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BENDIGO AND ADELAIDE BANK STAFF SUPERANNUATION PLAN

(SUB-PLAN OF IOOF EMPLOYER SUPER)

REPORT TO THE TRUSTEE ON THE ACTUARIAL INVESTIGATION AS AT 1 JULY 2019

17 DECEMBER 2019

MARSH & McLENNAN COMPANIES

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Key Results and Recommendations

This report on the actuarial investigation of the Plan as at 1 July 2019 has been prepared to meet the requirements of the Plan'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 Plan. 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 Plan. The Employer may consider obtaining separate actuarial advice on the recommendations contained in the report.

1.1. Change in Financial Position

	Position at 1 July 2019		Position from 1 July 2016 Investigation Report	
Defined Benefits Only*	**$000**	**Asset Coverage**	**Projected Coverage at 1 July 2019**	**Coverage at 1 July 2016**
Assets				
Liability for Vested Benefits		128.5%	121%	117%
Liability for Retrenchment Benefits		128.5%	n/a	117%
Liability for Actuarial Value of Accrued Benefits		154.7%	n/a	150%
Liability for SG Minimum Benefits		184.6%	196%	169%

*The above totals exclude accumulation liabilities of $610,378,000 and additional accumulation balances for defined benefit members of as at 1 July 2019.

The coverage levels at 1 July 2019 were higher than the levels at the previous actuarial investigation, due to the following items of positive experience:

- the estimated actual average earning rate (9.8% pa) over the period was higher than the assumed rate (5.6% pa); and
- the exit of five members during the period spread the excess assets over a smaller group of members.

These positive factors were partially offset by the payment of employer contributions at a level that was less than the future service cost of accruing defined benefits over the period, and the use of defined benefit surplus to meet employer contributions for accumulation members during the 2016/17 year.

We note that during the 2018/19 year the Bank ceased the small amount of employer contributions it had been paying for defined benefit members.

1.2. Recommended Contribution Rates and Projections

At 1 July 2019, the Plan was in a satisfactory financial position. The 128.5% coverage of Defined Benefit Vested Benefits was also significantly above the financing objective of 110% coverage adopted for this investigation.

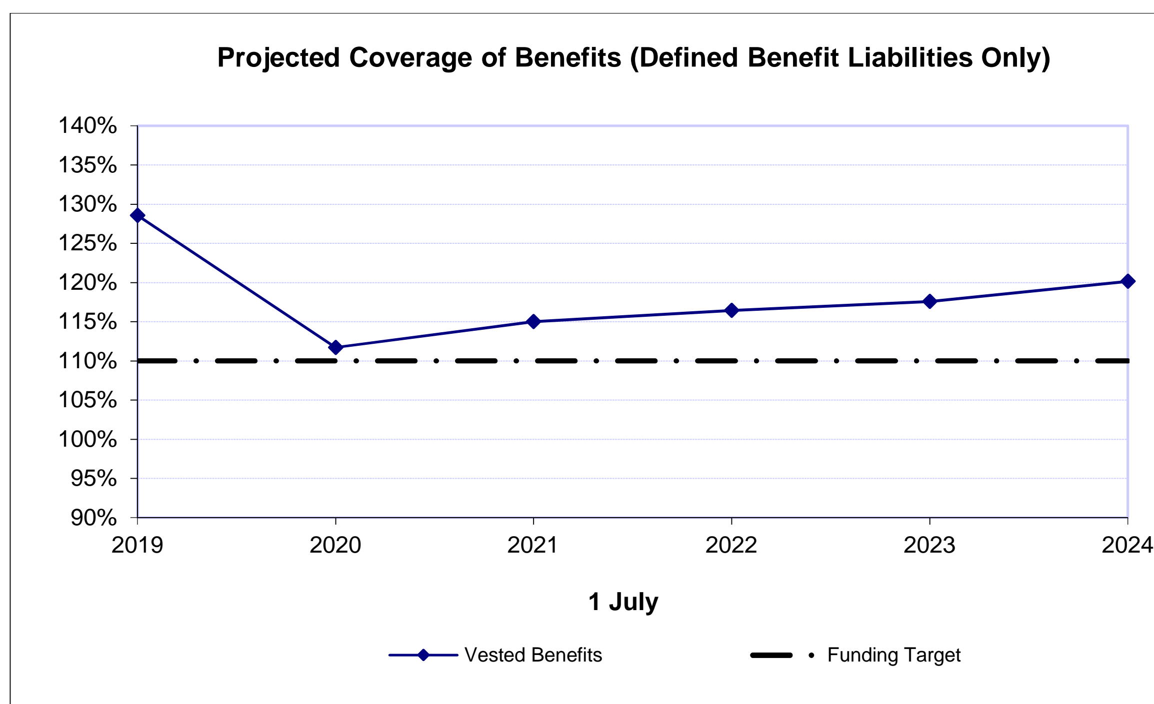
Based on the financial position at 1 July 2019, I recommend that the Employer continue its current cessation of regular employer contributions for defined benefit members of the Plan.

The Employer should continue to contribute for accumulation members at the required SG contribution rate (or other agreed rate), and also:

- Non-member paid expenses and insurance premiums for **accumulation** members invoiced to the Bank by IOOF Employer Super;
- Salary sacrifice contributions and deemed member contributions for both **accumulation** and **defined benefit members** (compulsory or voluntary); and
- Post tax member contributions for both **accumulation** and **defined benefit members** (compulsory or voluntary).

The Bank could consider using the excess defined benefit assets to also meet employer contributions in respect of accumulation members in the Plan. We estimate that the Bank could cease these contributions for a period of two weeks. Note that weekly employer contributions for accumulation members in the Plan are approximately $640,000.

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 Plan assets and benefit liabilities (assuming an ongoing contribution holiday in respect of defined benefit members, and allowing for the use of defined benefit surplus to meet employer contributions for accumulation members as outlined above):



The graph above shows that the recommended contributions are anticipated to result in assets of at least 110% of Defined Benefit Vested Benefits (which is the financing objective adopted in this investigation) through to 30 June 2022.

1.3. Other Findings and Recommendations for the Trustee

Suitability of Policies

- The investment policy for the defined benefit section of the Plan is suitable.
- The insurance arrangements for the defined benefit section of the Plan are suitable, although the Trustee could consider reducing the level of insurance.
- The Shortfall Limit (for the purposes of SPS 160) is suitable.
- The Trustee's process for monitoring the Plan's financial position is suitable.

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.

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2. Liability Measures as at 1 July 2019

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 1 July 2019, Plan assets were greater than Vested Benefits. Accordingly the Plan was considered to be in a "satisfactory financial position" under SIS legislation. The 128.5% coverage of Defined Benefit Vested Benefits was also significantly above the financing objective of 110% coverage adopted for this investigation.

2.2. Retrenchment Benefits

Retrenchment Benefits are the amounts payable if the members' service was terminated due to retrenchment at the investigation date. Coverage of these benefits is desirable but not essential.

At 1 July 2019, Plan assets were greater than Retrenchment Benefits.

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).

Plan assets at 1 July 2019 were also greater than SG Minimum Benefits and hence the Plan was considered to be "solvent" under SIS legislation.

2.4. 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, I have not applied a minimum of the vested benefits.

The Actuarial Value of Accrued Defined Benefits at 1 July 2019 was $4,660,000. The 154.7% coverage of the Actuarial Value of Accrued Defined Benefits at 1 July 2019 was significantly above 100%.

2.4.1. 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.

2.4.2. 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.

2.4.3. Defined Benefits

The past membership components of all defined benefits payable in the future from the Plan 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 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 at the investigation date

The weighted average term of the accrued benefit liabilities is 5.2 years.

2.4.4. 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.

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3. Experience

3.1. Change in Financial Position since Previous Investigation

The table below shows the coverage of assets over Vested Benefits, Retrenchment Benefits, the Actuarial Value of Accrued Benefits and the SG Minimum Benefits as at 1 July 2019, and the corresponding values at the previous investigation date.

	Position at 1 July 2019		Position from 1 July 2016 Investigation Report	
Defined Benefits Only*	**$000**	**Asset Coverage**	**Projected Coverage at 1 July 2019**	**Coverage at 1 July 2016**
Assets	[redacted]			
Liability for Vested Benefits	[redacted]	128.5%	121%	117%
Liability for Retrenchment Benefits	[redacted]	128.5%	n/a	117%
Liability for Actuarial Value of Accrued Benefits	[redacted]	154.7%	n/a	150%
Liability for SG Minimum Benefits	[redacted]	184.6%	196%	169%

* The above totals exclude accumulation liabilities of $610,378,000 and additional accumulation balances for defined benefit members of $1,352,000 as at 1 July 2019.

The coverage levels at 1 July 2019 were higher than the levels at the previous actuarial investigation, due to the following items of positive experience:

- the estimated actual average earning rate (9.8% pa) over the period was higher than the assumed rate (5.6% pa); and
- the exit of five members during the period spread the excess assets over a smaller group of members.

These positive factors were partially offset by the payment of employer contributions at a level that was less than the future service cost of accruing defined benefits over the period, and the use of defined benefit surplus to meet employer contributions for accumulation members during the 2016/17 year.

We note that during the 2018/19 year the Bank ceased the small amount of employer contributions it had been paying for defined benefit members.

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, over the period since the previous investigation.

Year Ending	Investment Return (pa)
1 July 2017	12.7%
1 July 2018	8.6%
1 July 2019	8.0%
Compound Average	**9.8%**

The average investment return for the three year period to 1 July 2019 was 9.8% p.a. compared to our longer term assumption at the last actuarial investigation of 5.6% p.a. The higher than assumed return had a positive impact on the Plan's financial position.

3.1.2. Salary Increases

Salaries for the current defined benefit members increased by an average of 1.3% pa over the period, and members' Final Average Salaries increased by 1.8% pa, compared to our longer term assumption at the last actuarial investigation of 2.0% pa. The lower than assumed salary increases had a positive impact on the Plan's financial position.

3.1.3. Changes in Membership/Decrements

During the period under review the number of defined benefit members within the Plan decreased by more than expected. This had a positive impact on the ratio of assets to Vested Benefits with excess assets spread across a reduced membership.

3.1.4. Contributions

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

Benefit Category	Employer Contributions
Defined Benefit members	$4,050 per month up to 31 March 2019
Accumulation members	Required SG contributions (or other amounts as agreed)

and:

- Non-member paid expenses and insurance premiums for **accumulation** members invoiced to the Bank by IOOF Employer Super;
- Salary sacrifice contributions and deemed member contributions for both **accumulation** and **defined benefit members** (compulsory or voluntary); and
- Post tax member contributions for both **accumulation** and **defined benefit members** (compulsory or voluntary).

The Bank used defined benefit surplus to meet employer contributions of approximately [redacted] (gross of contributions tax) in respect of accumulation members in the Plan during the 2016/17 year.

The Employer contributions actually paid were lower than the long-term Company contributions (i.e. the estimated Company cost of future service benefits), which had a negative impact on the Plan's financial position.

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**
The Trustee should ensure that it has a regular process in place to monitor the level of Bank shares against both the legislative requirement of 5% of overall Plan assets and the internal policy of 10%-15% of defined benefit assets.	Monthly monitoring process implemented
The financial position should be reviewed at 30 June 2017	Not completed

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4. Contribution Requirements

4.1. Financing Objective

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

- 100% of accumulation account balances plus
- 110% of Vested Benefits for defined benefit members over the period to the next investigation.

Accumulation account balances are matched by specific assets and do not require any additional margins. However, 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 that the target margin of 10% is a suitable.

Based on the assumptions adopted for this investigation, achieving the financing objective of 110% 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.

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

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 Plan's financing objectives.

Under this method of financing, the level of the Employer contributions may vary from time to time to ensure that the Plan 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 Plan'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.

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 2 ADDB – Senior Managers	18.3%
Category 3 ADDB – Senior Staff	11.9%
Category 4 ADDB – Staff	9.6%
Category 6 ADDB – Ex Hindmarsh	12.3%

An average rate for current members is 13.4% of salaries, compared to an average rate of 12.2% determined at the last investigation. This Employer's long-term defined benefit funding cost above includes the expected plan expenses and insurance premiums (of 0.9% of DB salaries) and includes allowance for contributions tax.

The assessed long-term costs have increased by 1.2% 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") from 3.6% p.a. to 3.2% p.a.;
- an increase in the expense assumption of 0.3% of salaries; and
- different distribution of remaining members across the membership groups.

4.4. Recommended Contributions

Based on the Trustee's financing objective described and the results of this investigation, I recommend that the Employer continue its current cessation of regular employer contributions for defined benefit members of the Plan.

The Employer should continue to contribute for accumulation members at the required SG contribution rate (or other agreed rate), and also:

- Non-member paid expenses and insurance premiums for **accumulation** members invoiced to the Bank by IOOF Employer Super;
- Salary sacrifice contributions and deemed member contributions for both **accumulation** and **defined benefit members** (compulsory or voluntary); and
- Post tax member contributions for both **accumulation** and **defined benefit members** (compulsory or voluntary).

The Bank could consider using the excess defined benefit assets to also meet employer contributions in respect of accumulation members in the Plan. We estimate that the Bank could cease these contributions for a period of two weeks. Note that weekly employer contributions for accumulation members in the Plan are approximately $640,000.

4.5. Projected Financial Position

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

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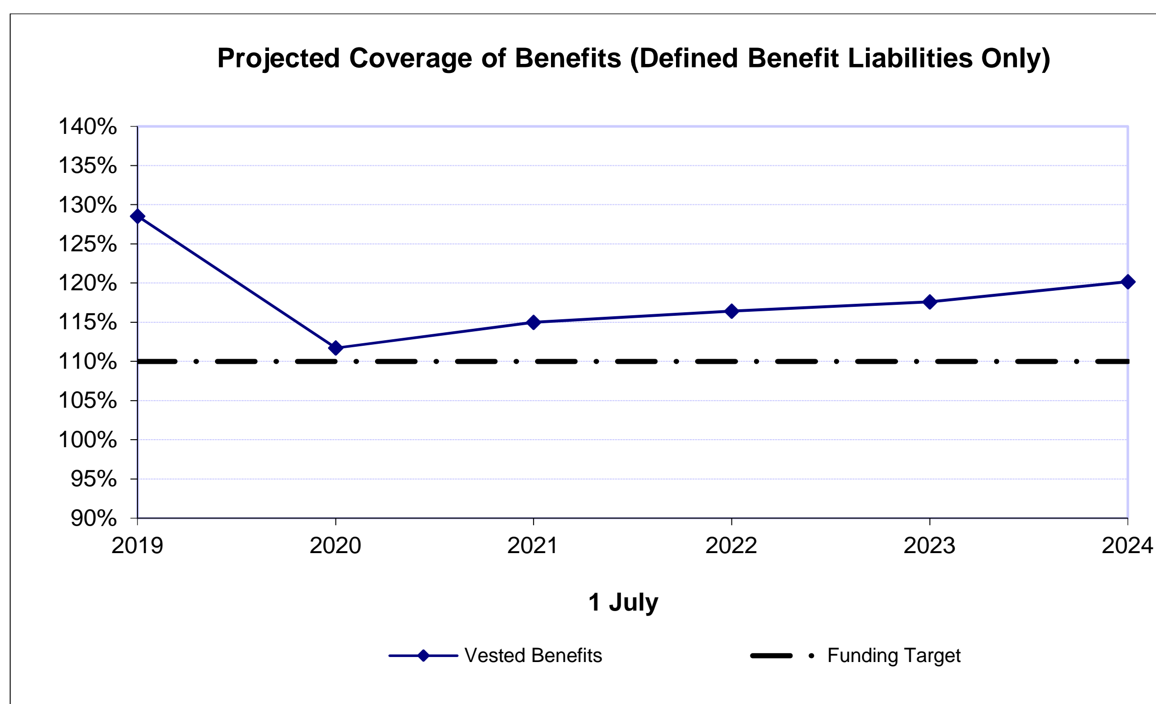
5. Projections

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

- the actuarial assumptions adopted for this investigation;
- but allowing for actual investment returns for the 3 months immediately after 1 July 2019 of 1.85%; and
- assuming that the Employer contributes on the basis as recommended above (including allowance for contributions in respect of accumulation members to be met from the defined benefit assets for two weeks).

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 Plan'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 Objective

The projection above shows that the recommended contributions are anticipated to result in assets of at least 110% of Defined Benefit Vested Benefits until 1 July 2022 (the financing objective adopted in this investigation).

We have not prepared a graph to show the coverage of assets compared with the Actuarial Value of Accrued Benefits. However, given the margin of Vested Benefits over the Actuarial Value of Accrued Benefits at the investigation date and the projected level of asset coverage at 1 July 2022, I am of the opinion that the recommended contributions are projected to result in asset coverage of 100% of the Actuarial Value of Accrued Benefits until 1 July 2022.

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6. Investment Policy and Related Risks

6.1. Investment Policy

Assets backing accumulation benefit liabilities

The Plan 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 Plan'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 Plan's accumulation liabilities and related assets are matched.

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

I consider that the Plan'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

The Plan's defined benefit assets are currently invested in the Mercer Growth Option, a Mercer Superannuation Investment Trust investment product, and Bendigo and Adelaide Bank Limited shares (referred to as Bank Shares). The benchmark asset allocation is currently 78.5% growth assets, 21.5% defensive assets. '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 Mercer Growth Option has a benchmark 76% exposure to 'growth' assets, and a benchmark 24% exposure to 'defensive' assets.

Under the Superannuation Industry (Supervision) Act 1993, the Trustee can hold up to 5% of the sub-plan assets in Bank Shares. The Trustee has also agreed to limit the Bank shareholdings within 10-15% of the Plan's defined benefit assets. The value of Bank Shares at 1 July 2019 was $719,000 representing 0.12% of total Plan assets and 10.0% of the defined benefit assets.

At 1 July 2019, defined benefit assets were invested as follows:

Investment option	Amount at 1 July 2019	% Total
Mercer Growth and Cash at Bank	[redacted]	90.0%
Bank Shares	[redacted]	10.0%
Total	[redacted]	100%

The table below sets out the actual and benchmark investment allocations of these assets as at the investigation date.

1 July 2019	Benchmark Allocation	Actual Allocation
Australian Shares	35.2%	34.7%
Overseas Shares	28.8%	34.8%
Property	3.6%	9.1%
Fixed Interest	9.0%	12.3%
Alternatives	10.8%	4.1%
Cash	12.6%	5.0%
Total	**100.0%**	**100.0%**

The defined benefit liabilities are not affected by the investment return on the Plan's assets. The volatility of the Plan's investment returns will therefore affect the financial position of the Plan 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 Plan's liabilities is unknown. However, with the defined benefits having been closed to new members for some time now and a significant amount of retirement benefits due to become payable in the next few years, the projections carried out as part of this actuarial investigation indicate that a steady decline of defined benefit assets is expected over the next few years.

The Plan'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 does reduce the ability of the Plan to 'ride out' the ups and downs in returns that are expected from investment strategies with substantial exposure to 'growth' assets.

I have reviewed the Plan's defined benefit investment policy taking into account the financial position and the nature and term of the defined benefit liabilities and confirm I consider that the investment policy adopted is a suitable policy for the Plan's ongoing operation. This conclusion takes into account my understanding that the Employer understands and accepts the contribution variability associated with the current investment policy.

Should the Employer's risk tolerance change, it would be appropriate to review the current investment policy. We can prepare additional information to assist the Trustee and Employer in considering a change in investment strategy, including assessing the expected impact on Employer contributions and on the variability of the financial position, if required.

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 summarised briefly below:

- Earnings credited 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 Plan 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.

6.2.2. Defined Benefits

The defined benefit liabilities are not affected by the crediting policy.

6.2.3. Documentation

The main features of the Plan'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 March 2018).

6.2.4. Conclusion

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 Plan (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 $245,000 (Employer funding cost impact $245,000/0.85 = $288,000), with a resulting reduction in the coverage of the Actuarial Value of Accrued Benefits from 154.7% to 147.0% and

(ii) the long term employer contribution rate (the estimated employer cost of future service benefits) would increase from an average of 13.4% to 14.1% of salaries under this scenario.

The actual investment return achieved by the Plan 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

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

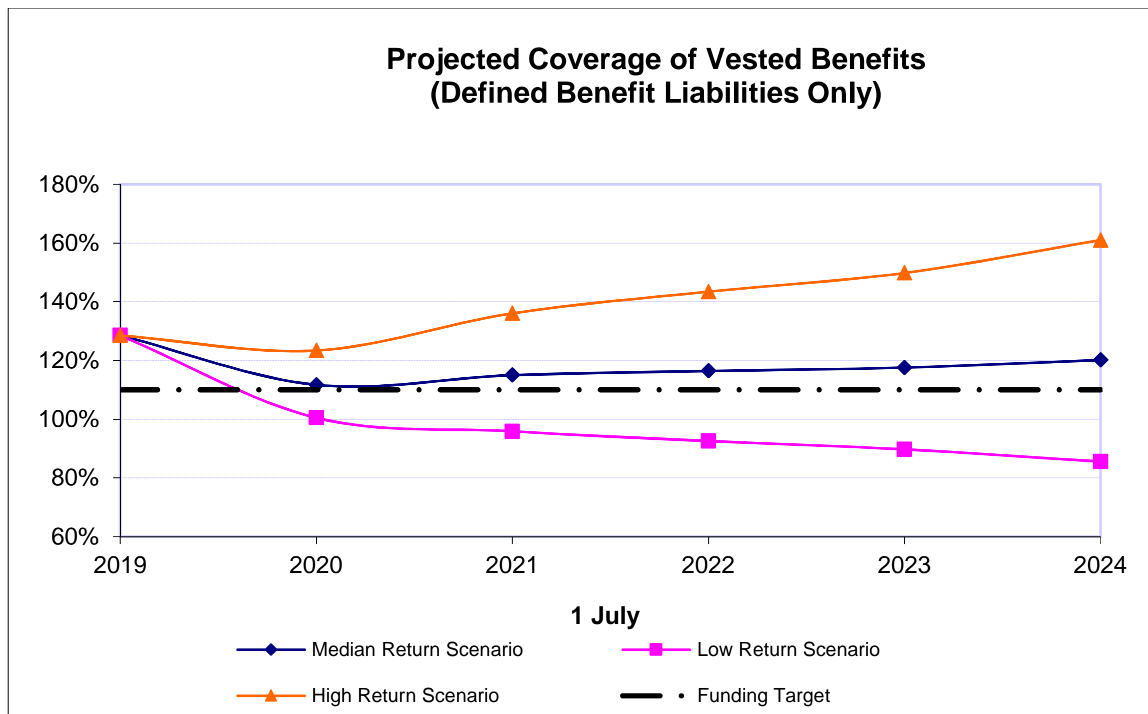
I have considered the impact of investment volatility on the Plan's financial position over the next few years using a "high return" and a "low return" scenario. The returns under both scenarios have been derived from assumptions about the likely risk attached to the Plan's defined benefit investment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

Using the investment return model and assumptions adopted, there is approximately a 10% chance of the Plan's cumulative investment return being less than the "low return" scenario. Similarly, there is approximately only a 10% chance of the Plan's cumulative investment return being greater than the "high return" scenario. Allowance has been included for the actual return on assets of 1.85% during the 3 month period immediately following 1 July 2019.

1 July 2019 to 30 June	Assumed Cumulative Investment Return (%)		
	"Low Return"	Valuation	"High Return"
2020	-3.9%	5.8%	15.5%
2021	-3.1%	11.3%	26.6%
2022	-0.2%	17.1%	36.0%
2023	3.4%	23.2%	45.2%
2024	7.2%	29.6%	54.9%

The cumulative investment return is the total return from 1 July 2019 up to 30 June in the year shown. The extent of variation allowed for in these projections reflects the Plan'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 Vested 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 Vested Benefits at 1 July 2022 will fall in the range from 93% to 143%.

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 Vested 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.

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7. Insurance Policy and Related Risks

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

For accumulation members, death and TPD benefits in excess of total account balances are fully insured, as are income protection covers.

For defined benefit members, the group life sum insured formula currently in use (for both death and TPD benefits) is:

Sum insured = Retirement Benefit Accrual Rate x Future service (to age 65) x Salary

The total amount insured should cover the excess of the death/TPD benefits over the Plan’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 1 July 2019 for the Plan was as follows.

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

*excludes accumulation member accounts and accumulation balances for defined benefit members.

Defined benefit assets exceeded death and disablement benefits at 1 July 2019. This situation is not expected to continue in the future if excess defined benefit assets are used to meet employer contributions in respect of accumulation members in the Plan, although there is still expected to be some over-insurance. Therefore, the Trustee could consider reducing the level of insurance in respect of the defined benefit section of the Plan.

The definition of TPD in the policy is also used to establish a member’s eligibility for the benefit under the Plan’s governing rules, thus avoiding any definition mis-match risk.

For “Group Salary Continuance”, the benefit provisions are entirely matched by the insurance cover provided by a Group Salary Continuance Master Policy with Tower Australia Limited. As such there is no funding gap and any claims or adverse experience will have no immediate financial impact on the Plan.

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 Plan against unexpectedly large payouts on the death or disablement of members.

We understand that no changes have been made to insurance arrangements since 1 July 2015.

7.2. Conclusion

In my opinion, the current group life insurance arrangements, including the sum insured formula for defined benefit members, provide more than adequate protection for the Plan, and there is the potential to consider reducing the level of insurance in the defined benefit section.

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8. Other Risks

There are a number of other risks relating to the operation of the Plan. 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 $206,000 (Employer funding cost impact $206,000/0.85 = $243,000), with a resulting reduction in the coverage of the Actuarial Value of Accrued Benefits from 154.7% to 148.2%, and

(ii) the long term employer contribution rate (the estimated employer cost of future service benefits) would increase from an average of 13.4% to 13.9% 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 Plan 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 Plan, 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 as 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.

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9. Assets

9.1. Assets

The net market value of the Plan's assets as at 1 July 2019 amounted to $618,939,000 (based on the data provided by the Plan's administrator at 1 July 2019).

Calculation of Defined Benefit Assets at 1 July 2019	$
Net market value of the Plan's assets as at 1 July 2019	
Less accounts for accumulation members	
Less accumulation accounts for defined benefit members	
Assets to support the defined benefit liabilities of the Plan	

The above defined benefit asset takes into account an accrued tax liability o

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 Plan.

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.

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10. Actuarial Assumptions

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

- the amount of benefits paid out; plus
- the expenses of running the Plan, 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 Plan. 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 Plan 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 Plan.

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)	5.2% p.a.
General salary increases	2.0% p.a.

The assumption for investment returns is based on the expected long-term investment return for the Plan’s current 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.

10.2. Other assumptions

New members

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

Expenses

Administration, management expenses and the net cost of group life and temporary disablement insurance premiums for defined benefit members are deducted from Plan assets. Based on recent experience, these are assumed to average 0.9% of defined benefit members’ salaries. An additional allowance of $32,500 per annum has been made in the projection of Plan assets, adjusted each year by expected CPI increases of 2.0% p.a. for actuarial expenses.

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 Plan’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 Plan 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 or total and permanent disablement.

Retirement

The rates at which members are assumed to leave the Plan due to retirement are set out below:

Age Last Birthday	Percentage of members age x at beginning of year assumed to leave the Plan during the year on account of early retirement
x	%
55	20
56 - 64	6
65	100

Resignation

Specimen rates at which members are assumed to leave the Plan due to resignation are set out below:

Age Last Birthday	Percentage of members age x at beginning of year assumed to leave the Plan during the year on account of resignation
x	%
45	4.0
50	0.0

Retrenchment

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

10.3. Changes in Assumptions since the Previous Investigation

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

Assumption	1 July 2019 **investigation**	1 July 2016 **investigation**	**Reason for change**
Investment Return	5.2% p.a.	5.6% p.a.	Reduced expected returns for each asset class.
Operational expenses	0.9% of salaries; with $32,500 p.a. with a 2.0% p.a. inflation allowed for in asset projections	0.6% of salaries; with $30,000 p.a. with a 2.5% p.a. inflation allowed for in asset projections	Plan expense experience.

The overall impact of the changes in assumptions was to:

- increase the relative value of the Actuarial Value of Accrued Benefits by $91,000.
- increase the assessed long-term employer cost of future service benefits from 12.8% to 13.4%.

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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 Plan's Shortfall Limit, determined by the Trustee on the basis of previous actuarial advice, is 100%.

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 78.5% to "growth" assets;
- The continued cessation of regular employer contributions;
- The results of this investigation that 100% 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, there is scope to reduce the shortfall limit to around 98%. However we note that when the initial shortfall limit was established, it was agreed that a limit of 100% would apply recognizing the ongoing existence of an employer contribution holiday, such that falling below 100% would be an appropriate trigger point for further investigation. Given the above, we recommend maintaining the current shortfall limit.

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 70%, employer contribution program 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 continues its regular monitoring process to review the progress of the Plan’s coverage of Vested Benefits to ascertain if an adjustment to the Employer contribution levels is required prior to the next complete investigation.

The Trustee should also continue to monitor the “Notifiable Events” specified in the Plan’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 Plan is not in an unsatisfactory financial position; and
- The Plan 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 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 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 Plan'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 Plan as a whole (inclusive of all accumulation members and accounts).

(a) The value of the Plan's assets as at 1 July 2019 was $618,939,000. This value excludes assets held to meet the Operational Risk Financial Requirement. This is also the value of assets used in determining the recommended contribution rate.

(b) In my opinion, the value of the liabilities of the Plan in respect of accrued benefits as at 1 July 2019 was $616,390,000. Hence I consider that the value of the assets at 1 July 2019 is adequate to meet the value of the accrued benefit liabilities of the Plan as at 1 July 2019. Taking into account the circumstances of the Plan, the details of the membership and the assets, the benefit structure of the Plan 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 which I consider to be reasonable expectations for the Plan, I expect that assets will remain sufficient to cover the value of accrued benefit liabilities over the period to 1 July 2022.

(c) In my opinion, the value of the liabilities of the Plan in respect of vested benefits (as of right) as at 1 July 2019 was $617,338,000. Hence I consider that the value of the assets at 1 July 2019 is adequate to meet the value of the vested benefit liabilities of the Plan as at 1 July 2019. 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 1 July 2022. Hence I consider that the financial position of the Plan should not be treated as unsatisfactory as defined in SPS 160.

(d) In my opinion, the value of the liabilities of the Plan in respect of the minimum benefits of the members of the Plan as at 1 July 2019 was $615,636,000. Hence the Plan was not technically insolvent at 1 July 2019.

(e) A projection of the likely future financial position of the Plan over the 3-year period following 1 July 2019, based on what I consider to be reasonable expectations for the Plan for the purpose of this projection, is set out in Section 5 of this report.

(f) Based on the results of this investigation, I consider that the Shortfall Limit does not require alteration. Comments are set out in Section 11.1 of this report.

(g) The actuary recommended that the Employer continue its current cessation of regular employer contributions for defined benefit members of the Plan.

The Employer should continue to contribute for accumulation members at the required SG contribution rate (or other agreed rate), and also:

- Non-member paid expenses and insurance premiums for **accumulation** members invoiced to the Bank by IOOF Employer Super;
- Salary sacrifice contributions and deemed member contributions for both **accumulation** and **defined benefit members** (compulsory or voluntary); and
- Post tax member contributions for both **accumulation** and **defined benefit members** (compulsory or voluntary).

The Bank could consider using the excess defined benefit assets to also meet employer contributions in respect of accumulation members. We estimate that the Bank could cease these contributions for a period of two weeks. Note that weekly employer contributions for accumulation members are approximately $640,000.

(h) The Plan is used for Superannuation Guarantee purposes.

a. 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 1 July 2019;
b. I expect to be able to certify the solvency of the Plan in any Funding and Solvency Certificates that may be required in the three year period from 1 July 2019.

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12. Actuarial Certification

12.1. Purpose

I have prepared this report exclusively for the Trustee of the Bendigo and Adelaide Bank Staff Superannuation Plan for the following purposes:

- To present the results of an actuarial investigation of the Plan as of 1 July 2019;
- To review Plan experience for the period since the previous actuarial investigation (effective at 1 July 2016);
- To recommend contributions to be made by the Employer intended to allow the Plan 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 Plan's Trust Deed for actuarial investigations of the Plan'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 1 July 2016 by Stuart Mules, on behalf of Mercer, and the results are contained in a report dated 23 December 2016.

12.2. Background information of the Plan

The Plan is operated for the benefit of employees of Bendigo and Adelaide Bank Staff Superannuation Plan 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 Plan as required under the Trust Deed

The Plan is a resident regulated fund and a complying superannuation fund for the purposes of the SIS legislation. The Plan 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 Plan are set out in the IOOF Portfolio Services Superannuation Fund trust deed dated 20 June 1994 (as amended).

12.4. Additional information

Significant events since the investigation date – I am not aware of any significant events that have occurred since 1 July 2019 which would have a material impact on the recommendations in this report.

Next actuarial investigation - Required at a date no later than 1 July 2022. 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 or before the expiry of the current Funding and Solvency Certificate (which expires on 20 June 2021 and is due for replacement by 20 June 2020).

Next Benefit Certificate – required following the expiry of the current Benefit Certificate (which expires on 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 Plan and the Employer who contributes to the Plan. 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 Plan. The Employer 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 Plan's financial condition at a particular point in time, and projections of the Plan's estimated future financial position based on certain assumptions. It does not provide certainty in relation to a Plan's future financial condition or its ability to pay benefits in the future.

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

The Plan's future financial position and the recommended Employer contributions depend on a number of factors, including the amount of benefits the Plan pays, the cause and timing of member withdrawals, Plan 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 Plan'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, Plan 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 Plan 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 Plan Provisions

To prepare this report, we have relied on financial and participant data provided by the Plan'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 Plan as provided by the Trustee. The Trustee is ultimately responsible for the validity, accuracy and comprehensiveness of this information. If the data or Plan 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

17 December 2019

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 1 July 2016 as follows:

Active members at 1 July 2016	20
Exits	5
New Entrants	-
Active members at 1 July 2019	15

Total salaries at 1 July 2019	$1,388,000
Average salaries at 1 July 2019	$93,000
Average age at 1 July 2019	57.5 years

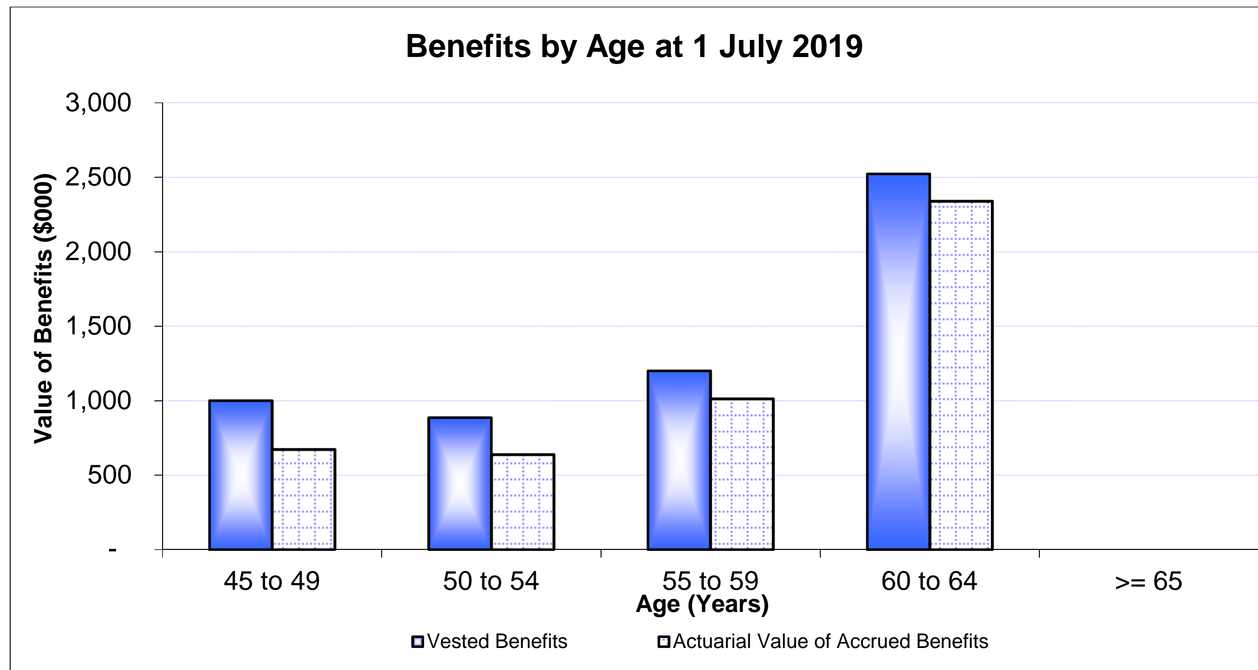
In addition, there were 4,470 members at 1 July 2019 with total salaries of $348,738,000 whose benefits are determined wholly on a defined contributions (or 'accumulation') basis. All new members join the accumulation section of the Plan.

The membership data used for this investigation was taken from the database used to administer the Plan. 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.

The data included an adjustment for one defined benefit member with a Family Law debt account that is deducted from any benefits payable.

A.1. Actuarial Value of Accrued Benefits age profile

The following graph shows the Vested Benefits and Actuarial Value of Accrued Benefits of defined benefit members (excluding additional accounts) at 1 July 2019, split by age.



APPENDIX B

Appendix: B.Plan 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.

Category	Member's Contributions (% of salary)	Retirement Benefit Accrual Rate	Resignation Benefit Accrual Rate	
2 ADDB - Senior Managers	Nil	17.5%	14.0%	
3 ADDB - Senior Staff	5.0%	16.5%	13.0%	
4 ADDB - Staff	5.0%	15.0%	12.0%	
6 ADDB - Ex-Hindmarsh	4.0%	15.0%	Less than 10 years membership	12.0%
			10 to 11 years membership	13.0%
			12 to 14 years membership	14.0%
			15 or more years membership	15.0%

Final Average Salary (FAS)	Average of the 3 highest salaries of the last 5 years' review salaries
Normal Retirement Age	65
Early Retirement Age	55
Member Account	Accumulation with interest of defined benefit member contributions, less tax (where applicable)
Accumulation Accounts	Includes accumulation accounts which accumulate with investment returns, less tax (where applicable) any voluntary member or employer contributions and rollovers, and any negative accounts maintained for surcharge, or partial withdrawals. Excludes Family Law account which is treated as a deduction from defined benefits.
Retirement Benefit Factor Table	(see table below)
Late Retirement Benefit	Normal Retirement Benefit is transferred to the accumulation section of the Plan.
Retirement Benefit	Retirement Benefit Accrual Rate × Membership × FAS *plus* Accumulation Accounts
Death/Total and Permanent Disability Benefit	A lump sum calculated as if the member had retired at age 65, but assuming salary remains unchanged
Retrenchment Benefit	For Category 6 members: Vested benefit All other members: Retirement Benefit

Retirement Benefit Factor Table

Age	Years of Plan Membership <15	15	16	17	18	19	20 +
45-50	-	-	0.84	0.88	0.92	0.96	1.00
51	0.84	0.84	0.84	0.88	0.92	0.96	1.00
52	0.88	0.88	0.88	0.88	0.92	0.96	1.00
53	0.92	0.92	0.92	0.92	0.92	0.96	1.00
54	0.96	0.96	0.96	0.96	0.96	0.96	1.00

Resignation Benefit	For Category 2, 3 and 4 members over age 50 or age 45 with more than 15 years of service: Retirement Benefit Accrual Rate x Membership x FAS x Retirement Benefit Factor *plus* Accumulation Accounts Else: Resignation Benefit Accrual Rate x Membership x FAS *plus* Accumulation Accounts
Total & Temporary Disablement Benefit	75% of monthly Salary, payable monthly after a waiting period of 13 weeks, for a maximum of 2 years

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

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

Mercer Consulting (Australia) Pty Ltd
ABN 55 153 168 140
AFS Licence # 411770
727 Collins Street Melbourne VIC 3008
GPO Box 9946 Melbourne VIC 3001
+61 3 9623 5555