MERCER

Report to the Trustee on the Actuarial Investigation as at 30 June 2020

Isis Central Sugar Mill Company Limited Superannuation Fund

(a plan in IOOF Employer Super)

6 November 2020

welcome to brighter

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Key Results and Recommendations

This report on the actuarial investigation of the Isis Central Sugar Mill Company Limited Superannuation Fund (the Fund) as at 30 June 2020 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(s) who contribute(s) to the Fund. The Employer(s) may consider obtaining separate actuarial advice on the recommendations contained in the report.

Change in Financial Position

The following table summarises the Fund's financial position, at both this and the previous actuarial investigation.

	Position at 30 June 2020		Position at 30 June 2017**
Defined Benefits Only*	$000	Asset Coverage	Asset Coverage
Assets	[redacted]		
Liability for Vested Benefits	[redacted]	[redacted]	[redacted]
Liability for Actuarial Value of Accrued Benefits	[redacted]	[redacted]	[redacted]
Liability for SG Minimum Benefits	[redacted]	[redacted]	[redacted]

*The above totals exclude accumulation liabilities o[redacted] and additional accumulation balances for defined benefit members of [redacted] as at 30 June 2020.

** The coverage levels as at 30 June 2017 in the 2017 investigation report were higher than shown above, as the liability measures were understated.

The vested benefit coverage level at 30 June 2020 is similar to that at the previous actuarial investigation. The negative impact of employer contributions paid at a rate below the cost of the benefits that accrued and expense incurred over the period has been offset by:

- higher than expected investment earnings (4.7% p.a. compared with 4.5% p.a. assumed);
- lower than expected salary increases (2.8% p.a. compared with 3.0% p.a. assumed); and
- the reduction in the number of members from 18 to 11, which has had the effect of spreading the surplus over a smaller membership base.

Whilst the ratio of assets to vested benefits has not changed, the excess of assets over vested benefits has reduced by approximately [redacted]

There was a decrease in the gap between the assumed rate of investment earnings and the rate of salary increases for Staff (Category 2 and 3) members used to determine the Actuarial Value of Accrued Benefits from 1.5% p.a. to 1.0% p.a. This has decreased the coverage of assets over the liability for Actuarial Value of Accrued Benefits.

Recommended Contribution Rates and Projections

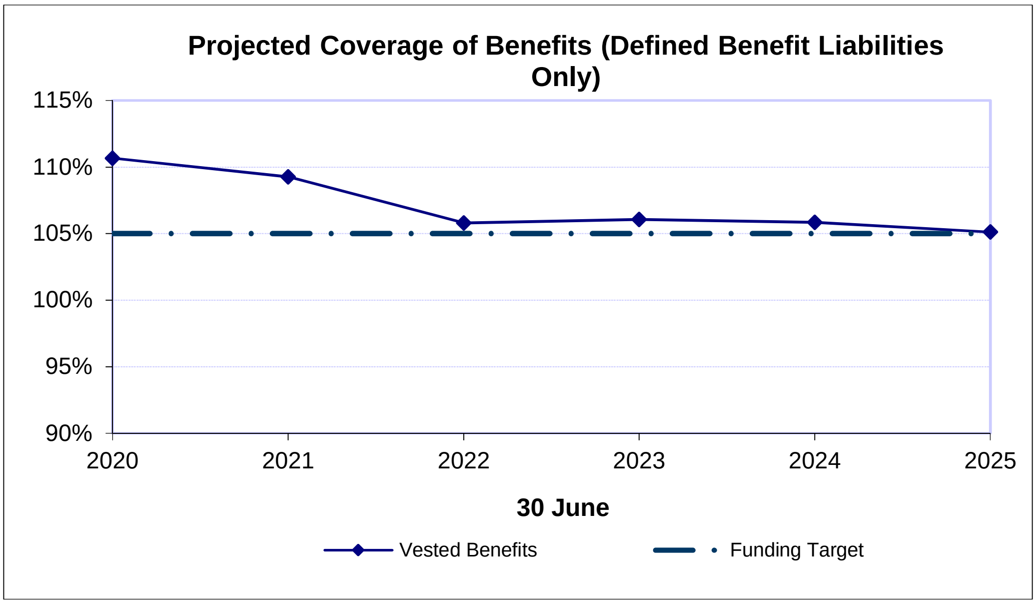
At 30 June 2020, the Fund was in a satisfactory financial position. The 110.7% coverage of the Defined Benefit Vested Benefits was also above the financing objective of 105% coverage adopted for this investigation.

Based on the financial position at 30 June 2020, I recommend that the Employer contributes to the Fund in accordance with the following contribution program:

Benefit Category	Contribution Rate (% of Salaries)
2	Nil, increasing to 12% from 1 July 2022; plus 7.1% deemed member contributions
3	Nil, increasing to12% from 1 July 2022; plus 5.9% deemed member contributions
5	Nil, increasing to 12% from 1 July 2022
2/3/5	Any additional employer contributions agreed between the Employer and a member (e.g. additional salary sacrifice contributions).
Accumulation Members	At the required rate (currently 9.5% of Ordinary Time Earnings) or such lesser amount as required to meet the Employer's obligations under Superannuation Guarantee legislation or employment agreements. Any additional employer contributions agreed between the Employer and a member (e.g. additional salary sacrifice contributions).

The recommended contribution program is expected, on the basis of the actuarial assumptions adopted for this investigation, to result in the Fund continuing to meet its financing objective at 30 June 2023.

Based on the assumptions adopted for this investigation and the recommended contribution rates, and allowing for any material experience after the investigation date as detailed in this report, I 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 105% of Defined Benefit Vested Benefits (which is the financing objective adopted in this investigation) over the period to 30 June 2023.

Risks

The Trustee should note that the above projection is based on the assumptions adopted, which represent a single scenario from a range of possibilities. The future is uncertain and the Fund's actual experience will differ from these 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. However, the coverage ratios should be reviewed by the Fund actuary at least once every year and more regularly by the Trustee. The Trustee's monitoring of the experience specified in the Notifiable Events section of the Funding and Solvency Certificate will provide a further means of identifying adverse experience which warrants an immediate review of the Fund's financial position.

Sections 7 and 8 provide illustrations of the impact of investment volatility on the projected coverage of Vested Benefits and shows that a 1% pa reduction in the assumed future investment return would result in a 5.0% increase in the assessed value of liabilities.

Sections 8 and 9 discuss other risks associated with the liabilities, including longevity risk, small plan and expense risk, legislative risk and the risks associated with the current valuation method whereby it is assumed that the Fund will continue, with the current investment policy and the ongoing support of the Employer sponsor.

Other Findings and Recommendations

Suitability of Policies

I am satisfied that the following current policies for the defined benefit section of the Fund are suitable:

- The investment policy for the defined benefit section of the Fund is suitable.
- The crediting rate 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 Trustee's process for monitoring the Fund's financial position is suitable

Recommendations

I recommend that the Shortfall Limit be increased to 97.6%.

Actions Required by the Trustee

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.

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Introduction

Background of the Fund

The Fund is operated for the benefit of employees of Isis Central Sugar Mill Company Limited and is a part of IOOF Employer Super. The Trustee of the Fund, IOOF Investment Management Limited, holds a Registrable Superannuation Entity Licence under the SIS legislation and operates the Fund as required under the Trust Deed.

Defined benefit members of the Fund receive lump sum defined benefits on retirement, death or disablement. Appendix A provides a high level summary of the benefits provided.

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.

The governing rules of the Fund are set out in the IOOF Portfolio Services Superannuation Fund trust deed dated 20 June 1994 (as amended).

Purpose

I have prepared this report exclusively for the Trustee of the Isis Central Sugar Mill Company Limited Superannuation Fund for the following purposes:

- To present the results of an actuarial investigation of the Fund as at 30 June 2020;
- To review Fund experience for the period since the previous actuarial investigation as at 30 June 2017;
- 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 2017 by Stuart Mules, on behalf of Mercer, and the results are contained in a report dated 28 November 2017.

Significant Events since the Investigation Date

One member whose vested benefit represented approximately 20% of total vested benefits as at 30 June 2020 exited the Fund in July. We have allowed for this in the projection of the Fund's assets and liabilities. We not aware of any other significant events that have occurred since 30 June 2020 which would have a material impact on the recommendations in this report.

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Experience since the Last Review

Membership

The membership of the defined benefit section has changed since 30 June 2017 as follows:

Active members at 30 June 2017	18*
Exits	7
New Entrants	0
Active members at 30 June 2020	11

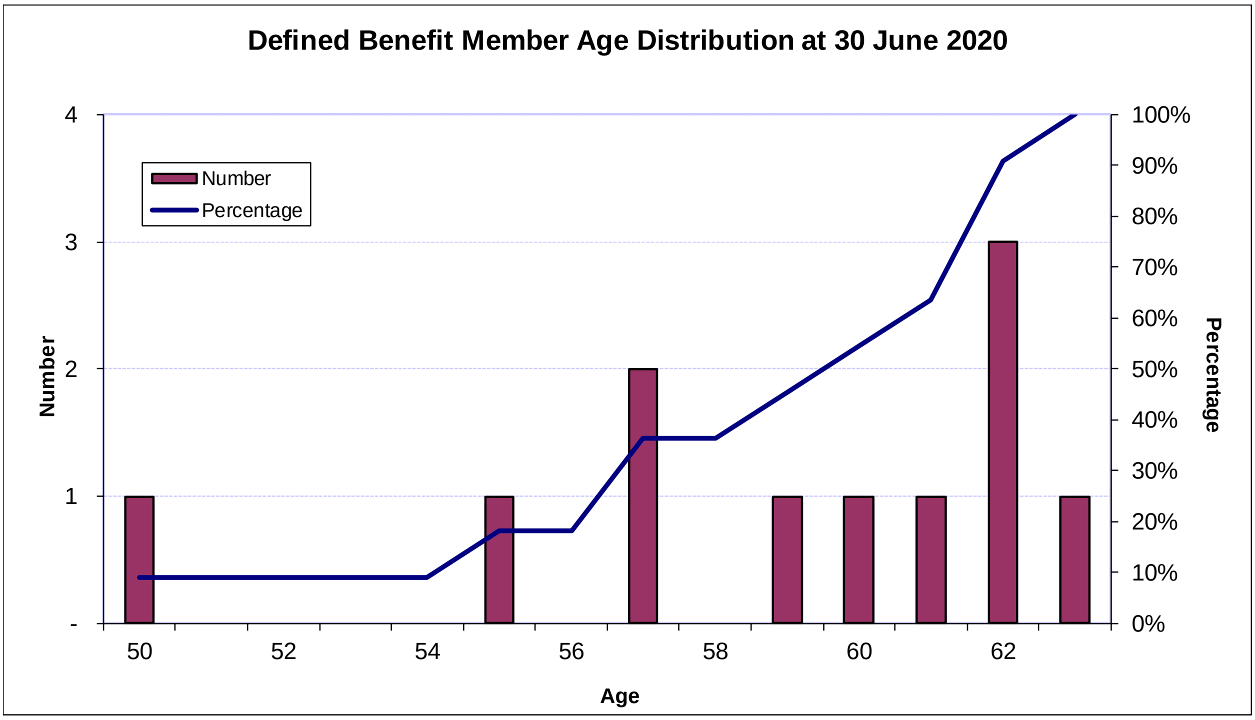
Total salaries at 30 June 2020	[redacted]
Average salaries at 30 June 2020	[redacted]
Average age at 30 June 2020	59.3 years

* including a member who exited shortly after 30 June 2017 and who was excluded from the number of members reported in the 2017 investigation report

In addition, there were five members at 30 June 2020 with total benefits of [redacted] whose benefits are determined wholly on a defined contributions (or 'accumulation') basis.

During the period under review the number of defined benefit members within the Fund decreased from 18 to 11 members and the decrease was more than assumed. This means that the surplus assets are spread over a smaller number of members and the coverage of the benefit liabilities (when expressed as a percentage) increases accordingly.

The defined benefit membership split by age as at the 30 June 2020 is shown in the following graph:



Investment Returns

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

Year Ending	Investment Return (pa)	Crediting Rate (pa)
30 June 2018	8.0%	8.0%
30 June 2019	5.2%	5.2%
30 June 2020	1.1%	1.1%
Compound Average	**4.7%**	**4.7%**

The average investment return for the three year period to 30 June 2020 was 4.7% p.a. compared to our long term assumption at the last actuarial investigation of 4.5% p.a. The slightly higher return than assumed had a positive impact on the Fund's financial position.

Salary Increases

Salaries for the current defined benefit members increased by an average of 2.8% pa over the period compared to our longer term assumption at the last actuarial investigation of 3.0% pa. The lower salary increases than assumed had a positive impact on the Fund's financial position, as most of the Fund's liabilities are salary related.

Contributions

The Employer contributions paid since the date of the previous actuarial investigation were as follows:

Benefit Category	Contributions Rate (% salary)
2	12% decreasing to nil from 1 January 2018 plus 7.1% deemed member contributions
3	12% decreasing to nil from 1 January 2018 plus 5.9% deemed member contributions
5	15% decreasing to nil from 1 January 2018
2/3/5	Any additional employer contributions agreed between the Employer and a member (e.g. additional salary sacrifice contributions).
Accumulation members	At the required rate (currently 9.5% of Ordinary Time Earnings) or such lesser amount as required to meet the Employer's obligations under Superannuation Guarantee legislation or employment agreements. Any additional employer contributions agreed between the Employer and a member (e.g. additional salary sacrifice contributions).

The Employer contributions paid over the review period were lower than the long term Employer contribution rate (i.e. the estimated employer cost of future service benefits), which had a negative impact on the Fund's financial position. The contributions paid were in line with recommendations.

Impact of the Experience on the Financial Position

The main experience items affecting the Fund's financial position during the period from 30 June 2017 to 30 June 2020 were as follows:

Item	Assumption at previous review	Fund experience	Comment on effect
Investment returns	4.5% p.a.	4.7% p.a.	Positive effect – investments grew at a higher rate than assumed
Salary increases	3.0% p.a.	2.8% p.a.	Positive effect – benefit liabilities grew at a lower rate than assumed
Membership changes		7 exits	Positive effect on coverage ratios - surplus assets are spread over a smaller number of members
Employer contributions		Nil from 1 January 2018	Negative effect – lower than cost of benefits accruing and expenses incurred

The overall impact of this experience was a reduction in the excess of the Fund's assets to vested benefits of approximately $250,000 as at 30 June 2020, but there was no reduction in the ratio of assets to vested benefits due to the reduction in membership.

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Actuarial Assumptions

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

- the amount of benefits paid out; and
- 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 assumptions or methods used to determine the recommended Employer contribution, 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, the 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.

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)#	3.5% p.a.
General salary increases	2.0% p.a. for Wages (Category 5) members and 2.5% p.a. for Staff (Category 2/3) members

The assumption for investment returns is based on the expected long-term investment return for the Fund's benchmark investment mix, 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.

Demographic Assumptions

It is assumed that all members will remain in service until normal retirement age.

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 costs, management expenses and consulting fees plus the net cost of group life insurance for defined benefit members are deducted from Fund assets. These are assumed to average 3.0% of defined benefit members' salaries (for group life and income protection insurance costs) plus $20,000 per annum indexed at 3% per annum (for consulting and other fees).

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 deductions.

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 contributions 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.

Impact of the Changes in Assumptions

The following table sets out changes in assumptions from those used in the previous investigation and the reasons for the changes:

Assumption	Investigation at 30 June 2020	Investigation at 30 June 2017	Reason for change
Investment Returns (after tax, asset-based administration fees and investment fees.)	3.5% p.a.	4.5% p.a.	Expected return based on Mercer's latest investment return model allowing for changes in the investment strategy and therefore changes in the exposure to growth assets, investment and asset based fees.
Salary Growth Rate	2.0% p.a. for Wages (Category 5) members and 2.5% p.a. for Staff (Category 2/3) members	3.0% p.a. for all members	Following discussions with the Employer

The overall impact of the changes in assumptions was to:

- increase the Actuarial Value of Accrued Benefits by $137,000; and
- increase the assessed long-term employer cost of future service benefits by 0.5% of salaries from 16.3% to 16.8%.

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Assets

Market Value

The net market value of the Fund's assets as at 30 June 2020 amounted to $8,430,000 (based on the data provided by the Fund's administrator at 30 June 2020). This value excludes assets held to meet the Operational Risk Financial Requirement.

Calculation of Defined Benefits Assets at 30 June 2020	
Net market value of the Fund's assets as at 30 June 2020	[redacted]
Less accounts for accumulation members	[redacted]
Less accumulation accounts for defined benefit members	[redacted]
Net assets to support the defined benefit liabilities of the Fund	[redacted]

Operational Risk Reserves

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

Investment Policy

Assets backing defined benefit liabilities

The Fund's investment strategy for assets supporting defined benefit liabilities is the IOOF MultiMix Moderate Trust option, which has a benchmark 55% exposure to 'growth' assets such as shares and property and a benchmark 45% exposure to 'defensive' assets such as cash and fixed interest. '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.

The actual and strategic asset allocation for the assets in the Moderate Trust option supporting the defined benefit liabilities at the investigation date are as follows:

Asset Class	Actual Allocation as at 30 June 2020 (Moderate Trust Option)	Strategic Asset Allocation (Moderate Trust Option)
Australian equities	16%	18%
Overseas equities	22%	22%
Property	10%	10%
Alternative growth	5%	5%
Total growth	**53%**	**55%**
Fixed interest	31%	33%
Alternative defensive	7%	7%
Cash	9%	5%
Total defensive	**47%**	**45%**
Total	**100%**	**100%**

During the period since the last investigation, the Trustee transferred [redacted] of assets into the IOOF MultiMix Cash Enhanced Trust at the request of the Employer to cover expected upcoming benefit payments. At 30 June 2020 approximately 15-20% of the defined benefit assets were still held in the IOOF MultiMix Cash Enhanced Trust and a cash account for payment of the benefit entitlement of a member who ceased service in July 2020. Taking into account these assets, the overall actual asset allocation of the defined benefit assets at 30 June 2020 are as follows:

Asset Class	Actual Allocation as at 30 June 2020 (Total Defined Benefit Assets)
Australian equities	13%
Overseas equities	18%
Property	9%
Alternative growth	4%
Total growth	**44%**
Fixed interest	25%
Alternative defensive	6%
Cash	25%
Total defensive	**56%**
Total	**100%**

After payment of the benefit in July 2020, the actual allocation of Fund assets is consistent with the allocation of the Moderate Trust option outlined above.

The defined benefit liabilities (other than the resignation benefit and the SG minimum benefit for Category 5 members) are not affected by the investment return on the Fund's assets. 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, the majority of the defined benefit assets will need to be redeemed over the next ten years as ten of the eleven members at 30 June 2020 will reach normal retirement age. As described above, the Trustee has in the past transferred defined benefit assets into cash at the request of the Employer in anticipation of known benefit payments. We recommend that this process continues to protect the Fund against market falls in the period leading up to the expected benefit payment dates.

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

I am satisfied that the current investment strategy (the Moderate Trust option) is appropriate for those defined benefit assets not set aside in a cash investment, in view of the Fund's cash flows and the financial support provided by the Employer.

This conclusion takes into account my understanding that the Employer understands the possible variability in future contributions associated with the current investment policy. If the Employer has a different view, then this policy should be reviewed.

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 fully 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.

Crediting Rate Policy

Defined Benefits

The main features of the crediting policy in relation to defined benefits 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 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.

- 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.

Accumulation Benefits

The main features of the unit pricing and crediting rate policy in relation to accumulation member accounts and to the additional accumulation accounts of defined benefit members are summarised briefly below:

- Earnings credited to the accounts are based on the actual net earning rates (i.e. earnings net of investment costs, asset-based administration fees and provisions for tax) of the members' selected investment options. Net earnings are allocated via changes in unit prices. Unit prices are determined on a daily basis. Rules relating to the prices at which units are bought and sold are designed to prevent selection against the Fund by members.

- Termination of service does not result in any automatic change in a member's investment options. Member accounts remain invested in their selected investment options until paid.

- No investment reserves are held. Net investment earnings are fully passed on to member accounts via unit prices.

Documentation

The Fund's crediting and unit pricing policies and related procedures are set out in a policy document dated September 2019 and May 2018 respectively.

Conclusion

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

Based on a review of the main features, we consider that the unit pricing and crediting policy 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).

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The Actuarial Approach

Financing Objective

The financing objective adopted for this investigation is to maintain the value of the Fund's assets at least equal to:

- 100% of accumulation account balances plus
- 105% of Defined Benefit Vested Benefits over the period to the next investigation.

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.

I consider the target margin of 105% is appropriate.

Based on the assumptions adopted for this investigation, achieving the financing objective of 105% of Vested Benefits for defined benefit members would also result in at least 100% coverage of the Actuarial Value of Accrued Benefits and a satisfactory margin of coverage over 100% of SG Minimum Benefits. Hence, it is not considered necessary to adopt specific financing objectives in relation to these benefit liability measures.

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 objective has been set on the basis that members' reasonable expectations on termination would be to receive their vested benefit entitlement.

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.

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, which was also used at the previous investigation.

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 objective.

Changes in Financing Method

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

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Financial Position of the Fund

Funding Status

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 2020, the Fund assets represented 110.7% of the Defined Benefit Vested Benefits and hence the Fund was considered to be in a “satisfactory financial position” under SIS legislation. The 110.7% coverage of the Defined Benefit Vested Benefits was above the financing objective of 105% coverage adopted for this investigation.

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).

The Fund assets at 30 June 2020 were 229.0% of defined benefit MRBs and hence the Fund was considered to be “solvent“ under SIS legislation.

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 the actuarial assumptions and method outlined in the previous sections. In determining the value, I have not applied a minimum of the vested benefits. Further details concerning the calculation of the Actuarial Value of Accrued Benefits are set out in Appendix C.

The Fund Assets as 30 June 2020 represented 113.6% of the Actuarial Value of Accrued Defined Benefits.

The following table shows these funding measures at both the previous and current valuation dates.

	Position at 30 June 2020		Coverage at 30 June 2017**
Defined Benefits Only*	$000	Asset Coverage	Asset Coverage
Assets	[redacted]		
Liability for Vested Benefits	[redacted]	110.7%	111%
Liability for Actuarial Value of Accrued Benefits	[redacted]	113.6%	118%
Liability for SG Minimum Benefits	[redacted]	229.0%	246%

*The above totals exclude accumulation liabilities of [redacted] and additional accumulation balances for defined benefit members of [redacted]0 as at 30 June 2020.
** The coverage levels as at 30 June 2017 in the 2017 investigation report were higher than shown above, as the liability measures were understated

The vested benefit coverage level at 30 June 2020 was similar to the level at the previous actuarial investigation, whilst the coverage of the Actuarial Value of Accrued Benefits fell, due to:

- The overall neutral experience discussed in Section 3; and
- The changes in the actuarial assumptions resulting in an increase in the actuarial value of the accrued benefits as discussed in Section 4 of this report.

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 2	18.7%
Category 3	16.6%
Category 5	9.0%

An average rate for current members is 16.8% of salaries. This rate excludes the deemed contributions for Category 2 and 3 members.

The Employer's long-term defined benefit funding cost above includes expected premiums of 3.0% of DB salaries (but not expected expenses of $20,000 pa), and includes allowance for contributions tax.

The assessed long-term costs for future service have increased by 1.1% of salaries since the last investigation due to:

- a reduction in the gap between the assumed rate of investment earnings and the rate of salary increases (referred to as the "gap") for Staff (Category 2 and 3) members from 1.5% p.a. to 1.0% p.a.;
- a change in the membership profile of the Fund.

Previous Recommendation

The previous actuarial investigation recommended employer contributions of 12% of defined benefit members' salaries until 31 December 2017 and nil thereafter (plus deemed member contributions), which were paid.

Recommended Contributions

Based on the Trustee's financing objective described above and the results of this investigation, I recommend that the Employer contributes in accordance with the following program:

Benefit Category	Contribution Rate (% of Salaries)
2	Nil, increasing to 12% from 1 July 2022; plus 7.1% deemed member contributions
3	Nil, increasing to12% from 1 July 2022; plus 5.9% deemed member contributions
5	Nil, increasing to 12% from 1 July 2022
2/3/5	Any additional employer contributions agreed between the Employer and a member (e.g. additional salary sacrifice contributions).
Accumulation Members	At the required rate (currently 9.5% of Ordinary Time Earnings) or such lesser amount as required to meet the Employer's obligations under Superannuation Guarantee legislation or employment agreements. Any additional employer contributions agreed between the Employer and a member (e.g. additional salary sacrifice contributions).

This recommended program represents change from the current contribution rate primarily due to the Fund's experience discussed above.

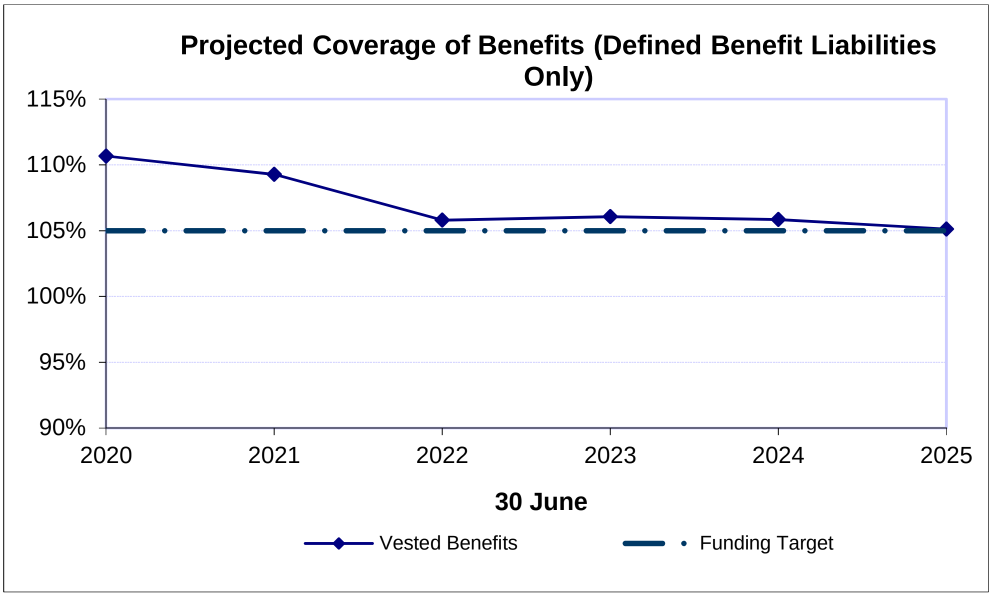
In practice, it is likely to be necessary to vary the Employer contributions at some point in the future to achieve the Trustee's financing objective.

Projected Financial Position

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

- the actuarial assumptions adopted for this investigation;
- assuming that the Employer contributes on the basis as recommended as above.

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.

The projection above shows that the recommended contributions are anticipated to result in assets of at least 105% of Defined Benefit Vested Benefits (which represents the financing objective adopted in this investigation) over the period to 30 June 2023.

The Fund is therefore projected to be in a satisfactory financial position over the period to 30 June 2023.

Sensitivity Analysis

We have tested the effect of changes to the key assumptions on the value of liabilities and the Fund's net financial position.

The liabilities shown in this report have been calculated using our best estimate assumptions for investment return (3.5% per annum) and salary growth (2% per annum for Wages/Category 5 members and 2.5% per annum for all others). As both future investment returns and future salary increases are unknown, it is almost certain that actual experience will differ from these assumptions.

It is the difference between the investment return rate and salary growth rate (commonly referred to as the 'gap') that is crucial rather than the individual assumptions, because the value of the assets move with investment returns while most of your defined benefit liabilities grow with salaries.

To quantify the sensitivity of the excess of Fund assets over the Actuarial Value of Accrued Benefits (the net financial position) to our assumptions, we have calculated the change in liability based on the following scenarios:

- Decrease the long term investment return assumption by 1% pa;
- Increase the salary growth assumption by 1% pa;

All other assumptions, including the Employer contribution rates, are assumed to remaining the same.

The effects of these changes are shown below:

Scenario	Net financial position as at 30 June 2020 ($000)	Change in net financial position ($000)
Base assumptions as shown previously	[redacted]	
Decrease investment return by 1% pa	[redacted]	[redacted]
Increase salary increase by 1% pa	[redacted]	[redacted]

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Key Risks

Investment Volatility

Approximately 90% of the current vested benefits for defined benefit members are linked to salaries and not linked to investment returns. 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 over the next 6 years. Similarly, there is approximately only a 10% chance of the Fund's cumulative investment return being greater than the "high return" scenario over the next 6 years.

The cumulative investment returns as at 30 June 2026 under the "low return" and "high return" scenarios are 7.5% and 48.4% respectively (equivalent to 1.2% and 6.8% per annum respectively). 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 Vested Benefits at 30 June 2026 will fall in the range from 89% to 135%.

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 that differ from our baseline assumptions. These scenarios do not constitute upper or lower bounds and the actual future coverage of Vested Benefits may differ significantly from the range shown above, depending on actual future experience. In fact, there is a 1 in 20 chance that the investment return could be less than minus 10.4% in any year based on the current Fund asset allocation.

In my view, the Trustee should be satisfied with the expected level of security.

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 the Fund's net financial position would deteriorate from an excess of $720,000 to an excess of $494,000 as shown in the table in Section 7.

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.

Legislative Risk

This risk is that the Commonwealth Government could make legislative changes that 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 and is a real risk in the post COVID-19 environment.

COVID-19 Risks

The COVID-19 pandemic had a significant impact on investment markets in the quarter ending 31 March 2020, which has been taken into account in assessing the Fund's financial position at the investigation date. It is not clear what, if any, impact COVID-19 will have in the medium to long term. We have therefore not made any specific allowance for the future impact of COVID-19 in the investigation, but any impact on investment markets and the Fund's financial position will continue to be monitored over the period to the next investigation.

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 no longer applies 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. Therefore greater focus is required on the funding of benefits immediately payable to members (e.g. 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. Therefore more frequent monitoring of the financial position will 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. Therefore 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. Most actuarial tasks are essentially the same whether there are one or 100 defined benefit members. As defined benefit funds reduce in membership, the actuarial fees may, in fact, increase because of additional monitoring being required. 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.

The Fund's Risk Management Statement and Risk Management Plan should identify a full range of risks faced by the Trustee.

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Insurance and Related Risks

Insurance

The Fund is not permitted to self-insure.

For accumulation members, death and lump sum total and permanent disablement (TPD) insurance cover in excess of total account balances are fully insured.

For defined benefit members, the group life sum insured formula currently in use is:
Sum Insured = Future Service x Accrual Rate x Salary

The total amount insured should cover the excess of the death/TPD benefits over the Fund's assets, unless there is a funding shortfall. Based on the formula in use at the investigation date, the coverage of death/TPD risk as at 30 June 2020 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.

For temporary disability benefits, the benefit provisions are insured. Where the benefits are entirely matched by the insurance policy, there is no funding gap and any claims or adverse experience will have no immediate financial impact on the Fund.

In my opinion, the current group life insurance arrangements, including the sum insured formula for defined benefit members, are appropriate and provide adequate protection for the Fund.

Documentation

The death, TPD and temporary disability insurance arrangements are underwritten by TAL Life Limited ("the insurer") and outlined in a Group Life Policy and a Group Salary Continuance Policy, both amended with effect from 1 July 2020, 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.

10

Prudential Standards

The prudential 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 several requirements arising from SPS 160.

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 97%.

The Shortfall Limit is expressed as the coverage level of the defined benefits vested benefits by the defined benefit assets. It is appropriate to consider the following factors when determining if the Shortfall Limit remains appropriate:

- The guidance provided in the relevant Actuaries Institute Information Note: Shortfall Limit in Prudential Standard 160 dated June 2013;
- The investment strategy for defined benefit assets, particularly the overall benchmark exposure of 55% to "growth" assets;
- The results of this investigation regarding the extent to which the current and projected Vested Benefits are not linked to the investment return on defined benefit assets (i.e. salary-based benefits) and the current and projected relativity between Vested Benefits and Minimum Requisite Benefits.

Based on the above, we recommend updating the current Shortfall Limit to 97.6%.

The projections also 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 35% - or if the Trustee otherwise considers it appropriate to do so.

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 the 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.

We recommend that the Trustee continues its monthly monitoring process to review the progress of the Fund's coverage of vested benefits to ascertain if an adjustment to the Employer contribution levels is required prior to the next complete investigation.

We also recommend a formal review by the actuary of the progress of the Fund's coverage of vested benefits to monitor the length of the contribution holiday. The next review could occur at 30 June 2021.

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.

Requirements due to Unsatisfactory Financial Position

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.

Actuary's Reporting Requirements

Section 130 of the SIS Act requires that if an actuary forms the opinion that a plan'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 prudential regulator (APRA) in writing immediately. Note: 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).

The Fund's assets are sufficient to fully cover the SG Minimum Benefits at 30 June 2020.

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 2020 was $8,430,000. 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 2020 was $[redacted]. Hence, I consider that the value of the assets at 30 June 2020 is adequate to meet the value of the accrued benefit liabilities of the Fund as at 30 June 2020. 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 Sections 4 and 6 of this report. Assuming that the Employer contributes in accordance with my recommendations based on the assumptions used for this actuarial investigation, I expect that assets will remain sufficient to cover the value of accrued benefit liabilities over the period to 30 June 2023.

(c) In my opinion, the value of the liabilities of the Fund in respect of vested benefits as at 30 June 2020 was $[redacted] Hence I consider that the value of the assets at 30 June 2020 is adequate to meet the value of the vested benefit liabilities of the Fund as at 30 June 2020. Assuming that the Employer contributes in accordance with my recommendations 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 2023. Hence I consider that the financial position of the Fund should be treated as satisfactory 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 2020 was $[redacted] Hence the Fund was not technically insolvent at 30 June 2020.

(e) A projection of the likely future financial position of the Fund over the 3-year period following 30 June 2020, based on what I consider to be reasonable expectations for the Fund for the purpose of this projection, is set out in Section 7 of this report,

(f) Based on the results of this investigation, I consider that the Shortfall Limit should be increased to 97.6%. Comments are set out earlier in this section.

(g) In respect of the 3-year period following 30 June 2020, I recommend that the Employer contribute to the Fund at least:

Benefit Category	Contribution Rate (% of Salaries)
2	Nil, increasing to 12% from 1 July 2022; plus 7.1% deemed member contributions
3	Nil, increasing to12% from 1 July 2022; plus 5.9% deemed member contributions
5	Nil, increasing to 12% from 1 July 2022
2/3/5	Any additional employer contributions agreed between the Employer and a member (e.g. additional salary sacrifice contributions).
Accumulation Members	At the required rate (currently 9.5% of Ordinary Time Earnings) or such lesser amount as required to meet the Employer's obligations under Superannuation Guarantee legislation or employment agreements. Any additional employer contributions agreed between the Employer and a member (e.g. additional salary sacrifice contributions).

(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 2020;
- 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 2020.

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Actuarial Certification

Actuary's Certifications

Professional standards and scope

This report has been prepared in accordance with generally accepted actuarial principles, Mercer's 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(s) who contribute 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 Trustee should share this report with the Employer(s) who contribute(s) to the Fund. The Employer(s) may consider obtaining separate actuarial advice on the recommendations contained in the report.

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 expenses, 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. For this reason, this report shows the impact on the Fund's financial position if alternative assumptions were to be adopted.

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 all future possibilities and scenarios.

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

Additional Information

The next **actuarial investigation** is required at a date no later than 30 June 2023. 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.

The next **Funding and Solvency Certificate** is required at least 12 months before the expiry of the current Funding and Solvency Certificate (which expires on 30 June 2022).

The next **Benefit Certificate** is 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.

Further Information

Please contact me to provide any supplementary information or explanations about this actuarial investigation as may be required.

Mark l. Nelson

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Mark Nelson
Fellow of the Institute of Actuaries of Australia
6 November 2020

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

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Clement Cheung
Fellow of the Institute of Actuaries of Australia

Appendix A

Fund Design

Summary of Benefits

A simplified summary of the main benefit provisions in respect of defined benefit members is set out below. A full description of the benefits provided by the Fund is set out in the Fund's Participation Agreement, as amended from time to time. Reference should be made to the formal governing documents for definitive statements.

Members' Contributions (% of salary)	Category 2: 6.0 (deemed net rate) Category 3: 5.0 (deemed net rate) Category 5: 3.0
Accrual Rate	Category 2: 21% for each year of membership Category 3: 17.5% for each year of membership Category 5: 7.5% for each year of membership
Final Average Salary (FAS)	Average of the member's salaries at the three review dates preceding the date of exit from the Fund
Normal Retirement Age	65
Early Retirement Age	55
Member Account	Accumulation with interest of deemed member contributions
Member Voluntary Account	Accumulation with interest of voluntary member contributions, less tax (where applicable)
Surcharge Account	Accumulation with interest of any surcharge tax assessments
Vesting Factor	• for members aged 55 and over: 1 • for members under age 55: 1 less a 2% simple discount for each year by which the member's age is less than 55, with a minimum Factor of 0.60
Normal Retirement Benefit	Accrual Rate x Membership in years x FAS plus Voluntary Member Account less Surcharge Account The Normal Retirement Benefit will not be less than the Resignation Benefit
Early Retirement Benefit	Accrual Rate x Membership x FAS; plus Voluntary Member Account less Surcharge Account The Early Retirement Benefit will not be less than the Resignation Benefit

Death/Total and Permanent Disability Benefit	A lump sum benefit equal to the Normal Retirement Benefit that would have been payable had the member continued in service to the Normal Retirement Date on their current salary. The Death and Total and Permanent Disablement Benefit will not be less than the Resignation Benefit
Total Temporary Disability Benefit (Temporary Salary Continuance Benefit)	An income benefit equal to 75% of salary payable after a waiting period of three months and for a maximum benefit period of two years, while the member is totally and temporarily disabled.
Resignation Benefit	Category 2 and 3: Accrual Rate x Membership x FAS x Vesting Factor plus Voluntary Member Account less Surcharge Account Category 5: A lump sum benefit equal to: • the member's contributions accumulated with interest, plus • 4% (or, if Fund membership is ten years or more, 6%) of the member's contributions excluding interest for each complete year of Fund membership, subject to a maximum of 200% plus Voluntary Member Account less Surcharge Account

There are no material discretions available to the Trustee and Employer or member options specified within the Fund's legal documents, to the extent that these affect benefits.

Neither the Trustee nor the Employer has a right within the Trust Deed to review benefits or member contribution rates.

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.

Under current legislation the SG rate will be 9.5% until 1 July 2021 and it will then increase by 0.5% pa until it reaches 12% from 1 July 2025.

Appendix B

Data and Decrement assumptions

Data 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 not independently verified or audited the data provided but have performed a range of broad "reasonableness" checks and tested for consistency with previous records. We are satisfied that the data is sufficiently accurate for the purposes of this actuarial investigation.

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.

Decrement Assumptions

It is assumed that all members will remain in service until normal retirement age.

Appendix C

Calculation of the Actuarial Value of Accrued Benefits

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. The information required for AASB 1056 is in Appendix D.

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 the benefit paid on the member leaving service is based on the member's accrued benefit multiple or relevant account balances at the investigation date.

The weighted average term of the accrued benefit liabilities is 6.5 years.

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.

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.

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