissions in the data that would have a significant effect on the results of our calculations. The results presented in this report are directly dependent upon the accuracy and completeness of the underlying data and information. Any material inaccuracy in the data, assets, plan provisions or other information provided to us may have produced results that are not suitable for the purposes of this letter and such inaccuracies may produce materially different results that could require that a revised letter be issued.

In our opinion, all calculations are in accordance with requirements of applicable legislative requirements, and the procedures followed and the results presented conform with applicable actuarial standards of practice.

Section 1: Purpose and Summary

20 December 2022

The Trustee
IBM Sub-Division of Equipsuper
c/- Mr Nathan Bell
Relationship Manager
PO Box 625
Collins Street West
MELBOURNE VIC 8007

Dear Directors

We are pleased to present our report to the Trustee on the actuarial investigation of the IBM Sub-Division ("the Plan") of Equipsuper ("the Fund") as at 30 June 2022.

Purpose of the Investigation

The Plan provides benefits which are of the *"defined benefit"* type where benefits are defined by salary and period of membership. Additional accumulation benefits are provided for members. With such a Plan, a regular actuarial review is necessary to:

- examine the sufficiency of the assets in relation to members' accrued benefit entitlements;
- determine the recommended Company contribution rate required to ensure that the Plan maintains a satisfactory financial position;
- examine the suitability of the Plan's insurance and investment arrangements;
- satisfy Rule A6.1 of the Fund Rules; and
- meet legislative and prudential standard requirements, in particular paragraph 23 of Prudential Standard 160 Defined Benefit Matters ("SPS160").

This report has been prepared for the Trustee, Equipsuper Pty Ltd, by me, Louise Campbell, in my capacity as RSE Actuary to the Plan. The previous actuarial investigation was conducted by me as at 30 June 2019 and the results of that investigation were set out in a report dated 13 December 2019.

Membership and Assets

As at 30 June 2022, the Plan had 98 members, of whom there were 9 in active employment, 2 deferred members, and 87 were in pension phase (compared with 119 in total and 63 in pension phase as at 30 June 2019).

The assets of the Plan were $44,509,798 as at 30 June 2022 (compared with $70,582,729 as at 30 June 2019).

Plan Experience

Over the period from 30 June 2019 to 30 June 2022 the following aspects of experience were observed that each had the effect of causing the financial position to deteriorate compared with our assumptions:

- there was a significant reduction in the number of active members (due in large part to the Kyndryl spin) and the rate of pension take-up was greater than we had assumed;
- the investment returns earned on the Plan's assets were lower than that assumed in the 2019 actuarial investigation; and
- salary increases experienced were greater than assumed in the 2019 investigation.

Pension increases experienced were in line with those assumed in the 2019 investigation, which when considered in isolation, would have had a neutral impact on the financial position.

Assumptions

The key economic assumptions used for this actuarial investigation were as shown below, along with the 2019 basis for comparison:

Assumptions	2022 Basis	2019 Basis
Investment Returns - net of tax (p.a.)	6.00%	4.80%
Investment Returns - gross of tax (p.a.)	6.90%	5.50%
Salary Increase Rates (p.a.)	3.25%	2.00%
Pension Increase Rates (p.a.)	2.60%	1.80%

The demographic assumptions for post-retirement mortality and pre-retirement death and disablement have also been reviewed and updated, and the pension take-up assumption for Part IIA members has been increased to 40% from 30%.

The combined changes in the financial and demographic assumptions have reduced the liabilities compared with the 2019 valuation basis.

Valuation Results

The actuarial investigation of the Plan revealed that it was in a satisfactory financial position as defined in superannuation law as at 30 June 2022. The Vested Benefit Index and Accrued Benefit Reserve Index for both the Plan as a whole and for the Defined Benefits (DB) elements of the Plan (i.e. excluding accumulation accounts of defined benefit members) as at 30 June 2022 and 30 June 2019 are shown in the following table:

Funding Measure	30 June 2022		30 June 2019	
	Whole Plan	DB only	Whole Plan	DB only
Vested Benefit Index	107.3%	107.5%	106.6%	107.4%
Accrued Benefit Reserve Index	106.8%	106.9%	104.6%	105.2%

Investment returns since 1 July 2022 to the date of this report have been close to our assumed return and are not expected to have had a material impact on the financial position compared with the position at 30 June 2022. The cost of living increase rate to be applied to Part IIA pensions at 1 January 2023 is expected to be applied at the cap of 5%, which is more than the long term rate of 2.6% per annum that we have assumed. This will have a negative impact on the financial position and has been taken into account in determining the recommended rate of company contributions.

I am not aware of any other events since 1 July 2022 that would have a material adverse effect on the financial position.

Recommended Company Contributions

Given the financial position as at 30 June 2022, subsequent investment returns to date and expected pension indexation to be applied in January 2023, I recommend that employer contributions to the Plan are made at least at the following rates:

	1 July 2022 to 30 September 2022	1 October 2022 to 31 March 2023	From 1 April 2023
Part II	No Company contributions	No Company contributions	No Company contributions
Part IIA and IIB	12% of salaries	33% of salaries	12% of salaries.
Pensioner and deferred members	No Company contributions	No Company contributions	No Company contributions

Contributions may be paid on a six monthly basis or in line with the usual payroll cycle.

The funding position, and in particular the coverage of minimum and vested benefits by Plan assets, should continue to be monitored at least on a six monthly basis given the sensitivity of the position to investment returns and cost of living increases for pensioners. The amount of employer contributions required may be reviewed and adjusted (increased or decreased) if the funding position changes materially.

Having regard to the changing nature of the liabilities and the progression of the Plan towards having predominantly pension liabilities, I recommend that consideration is given to increasing the Target Funding Ratio from 102.5% to 105% of DB accrued benefits over time.

Other Findings and Recommendations

We also note the following:

- The shortfall limit of 98% remains appropriate and we recommend it be maintained at this level.
- The investment policy is to have the assets supporting the Plan's liabilities (other than those to which Member Investment Choice applies) invested in the Plan's Defined Benefit Option, with approximately 54% in growth assets such as shares, property and infrastructure, and 46% in defensive assets such as cash and bonds. Given the nature of the liabilities, the current investment policy is considered suitable for the Plan's liabilities.
- The Plan's insurance arrangements remain appropriate.
- As the actuarial assumptions have been changed since the 2019 investigation, the purchased pension factors used for Part IIA should be reviewed.
- The next valuation should be carried out with an effective date of no later than 30 June 2025. Vested Benefits coverage should continue to be monitored at least six monthly.
- The details required under SPS 160 are included in Appendix E.

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

Yours sincerely

LCampbell

Louise Campbell
Fellow of the Institute of Actuaries of Australia

20 December 2022

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Section 2: Background

On 2 November 2016, members joined the IBM Sub-Division (the Plan) in Equipsuper (the Fund) by a successor fund transfer from the IBM Defined Benefit Section (the Former Plan) in AustralianSuper. The operations of the Plan are governed by:

- the IBM Participation Agreement between IBM Australia Limited (the Principal Employer) and Equipsuper Pty Ltd (the Trustee);
- the Successor Fund Transfer Deed dated 31 October 2016, and
- the Rules of Equipsuper dated 10 February 2016 (as amended).

Employees of Telstra also participate in the Plan. Clause 7 of the Participation Agreement allows parties to amend the Agreement, subject to certain conditions. Since the previous investigation, the Part IIA benefit rules were amended by IBM to introduce a deferred pension option for certain IBM employees.

Equipsuper is a Complying Superannuation Fund for the purposes of the Superannuation Industry (Supervision) Act and the Income Tax Assessment Act. Therefore, Equipsuper qualifies for concessional tax treatment. The nature of benefits provided by the Plan is summarised as follows:

	Part II	Part IIA	Part IIB
Type	Defined Benefit	Defined Benefit	Defined Benefit
Mode of benefit payment	Pension only	Lump Sum or and/or Pension	Lump Sum only
Pensioners	Yes – Non-indexed pensions	Yes – Indexed pensions	No
Deferred Pensions	Yes	Yes	No
Open/Closed to new members	Closed	Closed	Closed

A summary of the main Plan benefits is included in Appendix A to this report. In Part II members are able to commute their pension benefits to a lump sum at retirement.

Aim of investigation

The actuarial valuation has been carried out at the request of the Trustee in accordance with Rule A6.1 of the Equipsuper Rules, which reads:

> *"At such times as may be determined from time to time by the Trustee, but in any event at intervals not exceeding three years, the Trustee shall cause the Actuary to make an actuarial investigation of the Fund and to report in writing to the Trustee on the results of such investigation and on the state and sufficiency of the Fund, having regard to the present and future liabilities thereof, and to make any recommendations the Actuary may see fit in regard to the Fund."*

Part 2 of the Participation Agreement contains a number of relevant provisions on employer contributions and the use of surplus in the Sub-Division, with the key provisions as follows:

> ***Rule 8.9 Contributions***
> *The Employer shall contribute to the Sub-Division from time to time such sums as the Trustee having requested and considered the advice of the Actuary determine are required to provide the benefits under the Sub-Division.*
>
> ***Rule 8.17 Actuarial Valuation***
> *8.17.1 The Trustee having requested and considered the advice of the Actuary…., may, from time to time, recommend to the Company to deal with any surplus shown in the Actuary's report by decreasing the rate of contribution by an Employer, and may deal with any deficiency shown in the Actuary's report by increasing the rate of contribution of an Employer. …."*

Thus, the main aims of the investigation are to:

- examine the long-term funding of the Plan's benefits;
- examine the current financial position of the Plan;
- recommend a contribution rate at which the Company should contribute;
- meet the requirements of the Participation Agreement and the relevant superannuation legislation; and
- meet the reporting requirements of SPS 160.

Current legislation requires that unless an exemption is granted by APRA, where a fund is paying defined benefit pensions, an actuarial investigation must be undertaken at least annually. An exemption has been granted for the Plan, therefore actuarial investigations are required every three years. The investigation needs to consider the solvency and financial position of the Plan both as at the investigation date and during the ensuing three years.

We have not been subject to any restrictions or limitations in the preparation of this report.

Funding Policy

We have also been provided with a copy of the Trustee's Contribution and Funding Policy dated 25 November 2016. We understand there is an agreed Target Funding Ratio (TFR) for the Plan of 102.5% of DB accrued benefits and 100% of accumulation interests.

Previous Recommendations

As of the last valuation at 30 June 2019, it was recommended that the employers contribute at the following rates:

- No Company contributions necessary for Part II members and Lifetime pensioners; and
- Company Contributions at the rate of 11% of salaries for Part IIA and Part IIB members.

These contribution rates include allowances for expenses and tax. We understand contributions have been paid by the employers for the period from 30 June 2019 to 30 June 2022 in accordance with the recommendations from the last valuation, as well as some subsequent changes to the rates in accordance with actuarial reviews of the financial position on a six monthly basis.

Section 3: Membership

Sources of Information

We have relied on the membership information for the Plan provided to us by Equipsuper as at 30 June 2022 and payment information for the period from 30 June 2019 to 30 June 2022. We have checked a sample of the membership data for internal consistency and are satisfied as to the accuracy of this sample, based on our knowledge of the Fund, and it is considered suitable for the purposes of this investigation.

Membership

The changes in active membership over the period 30 June 2019 to 30 June 2022 are shown below:

Change in Active membership	Part II	Part IIA	Part IIB	Members
Members at 30 June 2019	**2**	**48**	**6**	**56**
Exits				
- Retirement	(1)	(29)	(3)	(33)
- Resignation	-	(11)	(2)	(13)
- Retrenchment	-	-	-	-
- Death	-	(1)	-	(1)
Members at 30 June 2022	**1**	**7**	**1**	**9**

Key membership statistics for the active membership (excluding notified members) as at 30 June 2022 and 30 June 2019 are shown in the table below:

Key Statistics	30 June 2022	30 June 2019
Number of members	9	56
Average Age	56.3 years	55.7 years
Average Past Membership	29.3 years	28.3 years
Average Annual Compensation	$125,432	$116,663
Total Salaries	$1,128,884	$6,533,109
Total Accumulation Interests	$1,008,336	$7,695,751

Notified Members

There were no members who were notified as exits from the Plan at the valuation date. In the previous investigation, there were two notified members who were notified as exits from the Plan however were yet to be paid a lump sum or commence a pension as at 30 June 2019.

Deferred members

In August 2021, Part IIA benefits were amended to introduce a deferred pension option. Key membership statistics for the deferred membership as at 30 June 2022 are shown in the table below:

Key Statistics	30 June 2022
Number of deferred pension members	2
Average Age	52.4 years

Pensioners

The Plan includes former employees with pension entitlements. The number of members in each group as at 30 June 2022 and 30 June 2019 is shown in the table below:

Parts	30 June 2022	30 June 2019
Part II - Pensioners	15	15
Part IIA - Pensioners	72	48
Total	**87**	**63**

The changes in the pensioner membership over the investigation period are shown below:

Change in Pensioner membership	Members
Members at 30 June 2019	**63**
New pensioners from Active membership	24
Deaths	(2)
Spouse reversion	2
Members at 30 June 2022	**87**

Key membership statistics for the pensioner membership as at 30 June 2022 and 30 June 2019 are shown in the table below:

Parts	30 June 2022		30 June 2019	
Part	II	IIA	II	IIA
Number of members	15	72	15	48
Average Age	76.0	68.1	73.0	68.4
Total pensions per annum	385,570	2,205,198	$385,570	$1,219,491
Average pensions per annum	25,705	30,628	25,705	25,406

Further information on the membership profile is provided in Appendix B.

Section 4: Assets and Investment Strategy

Data

The financial information for the Plan as at 30 June 2022 and for the period from 30 June 2019 to 30 June 2022 was provided to us by the Fund. We understand the asset information provided had not been subject to audit at the employer division level (though the Fund is subject to audit) and we have relied in the information provided.

Net Market Value of Assets

For the purpose of the actuarial investigation, the value of the liabilities was compared to the net market value of the assets as at 30 June 2022, as shown below.

Net Market Value of Assets	30 June 2022 $	30 June 2019 $
Equipsuper Defined Benefit Option	44,505,439	70,575,182
Equipsuper – Member Investment Choice accounts	4,359	7,546
Net Market Value of Assets	**44,509,798**	**70,582,729**
Comprised of:		
Additional Accumulation Accounts (estimated)	1,008,336	7,695,751
Defined Benefit Assets	43,501,462	62,886,977

A summary of cashflows over the year is provided in Appendix C. The net market value of the Plan's assets is based on redemption unit prices. Allowance is made for the tax exempt portion of income for assets backing pension liabilities. The Net Market Value of Assets are those assets available to meet the Plan's liabilities as used in determining the contribution recommendations and funding status measures at the valuation date.

We understand the Trustee separately maintains an operational risk financial reserve and accordingly the above value of assets does not need to be adjusted to exclude such a reserve.

Investment Objectives

The assets held in the Defined Benefit Reserve are invested in the Defined Benefit Option. Where Defined Benefit members have accounts that are not subject to Member Investment Choice (MIC), those accounts are also held in the Defined Benefit Option. The long term investment objective for the Defined Benefit Option is to achieve a long term net return of at least 2.5% per annum above inflation (as measured by the CPI).

The investment objectives for each investment choice option are outlined in the Plan's Product Disclosure Statement and we understand these objectives are subject to regular review.

The Trustee has determined the strategic asset allocation for each investment choice option and the Defined Benefit Option. The asset allocation is formulated for each investment choice option having regard to the investment objectives, long term risk and return considerations, and any applicable legislative requirements.

On the basis of historical analysis, the Plan is expected to secure a higher return over the long term for the Defined Benefit Option by maintaining an exposure to growth asset classes, namely shares and property. Occasional negative returns can be expected over short time periods as a result of these investments.

We have taken account of the investment objectives of the Plan and the investment guidelines under which the Plan's investment managers operate in setting our actuarial assumptions in Section 5 of this report.

Investment Strategy for Defined Benefit Investment Option

To meet the investment objectives set for the Defined Benefit Option, the Trustee has adopted a specific long term benchmark allocation to each asset class as shown:

Asset Class	Strategic Asset Allocation
Australian Shares	17%
Overseas Shares	21%
Property	7%
Infrastructure	7%
Fixed Interest	30%
Alternatives	10%
Cash	8%
Total	**100%**

Given the nature of the benefits provided by the Plan, the investment time frame is relatively long. On the basis that the funding position and funding requirements will continue to be reviewed every six months, I consider the current investment strategy to be suitable.

Considerations Relating to Lifetime Pensions

The Plan has sufficient liquidity to make pension payments from regular cash flows. I consider the assets held by the Plan to be suitable for meeting the future expected benefit payments for the pension members of the Plan. I also consider the assets, including future contributions, to be sufficient to provide for the risk of longevity.

The Trustee has a Contribution and Funding Policy whereby if the Plan's Funding Ratio (assets over accrued liabilities) were to reach an unsatisfactory financial position then the contributions levels will be increased as defined in the policy with a primary objective to achieve a Funding Ratio of at least 100% within three years.

Upon the death of a lifetime pensioner (where no reversionary spouse pension is payable), the liability ceases. Any surplus created at that time improves the Plan's financial position.

Crediting Rate Policy

For the members' accumulation-style benefits where applicable, the earnings credited to members' accounts reflects the actual daily returns, net of fees and taxes, earned on the investment options underlying members' accounts. We have no concerns with this approach.

Section 5: Valuation Method, Plan Experience and Actuarial Assumptions

Valuation Method

The funding method adopted for the previous investigation was the Attained Age method. This funding method remains appropriate and we have retained it for this valuation.

The calculation of the Employer contribution by this method consists of two parts. The first part is the "normal cost". The total normal cost is expressed as a level percentage of expected future salaries and is equal to the sum of:

- the cost based on actuarial assumptions of the benefits accruing to the members in respect of all future membership following the valuation date, plus
- the cost of insurance premiums, taxation and other expenses.

The second part is the Employer contribution required to amortise any surplus or deficiency at the valuation date. The surplus or deficiency in respect of completed membership is then calculated as the difference between:

- the actuarial value of the Plan's assets attributable to the defined benefit section, and
- the present value of all benefits accrued to the date of the valuation in respect of defined benefit section members based on the valuation assumptions adopted.

The total Employer contribution for the year is the Employer's normal cost less (plus) any amortisation of surplus (deficit).

However, the contribution rate required to maintain vested benefits coverage above 100% in three years' time based on the valuation assumptions has also been considered.

The Attained Age normal method is suitable because the Plan is currently closed to new members, but in which benefits are still accruing.

Plan Experience and Valuation Assumptions

The valuation of the Plan's liabilities is an essential part of examining the long term financial position of the Plan, and for determining the required employer contribution rate. To value the liabilities, it is necessary to make assumptions regarding the timing and amount of future benefit payments and contributions since these cannot be known in advance. These assumptions are divided into:

- financial assumptions relating to the rates of salary growth and investment income; and
- demographic assumptions relating to the rates of retirement, resignation, death and disablement.

While each of the assumptions used is normally the actuary's best estimate of future experience, in practice, the Plan's actual experience in any (short) period can always be expected to differ from the assumptions to some extent. However, it is intended that over longer periods, and when all of the assumptions are combined, they will provide a reasonable estimate of the likely future experience and financial position of the Plan.

When the Plan's actual experience differs from the assumptions used in the actuarial investigation, this will result in the financial position of the Plan being different from that expected. Comparing actual experience to that expected based on the assumptions used in the previous investigation allows an explanation of changes in the Plan's financial position. It should be noted that any change in the assumptions will itself have an impact on the financial position of the Plan as measured by the long-term funding calculations.

For this actuarial investigation, we have updated the rates of pre-retirement death and disablement based on insurance premium rates for Equipsuper and the pension take up rate, which we expect to more closely reflect death and disablement rates experienced by the Plan. We have also updated the pension mortality rates to be based on the most recently published Australian Life Tables 2015-17 (ALT2015/17). We have retained other demographic assumptions from the previous investigation.

Details of the assumptions used are set out in Appendix D.

Investment Returns

The actual investment return earned on the defined benefit assets from 30 June 2019 to 30 June 2022 was 3.9% per annum (based on the change in the underlying unit prices for the Defined Benefit Option). The return was lower than that assumed in the 2019 investigation of 4.8% per annum and this has had a negative effect on the financial position of the Plan.

We have based our assumptions for future investment returns on the investment objectives and strategic asset allocation for the assets backing the liabilities, which are invested in the Defined Benefit Option. Based on our expectations of returns for the underlying asset classes, we have adopted a long term future investment return equal to 6.0% per annum (net of investment expenses and taxes) for the active phase, and 6.9% per annum (net of investment expenses and gross of tax) for the pension phase and have assumed that the tax exemption on income for pensions in payment is passed through to the Plan.

Salary and Pension Increases

Pension increases

Pensions for Part IIA members are increased on 1 January each year based on the increase in CPI for the September quarter in the preceding year. The actual rates of CPI increases applied to pensions over the three years to 30 June 2022 averaged 1.8% per annum which is in line with the assumed rate of 1.8% per annum. Considered in isolation, this had a neutral effect on the financial position of the Plan.

We have increased the pension increase assumption for this investigation of the Plan to 2.6% per annum. This is consistent with higher long-term expectations of price inflation.

Salary increases

The actual rate of salary increases over the period to 30 June 2022 was 3.8% per annum. which was higher than the assumed rate of 2.0%. In isolation, this has had a negative effect on the financial position of the Plan.

In view of the higher rate of historical salary increases, higher inflationary expectations and Company expectations, we have increased the assumed rate of salary increases to 3.25% per annum for this investigation.

"Gap" Between Investment Returns and Liability Growth

The assumption of major significance in the valuation of the future benefit liabilities of the Plan is the difference, or "gap", between investment returns and salary growth or pension indexation. Past experience in Australia indicates that, over longer terms (such as 30 or 40 years) rates of investment return and rates of general wages growth have tended to move in concert and that real rates of return are typically in the range of 1% per annum to 4% per annum. It is a generally accepted actuarial view that it is both reasonable and appropriate to assume future experience will be along similar lines. The gap for this investigation is shown below, along with the 2019 gap for comparison.

Rates per annum	Part II, IIA, IIB Active	Lifetime Pensions (Indexed)
Expected Return (A)	6.00%	6.90%
Benefit Increase Rate (B)	3.25%	2.60%
2022 Gap (A-B)	2.75%	4.30%
2019 Gap	2.80%	3.70%
Change in Gap from 2019 to 2022	-0.05%	+0.60%

Considered in isolation, a reduction in the gap will increase the value of the liabilities and vice versa. Comparing the 2019 and 2022 assumptions, the gap has decreased slightly for valuation of the active member benefits and increased for the lifetime pension benefits. Therefore the changes in the gap between the 2019 and 2022 valuations are expected to reduce the liabilities overall.

Rates at which Members Leave Service and Retire

The Plan membership is relatively small and declining, this makes it difficult to develop statistically reliable and meaningful information on Plan experience alone. We have retained the rates at which members resign and retire.

Pensioner Mortality

We have updated the base pensioner mortality rates assumed in the previous investigation of the Plan to use the latest Australian Life Tables from 2015-2017 rather than 2010-2012. The adjustments made to the table are the same as the previous assumptions, therefore the pensioner mortality assumed is based on 70% of the mortality in the Australian Life Tables 2015-2017, increasing the 70% by 1% each year after age 65. In addition, we have assumed future mortality improvement of 2% pa, reducing by 0.05% per annum for each year over age 65.

Pension Election

Part II

In the previous investigation, we assumed all Part II members took a lump sum upon retirement. Given the very small number of Part II members, we have retained our assumption of full lump sum commutation (i.e. no pension take-up) of Part II benefits on the basis that the Part II membership is small and that the difference between the lump sum option and the valuation of the Part II non-index pension liability would not be material at the Plan level.

Part IIA

Part IIA members can convert up to 50% of their benefits into a pension upon retirement. Over the period to 30 June 2022, 24 out of the 31 active Part IIA members who retired during the year opted to take 50% of their benefit as a pension and one member opted to take 40% of their benefit as a pension. Allowing for the size of the benefits, the money-weighted average of pension election across the benefits paid was 41% compared to the assumed rate of 30%. We have therefore increased the pension take up assumption from the previous investigation for the Plan, from 30% to 40% of the Part IIA benefits to be taken as a pension (i.e. assuming 80% of members took the maximum pension option of converting 50% of the benefit into a pension).

Part IIA members can also use their lump sum benefit to purchase an additional pension (as noted in Appendix A). These pension factors are generally updated following each actuarial investigation.

Expenses and premiums

For this valuation, we have reduced the allowance for the active and pensioner member fees, plan administration fees, actuarial and secretariat fees from $300,000 per annum to $280,000 per annum on average. Premiums for death and disability insurance are expected to cost approximately 0.25% of salaries. In addition, investment management expenses have been allowed for in determining the expected rates of return.

Rates of Death and Disablement

The Plan's membership is relatively small and declining, this makes it difficult to develop statistically reliable information on Plan experience alone. We have been provided with insurance premium rates for Equipsuper and have updated the death and disablement rates to be in line with these premium rates.

Section 6: Insurance Arrangements

Adequacy of Insurance

The insurance coverage of the Plan is considered adequate if the net assets of the Plan are sufficient to cover the Death and Total and Permanent Disablement (TPD) benefits of the Plan after allowance for any insured components.

The current level of insurance in respect of Defined Benefit Members is provided through a policy with MetLife, and benefits are calculated as follows:

Cover	Members covered	Benefit
Death lump sum	Part II, IIA, IIB	Death Sum Insured = Death Benefit less Accrued Benefit
TPD lump sum	Part II, IIA, IIB – Division 3	TPD Sum Insured = TPD Benefit less Accrued Benefit
TTD pension (maximum 2 years)	Part IIA	70% of Salary
TTD pension (maximum 2 years)	Part IIB – Division 3	75% of Salary

The current insurance arrangements are considered adequate and no changes are recommended.

We expect no material risks to arise from the Plan's insurance arrangements.

Section 7: Solvency and Funding Status Measures

When assessing the adequacy of the assets and future contribution rates, both the long term funding and short term solvency positions should be considered. We have calculated three measures of the Plan's financial position at the investigation date, the Vested Benefits Index, and the Accrued Benefits Reserve Index and the Minimum Requisite Benefit Index. We have also considered the Plan's position on termination.

Vested Benefits

Pursuant to superannuation law and SPS 160, a fund (or a section of a fund) is in a *"satisfactory"* financial position if the assets of the fund cover the Vested Benefit entitlements of the members of the fund. The Vested Benefits Index (VBI) represents the ratio of the assets at market value to the vested benefits. The value of vested benefits represents the total amount which the Plan would be required to pay if all members were to voluntarily leave service on the valuation date. The Vested Benefits were taken as the amount of the resignation benefit, or the early retirement benefit for members who are eligible to retire (allowing for the pension take up). In the case of lifetime pensioners, the present value of the expected future pension payments is used to determine the vested benefit. The following tables shows the progression of the vested benefits over the investigation period.

	Whole Plan		DB Only	
	2022	2019	**2022**	**2019**
Net Market Value of Assets	$44,509,798	$70,582,729	$43,501,462	$62,886,977
Vested Benefits	$41,465,892	$66,229,324	$40,457,556	$58,533,573
Vested Benefits Index (VBI)	107.3%	106.6%	107.5%	107.4%

As at 30 June 2022, the net assets of the Plan exceeded the Vested Benefits and the Plan was in a satisfactory financial position. The DB VBI has remained stable since the last valuation.

Actuarial Value of Accrued Benefits

An indication of the funding status of the Plan is given by the ratio of the Plan's net assets to the Actuarial Value of Accrued Benefits (AVAB). This is called the Actuarial Value of Accrued Benefits Index (AVABI). AVAB represents the value in today's dollars of future benefits based on membership completed to the valuation date, allowing for future salary increases, investment earnings and expected incidence of payment. The following table shows the progression of the Plan's AVABI and DB AVABI over the investigation period.

	Whole Plan		DB Only	
	2022	2019	**2022**	**2019**
Net Market Value of Assets	$44,509,798	$70,582,729	$43,501,462	$62,886,977
Actuarial Value of Accrued Benefits (AVAB)	$41,692,975	$67,475,630	$40,684,639	$59,779,879
Actuarial Value of Accrued Benefits Index (AVABI)	106.8%	104.6%	106.9%	105.2%

As at 30 June 2022, the net assets of the Plan are more than adequate to cover the Actuarial Value of Accrued Benefits. The AVABI has improved due mainly to the change in financial assumptions.

Minimum Benefits

The Company's Superannuation Guarantee (SG) obligation is either fully or partly met for all members by the minimum benefits provided under the Plan which are set out in the Benefit Certificate. The Plan is *"solvent"* if the net assets of the Plan, less the value of the benefit entitlements of former members, exceed the Minimum Requisite Benefits (MRB) of all members in service. The following table shows the calculation of the Minimum Benefits Index.

	2022	2019
Net Market Value of Assets	$44,509,798	$70,582,729
Minimum Benefits	$40,452,260	$56,454,675
Minimum Benefits Index	110.0%	125.0%

As at 30 June 2022, the net assets of the Plan exceeded the Minimum Benefits and the Plan was technically solvent. The Minimum Benefits Index has reduced primarily because of the changing nature of the member liabilities, that is, a reduction in active member benefits (where typically the vested benefit is greater than the minimum benefit) and the increase in the proportion of pension liabilities (where the vested benefit is set to be equal to the minimum benefit).

Benefits Payable on Retrenchment

A specific retrenchment benefit is defined in the Participation Agreement for members in Part IIB of the Plan. In the other Parts of the Plan, members who are retrenched will receive the benefit they would have received on voluntary resignation. At 30 June 2022, the Retrenchment Benefit Index (RBI) of the Plan was 108.4% compared with 112.8% at 30 June 2019.

Shortfall Limit

The shortfall limit is defined in paragraph 10 of SPS 160 as:

"… the extent to which an RSE licensee considers that a fund can be in an unsatisfactory financial position with the RSE licensee still being able to reasonably expect that, because of corrections to temporary negative market fluctuations in the value of fund assets, the fund can be restored to a satisfactory financial position within one year."

Should the financial position of the Plan breach the Shortfall Limit, additional interim Actuarial investigations will be required with rectification plans to be put in place to address the unsatisfactory financial position.

After considering the Trustee's Contribution and Funding Policy, we recommend that the Shortfall Limit of 98% for the Plan is retained, based on the growth asset allocation of 54% of Plan assets and the proportion of salary and Consumer Price Index (CPI) related benefits being 89% of total accrued benefits, as well as the coverage of Minimum Requisite Benefits.

Based on the assumptions used for this valuation, and provided the Company contributes in line with the recommendations set out in this report, the Plan's Vested Benefits Index is expected to continue to exceed the Shortfall Limit.

Benefits Payable on Termination of the Fund

The Plan rules state that, on termination of the Plan, the Plan must be closed to future contributions, with arrears of contributions to be collected. Benefits are to be allocated to members and either transferred into another superannuation fund, approved deposit fund or eligible rollover fund or retained in the Plan and paid to the member on their cessation of service with the employer.

Part II benefits are allocated only to the extent that the assets of the Plan which are allocated to Part II permit. Part IIA and Part IIB provide that on termination, members' benefits shall be limited to the available assets after recovery of certain contributions.

These powers mean that the Plan will be able to technically cover benefits payable on termination of the Plan, regardless of the actual level of assets.

Pension Buy-out Basis

It should be noted that if the current pension liabilities were to be transferred to a third party such as a life insurance office, the assets required to be transferred could be significantly higher than the amount of the vested benefits calculated in this investigation because of the capital adequacy requirements of life insurance offices.

To illustrate the order of magnitude of the cost of such a transfer, we have valued the liabilities for current pensions in payment at the valuation date with a discount rate of 3.8% per annum (based on long term expected return on bond markets). The increase in liability for pensions in payment in using this basis as at 30 June 2022 would be approximately $12.7 million.

Section 8: Valuation Results

The funding measures shown in Section 7 relate to the current position at the review date. A projection of the Plan is required to assess the adequacy of Company contribution rates to provide defined benefits in the future. We have carried out a projection out using the funding method and assumptions discussed in the previous sections. The results of the valuation are summarised in this Section.

Long Term Contribution Rates

Having examined the Plan as if it were to be terminated, we now move to examine the Defined Benefit Section of the Plan as a going concern. As described in Section 5, the total value of accrued defined benefits represents the present value of all expected future benefits in respect of defined benefit membership accrued up to the valuation date. We have similarly calculated the present value of all expected future Defined Benefits in respect of expected membership after the valuation date, i.e. “future service benefits”, as shown below. The 2019 results are shown for comparison.

	30 June 2022 $000s	30 June 2019 $000s
Market Value of Assets (A)	**44,510**	**70,583**
Liability:		
Active members	5,002	36,670
Medically disabled members	348	658
Deferred Pensioners	334	-
Pensions in payment	35,001	22,452
Accumulation amounts	1,008	7,696
Total Past service benefits (B)	**41,693**	**67,476**
Future service benefits (C)	558	3,370
Total Service Benefits (B+C)	**42,251**	**70,846**
Past Service Surplus/(Deficit) (A-B)	**2,817**	**3,107**

The change in valuation basis from 2019 to 2022 resulted in a decrease in the Past Service benefits of $2.2 million as at 30 June 2022.

The amount of long term Company contributions needed is calculated as the present value of future service defined benefits less the present value of expected future member contributions.

	30 June 2022	30 June 2019
Present value of future member contributions (D) ($000)	49	709
Liabilities to be met from future company contributions (C-D) ($000) (excluding premiums)	509	2,661
Value of future contributions of 1% of salary (E) ($000)	48	271
Net of tax company contribution rate (C-D)/E	10.6%	9.8%
Plus allowance for contributions tax	1.9%	1.7%
Plus allowance for premiums	0.3%	1.0%
Normal contribution rate (gross of tax)	12.7%	12.5%

Hence, the long term contribution rate required to fund future benefits for active Defined Benefit Members has increased slightly to 12.7% of salaries (compared with 12.5%, excluding administration expenses, in the 2019 investigation). This covers Parts IIA and IIB only. The remaining Part II members are on Medical Disability benefits and, along with the lifetime pensioners, are assumed to be fully funded, hence no further regular company contributions are assumed for these groups. The increase in the contribution rate is due to the change in demographics of the remaining active members compared to the previous actuarial investigation, combined with the changes in valuation assumptions.

Recommended company contribution rate

As the past service surplus at 30 June 2022 results in a Funding Ratio of 106.9% with respect to accrued DB liabilities, this is greater than the Target Funding Ratio of 102.5% and there is no adjustment required to increase contribution rate to reach the Target Funding Ratio.

Having regard to the changing nature of the liabilities and the progression of the Plan towards having predominantly pension liabilities, I recommend that consideration is given to increasing the Target Funding Ratio to 105% over time. This is considered further in the next section of the report on sensitivity analysis.

There is some surplus available in the Plan for use as a buffer against future adverse experience or to reduce company contribution rates. We have been advised that the return on the Defined Benefit Option from 30 June 2022 to mid-December 2022 has been approximately in line with our assumptions. However, the cost of living increase rate to be applied to Part IIA pensions at 1 January 2023 is expected to be applied at the cap of 5%, which is more than the long term rate of 2.6% per annum that we have assumed.

Having taken into account the factors above, I therefore recommend that the Company contributes to the Plan at least at the following rates of salaries for the three year period commencing 30 June 2022:

	1 July 2022 to 30 September 2022	1 October 2022 to 31 March 2023	From 1 April 2023
Part II	No Company contributions	No Company contributions	No Company contributions
Part IIA and IIB	12% of salaries	33% of salaries	12% of salaries
Pensioner and deferred members	No Company contributions	No Company contributions	No Company contributions

Contributions may be paid in on a six monthly basis or in line with the usual payroll cycle.

The funding position, and in particular the coverage of minimum and vested benefits by Plan assets, should continue to be monitored at least on a six monthly basis given the sensitivity of the position to investment returns and cost of living increases for pensioners. The amount of employer contributions required may be reviewed and adjusted (increased or decreased) if the funding position changes materially.

Projection of Results

We have tested the impact of the adoption of the recommended Company contribution rates by projecting the cash flows of the Plan and the build-up of the DB assets over the next three years and comparing the DB assets to the projected levels of the DB Vested Benefits and DB Accrued Benefits. We have also shown the results if there are no company contributions paid from 1 April 2023.

Projection Years (1 July)	DB VBI % 12% contribution from April 2023	DB AVABI % 12% contribution from April 2023	DB VBI % No contribution from April 2023	DB AVABI % No contribution from April 2023
2022	107.5	106.9	107.5	106.9
2023	106.0	105.2	105.7	104.9
2024	106.1	105.2	105.5	104.6
2025	105.7	104.9	104.8	104.0

Based on the projection (which allows for the pension indexation at 1 January 2023 at 5%), the Plan assets are more than sufficient to meet to meet the Vested and Accrued Benefits over the next three years and to exceed the Target Funding Level of 102.5%. If the recommended Company contribution rates shown in this Section are paid, then I expect the Plan Assets to not quite be sufficient to meet the suggested increased Target Funding Level of 105.0% of DB Accrued Benefits by mid-2025. If Company contributions cease from 1 April 2023, then under the valuation assumptions, the Funding Level is also expected to fall below 105% but remain above the current Target Funding Level of 102.5%.

We note there is a gradual deterioration in the funding position and the DB AVABI under the contribution scenario and the projection assumptions as the surplus is used with Company contributions being lower than the cost of accruals and administration expenses.

Future Review

The financial status of the Plan is sensitive to actual financial experience (principally, investment returns and salary/pension increases) and membership movements. We therefore recommend that the financial position is reviewed each six months as well as if the Defined Benefit membership reduces significantly. The next triennial actuarial investigation is due with an effective date on or before 30 June 2025.

Section 9: Sensitivity Analysis and Material Risks

For the purpose of this investigation the "gap" between the investment return (net of tax) and salary inflation assumption is 2.75% per annum. Other assumptions could be used and the table below shows the impact on the "gap" and the Plan's financial position and long term contribution rate under a Balanced and Conservative strategic asset allocation for Equipsuper, as well as if salary and pension increase assumptions were both 1% higher. No changes have been made to the demographic assumptions adopted for this valuation in the scenarios below.

	2022 Valuation Basis	2022 Balanced Option	2022 Conservative Option	2022 Salary +1% and CPI +1%
"Gap" between investment return and salary inflation assumptions	2.75% p.a.	2.55% p.a.	1.55% p.a.	1.75% p.a.
Actuarial Value of Accrued Benefits (DB only)	$40.7m	$41.4m	$46.0m	$44.3m
Increase in Accrued Benefits from 2022 valuation basis		$0.7m	$5.3m	$3.7m
Long Term Contribution Rate (before adjustment for surplus or deficit)	12.7%	12.7%	13.8%	13.6%

The results above show that the Plan is not in a position to further de-risk the assets, for example by moving to the Conservative Option, because of the increase to the liabilities as a result of the changes.

It should be noted that the variations selected in the sensitivity analysis above do not indicate upper or lower bounds of all possible outcomes. Further analysis can be carried out if required.

Material Risks

Salary Growth and Pension increases

For this valuation I have adopted a salary increase assumption of 3.25% per annum including a promotional salary scale and a pension increase rate of 2.60% per annum. However if actual salary or pension increases are greater than these rates, with all other actuarial assumptions borne out, then the funding position will worsen and increased Company contributions may be required as shown in the table above.

Investment Returns

For this valuation I have adopted an investment return assumption (net of tax and investment management expenses) of 6.00% per annum net of tax or 6.90% per annum for pension assets. However, if actual investment returns are less than this, with all other actuarial assumptions borne out, then the funding position (Vested Benefits Index) will worsen and increased company contributions may be required.

We have tested the impact of a significantly adverse event in investment market as an indicative scenario on the Plan's financial position. We have assumed a one-off negative investment return on the Defined Benefit Option of -8% occurring in year two. For the projection of the Defined Benefit VBI under both the assumed return and one-off adverse return scenario, we have assumed that the employers contribute at the recommended rate, pension indexation at 1 January 2023 is 5% and all other assumptions are as set out in Appendix D.

The results for the Defined Benefit VBI and DB ABI under the two scenarios are shown below:

Projection Years (1 July)	DB VBI % Assumed return scenario	DB ABI % Assumed return scenario	DB VBI % Adverse return scenario	DB ABI % Adverse return scenario
2022	107.5	106.9	107.5	106.9
2023	106.0	105.2	106.0	105.2
2024	106.1	105.2	90.8	90.1
2025	105.7	104.9	89.3	88.7

Clearly the funding position is very sensitive to investment returns, and the tables above show that even with a funding ratio above 105% in 2023 immediately before the adverse return scenario, the financial position reduces to a level which is unsatisfactory, below the Shortfall limit and below the Target Funding Level. Legislation requires the Trustee to put in place a rectification plan in such an event and it would be necessary for the company to make additional contributions to make up the funding shortfall over a suitable period.

Pensioner mortality

We have made allowance for both socio economic factors and improvements in pensioner mortality in the decrement basis used to value pension benefits. If pensioners experience improvements in mortality at greater rates than allowed, or experience lighter mortality than anticipated in the socio-economic factors, then the cost of the pensions will increase, and the financial position of the Plan will be worse than anticipated. The reverse is also true, i.e. if mortality improvement proves to be less than our allowance, or socio-economic factors not as light, the cost of the pensions will decrease. Further analysis can be carried out if required.

Pension take-up rate

In determining the actuarial value of accrued benefits, we have made allowance for 80% of retiring members to take up the option to convert 50% of their lump sum benefit to a pension on the basis permitted under the Participation Schedule. If more members take up this pension option, the value of the liabilities will increase, and increased company contributions may be required. Further analysis can be carried out on request.

Change to investment strategy

If the Trustee or the employer sponsor wishes to change the strategic asset allocation for DB assets of the Plan, then that will impact the future expected return on assets supporting the defined benefit liabilities. It can potentially have a material impact on the financial position of the Plan. Therefore, we recommend that actuarial advice be sought to assess the potential impact on the financial position of the Plan and future Company contribution requirements as a result of any proposed changes to the investment strategy.

Appendix A: Summary of Benefits

Summary of Benefits

Part II

Eligibility

All employees hired on a regular and permanent basis prior to 1 January 1996, who did not elect the Alternative Superannuation Option (ASO) under Article 9A of the trust deed of the IBM Australia Superannuation Fund.

Definitions

"Normal Retirement Date (NRD)"

Age 65.

"Pensionable Earnings (PE)"

Average annual salary earned (including commissions, shift allowances and cash bonuses) during the Base Period multiplied by service completed to the end of the Base Period, plus salary earned after the Base Period.

"Base Period"

The 3-year period ending 31 December 1994. IBM Australia has informed the Trustee that it will not update the Base Period again. Benefits are subject to a minimum of the benefit calculated using the previous 3-year base period ending 31 March 1990.

"Normal Retirement Pension"

1.75% of PE.

Summary of Benefits

Retirement Benefit

"Early Retirement Pension"

Within 10 years before the NRD, and after completing 10 years of service, 1.75% of PE, payable from the NRD. The member may elect that the pension commence earlier in which event the pension is reduced by 3% for each year and 0.25% for each month or part thereof between the date the pension commences and age 60.

"Commutation of Pensions"

With the consent of IBM Australia Limited, members may commute their pension entitlements to a lump sum at the following rates:

Age	Standard Members	Pre 87 Females	Special Females
50	N/A	N/A	15.120
51	N/A	N/A	14.910
52	N/A	N/A	14.690
53	N/A	N/A	14.470
54	N/A	N/A	14.230
55	12.792	13.990	13.990
56	12.535	13.750	13.750
57	12.276	13.490	13.490
58	12.013	13.230	13.230
59	11.747	12.970	12.970
60	11.478	12.690	12.690
61	11.208	12.420	12.420
62	10.937	12.130	12.130
63	10.666	11.840	11.840
64	10.395	11.550	11.550
65	10.124	11.250	11.250

The factors are pro-rated on years and complete months.

Resignation Benefit

The Resignation Benefit is the sum of:

a. 3% of final annual salary multiplied by service since 1 August 1987, provided that where a member's latest period of service commenced after 31 December 1992, service shall be taken from that date; and

b. if the member has completed 10 or more years of service, the lump sum equivalent of a pension of 1.75% of PE, multiplied by a factor which is 50% plus 10% for each year completed in excess of ten (pro-rated on days), with a maximum factor of 100%. This pension is then commuted to a lump sum by multiplying by a commutation factor and a reduction factor.

The factors currently in use for resignation benefits are as follows:

Age	Commutation Factors	Reduction Factors (%)	Reduction Factors (Special Females) (%)
25	18.169	1.64	3.28
26	18.076	1.79	3.58
27	17.978	1.96	3.91
28	17.876	2.14	4.27
29	17.769	2.34	4.67
30	17.657	2.56	5.11
31	17.540	2.80	5.59
32	17.417	3.06	6.11
33	17.289	3.35	6.69
34	17.155	3.67	7.32
35	17.015	4.02	8.02
36	16.870	4.41	8.80
37	16.718	4.84	9.64
38	16.560	5.32	10.58
39	16.396	5.84	11.62
40	16.225	6.42	12.76
41	16.048	7.06	14.02
42	15.865	7.78	15.42
43	15.675	8.57	16.97
44	15.478	9.45	18.69
45	15.275	10.40	20.60
46	15.065	11.30	22.72
47	14.849	12.50	25.08
48	14.625	13.90	27.72
49	14.395	15.50	30.65
50	14.159	17.30	N/A
51	13.915	19.30	N/A
52	13.665	21.60	N/A
53	13.408	24.10	N/A

These factors are prorated on years and complete months.

Death After Retirement Benefit

DB Plan pensions are payable for a minimum period of 5 years.

Death in Service Benefit

The greater of:

a. A lump sum of 36 times the Regular Monthly Compensation of the deceased member, which is increased to 60 times Regular Monthly Compensation if the member is survived by prescribed categories of dependant, together with, if appropriate, the pre-retirement spouse benefit; and

b. The sum of:

   i. 15% x 12 x Regular Monthly Compensation x Future Service to age 65; and

   ii. the Resignation Benefit, or commuted value of the Retirement Income if eligible, determined as if the member had voluntarily left service on the date of death.

Total and Permanent Disablement (TPD) Benefit

For all members, the TPD Benefit is the sum of:

a. 15% x 12 x Regular Monthly Compensation x Future Service to age 65; and

b. the Resignation Benefit, or commuted value of the Retirement Income if eligible, determined as if the member had voluntarily left service on the date of TPD.

Prior Service Offsets

If a member is entitled to receive a benefit from another IBM fund in respect of part of their service in the DB Plan, the value of that benefit will be deducted from their entitlement from the DB Plan, subject to a minimum of the 3% resignation benefit.

Superannuation Guarantee Benefits

The DB Plan's leaving service benefits are subject to the minimum benefit necessary to meet the Superannuation Guarantee (SG) legislation.

Contributions

Part II members do not contribute to the DB Plan. The associated employers contribute the whole of the cost of the benefits, including expenses, Group Life Insurance premiums and taxes paid by the IBM Plan.

Part IIA

Eligibility

Members of Part IIA transferred from Westpac and retain benefits in line with those provided by the Westpac Staff Superannuation DB Plan at the time of transfer.

Definitions

"Superannuation Salary"

Superannuation Salary is:

- for full-time packaged Members - 100% of package salary;
- for other full-time Members - the annual rate of base salary;
- for part-time Members - the annualised rate of base salary.

For packaged members, Superannuation Salary prior to 31 December 1999 was 79.5% of package salary.

"Final Average Salary (FAS)"

The average rate of Superannuation Salary received over the last three (3) years of membership, or in the case of a Member who dies or retires due to Total and Permanent Disablement before age 60, is the FAS applying if the Member had continued in service until age 60 on the Superannuation Salary that applied at the date of death or Total and Permanent Disablement.

For packaged members, a pre-FAS is also calculated and applied to membership completed prior to 31 December 1999.

"Member Contributions"

A Member either decides not to contribute or nominates from 1% to 8% of Superannuation Salary as a contribution rate. The contribution rate determines the level at which benefits accrue. The nominated contribution rate may be altered at any time.

Members may also contribute additional amounts to supplement their benefits. A Member's additional contributions are credited to an account called SuperSave. Amounts credited to this account are accumulated with earnings based on the change in the unit prices applicable to the relevant investment option.

If a Member's average rate of nominated contributions exceeds 5% when service terminates, the excess, with credited earnings, is transferred to the Member's SuperSave account.

“SG Contributions”

IBM Australia Limited pays a percentage of Ordinary Time Earnings (as per the Superannuation Guarantee legislation) towards members’ Superannuation Guarantee minimum benefit.

“SuperSave Account”

The account balance maintained for each Part IIA member in which additional salary sacrifice and post-tax contributions and one-off credits are accumulated with investment returns, and which is added to all benefit entitlements below.

“Benefit Accrual Rate”

The lump sum benefit accrual rate is a percentage for each year of membership depending on the member's nominated contribution rate for that year, as set out below:

Nominated Contribution Rate %	Benefit Accrual Rate %
0	8
1	10
2	12
3	14
4	16
5	18
6	20
7	22
8	24

For each year of contributory membership prior to 1 July 1992, the benefit accrual rate is 18%. Where a member has purchased additional membership the benefit accrual rate is also 18% for that period.

In the case of part-time members, the benefit accrual rate each year is multiplied by the ratio of the hours worked by the member each week to the standard hours per week for a full-time member.

“Surcharge Account”

The account balance maintained for each Part IIA member in which surcharge amounts paid by the DB Plan on behalf of the member are accumulated with investment returns, and which is deducted from all benefit entitlements below.

“Accrued Retirement Benefit”

A Member's Accrued Retirement Benefit is the sum of the benefit accrual rates applying for each year of membership of the DB Plan multiplied by FAS. Membership of the DB Plan is adjusted for part-time members. For packaged members, membership prior to 31 December 1999 is multiplied by pre-FAS.

There is a maximum to the Accrued Retirement Benefit of the lesser of 720% of FAS (or Projected FAS) and 18% of FAS for each year of membership. The maximum is also adjusted for part-time members.

"Projected Accrued Retirement Benefit"

The Projected Accrued Retirement Benefit is 18% of Projected FAS for each future year to age 60. For part-time members the FAS is calculated on a full-time equivalent basis.

There is a maximum Projected Accrued Retirement Benefit of 720% times FAS.

Summary of Benefits

Retirement Benefit

A Member who leaves service on or after age 55 and who has completed at least 5 years' membership is entitled to a Retirement Benefit. The Member may elect to take:

- the Lump Sum Option; or
- the Complying Pension Option.

In addition, a lump sum equal to Member's SuperSave Account is paid.

The Lump Sum Option is equal to the greatest of:

- the Member's Accrued Retirement Benefit;
- the Member's Lump Sum Withdrawal Benefit; and
- the sum of:
  - the Member's Accrued Retirement Benefit (calculated using service prior to 1 July 1992); plus
  - the Member's Nominated Contribution since 1 July 1992 with interest; plus
  - the Member's SGC Amount.

The Complying Pension Option is:

- at least 50% of the Lump Sum Option; plus

a complying pension which is guaranteed for 5 years and has a 50% reversionary spouse pension.

The complying pension on retirement is equal to:

$$\frac{(100-N)}{100} \times \frac{\text{Lump Sum Option}}{10.8} \times (1-0.03 \times T)$$

where:

- N is the percentage of the Lump Sum Option that the Member elects to receive in lump sum form; and
- T is the number of years that the Member's retirement precedes age 60.

Death Before Retirement Benefit

If the Trustee decides a Death Benefit is to be paid to the Member's spouse, the spouse may elect either the Lump Sum Option or the Complying Pension Option as described below. If the Death Benefit is payable to anyone else, the benefit is equal to the Lump Sum Option.

In addition, a lump sum equal to the Member's SuperSave Account is paid.

The Lump Sum Option on death in service before attaining age 60 is equal to the greatest of:

- the sum of:
  - the Member's Accrued Retirement Benefit at time of death; plus
  - the Member's Projected Accrued Retirement Benefit

  up to a maximum of 720% of Projected FAS;
- the Member's Lump Sum Withdrawal Benefit;
- the sum of:
  - the Member's Accrued Retirement Benefit (calculated using service prior to 1 July 1992); plus
  - the Member's Nominated Contribution since 1 July 1992 with interest; plus
  - the Member's SGC Amount; and
- the sum of:
  - 200% of Projected FAS, adjusted for Part-Time Members; and
  - any contributions or amounts used to purchase service under various rules.

The Complying Pension Option on death in service before attaining age 60 is equal to:

- a lump sum equal to 50% of the Lump Sum Option on death; plus
- a spouse pension equal to 50% of the Lump Sum Option on death divided by 10.8;
- for each dependent child (maximum of four to count) an allowance equal to 25% of the spouse pension. If there is only one dependent child, the child's allowance is equal to 40% of the spouse pension. A child's allowance is payable until age 18 but can be continued until 23 if the child is in full time education.

Death After Retirement Benefit

If a Member elected the Lump Sum Option on retirement or TPD, no further benefit is payable on death after retirement.

If a Member elected the Complying Pension Option, the following pensions are paid:

- to the spouse - a pension, equal to 50% of the Member's pension;
- for dependent children - for each dependent child (maximum of four to count) an allowance equal to 25% of the spouse pension. If there is only one dependent child, the child's allowance is equal to 40% of the spouse pension. A child's allowance is payable to age 18 but can be continued to age 23 if the child is in full time education.

If the Member dies within five years of retirement the spouse's or dependent children's pensions are equal to the Member's pension for the balance of the five years. If no pensions are payable because there are no surviving dependents, a lump sum equivalent to the remaining payments in the five years after the Member's retirement is paid.

Total and Permanent Disablement Benefit

On TPD in service prior to attaining age 60, a Member may elect to take one of the following benefits:

- the Lump Sum Option; or
- the Complying Pension Option.

In addition, a lump sum equal to the Member's SuperSave Account is paid.

The Lump Sum Option on TPD in service prior to attaining age 60 is equal to the greatest of:

- the sum of:
  - the Member's Accrued Retirement Benefit at time of death; plus
  - the Member's Projected Accrued Retirement Benefit

  up to a maximum of 720% of Projected FAS;
- the Member's Lump Sum Withdrawal Benefit;
- the sum of:
  - the Member's Accrued Retirement Benefit (calculated using service prior to 1 July 1992); plus
  - the Member's Nominated Contribution since 1 July 1992 with interest; plus
  - the Member's SGC Amount; and
- the sum of:
  - 200% of Projected FAS, adjusted for Part-Time Members; and
  - any contributions or amounts used to purchase service under various rules.

The Complying Pension Option on TPD in service prior to attaining age 60 is equal to:

- 50% of the Lump Sum Option on TPD; plus
- a pension equal to 50% of the Lump Sum Option on TPD, divided by 10.8.

Total and Temporary Disablement (TTD) Benefit

On TTD, an income at the rate of 70% of the Member's Superannuation Salary is payable. In the case of part-time members this benefit is based on the Member's income in the fortnight prior to disablement.

The benefit does not commence until the Member has been disabled for at least a week and all sick pay entitlements have been taken. The benefit is payable for a maximum of 2 years and not beyond age 65.

A Member while in receipt of this benefit, is deemed to be making nominated contributions at the rate of 5% of Superannuation Salary for defined benefits (if applicable).

Withdrawal Benefit

On withdrawal, a Member receives the greater of:

- the Lump Sum Benefit; or
- if eligible, the Discounted Accrued Benefit.

In addition, a lump sum equal to the Member's SuperSave Account is paid.

The Lump Sum Benefit is equal to:

- the Member's contributions up to 1 July 1992 with credited interest; plus
- 10% of the above amount for each year of membership, to a maximum of 100%; plus
- the Member's contributions after 1 July 1992 with credited interest; plus
- the greater of
  - 10% of the above amount in respect of contributions after 1 July 1992 for each year of membership to a maximum of 100%; and
  - the SGC Amount; plus
  - additional contributions used to purchase service.

To be eligible to receive the Discounted Accrued Benefit, a Member must satisfy one of the following conditions:

- have been a Member of the DB Plan for at least 10 years; or
- be aged at least 40 and have been a Member of the DB Plan for at least 5 years and have joined the DB Plan on or prior to 11 October 1996.

The Discounted Accrued Benefit is equal to the Member's Accrued Retirement Benefit reduced by 2% for each year remaining from the date of withdrawal to age 55.

Deferred Benefit Option

From September 2021, an IBM employee Member who ceases service before age 60 and where no retirement benefit or total and permanent disablement benefit is payable may be eligible to elect to retain between 0% and 50% of their Lump Sum Option in the Plan, which can be taken as a lifetime pension upon reaching eligible age. This is the Deferred Benefit Option. The benefit retained as a deferred benefit is indexed in the same manner as pensions in payment.

Pensions for those who have taken the Deferred Benefit Option must commence from age 60 at the latest. The Deferred Benefit will be converted into a pension using the factor of 10.8. For members who wish to commence their pension between age 55 and 60, the pension amount is reduced by 3% for each year (pro rata daily) from the date of pension commencement to age 60.

Other Benefits

Some transfers from other funds receive a guarantee of their benefits in their previous fund. These guarantees are usually fixed in dollar terms and are generally small in value. No specific allowance is made for them in the actuarial investigation.

Indexation of Pensions

All pensions are adjusted each year at the lesser of 5% and the increase in the Consumer Price Index (CPI). The Trustee has discretion subject to IBM Australia Limited approval, to grant adjustments up to the CPI increase in any year where this exceeds 5%.

Purchase of Pensions

A member who is entitled to receive a retirement or TPD benefit may purchase a pension with the lump sum component of their benefit. The rates at which lump sums are converted to a pension are determined by the DB Plan's Actuary from time to time.

We recommend the purchased pension factors for Part IIA be reviewed following completion of each actuarial investigation.

Part IIB – Former Division 3 Benefits

Eligibility

This section is closed to new entrants.

Definitions

"Salary for Superannuation Purposes"

Base pay plus shift penalties but excluding overtime and most allowances as determined by the Principal Company.

"Final Average Salary"

The Member's highest average annual Superannuation Salary over any three consecutive DB Plan Years out of the most recent ten DB Plan Years preceding retirement or death or, if greater, the average annual Superannuation Salary over the three years to the date of calculation.

"Final Year Salary"

Average Superannuation Salary over the one year prior to the date of calculation.

"Retirement Date"

Any date between the Member's 55th and 65th birthday.

"Member Contributions"

Each Member contributes at 5% of Superannuation Salary.

"Member Voluntary Contributions"

Members may elect to make additional after-tax contributions to the Voluntary Contribution Account, together with investment earnings.

"Voluntary Salary Sacrifice Contributions"

Members may make additional contributions from pre-tax salary under a salary sacrifice arrangement. These contributions (less contributions tax) are accumulated in the Member's Salary Sacrifice Account with investment earnings.

"Company Contributions"

As advised by the Actuary as being sufficient to provide benefits.

"Accrued Retirement Benefit"

18% x FAS x Credited Service as a Division 3 member.

Note that for:

- transfers from Division 2, the ARB is increased by FAS multiplied by:
  - for Category B and C Members, 12.5% x Credited Service before 1 July 1988 plus 10.6% x Credited Service between 1 July 1988 and 1 July 1995;
  - for Category A Members, 11% x Credited Service before 1 July 1988 plus 9.3% x Credited Service between 30 June 1988 and 1 July 1995.

"Projected Retirement Benefit"

18% of Final Year Salary for each year of service from the current date to age 65 plus the Accrued Retirement Benefit calculated using Final Year Salary instead of Final Average Salary.

"Supplementary Benefit"

The sum of:

- the Voluntary Contribution Account;
- the Salary Sacrifice Account;
- the Rollover Account;
- the Transfer Account;
- the Company Contribution Account (only for Members who transferred from Division 3A to Division 3); and

less the Surcharge Account and Family Law Account.

Summary of Benefits

Retirement Benefit

The sum of:

- the Accrued Retirement Benefit; and
- the Supplementary Benefit.

Late Retirement Benefit

The Retirement Benefit calculated at the Member's 65th birthday plus interest and net SG or member contributions credited between the Member's 65th birthday and the date of retirement.

Death or Total and Permanent Disablement Benefit

The sum of:

- the Projected Retirement Benefit; and
- the Supplementary Benefit.

The Total and Permanent Disablement Benefit is reduced by an adjustment for any income or lump sum benefit received in respect of the disability and for income from other paid work.

Temporary Disability Benefit

A pension equivalent to 75% of Superannuation Salary payable for a maximum of two years. The pension is reduced by an adjustment for any income or lump sum benefit received in respect of the disability and for income from other paid work.

Retrenchment Benefit

The sum of:

- the Accrued Retirement Benefit; and
- the Supplementary Benefit.

Withdrawal Benefit

The sum of:

- the Supplementary Benefit; and
- BR x Credited Service x Final Average Salary x (1-d);

where:

- BR is determined from the following table:

Complete Years of Service*	BR
0	13%
1	14%
2	15%
3	16%
4	17%
5+	18%

* Service includes service in any previous DB Plan.

d = the lesser of 0.3 and 0.01 x the number of years remaining until the member's 55th birthday.

For transfers from Division 2, the Withdrawal Benefit is increased by:

Final Average Salary (Division 2) x V x (1 - d) x A where:

- A is:
  - 12.5% x Credited Service before 1 July 1988 plus 10.6% x Credited Service between 30 June 1988 and 1 July 1995 for Category B and C Members; and
  - 11% x Credited Service before 1 July 1988 plus 9.3% x Credited Service between 30 June 1988 and 1 July 1995 for Category A Members.
- V = the lesser of 1 and 0.2 x Credited Service
- d = as defined above.

Superannuation Guarantee Minimum Benefit

All benefits are subject to the Superannuation Guarantee Minimum Benefit as defined in the Benefit Certificate from time to time.

Member's Surcharge Account

The amounts paid to the ATO in respect of a member (less any Surcharge Offset Contributions) are accumulated in the Member's Surcharge Account with investment earnings.

Surcharge Offset Contributions

Members may make voluntary surcharge offset contributions on an after-tax or pre-tax basis of amounts not exceeding the balance of the Member's Surcharge Account. These contributions are applied as reductions to the Member's Surcharge Account.

Member's Family Law Account

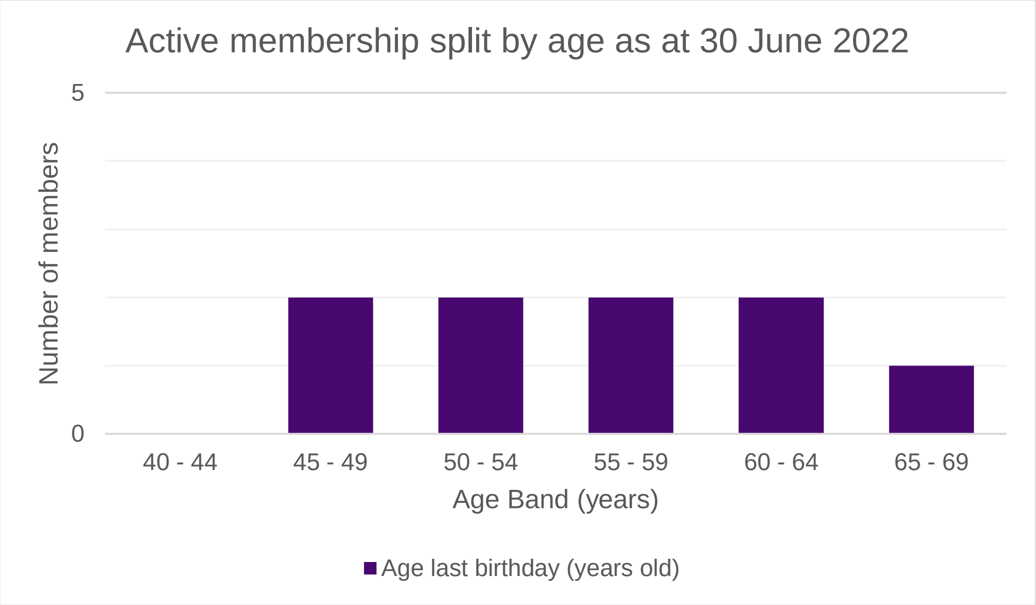
The amounts paid in respect of a Non-Member Spouse (less any Family Law Offset Contributions) and any costs charged by the Trustee are accumulated in the Member's Family Law Account with investment earnings.

Family Law Offset Contributions

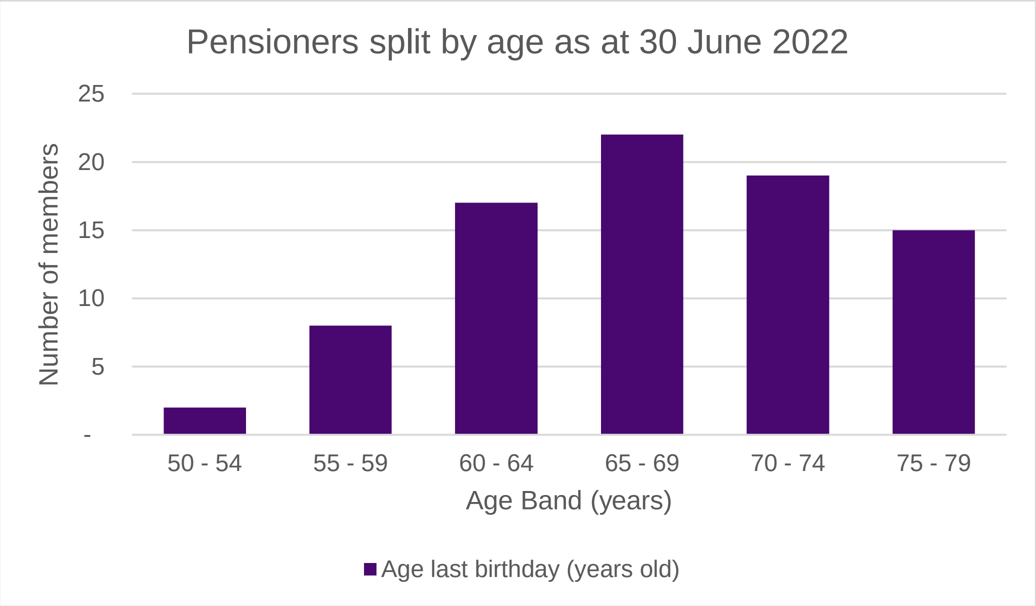
Members may make voluntary family law offset contributions on an after-tax or pre-tax basis of amounts not exceeding the balance of the Member's Family Law Account. These contributions are applied as deductions to the Member's Family Law Account.

Appendix B: Membership Age Profile

The age distribution of active members in the Plan are shown within the chart below.



The age distribution of pensioners in the Plan (including Notified Members) are shown within the chart below.



Appendix C: Summary of Net Cashflows

Defined Benefit Reserve	30 June 2019 to 30 June 2022 $
Market Value of assets at start	**70,582,729**
Member Contributions	952,039
Employer Contributions	1,398,807
Transfer from Other Funds	7,380
Investment Revenue	8,144,865
Benefits Paid (Pensions)	(6,169,324)
Benefits Paid (Lump Sum)	(29,157,168)
Contribution Tax	(236,162)
Insurance Premiums	(108,575)
Administration and Trustee Expenses	(904,793)
Market Value of assets at end	**44,509,798**

Appendix D: Summary of Assumptions

Financial Assumptions	(per annum)
Investment return (net of investment expenses and taxes)	6.00%
Investment return (net of investment expenses and gross of taxes)	6.90%
Crediting Rate on Part IIA, IIB Accounts (where no Member Investment Choice applies)	6.00%
Salary Increases	3.25%
Pension Increases	2.60%

Other Assumptions	Applies to	Assumption
Base Period Update	Part II	No future base period updates will apply.
Value of Pensions at Retirement	Part II	Calculated according to factors included in the Member Booklet.
Pension proportion chosen	Part IIA	40% of future retirement benefits will be taken as a pension, converted according to factors set out in the Participation Agreement.
Deferred Pensioners	Part II	100% of their pension entitlements will be converted to a lump sum at age 65 for male and age 60 for female.
Deferred Pensioners	Part IIA	100% of their deferred entitlement will be taken as a pension at age 60
Expense and premium allowance	All	Group insurance premiums and other non-asset based expenses which are allocated to the DB Plan will be paid from the DB assets.
Tax on contributions	All	15% of company contributions reduced by allowable deductions (administration and insurance costs).
Surcharge Tax and Excess Contributions Tax	All	Borne by the member.

Demographic assumptions

Rates of Mortality and Disability

Specimen rates are as follows:

Expected Number per 10,000 Members in any one year					
	Part II	Parts IIA/IIAB Deaths		Parts IIA/IIB Disablements	
Age	Deaths and Disablements	Males	Females	Males	Females
35	0	4	2	3	2
40	0	5	4	5	5
45	0	7	5	10	9
50	0	11	7	19	16
55	0	16	11	33	28
60	0	24	15	56	41

Current and Future Pensioners

The base mortality rates are as follows:

Expected Number per 10,000 Members in any one year		
Age	Males	Females
60	46	26
65	68	40
70	116	72
75	211	134
80	399	269
85	781	565
90	1443	1,160
95	2,242	2,042
100	3,027	3,083

In addition, there is an additional yearly mortality improvement factor applying from 1 July 2016 of 2.0% per annum for ages up to 65 and reduces by 0.05% for each year above age 65.

Rates of Leaving Service and Early Retirement

Age	All Members
Less than age 55 (leaving service):	0%
55	30%
56	30%
57	30%
58	30%
59	30%
60	50%
61	30%
62	30%
63	30%
64	40%
65	100%

Appendix E: Actuarial Statement Pursuant to SPS 160

IBM Sub-Division (The Plan) in Equipsuper

As the actuary to the Plan, I hereby certify that:

1. At 30 June 2022, the net market value of the assets of the Plan was $44,509,798 and this excluded any amount held to meet the Operational Risk Financial Requirement (ORFR). The asset information as at 30 June 2022 was provided by Equipsuper. The value of the Plan assets was used for the purpose of the actuarial investigation.

2. I have projected that, based on my reasonable expectations, it is likely that during the three years following the valuation date, the Plan assets will exceed the Plan liabilities in respect of vested benefits. The projected likely future financial position of the Plan during the three years following the valuation date and based on my best estimate assumptions is as follows:

Date	DB Vested Benefits Index (%)
30 June 2022	107.5
30 June 2023	106.0
30 June 2024	106.1
30 June 2025	105.7

3. In my opinion, the value of the assets of the Plan at 30 June 2022 (which excluded any amount held to meet the ORFR) were adequate to meet the liabilities in respect of accrued benefits in the Plan, measured as the present value of members' accrued entitlements using the valuation assumptions. I consider that the assumptions and valuation methods set out in this report are appropriate for determining the accrued benefit liability.

4. The actuarial investigation of the Plan as at 30 June 2022 revealed that the Plan was not in an Unsatisfactory Financial Position as defined in SPS 160, with a Vested Benefits Index of 107.3% (whole plan).

5. I have considered the shortfall limit and I recommend the shortfall limit is maintained at 98%.

6. At 30 June 2022 the value of the liabilities of the Plan in respect of minimum benefits was $40,452,260. The assets of the Plan exceeded the minimum requisite benefits therefore the Plan was technically solvent as at 30 June 2022.

7. In the report on the actuarial investigation of the Plan at 30 June 2022, I recommended the company pay contributions at least at the following rates:

	1 July 2022 to 30 September 2022	1 October 2022 to 31 March 2023	From 1 April 2023
Part II	No Company contributions	No Company contributions	No Company contributions
Part IIA and IIB	12% of salaries	33% of salaries	12% of salaries
Pensioner and deferred members	No Company contributions	No Company contributions	No Company contributions

Contributions may be paid on a six monthly basis or in line with the usual payroll cycle.

8. In recommending these rates, due consideration has been given to the expected financial position of the Plan over the short and long term period.

9. I advise that the recommended Company contribution rates set out in paragraph 7 of this Appendix have been determined so that on the basis of the actuarial assumptions set out in this report, the Plan is not expected to be in an unsatisfactory financial position in the next three years.

10. A Funding and Solvency Certificate for the Plan covering the period 30 June 2019 to 30 June 2022 required under the Superannuation Industry (Supervision) Act has been provided. In my opinion, based on the assumptions and data in this report, the solvency of the Plan will be able to be certified in any Funding and Solvency Certificate required under the Superannuation Industry (Supervision) Regulations during the three year period to 30 June 2025, subject to contributions being paid to the Plan as recommended in this report.

11. In my opinion, as at 30 June 2022, there is a high degree of probability at approximately 73% (compared to the 70% threshold as indicated by APRA as being the level of high probability) that the Plan will be able to pay the pensions of current pensioners as required under the Plan Rules and Participation Agreement.

Yours sincerely

L Campbell

Louise Campbell
Fellow of the Institute of Actuaries of Australia

20 December 2022

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