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TULLY SUGAR SUPERANNUATION FUND

(SUB-PLAN OF IOOF EMPLOYER SUPER)

REPORT TO THE TRUSTEE ON THE ACTUARIAL INVESTIGATION AS AT 30 JUNE 2018

23 NOVEMBER 2018

MARSH & McLENNAN COMPANIES

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Key Results and Recommendations

This report on the actuarial investigation of the Fund as at 30 June 2018 has been prepared to meet the requirements of the Fund's governing rules and the SIS legislation. This report should not be relied upon for any other purpose or by any party other than the Trustee of the Fund. Mercer is not responsible for the consequences of any other use. This report should be considered in its entirety and not distributed in parts. The Trustee should share this report with the Employer who contributes to the Fund. The Employer may consider obtaining separate actuarial advice on the recommendations contained in the report.

1.1. Change in Financial Position

	Position at 30 June 2018		Position from 30 June 2015 Investigation Report	
Defined Benefits Only*	**$000**	**Asset Coverage**	**Projected Coverage at 30 June 2018**	**Coverage at 30 June 2015**
Assets	[redacted]			
Liability for Vested Benefits (As of Right)	[redacted]	108.9%	107%	116%
Liability for Consent Benefits	[redacted]	107.0%	104%	111%
Liability for Actuarial Value of Accrued Benefits	[redacted]	97.5%	n/a	98%
Liability for Accrued Retirement Benefits	[redacted]	102.1%	100%	106%
Liability for SG Minimum Benefits	[redacted]	110.1%	108%	118%

*The above totals exclude accumulation liabilities of [redacted] and additional accumulation balances for defined benefit members of [redacted] as at 30 June 2018.

The coverage levels at 30 June 2018 were lower than the levels at the previous actuarial investigation, due to the following items of negative experience:

- Salary growth of 4.7% pa which was higher than assumed (3.0% pa);
- Final Average Salary growth of 5.5% pa due to historical promotional salary increases, which was higher than the long-term assumed growth of 3.0% pa.
- Employer contributions paid over the period were on average lower than the cost of benefits accruing.

These factors have been partly offset by the following items of positive experience:

- Investment earnings of 4.2% p.a., which were higher than the long term assumption (2.9% p.a.)
- There has been a significant reduction in the membership from 17 members to 11 members. This has had a positive impact on the asset coverage ratios of the Fund as the funding excess is now spread over a reduced Defined Benefit membership.

Coverage levels are higher than were projected at the last investigation, however, even though the employer did not make the recommended additional contribution of $120,000 in 2017 to finance the increase in benefits arising from anticipated increases in Final Average Salary, due to the favourable investment experience over the period.

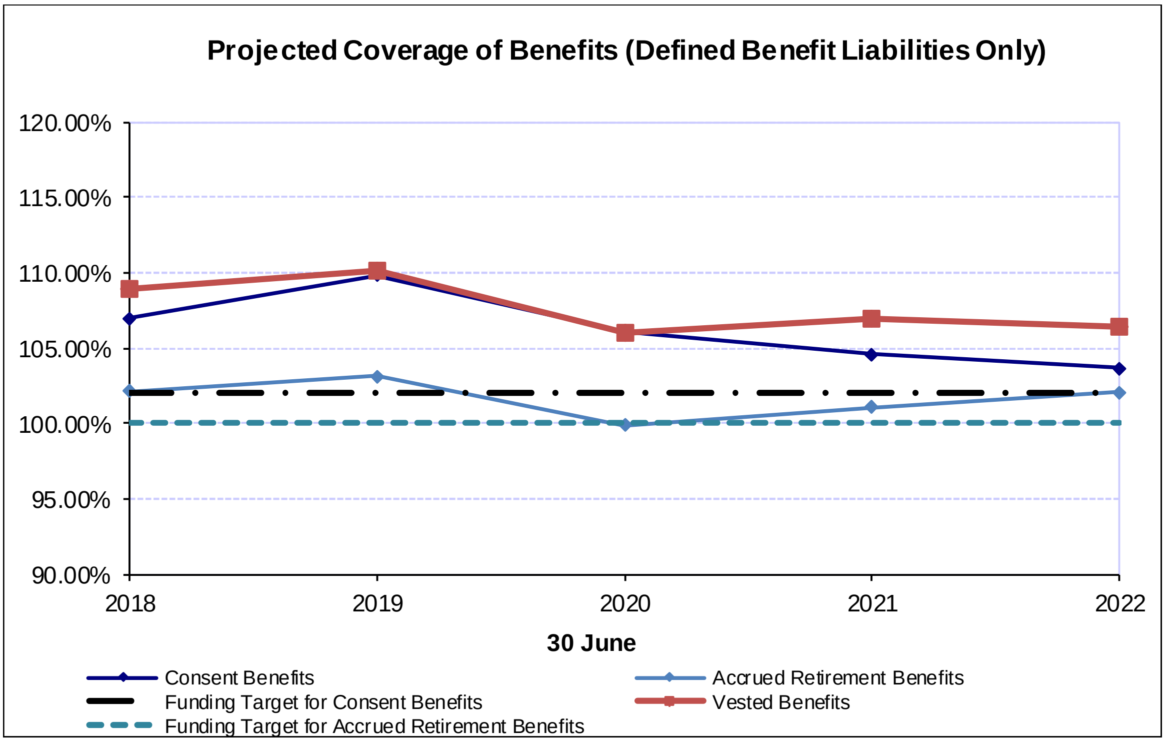
1.2. Recommended Contribution Rates and Projections

At 30 June 2018, the Fund was in a satisfactory financial position. The 108.9% coverage of Vested Benefits (as of right) was above the 100% requirement under SIS legislation to be considered in a satisfactory financial position. The 102.1% coverage of Defined Benefit Accrued Retirement Benefits and 107.0% coverage of Defined Benefit Consent Benefits were also above the financing objectives of 100% and 102% coverage, respectively, adopted for this investigation.

Based on the financial position as at 30 June 2018, and taking into account known membership movements between 30 June 2018 and 31 October 2018, the Fund's estimated investment return of -0.3% for the same period, anticipated material increases in two members' Final Average Salary and the financing objectives adopted in this investigation, I recommend that the Employer increase contributions as follows:

Benefit Category	1 July 2018 – 31 December 2018 (% of member salaries)	1 January 2019 onwards (% of member salaries)
1	14.5% plus deemed or salary sacrifice member contribution of 8.8%	17.5% plus deemed or salary sacrifice member contribution of 8.8%
2	14.5% plus deemed or salary sacrifice member contribution of 8.8%	17.5% plus deemed or salary sacrifice member contribution of 8.8%
4	6.9% plus deemed or salary sacrifice member contribution of 4.7%	6.9% plus deemed or salary sacrifice member contribution of 4.7%
Others (Accumulation basis members)	SG% of Ordinary Time Earnings	

Based on the assumptions adopted for this investigation and allowing for any material experience after the investigation date as detailed in this report, we have prepared the following projection of Fund assets and benefit liabilities:



The graph above shows that the recommended contributions are anticipated to result in assets of at least 102% of Defined Benefit Consent Benefits and 100% of Defined Benefit Accrued Retirement Benefits at 30 June 2021 (which are the financing objectives adopted in this investigation).

Coverage of Defined Benefit Vested Benefits is expected to remain above 100% over the next four years.

1.3. Other Findings and Recommendations for the Trustee

Suitability of Policies

- The long term investment policy of the IOOF MultiMix Conservative Trust for the defined benefit section of the Fund is suitable.
- The crediting policy for the defined benefit section of the Fund is suitable.
- The insurance arrangements for the defined benefit section of the Fund are suitable.
- The Shortfall Limit (for the purposes of SPS 160) is suitable.
- The Trustee's process for monitoring the Fund's financial position is suitable.

Recommendations

- Consideration be given to moving approximately 25% of the Fund's remaining assets to the IOOF Multimix Cash Trust over the next 3 years to cover expected benefit payments in that period.
- The financial position should be reviewed at 30 June 2019.

1.4. Action Required

The Trustee should consider this report and confirm its agreement (or otherwise) to the contribution and other recommendations.

The Trustee should seek formal agreement from the Employer to contribute in line with the recommendations.

2

Liability Measures as at 30 June 2018

2.1. Vested Benefits

Vested Benefits are the amounts payable as of right should all active members voluntarily resign or, if eligible, retire at the investigation date.

At 30 June 2018, Fund assets were greater than Vested Benefits. Accordingly the Fund was considered to be in a “satisfactory financial position” under SIS legislation.

2.2. Consent Benefits

We have defined Consent Benefits as the amounts payable should all active members voluntarily resign or, if eligible, retire with the Employer’s consent at the investigation date.

At 30 June 2018, Fund assets were greater than Consent Benefits. The 107.0% coverage of Defined Benefit Consent Benefits was also above the financing objective of 102% coverage adopted for this investigation.

2.3. SG Minimum Benefits

SG Minimum Benefits are the minimum benefits required under SG legislation, as defined in the Benefit Certificate (also referred to as Minimum Requisite Benefits or MRBs).

Fund assets at 30 June 2018 were also greater than SG Minimum Benefits and hence the Fund was considered to be “solvent“ under SIS legislation.

2.4. Accrued Retirement Benefits

The Accrued Retirement Benefits is the amount payable assuming all members receive a retirement benefit (even if not eligible) based on membership to date**.** In determining the value, I have applied a minimum of the Vested Benefits. Coverage of Accrued Retirement Benefits is a useful long term measure of the funding towards Normal Retirement Benefits.

At 30 June 2018, Fund assets were greater than Accrued Retirement Benefits. The 102.1% coverage of Defined Benefit Accrued Retirement Benefits was also above the financing objective of 100% coverage adopted for this investigation.

2.5. Actuarial Value of Accrued Benefits

The Actuarial Value of Accrued Benefits is the expected value (as at the investigation date) of all future expected benefit payments, based on membership to date, discounted to the investigation date, taking into account the probability of payment. This value is calculated using actuarial methods and assumptions. In determining the value, we have not applied a minimum of the Vested Benefits.

The Actuarial Value of Accrued Benefits at 30 June 2018 is higher than the Accrued Retirement Benefit measure as it allows for the impact of promotional salary increase experience for some members which will result in relatively higher Final Average Salary and benefit measures over the next two years.

The Actuarial Value of Accrued Defined Benefits at 30 June 2018 was $4,831,000. The 97.5% coverage of the Actuarial Value of Accrued Defined Benefits at 30 June 2018 was below 100%.

2.5.1. Summary of Method of Attributing Benefits to Past Membership

The calculation of the Actuarial Value of Accrued Benefits has been carried out using a method of apportionment of benefits between past and future membership that satisfies the requirements of Professional Standard No. 402 of the Actuaries Institute and is acceptable for Australian Accounting Standard AASB 1056 purposes.

2.5.2. Accumulation Benefits

The value of accumulation benefits has been taken as the sum of the balances held in accumulation accounts at the date of the investigation.

2.5.3. Defined Benefits

The past membership components of all defined benefits payable in the future from the Fund in respect of current membership are projected forward allowing for assumed future salary increases and credited interest rates and are then discounted back to the investigation date at the investment return rate assumed for the investigation.

The past membership component for each type of benefit is:

Retirement:	based on the member’s accrued benefit multiple or relevant account balances at the investigation date
Death and Disablement:	calculated by adjusting the total expected benefit in proportion to the accrued benefit multiple at the investigation date divided by the accrued benefit multiple at the projected date of death or disablement
Resignation:	based on the member’s accrued benefit multiple or accumulated contributions at the investigation date, increased allowing for future vesting to the projected date of resignation

The weighted average term of the accrued benefit liabilities is 4 years.

2.5.4. Changes in Methodology of Calculating the Actuarial Value of Accrued Benefits

The method used for the determination of Accrued Benefits is the same as that used at the previous investigation.

3

Experience

3.1. Change in Financial Position since Previous Investigation

The table below shows the coverage of assets over Vested Benefits, Consent Benefits, the Actuarial Value of Accrued Benefits, Accrued Retirement Benefit and the SG Minimum Benefits as at 30 June 2018, and the corresponding values at the previous investigation date.

	Position at 30 June 2018		Position from 30 June 2015 Investigation Report	
Defined Benefits Only*	**$000**	**Asset Coverage**	**Projected Coverage at 30 June 2018**	**Coverage at 30 June 2015**
Assets	[redacted]			
Liability for Vested Benefits (As of Right)	[redacted]	108.9%	107%	116%
Liability for Consent Benefits	[redacted]	107.0%	104%	111%
Liability for Actuarial Value of Accrued Benefits	[redacted]	97.5%	n/a	98%
Liability for Accrued Retirement Benefits	[redacted]	102.1%	100%	106%
Liability for SG Minimum Benefits	[redacted]	110.1%	108%	118%

*The above totals exclude accumulation liabilities of [redacted] and additional accumulation balances for defined benefit members of $674,000 as at 30 June 2018.

The coverage levels at 30 June 2018 were lower than the levels at the previous actuarial investigation due to:

- Adverse salary and Final Average Salary growth experience; and
- Employer contributions paid over the period were on average lower than the cost of benefits accruing.

This has been partially offset by the following items of positive experience:

- Favourable investment earnings; and
- A significant reduction in the membership from 17 members to 11 members, which has had a positive impact on the asset coverage ratios of the Fund as the excess is now spread over a reduced Defined Benefit membership.

Coverage levels are higher than were projected at the last investigation, however, even though the employer did not make the recommended additional contribution of $120,000 in 2017 to finance the increase in benefits arising from anticipated increases in Final Average Salary, due to the favourable investment experience over the period.

The reasons for the changes in the financial position due to experience since the previous investigation are detailed below.

3.1.1. Investment Returns

The table below shows the rates of investment earnings (after tax, investment fees and asset based administration fees) for assets supporting defined benefits, and crediting rates applied to defined benefit members' accounts, over the period since the previous investigation.

Year Ending	Investment Return (pa)	Crediting Rates (pa)
30 June 2016	2.9%	3.5%
30 June 2017	4.8%	4.1%
30 June 2018	4.7%	3.4%
Compound Average	**4.2%**	**3.6%**

The average investment return for the three year period to 30 June 2018 was 4.2% p.a. compared to our longer term assumption at the last actuarial investigation of 2.9% p.a. The higher than assumed return had a positive impact on the Fund's financial position.

Prior to September 2016, the crediting rate applied to defined benefit accounts was based on the change in unit price of the IOOF Multimix Conservative Trust. The Trustee has confirmed that from September 2016, the crediting rate reverted back to the default methodology based on the internal rate of return of the Fund's defined benefit reserve account. Refer to Section 6 for more details of the investment and crediting rate policies.

3.1.2. Salary Increases

Salaries and Final Average Salary (FAS) for the current defined benefit members increased by an average of 4.7% pa and 5.5% pa, respectively, over the period compared to our longer term assumption at the last actuarial investigation of 3.0% pa.

This increase mostly related to historical and recent promotional increases for two members. The higher than assumed salary and FAS increases had a negative impact on the Fund's financial position. The more recent promotional increases for the two members will result in relatively higher FAS and benefit measures over the next two years which is expected to have a negative impact on the financial position after the review date.

3.1.3. Changes in Membership/Decrements

During the period under review the number of defined benefit members within the Fund decreased and the decrease was more than assumed. This resulted in assets in excess of Consent Benefits (and other liability measures) spread across a reduced membership and improving the ratio of assets to Consent Benefits.

3.1.4. Contributions

The contribution recommendations in the prior actuarial investigation were as follows:

Benefit Category	1 July 2015 – 31 December 2016 (% of member salaries)	1 January 2017 – 30 June 2018 (% of member salaries)
1	11.5% plus deemed or salary sacrifice member contribution of 8.8%	14.5% plus deemed or salary sacrifice member contribution of 8.8%
2	11.5% plus deemed or salary sacrifice member contribution of 8.8%	14.5% plus deemed or salary sacrifice member contribution of 8.8%
4	5.8% plus deemed or salary sacrifice member contribution of 4.7%	6.9% plus deemed or salary sacrifice member contribution of 4.7%
Additional contributions	Nil	From 1 January 2017 to 31 December 2017 additional contributions of $120,000 p.a
Others (Accumulation basis members)	9.5% of Ordinary Time Earnings	

The percentage of salary Employer contributions were paid in accordance with the contribution recommendations above, but the additional contribution of $120,000 for the 2017 calendar year was not paid. This meant that lower contributions were paid than projected, which had a negative impact on the Fund's projected financial position.

The overall average Employer contributions paid over the review period were also lower than the long term Employer contribution rate (i.e. the estimated employer cost of future service benefits).

3.2. Recommendations in Previous Actuarial Investigation

The previous actuarial investigation made the following recommendations and the status of these is shown in the table below:

Recommendation	Status
Contribution program	Refer Section 3.1.4
Payments for retiring members should first be made from the IOOF Cash Management Trust to reduce this investment to nil.	Completed. The IOOF Cash Management Trust was fully drawn down as of March 2016. The assets for the Defined Benefit reserve are now fully invested in the IOOF Multimix Conservative Trust.
The defined benefit crediting rate policy and the associated controls and procedures should be reviewed.	The Crediting Rate Policy was last reviewed in May 2018 with the last change for Tully applied in September 2016.
The financial position should be reviewed at 31 December 2016.	This was not completed.

4

Contribution Requirements

4.1. Financing Objectives

The financing objectives I have adopted for this investigation are to maintain the value of the Fund's assets at least equal to:
- 100% of accumulation account balances plus
- for defined benefits, the greater of 102% of Consent Benefits and 100% of the Accrued Retirement Benefits

Accumulation account balances are matched by specific assets and do not require any additional margins. However most of the defined benefit liabilities are not linked to the returns on the underlying assets. A margin in excess of 100% coverage of vested defined benefits is therefore desirable to provide some security against adverse experience such as poor investment returns.

Based on the assumptions adopted for this investigation, achieving the financing objective of 100% of Accrued Retirement Benefits for defined benefit members would also result in at least 102% coverage of the Consent Benefits. I consider that the target margin of 2% above Consent Benefits is suitable. Achieving the financing objectives would also result in a satisfactory margin of coverage over 100% of SG Minimum Benefits. Hence it is not considered necessary to adopt a specific financing objective in relation to this liability measure.

I have taken into consideration the provisions of the Trust Deed and any professional requirements as set out below.

4.1.1. Professional Requirements

Under Professional Standard 400 issued by the Actuaries Institute, the funding method selected by the actuary *"must aim to provide that:*

(a) members' benefit entitlements (including any pension increases provided by the Trust Deed or in accordance with either precedent or the intentions of the Trustee and/or Fund Sponsor) are fully funded before the members retire; and

(b) the assets of the Fund from time to time, after making full provision for the entitlements of any beneficiaries or members who have ceased to be employed, exceed the aggregate of benefits which employed members would reasonably expect to be payable to them on termination of membership, including the expenses of paying those benefits, and having regard to the provisions of the Trust Deed and the likely exercise of any Options or Discretions." (Paragraph 5.5.4 of PS400).

Accordingly the actuary needs to be satisfied that any funding program is expected to provide a level of assets which meets or exceeds immediate benefit entitlements based on members' reasonable expectations. Should assets fall below that level, the funding program needs to aim to lift assets to at least the required level over a reasonable time period and to maintain assets at or above the required level thereafter.

The financing objectives have been set on the basis that members' reasonable expectations on termination would be to receive their vested benefit entitlement and that the Employer will consent to early retirement where required.

4.1.2. Provisions of the Trust Deed

IOOF Employer Super's Trust Deed includes a requirement that an actuary carry out an actuarial valuation of the financial condition of the Fund in accordance with relevant Commonwealth superannuation legislation.

4.2. Financing Method

There are various financing methods that could be followed in setting the Employer contribution level. This investigation uses the "Attained Age Normal" method.

Under this method, the "normal cost" is the estimated level rate of Employer contributions required to provide benefits in respect of future service (i.e. service after the investigation date) for existing members. The normal cost ignores any surplus or deficiency of assets over accrued liabilities.

The recommended Employer contribution rate may then be set above or below the normal cost for a suitable period of time to amortise any surplus/deficiency and to take into account the Fund's financing objectives.

Under this method of financing, the level of the Employer contributions may vary from time to time to ensure that the Fund remains on course towards its financing objectives.

It is noted that, as the defined benefits are closed to new members and (on the assumptions adopted) the cost of future service benefits increases with age, the normal cost is expected to gradually increase as the defined benefit membership ages.

I consider that the Attained Age Normal method is suitable in the Fund's current circumstances as the normal cost reflects the expected (on the assumptions adopted) employer cost of future service benefits and the recommended contribution rate can be varied around the normal cost to take into account the projected financial position as compared with the financing objectives.

4.2.1. Changes in Financing Method

The Attained Age Normal method was also used at the previous investigation.

4.3. Employer Future Service Cost

Based on the assumptions adopted for this investigation, I estimate that the Employer's long-term defined benefit funding costs (i.e. the normal cost of funding future service defined benefit accruals for each category) are as follows:

Defined Benefit Membership Group	**Employer long-term cost (of future benefit accrual) (% of Salary/Wage)**
Category 1	16.5%
Category 2	16.4%
Category 4	7.0%

An average rate for current members is 16.2% of salaries, compared to an average rate of 14.2% determined at the last investigation.

The Employer's long-term defined benefit funding cost above includes the expected expenses and insurance premiums (of 2.2% of DB salaries), and includes allowance for contributions tax.

The assessed long-term costs have increased since the last investigation due to:

- allowance for the legislated increases in the SG minimum contribution rate from 1 July 2021; and
- a change in the membership profile of the Fund.

4.4. Recommended Contributions

There has been an increase in the calculated normal cost of funding future service benefit accrual compared with the previous investigation.

In addition, recent promotional salary increases for two members will result in relatively higher Final Average Salary and benefit measures over the next two years which is expected to have a negative impact on the financial position after the investigation date.

Based on these factors, and taking into account the financial position as at 30 June 2018, known membership movements between 30 June 2018 and 31 October 2018, the Fund's estimated investment return of -0.3% for the same period and the financing objectives adopted in this investigation, I recommend that the Employer increase contributions as follows:

Benefit Category	1 July 2018 – 31 December 2018 (% of member salaries)	1 January 2019 onwards (% of member salaries)
1	14.5% plus deemed or salary sacrifice member contribution of 8.8%	17.5% plus deemed or salary sacrifice member contribution of 8.8%
2	14.5% plus deemed or salary sacrifice member contribution of 8.8%	17.5% plus deemed or salary sacrifice member contribution of 8.8%
4	6.9% plus deemed or salary sacrifice member contribution of 4.7%	6.9% plus deemed or salary sacrifice member contribution of 4.7%

Benefit Category	1 July 2018 – 31 December 2018 (% of member salaries)	1 January 2019 onwards (% of member salaries)
Others (Accumulation basis members)	SG% of Ordinary Time Earnings	

4.5. Projected Financial Position

The next section of the report shows the projected financial position on the recommended contributions compared with the Financing Objectives.

5

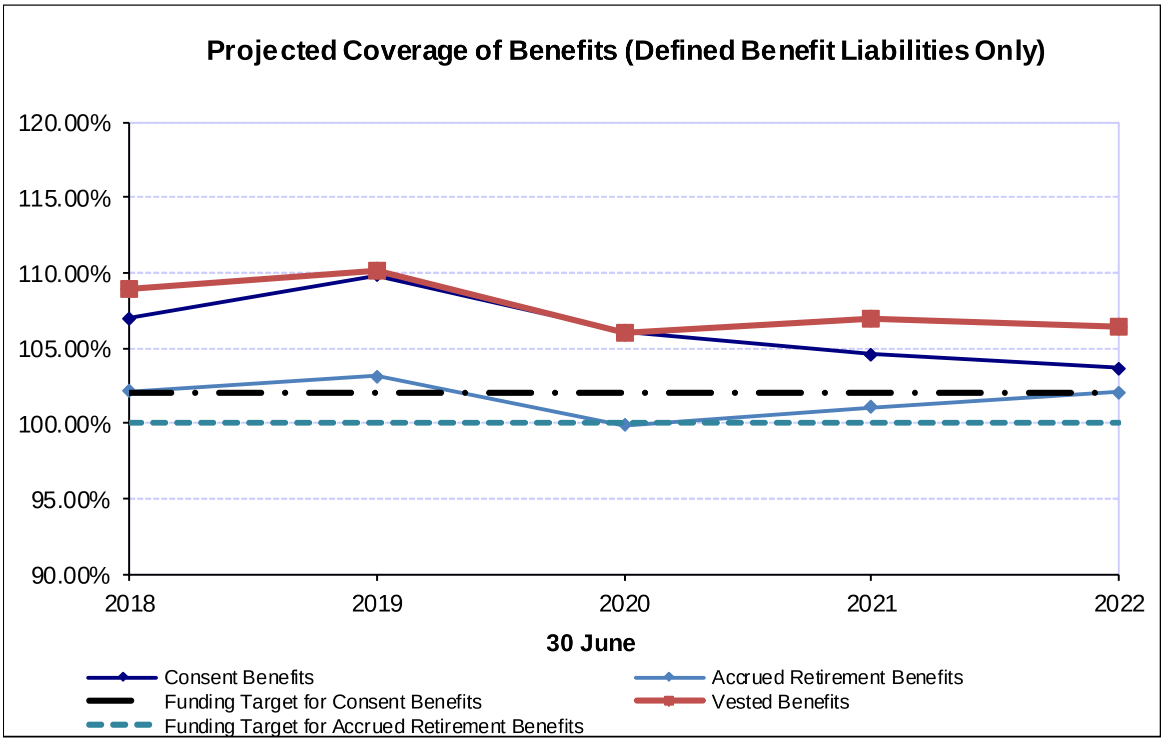
Projections

I have prepared a projection of Fund assets and benefit liabilities based on:

- the actuarial assumptions adopted for this investigation;
- allowance for four members ceasing service since 30 June 2018, estimated investment returns for the 4 months immediately after 30 June 2018 of -0.3% and expected increases to members' Final Average Salary; and
- assuming that the Employer contributes on the basis as recommended above.

The projection also takes into account the effects of any significant changes in Vested Benefits due to members becoming eligible for the early retirement benefit.

The results of the projection are as follows:



The Trustee should note that this projection is based on the assumptions adopted, which represent a single scenario from the range of possibilities. The future is uncertain and the Fund's actual experience will differ from those assumptions; these differences may be minor in their overall effect, or they may be significant and material. In addition, different sets of assumptions or scenarios may also be within the reasonable range and results based on those alternative assumptions would be different.

5.1. Meeting the Financing Objectives

The projection above shows that the recommended contributions are anticipated to result in assets of at least 100%% of Defined Benefit Accrued Retirement Benefits and 102% of Defined Benefit Consent Benefits at 30 June 2021 (the financing objectives adopted in this investigation).

Coverage of Defined Benefit Vested Benefits (as of right) is expected to remain above 100% over the next four years.

6

Investment Policy and Related Risks

6.1. Investment Policy

Assets backing accumulation benefit liabilities

The Fund provides members with a range of investment options for their accumulation benefits (including the additional account balances of defined benefit members). The assets supporting the Fund's accumulation benefit liabilities are invested according to members' selected investment options and the actual returns on those investments (whether positive or negative) are passed on to members via changes in the unit prices by which member account balances are determined. Thus the Fund's accumulation liabilities and related assets are matched.

The Fund's investments are expected to provide a high level of liquidity in normal circumstances.

I consider that the Fund's investment policy for assets relating to accumulation liabilities is suitable, having regard to the nature and term of these liabilities.

Assets backing defined benefit liabilities

Prior to the last actuarial investigation, $1,000,000 of assets were set aside for the payment of imminently expected benefit payments and invested in the IOOF Multimix Cash Trust to protect that portion of the Fund assets from market volatility. As of March 2016, payments for retiring members made from the IOOF Cash Trust had reduced this holding to nil. The Fund's current investment strategy for assets supporting defined benefit liability is fully invested in the IOOF MultiMix Conservative Trust.

As at 30 June 2018, the IOOF MultiMix Conservative Trust option, which has a benchmark 30% exposure to 'growth' assets such as shares and property and a benchmark 70% exposure to 'defensive' assets such as cash and fixed interest (refer to the table below for the actual and benchmark investment allocations of these assets as at the investigation date). 'Growth' assets are expected to earn higher returns over the long term compared to 'defensive' assets, but at the same time to exhibit more variation in returns from year to year.

30 June 2018	**Benchmark Allocation**	**Actual Allocation**
Australian Shares	11.0%	11.3%
Overseas Shares	9.0%	7.2%
Property	10.0%	9.9%
Fixed Interest	42.0%	45.5%
Alternatives	2.5%	2.3%
Cash	25.5%	23.8%
Total	**100.0%**	**100.0%**

The defined benefit liabilities other than the standard resignation benefit are salary based. The volatility of the Fund's investment returns will therefore affect the financial position of the Fund from year to year and is likely to impact on the required level of Employer contributions.

Given that it is not known when members will take their benefit with certainty, the exact term of the Fund's liabilities is unknown. However, two of the remaining members will reach normal retirement age in the next 3 years, and the projections carried out as part of this actuarial investigation indicate that a reduction of approximately 25% of defined benefit assets is expected over the next 2-3 years.

The Fund's investments are expected to provide a high level of liquidity in normal circumstances. Hence we do not envisage any problem in being able to redeem assets to meet benefit payments as they arise. However, the shorter-term liability profile reduces the ability of the Fund to 'ride out' the ups and downs in returns that even the MultiMix Conservative Trust option can experience (evidenced by the investment volatility since 30 June 2018).

Hence, we recommend that consideration be given to moving some of the Fund's assets to the IOOF Multimix Cash Trust option over the next 3 years to cover expected benefit payments in that period.

If desired, we can prepare additional information to assist the Trustee and Employer in considering a switch of assets, including assessing the expected impact on the Company contribution rate and on the variability of the financial position.

The MultiMix Conservative Trust option remains an appropriate strategy for the remainder of the Fund's assets.

6.2. Crediting Policy

6.2.1. Accumulation Benefits

The main features of the unit pricing and crediting policy in relation to accumulation member accounts and to the additional accumulation accounts of defined benefit members are set out in the document Unit Pricing Policies and Guidelines summarised briefly below:

- Member accounts are invested directly in their selected managed investment options. A separate Cash Account is maintained.
- Investment income varies in accordance with the particular investment option. Income is credited to a member's Cash Account for subsequent investment in accordance with their selected investment strategy.
- Investment distributions and the impact of taxation are not reflected in the investment option unit prices. Investment tax is paid from a member's Cash Account prior to subsequent investment.
- Smoothing reserves are not used. All reserves are accounting in nature only and fully encapsulated in the unit price of the managed investment options.

6.2.2. Defined Benefits

The main features of the crediting policy in relation to defined benefits (last reviewed May 2018) are summarised briefly below:

- The annual crediting rate is calculated as the internal rate of return, net of tax and fees (based on the starting and ending asset values and cash flows over the year to 30 June) and applied at the year end to the value of the member account balance at the previous 30 June and any contributions made during the year allowing for the timing of contributions. The interim crediting rate (see below) will be used until the annual crediting rate is determined.

- The interim crediting rate is calculated and updated monthly as the internal rate of return (based on the starting and ending asset values and cash flows over the period from 30 June to the end of the relevant month). The interim crediting rate is used to determine benefit quotes and to determine a benefit when a member exits the Fund up to the date the benefit is processed. The Trustee may, at its discretion, apply a different interim crediting rate from the date the member leaves the Fund until the member's benefit payment is made.

- Crediting rates may be adjusted to ensure that member accounts do not exceed Fund assets and are consistent with any policy covering reserves.

- The Trustee can accept and approve a different crediting rate methodology. For this Fund prior to September 2016, the Trustee approved a crediting rate methodology based on the change in unit price of the IOOF MultiMix Conservative Trust, adjusted for the impact of income distributions, an assumed investment tax rate and after tax asset management fee. From September 2016, the default methodology has been used.

- Where required, the annual and interim crediting rates are increased by a percentage agreed with the Actuary and the employer to reflect asset fee rebates to be passed on to members' benefits.

6.2.3. Documentation

The main features of the Fund's unit pricing in relation to accumulation member accounts and to the additional accumulation accounts of defined benefit members are set out in the document Unit Pricing Policies and Guidelines (current version 27 January 2016).

The Fund's defined benefit crediting rate policies are set out in the document Defined Benefit Sub-Plan Crediting Rate Policy (draft version May 2018).

6.2.4. Conclusion

The crediting and unit pricing policy and related procedures are documented. A detailed review of the unit pricing and crediting rate policies and related procedures is outside the scope of this investigation.

Based on a review of the main features, I consider that the unit pricing and crediting policy adopted for these benefits is generally suitable taking into consideration the principles of equity between different generations of members and any material risks which may have a significant impact on the Fund (i.e. a market shock or sudden downturn in investment markets).

6.3. Investment Risk – Impact on Cost to the Employer

There is a risk that investment returns will be lower than assumed and the Employer will need to increase contributions to offset this shortfall. This risk is normally borne by the Employer.

For example, if the assumed future investment return was reduced by 1% pa with no change in other assumptions, then:

(i) the Actuarial Value of Accrued Benefits would increase by $216,000 (Employer funding cost impact $216,000/0.85 = $254,000), with a resulting reduction in the coverage of the Actuarial Value of Accrued Benefits from 97.5% to 93.3% and

(ii) the long term employer contribution rate (the estimated employer cost of future service benefits) would increase from 16.2% to 17.0% of salaries under this scenario.

The actual investment return achieved by the Fund in future may vary (positively or negatively) from the rate assumed at this investigation by much more than the (negative) 1% pa illustrated in the example above.

6.4. Investment Volatility

Approximately 86% of the current vested benefits for defined benefit members are salary based benefits and therefore the Fund's vested benefits coverage is highly sensitive to changes in the investment returns.

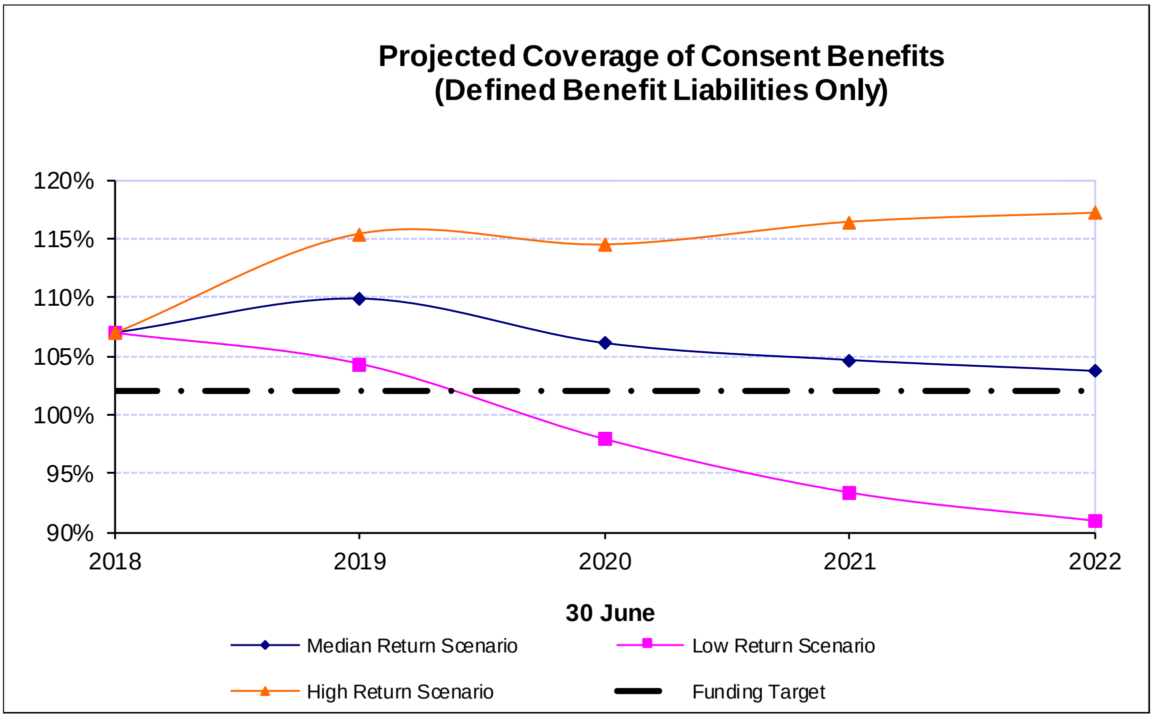
I have considered the impact of investment volatility on the Fund's financial position over the next few years using a "high return" and a "low return" scenario. The returns under both scenarios have been derived from assumptions about the likely risk attached to the Fund's defined benefit investment strategy.

Using the investment return model and assumptions adopted, there is approximately a 10% chance of the Fund's cumulative investment return being less than the "low return" scenario. Similarly, there is approximately only a 10% chance of the Fund's cumulative investment return being greater than the "high return" scenario. Allowance has been included for the actual return on assets of -0.3% during the four months period immediately following 30 June 2018 as well as known membership exits in the same period.

1 July 2018 to 30 June	**Assumed Cumulative Investment Return (%)**		
	"Low Return"	**Valuation**	**"High Return"**
2019	-2.6%	1.6%	5.8%
2020	-2.1%	4.5%	11.4%
2021	-0.4%	7.6%	15.9%
2022	1.7%	10.7%	20.2%
2023	4.0%	13.9%	24.5%

The cumulative investment return is the total return from 1 July 2018 up to 30 June in the year shown. The extent of variation allowed for in these projections reflects the Fund's asset mix and Mercer's views on potential variability in investment results in various investment sectors.

The graph below shows the effect on the projected ratio of assets to Defined Benefit Consent Benefits for defined benefit members under the "high return" and "low return" scenarios, with all other investigation assumptions remaining unchanged.



Based on fluctuations in investment returns only, and assuming other experience is in line with the assumptions adopted for this investigation, there is approximately an 80% chance that the coverage of assets over Defined Benefit Consent Benefits at 30 June 2021 will fall in the range from 93% to 116%.

Please note that the Low Return Scenario and the High Return Scenario shown above are illustrations only, and show what may occur under assumed future experiences which differ from our baseline assumptions. These scenarios do not constitute upper or lower bounds and the actual future coverage of Consent Benefits may differ significantly from the range shown above, depending on actual future experience.

In my view, the Trustee should be satisfied with the expected level of security over the next few years if the Employer contributes at the recommended levels.

However, given the sensitivity of the Fund's financial position to future experience, we recommend that regular monitoring of the Fund's experience and financial position be undertaken to ascertain whether an adjustment to the recommended contribution program is required prior to the next complete investigation.

7

Insurance Policy and Related Risks

The purpose of the insurance policies is to protect the Fund against unexpectedly large payouts on the death or disablement of members.

The "Group Life Insurance" covers risks of Death and Total Permanent Disablement (TPD).

For defined benefit members, the group life sum insured formula currently in use is:

Sum Insured = Death Benefit – Vested Benefit

Based on the formula in use at the investigation date, the 'amount at risk' as at 30 June 2018 for the Fund was as follows.

	Defined Benefit members	**$000**
	Death/Disablement Benefits	[redacted]
less	Sum Insured	[redacted]
less	Assets	[redacted]
	Uncovered Death/Disablement Benefits	[redacted]

The formula has resulted in insurance being more than sufficient to provide full protection. However, the amount of over insurance is not at a level where we consider that a change to the current insurance formula is necessary.

The definition of Total and Permanent Disablement in the policy is also used to establish a member's eligibility for the benefit under the Fund's governing rules, thus avoiding any definition mis-match risk.

For Temporary Disability Benefits, the benefit provisions are entirely matched by the insurance cover provided by a Group Salary Continuance Master Policy with TAL Life ("the insurer"). As such there is no funding gap and any claims or adverse experience will have no immediate financial impact on the Fund. I consider that the Fund's current insurance arrangements are suitable.

7.1. Documentation

The insurance arrangements are underwritten by TAL Life Limited ("the insurer") and outlined in a Group Life Master Policy effective from 1 January 2014 (as amended by subsequent endorsements) and a Group Salary Continuance Master Policy effective from 1 July 2015 between the Trustee and the insurer. The purpose of the insurance policy is to protect the Fund against unexpectedly large payouts on the death or disablement of members.

7.2. Conclusion

I consider that the current group life sum insured formula for defined benefit members remains appropriate and provides adequate protection for the Fund.

8

Other Risks

There are a number of other risks relating to the operation of the Fund. The more significant financial risks, other than investment and insurance risk, relating to the defined benefits are:

8.1. Salary growth risk

The risk is that wages or salaries (on which future benefit amounts will be based) will rise more rapidly than assumed, increasing benefit amounts and thereby requiring additional employer contributions. This risk is borne by the Employer.

For example, if the assumed future salary increase rate was increased by 1% pa with no change in other assumptions, then

(i) the Actuarial Value of Accrued Benefits would increase by $179,000 (Employer funding cost impact $179,000/0.85 = $211,000), with a resulting reduction in the coverage of the Actuarial Value of Accrued Benefits from 97.5% to 94.0%, and

(ii) the long term employer contribution rate (the estimated employer cost of future service benefits would increase from 16.2% to 16.8% of salaries under this scenario.

The actual rate of future salary increases may vary (positively or negatively) from the rate assumed at this investigation by much more than the (positive) 1% pa illustrated in the example above.

8.2. Legislative risk

The risk is that legislative changes could be made which increase the cost of providing the defined benefits – for example an increase in the rate of tax on superannuation funds. This risk is borne by the Employer.

8.3. Small plan risk

This risk relates to supporting a defined benefit plan where there are few remaining defined benefit members meaning the law of averages may no longer apply and the time horizon of the defined benefit liabilities may have become short. Issues that may require consideration include:

(i) Funding may have previously been based on the Defined Benefit Fund continuing in the longer-term, which may no longer hold. Greater focus may be required on the funding of benefits immediately payable to members (eg Defined Benefit Vested Benefits),

(ii) With few remaining members, the experience of a single member or event will have a proportionately larger impact on the financial position. More frequent monitoring of the financial position may be required,

(iii) Contributions required to finance any shortfalls, specifically as a percentage of salary roll of defined benefit members, can become significant,

(iv) The investment strategy may have been set based on the Defined Benefit liabilities continuing in the longer-term, which may no longer hold. The strategy may need to be revised to reflect the shorter term of the liabilities,

(v) Fees in respect of the Fund, particularly relative to the number of defined benefit members and salary roll, can become significant. As defined benefit funds reduce in membership, the actuarial fees may in fact increase as a result of additional monitoring being required and that most actuarial tasks are essentially the same whether there are 1 or 100 defined benefit members. Industry changes such as the SG rate increase can also result in additional fees, and

(vi) The expected wind-down of the remaining defined benefit members.

8.4. Timing of member benefit payments

As the Fund has only a small number of members, the financial position of the Fund is very sensitive to when members decide to leave. The results in this report have been calculated based on the assumption that the members leave the Fund as detailed in Section 10.2.

9

Assets

9.1. Assets

The net market value of the Fund's assets as at 30 June 2018 amounted to $5,469,000 based on the data provided by the Fund's administrator at 30 June 2018. This value excludes assets held to meet the Operational Risk Financial Requirement.

Calculation of Defined Benefit Assets at 30 June 2018	$
Net market value of the Fund's assets as at 30 June 2018	[redacted]
Less accounts for accumulation members	[redacted]
Less accumulation accounts for defined benefit members	[redacted]
Assets to support the defined benefit liabilities of the Fund	[redacted]

9.2. Operational risk reserves

The assets to meet the Trustee's Operational Risk Financial Requirement (ORFR) are held separately to the assets of the Fund.

The scope of this Investigation does not include a review of the adequacy of assets held to meet the Trustee's ORFR or the Trustee's ORFR strategy.

10

Actuarial Assumptions

The ultimate cost to the Employer of providing Fund benefits is:

- the amount of benefits paid out; plus
- the expenses of running the Fund, including tax;

less

- members' contributions; and
- the return on investments.

The ultimate cost to the Employer will not depend on the actuarial investigation assumptions or methods used to determine the recommended Employer contribution rate, but on the actual experience of the Fund. The financing method and actuarial assumptions adopted will however affect the timing of the contribution requirements from the Employer.

The actuarial process includes projections of possible future Fund assets and benefit liabilities on the basis of actuarial assumptions about future experience.

These assumptions include investment returns, salary/wage increases, crediting rates, rates at which members cease service for different reasons, and various other factors affecting the financial position of the Fund.

It is not expected that these assumptions will be precisely borne out in practice, but rather that in combination they will produce a model of possible future experience that is considered a suitable basis for setting contribution rates.

10.1. Economic assumptions

The most significant assumption made in estimating the cost of defined benefits is the difference between:

- the assumed rate of investment earnings; and
- the rate of salary increases used in the projections of future benefit payments.

This difference is commonly referred to as the "gap".

The key economic long term assumptions adopted for this investigation are:

	Assumption
Investment returns (after tax, investment and asset based administration fees)	2.9% p.a.
Crediting rate (after tax, investment and asset based administration fees)	2.9% p.a.
General salary increases	2.5% p.a. for three years from 1 July 2018, 3% p.a. thereafter

The assumption for investment returns is based on the expected long-term investment return for the Fund's investment in the IOOF MultiMix Conservative Trust, calculated using Mercer's assumptions of the means and standard deviations of returns from the various underlying asset classes and the correlations of returns between those asset classes.

The general salary increase assumption is based on long term economic forecasts for future increases in average weekly earnings (AWOTE) and discussions with the Employer.

10.2. Other assumptions

New members

The Fund's defined benefit section is closed to new entrants. No allowance has been made for new members.

Expenses

Administration and management expenses and actuarial consulting fees for defined benefit members are deducted from Fund assets. Based on recent experience, these are assumed to average 1.7% of defined benefit members' salaries.

The net cost of group life and temporary disablement insurance premiums for defined benefit members are also deducted from Fund assets and are assumed to average 0.5% of defined benefit members' salaries.

Administration fees and insurance premiums for accumulation members are deducted from member balances.

Tax

It is assumed that the current tax rate of 15% continues to apply to the Fund's assessable income, along with current tax credits and other concessions.

All future Employer contributions are assumed to be subject to 15% contribution tax, after deduction of any insurance premiums and administration and management costs. All contribution recommendations quoted in this report are gross of contribution tax.

No allowance has been made for:

- Any surcharge liability as members' benefits will be reduced by a surcharge offset account equal to the surcharge payments made, accumulated at the Fund crediting rate. Surcharge was abolished with effect from 1 July 2005.
- Excess contributions tax, as this is payable by the member.
- Additional tax on contributions (including defined benefit notional contributions) for those with incomes above the threshold (currently $250,000), which is also payable by the member.

Death and Disablement in Service

Due to the small number of defined benefit members, no specific allowance is made for the possibility of future decrements due to death and total and permanent disablement, with the estimated insurance premiums included in the expense assumption.

Retirement

It is assumed that Employer consent is granted for early retirement, where required. The rates at which members are assumed to leave the Fund due to retirement are set out below:

Age Last Birthday	Percentage of members age x at beginning of year assumed to leave the Fund during the year on account of early retirement
x	%
55	20
56	10
57	10
58	10
59	10
60	20
61	10
62	10
63	10
64	100

Resignation

Specimen rates at which members are assumed to leave the Fund due to resignation are set out below.

Age Last Birthday	Resignation
x	%
50	1.50
55	1.00
60	0.00
65	0.00

Retrenchment
No specific allowance is made for the possibility of future retrenchments.

10.3. Changes in Assumptions since the Previous Investigation

The assumptions adopted at this investigation are the same as those used in the previous investigation, other than as follows:

Assumption	30 June 2018 investigation	30 June 2015 investigation	Reason for change
Salary Increases	2.5% p.a. for three years from 1 July 2018, 3% p.a. thereafter	3.00% p.a.	Following discussions with the Employer

The overall impact of the changes in assumptions was to:

- decrease the Actuarial Value of Accrued Benefits
- decrease the assessed long-term employer cost of future service benefits.

This decrease in long-term rate, however, has been offset by an allowance for the currently legislated future increases in the Superannuation Guarantee (SG) contribution rate – the next increase is scheduled for 1 July 2021 from the current 9.5% to 10%.

11

The Regulator and Prudential Standards

The regulator (APRA) has issued a number of Prudential Standards for the superannuation industry, including Prudential Standard (SPS 160) relating to the financial management and funding of defined benefit plans. We have commented below on a number of the requirements arising from SPS 160.

11.1. Shortfall Limit

The Trustee must determine a “Shortfall Limit” for each fund, being “the extent to which the fund can be in an unsatisfactory financial position with the Trustee still being able to reasonably expect that, because of corrections to temporary negative market fluctuations in the value of the fund assets, the fund can be restored to a satisfactory financial position within a year”.

We understand that the Fund’s Shortfall Limit, determined by the Trustee on the basis of previous actuarial advice, is 99.2%.

The Shortfall Limit is expressed as a percentage coverage level of defined benefit vested benefits by defined benefit assets and it is appropriate to consider the following when determining if the Shortfall Limit remains appropriate:

- The guidance provided in the Actuaries Institute Information Note: Shortfall Limit in Prudential Standard 160 dated June 2013;
- The investment strategy for defined benefit assets, particularly the benchmark exposure of 30% to “growth” assets;
- The results of this investigation that approximately 86% of the current and projected defined benefit Vested Benefits are salary-based benefits and the current and projected relativity between Vested Benefits and Minimum Requisite Benefits.

Based on the above, we recommend maintaining the current Shortfall Limit.

The projections indicate that the level of Minimum Requisite Benefits is not expected to be a constraint in determining the Shortfall Limit. We will reassess the suitability of the adopted Shortfall Limit as part of the next regular actuarial investigation. The Shortfall Limit should be reviewed earlier if there is a significant change to the investment strategy for defined benefit assets – in particular a change to a more defensive strategy which has a benchmark allocation to “growth” assets of less than 25% - or if the Trustee otherwise considers it appropriate to do so.

11.2. Monitoring Process

SPS 160 also requires the Trustee to determine and implement a process for monitoring the defined benefit Vested Benefits coverage against the Shortfall Limit for each plan. If this monitoring process indicates that defined benefit vested benefits coverage has (or may have) fallen below the Shortfall Limit, then under SPS 160:

- An “Interim Actuarial Investigation” may be required (depending on the timing of the next regular actuarial investigation).
- A Restoration Plan is required to be put in place if an Interim Actuarial Investigation finds the plan has breached its Shortfall Limit. The Restoration Plan must be designed to return the plan to a “satisfactory financial position”, so that the Vested Benefits are fully covered, within a reasonable period that must not exceed 3 years and this must be submitted to APRA.

I recommend that the Trustee regularly monitors the progress of the Fund’s coverage of Consent Benefits to ascertain if an adjustment to the Employer contribution levels is required prior to the next complete investigation. The next review could occur at 30 June 2019.

The Trustee should also continue to monitor the “Notifiable Events” specified in the Fund’s Funding and Solvency Certificate and advise the Actuary should any actual or potential Notifiable Events occur.

11.3. Requirements due to Unsatisfactory Financial Position

11.3.1. Restoration Plan

Under SPS 160, a Restoration Plan is also required to be put in place if the actuary finds in a regular Actuarial Investigation that a plan:

- Is in an unsatisfactory financial position (whether or not the Shortfall Limit has been breached); or
- Is likely to fall into an unsatisfactory financial position.

The Restoration Plan must be designed to return the plan to a “satisfactory financial position”, so that Vested Benefits are fully covered, within a reasonable period that must not exceed 3 years from the investigation date.

An SPS 160 Restoration Plan is not required if the plan is technically insolvent (in which case the insolvency rules must be followed). If an SPS 160 Restoration Plan is already in place then any changes to the contribution program (including its period) must be made within the framework of that Restoration Plan.

As indicated by the financial position and the projections, we consider that:

- The Fund is not in an unsatisfactory financial position; and
- The Fund is not likely to fall into an unsatisfactory financial position.

Hence the special requirements of SPS 160 for funds in an unsatisfactory financial position do not apply at this investigation.

11.3.2. Actuary's Reporting Requirements

Section 130 of the SIS Act requires that if an actuary forms the opinion that a Fund's financial position may be unsatisfactory, or may be about to become unsatisfactory, and that opinion was formed in performing an actuarial function, the actuary must advise both the Trustee and the regulator (APRA) in writing immediately (an unsatisfactory financial position applies where assets are less than Vested Benefits).

These requirements do not currently apply as I am of the opinion that the Fund's financial position is not unsatisfactory (or about to become unsatisfactory).

11.4. Statements Required by SPS 160

This section provides statements required to be made under APRA Prudential Standard SPS 160. Values cited relate to the Fund as a whole (inclusive of all accumulation members and accounts).

(a) The value of the Fund's assets as at 30 June 2018 was $5,469,000. This value excludes assets held to meet the Operational Risk Financial Requirement.

(b) In my opinion, the value of the liabilities of the Fund in respect of accrued benefits as at 30 June 2018 was $5,592,000. Hence I consider that the value of the assets at 30 June 2018 is inadequate to meet the value of the accrued benefit liabilities of the Fund as at 30 June 2018. Taking into account the circumstances of the Fund, the details of the membership and the assets, the benefit structure of the Fund and the industry within which the Employer operates, I consider that the assumptions and valuation methodology used are appropriate in relation to the determination of the accrued benefit liabilities for the purposes of this report. Further comments on the assumptions and valuation methodology are set out in Section 10 of this report. Assuming that the Employer contributes in accordance with my recommendations, then, based on the assumptions made for this actuarial investigation, I expect that assets will remain insufficient to cover the value of accrued liabilities over the period to 30 June 2021.

(c) In my opinion, the value of the liabilities of the Fund in respect of Vested Benefits (as of right) as at 30 June 2018 was $5,083,000. Hence I consider that the value of the assets at 30 June 2018 is adequate to meet the value of the vested benefit liabilities of the Fund as at 30 June 2018. Assuming that the Employer contributes in accordance with my recommendations, then, based on the assumptions made for this actuarial investigation, I expect that assets will remain sufficient to cover the value of vested benefit liabilities over the period to 30 June 2021. Hence I consider that the financial position of the Fund should not be treated as unsatisfactory as defined in SPS 160.

(d) In my opinion, the value of the liabilities of the Fund in respect of the minimum benefits of the members of the Fund as at 30 June 2018 was $5,039,000. Hence the Fund was not technically insolvent at 30 June 2018.

(e) A projection of the likely future financial position of the Fund over the 3-year period following 30 June 2018, based on what I consider to be reasonable expectations for the Fund for the purpose of this projection, is set out in Section 5 of this report.

(f) Based on the results of this investigation, I recommend that the Shortfall Limit be maintained. Comments are set out in Section 11.1 of this report.

(g) In respect of the 3-year period following 30 June 2018, I recommend that the Employer contribute to the Fund at least:

Benefit Category	1 July 2018 – 31 December 2018 (% of member salaries)	1 January 2019 onwards (% of member salaries)
1	14.5% plus deemed or salary sacrifice member contribution of 8.8%	17.5% plus deemed or salary sacrifice member contribution of 8.8%
2	14.5% plus deemed or salary sacrifice member contribution of 8.8%	17.5% plus deemed or salary sacrifice member contribution of 8.8%
4	6.9% plus deemed or salary sacrifice member contribution of 4.7%	6.9% plus deemed or salary sacrifice member contribution of 4.7%
Others (Accumulation basis members)	SG% of Ordinary Time Earnings	

(h) The Fund is used for Superannuation Guarantee purposes:

- all Funding and Solvency Certificates required under Division 9.3 of the SIS Regulations have been issued for the period from the date of the last investigation to 30 June 2018;
- I expect to be able to certify the solvency of the Fund in any Funding and Solvency Certificates that may be required in the three year period from 30 June 2018.

12

Actuarial Certification

12.1. Purpose

I have prepared this report exclusively for the Trustee of the Tully Sugar Superannuation Fund for the following purposes:

- To present the results of an actuarial investigation of the Fund as of 30 June 2018;
- To review Fund experience for the period since the previous actuarial investigation (effective at 30 June 2015);
- To recommend contributions to be made by the Employer intended to allow the Fund to meet its benefit obligations in an orderly manner, and to reach and maintain an appropriate level of security for members' accrued benefit entitlements;
- To satisfy the requirements of the Fund's Trust Deed for actuarial investigations of the Fund's financial position; and
- To meet legislative requirements under relevant Commonwealth superannuation legislation.

It has been prepared in accordance with the requirements of the Trust Deed, the Superannuation Industry (Supervision) Act 1993 and associated regulations (SIS legislation), Prudential Standard SPS 160 issued by APRA and Professional Standard 400 issued by the Actuaries Institute setting out requirements for actuarial investigations of defined benefit superannuation funds under SIS legislation.

The previous actuarial investigation was conducted as at 30 June 2015 by Julie Cook, on behalf of Mercer, and the results are contained in a report dated 29 March 2016.

12.2. Background information of the Fund

The Fund is operated for the benefit of employees of Tully Sugar Limited and is a sub-fund of IOOF Employer Super. The Trustee of IOOF Employer Super, IOOF Investment Management Limited, holds a Registrable Superannuation Entity Licence under the SIS legislation and operates the Fund as required under the Trust Deed.

The Fund is a resident regulated fund and a complying superannuation fund for the purposes of the SIS legislation. The Fund is taxed as a complying superannuation fund.

The advice contained in this report is given in the context of Australian law and practice. No allowance has been made for taxation, accountancy or other requirements in any other country.

12.3. Governing Documents

The governing rules of the Fund are set out in the IOOF Portfolio Services Superannuation Fund trust deed dated 20 June 1994 (as amended). A summary of the main benefit provisions in respect of defined benefit members is set out below. References should be made to the formal governing documents for definitive statements.

12.4. Additional information

Significant events since the investigation date – The recommendations take into account the actual investment return of -0.3% for the four months immediately after 30 June 2018 as well as known exits from the defined benefit membership in the same period. I am not aware of any other significant events that have occurred since 30 June 2018 which would have a material impact on the recommendations in this report.

Next actuarial investigation - Required at a date no later than 30 June 2021. At that time, the adequacy of the Employer contribution levels will be reassessed. Note that the monitoring process recommended may lead to an earlier reassessment ahead of the next full actuarial investigation.

Next Funding and Solvency Certificate – required at least 12 months before the expiry of the current Funding and Solvency Certificate (which expires on 30 June 2020 and is due for replacement by 30 June 2019).

Next Benefit Certificate – required following the expiry of the current Benefit Certificate (which expires 30 June 2023). The current Benefit Certificate is designed to accommodate changes to the legislated Superannuation Guarantee schedule.

12.5. Actuary's certifications

Professional standards and scope

This report has been prepared in accordance with generally accepted actuarial principles, Mercer internal standards, and the relevant Professional Standards of the Actuaries Institute, in particular PS400 which applies to *"...actuarial investigations of the financial condition of wholly or partially funded defined benefit superannuation funds."*

Use of report

This investigation report should not be relied upon for any other purpose or by any party other than the Trustee of the Fund and the Employer who contributes to the Fund. Mercer is not responsible for the consequences of any other use. This report should be considered in its entirety and not distributed in parts.

The advice contained in this report is given in the context of Australian law and practice. No allowance has been made for taxation, accountancy or other requirements in any other country.

Actuarial Uncertainty and Assumptions

An actuarial investigation report contains a snapshot of a Fund's financial condition at a particular point in time, and projections of the Fund's estimated future financial position based on certain assumptions. It does not provide certainty in relation to a Fund's future financial condition or its ability to pay benefits in the future.

Future funding and **actual** costs relating to the Fund are primarily driven by the Fund's benefit design, the **actual** investment returns, the **actual** rate of salary inflation and any discretions exercised by the Trustee or the Employer. The Fund's actuary does not directly control or influence any of these factors in the context of an actuarial investigation.

The Fund's future financial position and the recommended Employer contributions depend on a number of factors, including the amount of benefits the Fund pays, the cause and timing of member withdrawals, Fund expense, the level of taxation and the amount earned on any assets invested to pay the benefits. These amounts and others are uncertain and unknowable at the investigation date, but are predicted to fall within a reasonable range of possibilities.

To prepare this report, assumptions are used to select a single scenario from the range of possibilities. The results of that single scenario are included in this report.

However, the future is uncertain and the Fund's actual experience will differ from those assumptions; these differences may be significant or material. In addition, different assumptions or scenarios may also be within the reasonable range and results based on those assumptions would be different.

Actuarial assumptions may also be changed from one investigation to the next because of mandated requirements, Fund experience, changes in expectations about the future and other factors. We did not perform, and thus do not present, an analysis of the potential range of future possibilities and scenarios.

Because actual Fund experience will differ from the assumptions, decisions about benefit changes, investment policy, funding amounts, benefit security and/or benefit related issues should be made only after careful consideration of alternative future financial conditions and scenarios, and not solely on the basis of a set of investigation results.

Data and Fund Provisions

To prepare this report, we have relied on financial and participant data provided by the Fund's administrator. The data used is summarised in this report. We have reviewed the financial and participant data for internal consistency and general reasonableness and believe it is suitable for the purpose of this report. We have not verified or audited any of the data or information provided. We have also relied upon the documents, including amendments, governing the Fund as provided by the Trustee. The Trustee is ultimately responsible for the validity, accuracy and comprehensiveness of this information. If the data or Fund provisions are not accurate and complete, the investigation results may differ significantly from the results that would be obtained with accurate and complete information; this may require a revision of this report.

Further Information

If requested, the actuary is available to provide any supplementary information and explanation about the actuarial investigation.

Prepared by

....

Mark Nelson
Fellow of the Institute of Actuaries of Australia

23 November 2018

I have reviewed this report under Mercer's professional Peer Review Policy. I am satisfied that it complies with applicable professional standards and uses assumptions and methods which are suitable for the purpose.

....

David Scott
Fellow of the Institute of Actuaries of Australia

APPENDIX A

Membership Information

The membership of the defined benefit section has changed since 30 June 2015 as follows:

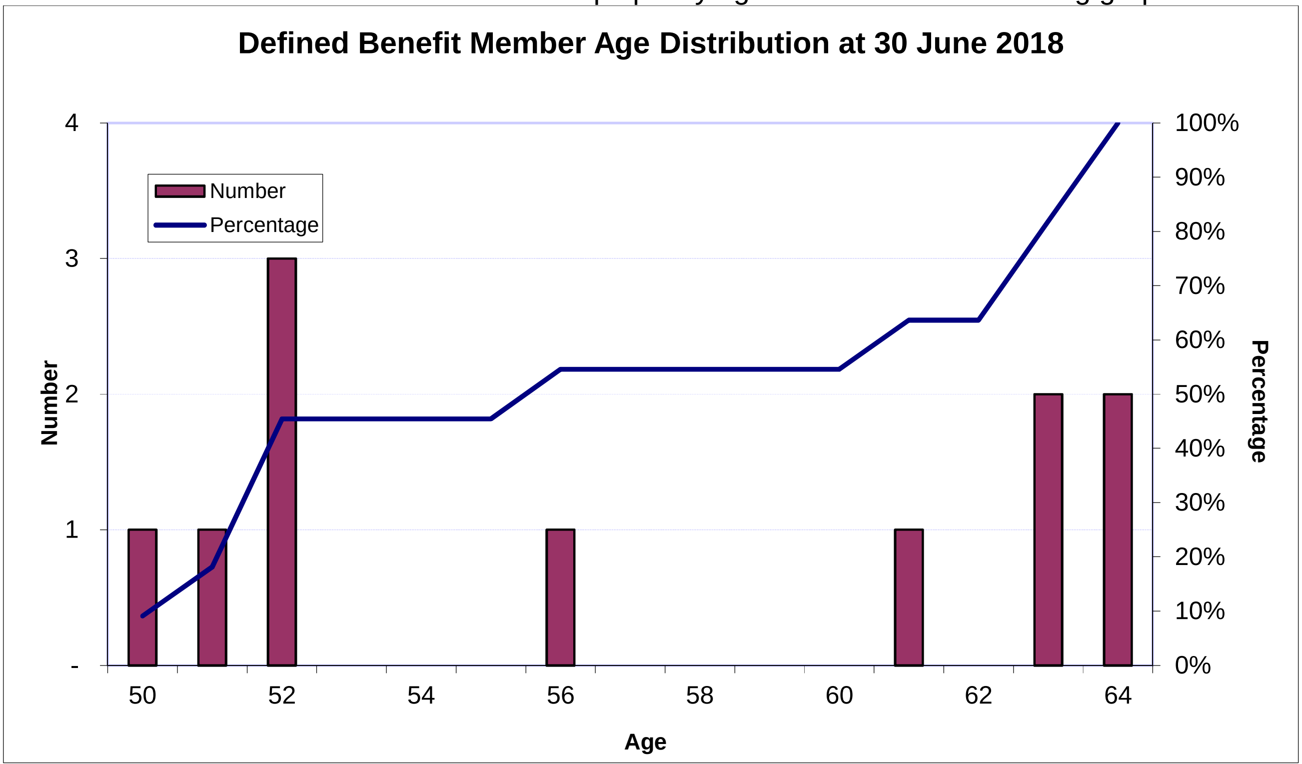
Active members at 30 June 2015	17
Exits	6
New Entrants	0
Active members at 30 June 2018	11
Total salaries at 30 June 2018	$1,309,000
Average salaries at 30 June 2018	$119,000
Average age at 30 June 2018	57.7 years

In addition, there was 1 member at 30 June 2018 whose benefits are determined wholly on a defined contributions (or 'accumulation') basis.

The membership data used for this investigation was provided by the Fund administrator. I have carried out some broad "reasonableness" checks on the data and I am satisfied with the quality of the data and its suitability for this purpose.

A.1. Active defined benefit member age profile

The 30 June 2018 defined benefit membership split by age is shown in the following graph:



APPENDIX B

Fund Design

B.1. Summary of benefits

A summary of the main benefit provisions in respect of defined benefit members is set out below. Reference should be made to the formal governing documents for definitive statements.

Members' Contributions (% of salary)	Category 1 and 2: At a rate of 7.5% of after tax salaries or 8.823% at pre-tax salaries Category 4: Deemed at a rate of 4.0% of salaries (requiring a rate of 4.7% on a pre-tax basis)
Accrual Rate	Category 1 and 2: 17.5% for each year of membership to the date member leaves the Fund Category 4: 3.75% for each year of membership prior to 1 June 1971 7.5% for each year of membership from 1 June 1971 to 31 May 1986, and 8.5% for each year of membership after 31 May 1986
Final Average Salary (FAS)	Average of the annual salary at the last 3 annual review dates
Normal Retirement Age	65
Early Retirement Age	55, with Employer consent
Member Basic Account	Accumulation with investment earnings of actual or deemed (net of tax) member contributions
Member Contribution Account	Accumulation of actual or deemed (net of tax) deemed member contributions
Vesting Factor	10% for each completed year of membership in excess of 5 years (maximum 100%)
Member Voluntary Account	Accumulation with investment earnings of voluntary member contributions, less tax (where applicable)
Employer Voluntary Account	Accumulation with investment earnings of voluntary employer contributions, less tax (where applicable)
Surcharge Account	Accumulation with investment earnings of any surcharge tax assessments

Normal Retirement Benefit	Accrual Rate x Membership x FAS; *plus* Voluntary Member Account *plus* Voluntary Employer Account *less* Surcharge Account
Death/Total and Permanent Disability Benefit	A lump sum calculated as if the member had retired at age 65, but assuming salary remains unchanged; *plus* Voluntary Member Account *plus* Voluntary Employer Account *less* Surcharge Account
Temporary Disability Income Benefit	75% of Declared Earned Income up to a maximum of $25,000 per month.
Resignation Benefit	Category 1 and 2: Less than 5 years of membership: Member Basic Account *plus* Voluntary Member Account *plus* Voluntary Employer Account *less* Surcharge Account 5 or more years of membership: twice Member Contribution Account *plus* Voluntary Member Account *plus* Voluntary Employer Account *less* Surcharge Account Category 4: Member Basic Account * (1+ Vesting Factor) *plus* Voluntary Member Account *plus* Voluntary Employer Account *less* Surcharge Account
Retrenchment Benefit	Member's share of Fund as determined by the actuary

The table below indicates the material discretions available to the Trustee and Employer and the member options specified within the Fund's legal documents, to the extent that these affect benefits. The table also shows the general prevalence of the past exercise of discretions and the options chosen by the members. Please note that past exercises of discretions should not be viewed as precedents which would constrain any future decisions.

Trustee and Employer Discretions	
Description and Deed Reference	**Historical Prevalence**
Early retirement with consent of Employer from age 55	Consent has been given in past cases
Member Options	
Description and Deed Reference	**Historical Prevalence**
None	None

Benefits on leaving service for any reason are subject to a minimum Superannuation Guarantee benefit described in the Fund's Benefit Certificate.

B.2. The Superannuation Guarantee (Administration) Act 1992

This Act requires employers to provide minimum superannuation benefits that are fully vested in their employees within a complying superannuation fund.

The contribution rates recommended in this report and the projected financial positions allow for benefits being augmented as necessary to meet the minimum Superannuation Guarantee (SG) benefit described in the Fund’s current Benefit Certificate.

Legislation was passed in September 2014 to freeze the SG rate at 9.5% until 1 July 2021. The SG rate will then increase by 0.5% pa until it reaches 12% from 1 July 2025.

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