AiS | Actuaries in Super

Level 1
350 George Street
Sydney NSW 2000
Phone: 02 9233 4300
Email: jeffh@aisactuary.com.au

Actuarial Investigation
Regulation 9.29A(2) of the SIS Regulations

IDENTIFICATION

Name of Fund	Cosco Shipping Lines Superannuation Plan, the Fund.
Employer	Cosco Shipping Lines (Oceania) Pty Ltd.
Purpose	This investigation is made to satisfy SPS 160 issued under the Superannuation Industry (Supervision) Act.
Date of Investigation	30 June 2024
Report is addressed to	OnePath Custodians Pty Limited (Trustee).
Responsible actuary	Jeffrey Humphreys
Capacity	Actuary of Actuaries in Super Pty Ltd on appointment by the Trustee.
Date of Report	30 December 2024
Previous report	The previous investigation was carried out by Jeffrey Humphreys as at 1 July 2021, report dated 6 December 2021.

NATURE OF FUND

Structure of Fund	The Fund is a subfund of the Retirement Portfolio Service.
Compliance status	The Fund is part of a regulated superannuation fund under the SIS Act.
Taxation Status	The Fund is subject to tax as a regulated superannuation fund.

GOVERNING RULES

Documentation	The Fund's Trust Deed is dated 1 September 1992. The Fund's commencement date is 18 November 2009.
Benefit Provisions	The rules provide for members to accumulate superannuation benefits under a defined benefit design. The defined benefit design is set out in the Benefit Specification Schedule, attached separately. The design is a greater of design with an underlying defined benefit accrual rate of 20% of Final Average Salary and an accumulation benefit accruing with contributions of 5%of salary by the member and a notional 11.5% of salary (after tax) by the employer.

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Employees of the Employer may also have accumulation benefits, but these are supported by assets held outside the Fund.

Contribution Provisions The Fund may receive contributions in accordance with complying fund requirements.

Timing of investigations An actuarial investigation is required once every three years, the next due no later than 30 June 2027 (report to be received by the Trustee within 6 months).

ACCOUNTS

The accounts, financial and other data and information used for the valuation were supplied by Erdong She Product Manager, Insignia Financial Ltd on behalf of the Trustee.

The accounts are as at 30 June 2024.

EXPERIENCE

Quality of data Data is in good order.

Investment returns The Fund earning rate after tax and investment expenses is set out below. Returns for the period have been slightly above those expected at the last valuation.

Year Ending 30 June	Investment Return (% p.a.)
2022	-2.2
2023	9.1
2024	9.0
Whole Period	**5.2%**

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Salary Increase Salaries have increased at the rate of approximately 5.9% p.a. over the 3 years since the last valuation. This is significantly higher than that expected at the last valuation.

Membership numbers There were 3 defined benefit members as at 1 July 2024 aged 55, 57 and 61.

Members are at or approaching the retirement ages. The mean term of the liabilities is difficult to estimate with very low membership numbers and the accumulation benefit is currently well in excess of the defined benefit. However, it is reasonable to assume the liabilities are medium term.

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ASSETS

Quality of data

Data is in good order.

Summary of investments

As at 1 July 2024 the assets backing the liabilities of the Fund are invested in the Optimix Balanced - A.

The investment allocation for the assets as at 30 June 2024 is summarised below.

Asset Class	Benchmark (%)
Fixed Interest	18
Property	9
Australian Shares	22
International shares	30
Other	14
Cash	7
Total	**100**

Value

The value of the assets of the Fund shown in the Quarterly Statement 30 June 2024 is [redacted]

The value of the assets used for the purpose of the investigation is [redacted]

INVESTMENT POLICY

Suitability to liabilities

The assets are invested in listed shares, fixed interest, and cash with a high weighting (around 67%) to Growth assets. This is similar to the strategy at the time of the previous valuation.

I provided a separate report on the investment strategy in a report to the Trustee dated 14 January 2021. My advice recommended, with reasons, that the current strategy should be maintained. I have reviewed this advice and it remains appropriate.

Recommendations

The Trustee should ensure communication to members makes the design clear and discloses both the accumulation benefit and defined benefit as well as the vested benefit.

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INSURANCE

Requirement

The unfunded portion (total benefit less the Accrued Benefit) of death and TPD benefits and the TTD benefit are insured under a policy held by the Trustee with Zurick Life.

With the current strong financial position of the Fund, the level of cover is more than sufficient to meet the death, TPD and TTD benefit liabilities.

The premium is [redacted] and is insignificant in the context of the assets of the Fund

The insurance arrangements are appropriate for the Fund.

Recommendations

The Trustee should reconsider the level of insurance as assets cover the cost of the death sum insured, TPD sum insured and the payment of the SCI benefit to all three members with a margin of 10%.

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VALUATION

Valuation method

The Attained Age Normal Method has been used to estimate the required Employer contribution rate in respect of the future service liability of existing members. It also estimates the amount of any excess of assets over past service liabilities.

Valuation Basis

The assumptions for the valuation are set out below.

Investment returns net of tax and investment expenses, 5.5% p.a. based on the fund's current asset mix and the expected future returns of each asset class. The assumption at the last valuation was 4.5% p.a..

Salary increase rate of 4.5% based on past experience for the members of the fund and the current future economic outlook. The assumption at the last valuation was 3.5% p.a..

Age decrement rates, sample set out below (unchanged from the previous valuation):

Age	Resignation and Retirement	Death and TPD
35	5%	0.1%
40	4%	0.1%
45	3%	0.2%
50	2%	0.4%
55	20%	0.6%
60	20%	0.9%
65	100%	

Valuation Data

There are 3 defined benefit members with:

- salaries of [redacted]
- [redacted]efit vested benefits, before surcharge, of [redacted] and
- [redacted]on vested benefits, before surcharge, of [redacted]

On exit, members receive the greater of the accumulation benefit (Withdrawal Benefit) and the defined benefit, in both cases less the Surcharge account

All 3 members have their accumulation benefit significantly in excess of their defined benefit.

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Valuation Results

The valuation results are set out in the tables below.

Vested Benefits

Value of	$
Vested Benefits	[redacted]
Assets	[redacted]
Vested Benefit Index	**141%**

The Vested Benefits Index remains very healthy (last valuation 155%).

MRB's are clearly covered by the assets with a very large margin by examination of the position above.

A Fund projection including vested benefits has been undertaken.

Valuation Balance Sheet

Value of Defined Benefit Past Service Liability	Resignation and Retirement	[redacted]	[redacted]
	Death and TPD	[redacted]	
Surcharge Accounts			[redacted]
Value of Accumulation Accounts			n/a
Total Past Service Liability			[redacted]
Value of Assets			[redacted]
Excess of Assets over past service liabilities			[redacted]

Current Contributions

The Employer currently contributes at the rate of 0% of salaries.

The members contribute at the rate of 5% of salary.

Contribution Recommendation

The Employer contribution is recommended to remain at 0%.

The Fund is in a very strong financial position as detailed above.

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The future service liabilities and normal contribution rate are set out in the table below.

Valuation Results		**$'000**	
Value of Future Service Liabilities	Retirement and Resignation	[redacted]	
	Death and TPD	[redacted]	[redacted]
Value of Future Member Contributions			[redacted]
Value of net Future Service Liability of DB Members			[redacted]
Value of 1% of salaries of DB Members			[redacted]
Contribution Rate			**% of Salary**
Net Employer Contribution Rate			12.3%
Expenses			5.0%
Tax on Employer contributions			2.0%
Required Normal Contribution Rate			**19.3%**

A Normal rate of 19% of salaries is indicated, unchanged from the last valuation.

However, the Fund is in a very healthy financial position. The excess of assets over liabilities exceeds the value of future service liabilities by a considerable margin. This means that contributions do not need to be made to the Fund at least for a period.

The Fund projection indicates that the excess of assets over liabilities and vested benefits is sufficient to support this recommendation until at least the next valuation.

The recommendation will be reviewed at the next valuation.

There is a strong possibility that the Employer will not have to contribute again at any time over the life of the Fund if the investment performance and salary increases are in line with my assumptions.

Termination Benefits

On termination of the Fund, the assets are distributed to members in accordance with the procedures set out in the Benefit Specification Schedule. The Employer has no obligation to top up the assets if they are insufficient to cover accrued benefits or vested benefits.

MATERIAL RISKS

The material risks for the financial position of the Fund are:

Investment Return/ salary increase

A sustained period of poor investment returns, or a large salary increase for one or more of the members.

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SENSITIVITY ANALYSIS

Sensitivity analyses have been undertaken in relation to the material risks set out above. These show that the Fund is able to absorb poor investment performance or high salary increase rates unless these are very extreme.

COMPLIANCE

Statement of compliance	This investigation complies with Professional Standard 400 of the Institute of Actuaries of Australia. This report meets and has satisfied all internal checks.

Jeff Humphreys
Fellow of the Institute of Actuaries of Australia
Director
30 December 2024