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

Corinthian Industries Superannuation Plan

(a plan in the Retirement Portfolio Service superannuation fund)

23 December 2020

welcome to brighter

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Key Results and Recommendations

This report on the actuarial investigation of the defined benefit section of the Corinthian Industries Superannuation Plan (the Plan) as at 30 June 2020 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 Plan's trustee, OnePath Custodians Pty Limited (the Trustee). Mercer Consulting (Australia) Pty Limited (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 JELD-WEN Australia Pty Limited (the Employer) who contributes to the Plan. The Employer may consider obtaining separate actuarial advice on the recommendations contained in the report.

Financial Position as at 30 June 2020

The following table summarises the Plan's financial position as at 30 June 2020, and shows the corresponding coverage of assets over liabilities at the previous investigation:

Defined Benefit Section*	As at 30 June 2020 $'000s	As at 30 June 2020 Asset Coverage	Asset Coverage as at 30 June 2017
Assets	[redacted]		
Vested Benefits	[redacted]	122.8%	114.5%
Consent Benefits	[redacted]	119.8%	112.1%
Actuarial Value of Accrued Benefits	[redacted]	121.5%	114.7%
SG Minimum Benefits	[redacted]	142.6%	132.7%

* Excludes account balances in the Plan's accumulation section. These balances are invested in accordance with member's investment choices and the value of the liabilities is matched to the value of the underlying investments.

The coverage levels at 30 June 2020 were higher than the levels at the previous actuarial investigation, with the most significant factors being:

- The estimated rate of investment earnings on Plan assets averaged 2.6% per annum which was lower than previously assumed (5% per annum) and had a negative impact on the Plan's financial position;
- Salaries for defined benefit members increased by an average of [redacted]% per annum which was [redacted] than previously assumed ([redacted]% per annum) and had a positive impact on the Plan's financial position;
- The Employer continued to pay contributions towards the defined benefit section, more than the estimated defined benefit funding cost; and

- The reduction in the number of defined benefit members, spreading the excess of assets over smaller amount of total Plan benefit liabilities.

Changes to the economic assumptions used for the purposes of this investigation have also caused a small reduction in the actuarial value of accrued benefits relative to the value determined using the previous assumptions. These changes are set out in Section 4. The other measures of the Plan's benefit liabilities are not affected by these assumptions.

Recommended Contribution Rates and Projections

At 30 June 2020, the Plan was in a satisfactory financial position. The coverage of the defined benefit Consent Benefits was significantly above the 110% financing objective adopted for this investigation.

The existing Plan assets are expected, on the actuarial assumptions, to be more than sufficient to finance all future benefit payments for defined benefit section members, even if the Employer makes no future contributions in respect of the defined benefit section.

Based on the financial position at 30 June 2020, the Employer could cease making regular contributions in respect of defined benefit section members (i.e. a contribution holiday), including operating expenses and insurance premiums, and continue to meet the Plan's financing objective for at least the next five years.

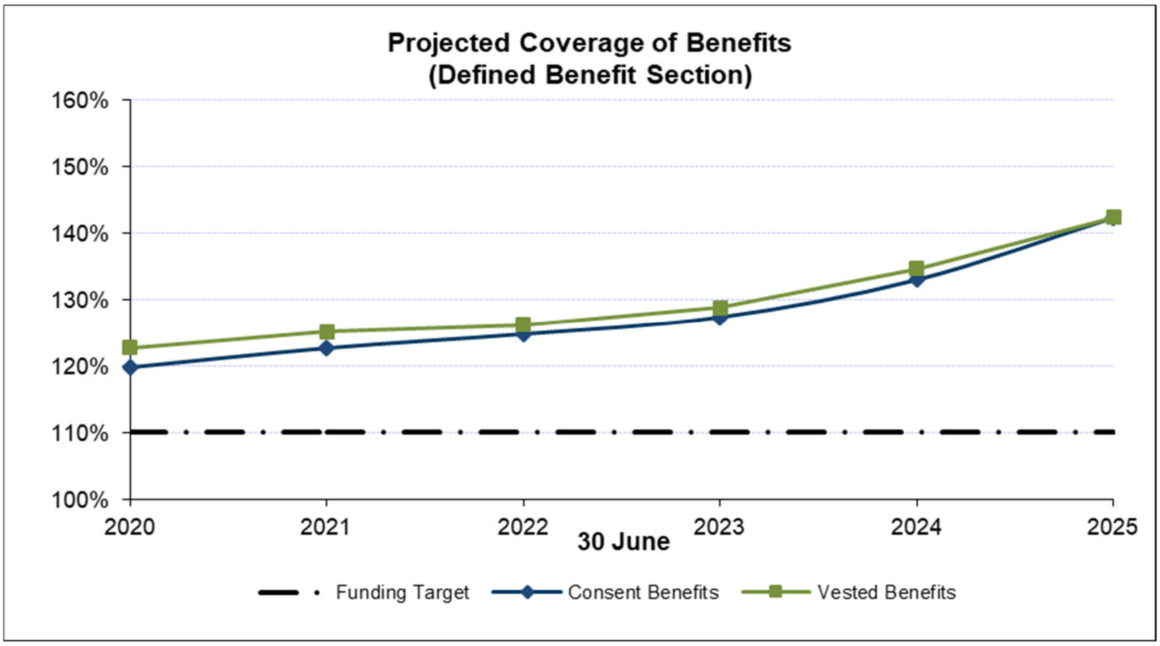
Therefore, I recommend that the Employer make contributions to the Plan of:

Category	Recommended Minimum Contributions
Defined benefit members	Nil in respect of the defined benefit section; *plus* Any additional contributions agreed between the Employer and a member that are allocated to an additional accumulation account balance.
Accumulation members	The amounts allocated to members' account balances as required by legislation and contractual obligations. There should be no deduction from defined benefit assets for accumulation members' insurance and administration expenses.

All members' contributions, including voluntary and salary sacrifice contributions for defined benefit and accumulation members, must continue to be paid.

However, it remains open to the Employer to continue to make contributions in excess of the above recommended contribution levels if it prefers.

Based on the assumptions adopted for this investigation, I have prepared the following projection of the expected impact on the Plan's financial position of the Employer reducing its contributions to the recommended rates:



The chart above shows that the ratio of the Plan's assets to Consent Benefits is projected to remain in excess of the 110% financing objective over at least the next five years, even if no further Employer contributions are paid in respect of defined benefit members.

In my view, the Trustee should be satisfied with the expected level of security for members' benefits if the Employer makes contributions to the Plan on the basis recommended and the Plan's financial position continues to be monitored.

Risks

The Trustee should note that this investigation and the projection of the Plan's financial position are based on the actuarial assumptions adopted, which represent a single scenario from a range of possibilities. The future is uncertain and the Plan'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.

The Trustee should monitor the Plan to identify if an adjustment to the contribution recommendations is required prior to the completion of the next formal actuarial investigation.

Sections 7 and 8 provide illustrations of the impact of investment volatility on the projected coverage of Consent Benefits and shows that a 1% per annum reduction in the assumed future investment return would cause a small increase to the Actuarial Value of Accrued Benefits.

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

Other Findings and Recommendations

I am satisfied that the following current policies and settings for the defined benefit section of the Plan remain appropriate:

- The investment policy, subject to confirmation from the Employer that it understands and accepts the risks associated with this policy;
- The crediting rate policy;
- The insurance arrangements, subject to Trustee assessment of whether the level of insurance should be reduced (see actions below);
- The Shortfall Limit (for the purposes of SPS 160);
- The Trustee's financial position monitoring processes.

Actions Required by the Trustee

The Trustee should:

- Consider this report and confirm its agreement (or otherwise) to the contribution and other recommendations;
- Seek confirmation from the Employer that it understands and accepts the risks associated with the current investment policy for defined benefit section assets;
- Consider amending the insurance formula to reflect the Plan's financial position and reduce the level of over-insurance, subject to assessment of the cost of implementing any insurance changes, and whether these potentially outweigh the premium savings;
- Seek formal agreement from the Employer to either adopt the contribution recommendations in this report, or to continue making contributions in excess of these rates in respect of defined benefit members;
- Continue to monitor the progress of the Plan's coverage of Vested and Consent Benefits;
- 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.

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Introduction

Background of the Plan

The Corinthian Industries Superannuation Plan (the Plan) is operated for the benefit of employees of JELD-WEN Australia Pty Limited (the Employer) and is a plan in the Retirement Portfolio Service (RPS) superannuation fund.

Effective 13 April 2019, OnePath Custodians Pty Limited (the Trustee), as trustee for both the OnePath MasterFund and the RPS, transferred all members and assets of the OnePath MasterFund to the RPS through a successor fund transfer. The Trustee has advised that all Plan rules remain consistent with those that applied prior to the transfer.

The Trustee 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.

The benefits of the Plan are specified in a Benefit Specification Schedule (as amended) which confirms the defined benefit section of the Plan is closed to new members.

Purpose of Investigation

I have prepared this report exclusively for the Trustee of the Plan for the following purposes:

- To present the results of an actuarial investigation of the Plan as at 30 June 2020;
- To review Plan 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 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 superannuation legislation.

This investigation 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 Neekhil Shah FIAA, on behalf of Mercer, and the results are contained in a report dated 21 December 2017.

Reliance on Data and Documentation

When preparing this report, I have relied on financial and participant data provided by the Plan's administrator. The data used is summarised in this report. I 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. I am satisfied that the data is sufficiently accurate for the purposes of this actuarial investigation.

I 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 from the results that would be obtained with accurate and complete information; this may require a revision of this report.

Significant Events since the Investigation Date

I am not aware of any significant events that have occurred since 30 June 2020 which would have had a material impact on the findings or recommendations in this report.

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Experience Since the Last Review

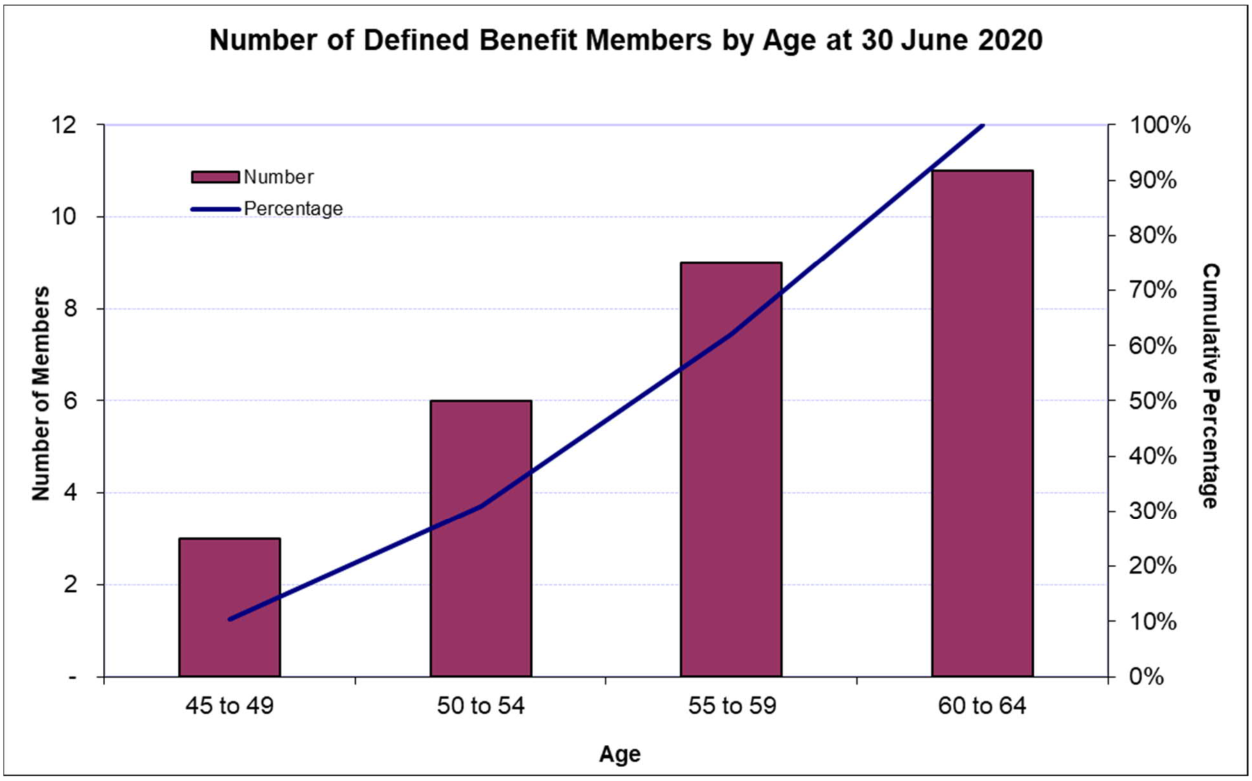
Membership

The defined benefit section is closed to new members. The membership of the defined benefit section has changed since 30 June 2017 as follows:

Number of members at 30 June 2017	[redacted]
Exits	[redacted]
Number of members at 30 June 2020	[redacted]

Annual superannuation salaries at 30 June 2020	$[redacted]
Average salary at 30 June 2020	$[redacted]
Average age at 30 June 2020	[redacted] years

The distribution by age of the defined benefit membership is shown in the following graph:



Investment Returns

The average rate of investment earnings (after tax, investment fees and asset based administration fees) for the assets supporting the Plan's defined benefit liabilities is estimated to be 2.6% per annum over the three years since the previous investigation.

The assumed rate of investment return used for the previous investigation was 5% per annum.

A lower than assumed return had a negative impact on the Plan's financial position.

Salary Increases

Salaries for the current defined benefit members increased by an average of [redacted]% per annum over the period compared to the previous assumption of [redacted]% per annum.

Lower than assumed salary increases had a positive impact on the Plan's financial position as members' defined benefits increased by less than anticipated.

Employer Contributions

The Employer continued to pay contributions towards the defined benefit section of the Plan. The amount paid was more than the estimated defined benefit funding cost and more than the required minimum contributions recommended at the previous investigation. This has had a positive impact on the Plan's financial position.

Financial Impact of Experience

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

Item	Assumption at previous review	Plan experience	Comment on effect
Investment returns	5% p.a.	2.6% p.a.	Negative effect – investments grew at a lower rate than assumed
Salary increases	[redacted]% p.a.	[redacted]% p.a.	Positive effect – benefit liabilities grew at a lower rate than assumed
Employer contributions	Required minimum of nil for defined benefit members	Employer continued to contribute	Positive effect – contributions paid were more than the cost of accruing benefits

The overall impact of the experience was to increase the coverage of the Plan's assets over the various measures of the benefit liabilities. Whilst investment returns were lower than projected, this was offset by lower than assumed salary increases and the actual Employer contributions received. The reduction in the number of defined benefit members also enabled the excess of assets to be spread over smaller amount of total Plan benefit liabilities.

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Actuarial Assumptions

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

- Tthe amount of benefits paid out; and
- 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, the 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.

Economic Assumptions

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

- The assumed rate of investment returns; 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 assumptions adopted for this investigation are:

Assumption	per annum
Investment returns (after tax, investment and asset based administration fees)	4.3%
Salary increases	[redacted]%

The assumed rate of investment returns is based on the expected earning rates for the Plan's current benchmark investment mix over the likely remaining term of the defined benefit liabilities, calculated using Mercer Investment Consulting'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 economic forecasts for future increases in average weekly earnings, the age profile of the remaining defined benefit members, and my discussions with the Employer.

Demographic Assumptions

The decrement assumptions are the same as those used for the previous actuarial investigation.

Retirement and Leaving Service

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

Age	Rate of Exit	Age	Rate of Exit
46	[redacted]%	54	[redacted]%
47	[redacted]%	55	[redacted]%
48	[redacted]%	56 - 59	[redacted]%
49	[redacted]%	60	[redacted]%
50	[redacted]%	61 - 62	[redacted]%
51	[redacted]%	63	[redacted]%
52	[redacted]%	64	[redacted]%
53	[redacted]%	65	[redacted]%

Consistent with past practice, it is assumed that Employer consent is granted for early retirement from age 55.

No specific allowance is made for the possibility of future retrenchments. The benefit on retrenchment is equal to the Vested Benefit. Any substantial retrenchment program would require further assessment.

Death

Given the small number of remaining members, and for simplicity, no death decrements are assumed. The cost of group life insurance is included via a separate allowance for insurance premiums.

Other Assumptions

New Members

The Plan's defined benefit section is closed to new entrants. No allowance has been made for new members. All new members are assumed to join an accumulation category.

Expenses and Insurance Premiums

Administration and actuarial consulting expenses plus the cost of group life insurance for defined benefit members are deducted from the defined benefit section assets.

Based on recent experience:

- Operating expenses for the defined benefit section of the Plan are assumed to average $40,000 per annum, indexed at 2% per annum; and
- Insurance costs are assumed to average 0.25% of defined benefit members' salaries.

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 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 tax which is payable by the individual such as excess contributions tax or additional Division 293 tax on contributions for those with high incomes.

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:

Item	Current investigation	Previous investigation	Reason for change
Investment returns	4.3% p.a.	5% p.a.	Lower expected investment return outlook.
Salary increases	[redacted]% p.a.	[redacted]% p.a.	As discussed with the Employer.

The overall impact of the changes in assumptions has been to decrease the actuarial value of accrued benefits by $[redacted], and decrease the assessed long-term employer cost of future service benefits.

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Assets

Market Value

Based on unaudited data provided by the Plan's administrator, the net value of assets available to pay defined benefits as at 30 June 2020 amounted to $[redacted]. This value has been used for the purposes of the investigation.

Operational Risk Reserves

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

Investment Policy

Assets Supporting Defined Benefit Liabilities

The Plan's investment strategy for assets supporting defined benefit liabilities is a combination of the Optimix Moderate, Optimix Balanced, Maple-Brown Abbot Diversified and OnePath Cash investment options. The actual asset allocations as at 30 June 2020 for the investments supporting the defined benefit liabilities are:

Asset Class	Optimix Moderate (%)	Optimix Balanced (%)	Maple-Brown Abbott Diversified (%)	OnePath Cash (%)	Combined Portfolio (%)
Australian equities	17.8	26.7	31.3	-	25.5
Overseas equities	20.0	28.7	22.2	-	21.8
Property	6.1	6.0	7.2	-	6.5
Fixed interest	30.9	17.0	15.1	-	20.4
Cash	3.1	1.5	17.8	100.0	12.6
Alternatives	22.1	20.1	6.4	-	13.2
Total	**100**	**100**	**100**	**100**	**100**

'Growth' assets such as equities and property are expected to earn higher returns over the long term relative to 'defensive' assets such as fixed interest and cash, but at the same time to exhibit more variation in returns from year to year.

I am satisfied that the current investment strategy for the defined benefit section is suitable in view of the Plan's anticipated cash flows and the ongoing 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. A more conservative investment option may reduce the expected future earning rate on defined benefit section assets but would reduce the potential for a significant change to the contribution recommendations.

Consideration would also need to be given to the potential impact on members' leaving service benefits of any change to the investment strategy as interest is credited to member and SG contributions based on the Plan's investment earning rate.

The Trustee should engage with the Employer to ensure that the Employer understands and accepts the risks of the current investment strategy for the defined benefit section. If the Employer has a different view, then the current investment strategy should be reviewed and a more conservative investment strategy adopted.

Assets Supporting 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 fully matched.

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

I consider the Plan's investment policy for assets relating to accumulation liabilities to be suitable having regard to the nature and term of these liabilities.

Unit Pricing and Crediting Rate Policy

A detailed review of the unit pricing and crediting rate policy is outside the scope of this actuarial investigation. Based on a general understanding of the main features, I consider that the Trustee's unit pricing and crediting rate policy 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).

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The Actuarial Approach

Financing Objective

The financing objective used for this actuarial investigation is to maintain assets of the defined benefit section of the Plan at least equal to 110% of Consent Benefits (i.e. the benefits payable on leaving service or retirement assuming that Employer consent is granted for early retirement from age 55).

The defined benefit retirement benefits are based on salaries and the period of membership, not the returns of the underlying assets. Poor investment returns can negatively affect the funding position. A margin in excess of 100% coverage of Consent Benefits is therefore desirable to provide some security against adverse investment experience. I consider a target margin of 10% is reasonable to meet the Trustee's objective of security of members' benefits.

Achieving the financing objective of 110% of Consent Benefits would also result in at least 110% coverage of Vested Benefits (which I understand is the Trustee's preference) and a satisfactory margin of coverage over 100% of SG Minimum Benefits. It is therefore not necessary to adopt specific financing objectives in relation to these benefit liability measures.

Based on the assumptions adopted for this investigation, a target of at least 110% coverage of Consent Benefits will ensure that assets exceed the Actuarial Value of Accrued Benefits.

The contribution recommendations are reviewed at each actuarial investigation to ensure that the Plan remains on course towards the financing objectives.

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

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."

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 Consent Benefits.

Provisions of the Trust Deed

The rules of the Plan include requirements that:

- The Trustee ensures an actuarial investigation of the Plan is conducted when required by legislation; and
- The Employer must contribute at the rate determined by the Trustee, after consulting the Employer, on the advice of the Actuary to the Plan.

Financing Method

There are various financing methods that could be followed in setting the Employer contribution level. This investigation uses a "Target Funding" method.

Under this method, the Employer contribution rate required to provide a target level of coverage of a particular benefit liability measure is determined.

Under this method of financing, the level of the Employer contribution may need to vary from time to time to ensure that the Plan remains on course towards its financing objective.

I consider that the Target Funding method is suitable in the Plan's current circumstances as it allows the recommended contribution rate to be determined specifically to meet the Plan's financing objective.

The Target Funding method was also used at the previous actuarial investigation.

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Financial Position of the Plan

Liability Measures

Vested Benefits

Vested Benefits are the amounts payable as of right should all members voluntarily resign or, if eligible, retire at the investigation date. Consent from the Employer for early retirement before age 60 is assumed to be not granted (i.e. retirement is only a right from age 60).

At 30 June 2020, the Plan assets were greater than Vested Benefits, with asset coverage of 122.8% of Vested Benefits. Accordingly, the Plan was considered to be in a "satisfactory financial position" under SIS legislation.

Consent Benefits

Consent Benefits are the amounts payable should all members voluntarily resign or, if eligible, retire at the investigation date assuming that the Employer consents to early retirement from age 55.

Additional Employer contributions may be required if the Consent Benefits are not fully covered by Plan assets and the Employer approves payment of an early retirement benefit.

The 119.8% coverage of Consent Benefits at 30 June 2020 was more than the 110% financing objective used for this investigation.

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 methods outlined in this report. In determining the actuarial value of accrued benefits, I have not applied a minimum of the vested benefits.

More than 100% coverage of assets over this measure of benefit liabilities would generally indicate a strong level of long term funding as, if no future benefits were to accrue to existing members, assets would be expected to meet all future benefit payments (assuming the actuarial assumptions are borne out in practice).

SG Minimum Benefits

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

The Plan assets at 30 June 2020 were greater than the SG minimum benefits and hence the Plan was considered to be "solvent" under SIS legislation.

Financial Position as at 30 June 2020

The following table summarises the Plan's financial position as at 30 June 2020, and shows the corresponding coverage of assets over liabilities at the previous investigation:

Defined Benefit Section*	As at 30 June 2020 $'000s	As at 30 June 2020 Asset Coverage	Asset Coverage as at 30 June 2017
Assets	[redacted]		
Vested Benefits	[redacted]	122.8%	114.5%
Consent Benefits	[redacted]	119.8%	112.1%
Actuarial Value of Accrued Benefits	[redacted]	121.5%	114.7%
SG Minimum Benefits	[redacted]	142.6%	132.7%

* Excludes account balances in the Plan's accumulation section. These balances are invested in accordance with member's investment choices and the value of the liabilities is matched to the value of the underlying investments.

The coverage levels at 30 June 2020 were higher than the levels at the previous actuarial investigation due to:

- The overall impact of the experience relative to the previous assumptions, the actual Employer contributions received, and the reduction in the number of defined benefit members as discussed in Section 3; and
- The changes in the actuarial assumptions resulting in a small decrease in the Actuarial Value of Accrued Benefits as discussed in Section 4.

Actuarial Balance Sheet

The following table shows the Plan's actuarial balance sheet, where projected future cash flows have been converted to a present value by discounting at the assumed rate of investment return:

As at 30 June 2020	$'000s
Net value of assets	[redacted]
Present value of future member contributions	[redacted]
Present value of future available assets (in the absence of other contributions)	[redacted]
Present value of future benefit payments accrued at the investigation date	[redacted]
Present value of future benefit payments accruing after the investigation date	[redacted]
Present value of all future benefit payments	[redacted]
Excess/(deficit)	[redacted]

The results above indicate that Plan assets are expected to be more than sufficient to finance future benefit payments, assuming the actuarial assumptions are borne out in practice, even if the Employer makes no future contributions in respect of the defined benefit section.

The actuarial balance sheet does not include provision for future operating expenses of the Plan or insurance costs for defined benefit members. Based on the actuarial assumptions used for this investigation, the present value of these future expenses and insurance costs is $[redacted]. The results in the table above show the projected excess of assets is more than sufficient to finance the expenses and insurance costs without the need for any further Employer contributions.

Employer's Future Service Cost

Based on the assumptions adopted for this investigation, I estimate that the Employer's long-term defined benefit funding cost (i.e. the normal cost of funding the future service defined benefit accruals) to be 8% of defined benefit members' salaries.

This rate ignores expected future Plan operating expenses but include allowance for insurance costs and contributions tax.

The rate is marginally lower than estimated at the previous investigation due to changes to the economic assumptions and composition of the Plan's membership.

Recommended Contributions

Based on the financial position at 30 June 2020 and the financing objectives used for the purposes of this actuarial investigation, I recommend that the Employer make contributions to the Plan of:

Category	Recommended Minimum Contributions
Defined benefit members	Nil in respect of the defined benefit section; *plus* Any additional contributions agreed between the Employer and a member that are allocated to an additional accumulation account balance.
Accumulation members	The amounts allocated to members' account balances as required by legislation and contractual obligations. There should be no deduction from defined benefit assets for accumulation members' insurance and administration expenses.

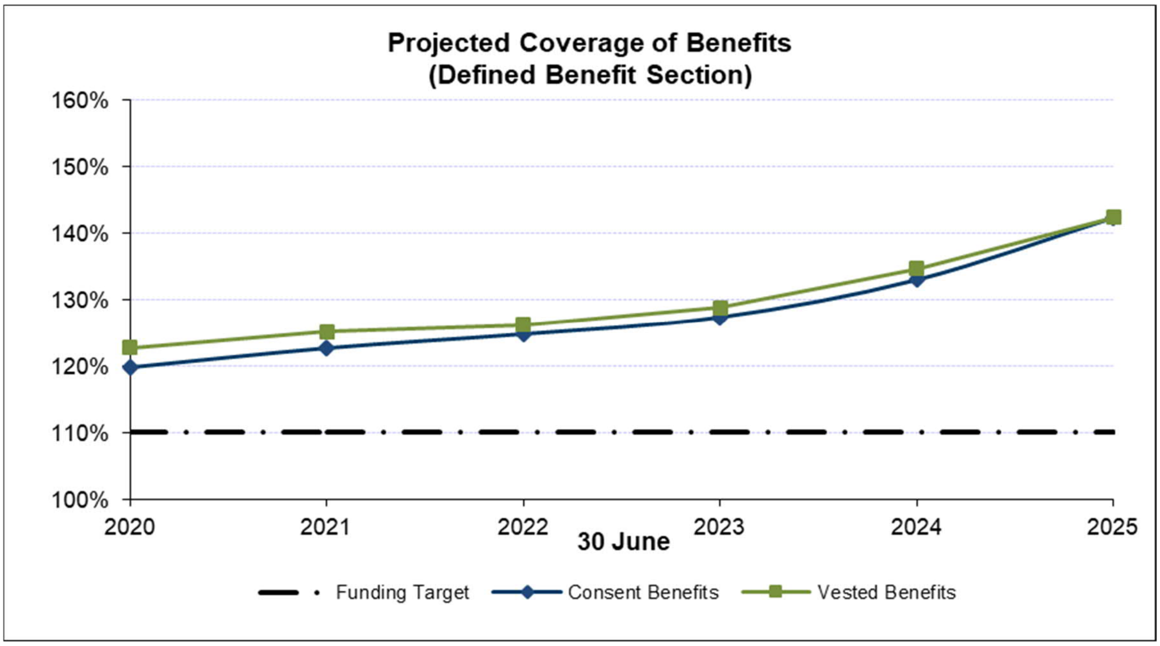
All members' contributions, including voluntary and salary sacrifice contributions for defined benefit and accumulation members, must continue to be paid.

However, it remains open to the Employer to continue to make contributions in excess of the above recommended contribution levels if it prefers.

Projected Financial Position

I have prepared the following projection of the Plan's assets and benefit liabilities based on:

- The actuarial assumptions adopted for this investigation; and
- Assuming the Employer reduces its contributions in respect of the defined benefit section to the recommended rates.



The chart above shows that the Plan's ratio of assets to Consent Benefits is projected to remain in excess of the 110% financing objective over at least the next five years, even if no further Employer contributions are paid in respect of defined benefit members.

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, as discussed below.

In my view, the Trustee should be satisfied with the expected level of security for members' benefits if the Employer makes contributions to the Plan on the basis recommended and the Plan's financial position continues to be monitored.

Sensitivity Analysis

I have tested the effect of changes to the key assumptions on the value of liabilities and the Plan's net financial position (defined as the difference between the value of assets and the Actuarial Value of Accrued Benefits).

The liabilities shown in this report have been calculated using my best estimate assumptions for future investment returns (4.3% per annum) and salary increases ([redacted]% per annum). 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 in line with investment returns while the defined benefit liabilities move in line with salaries.

To quantify the sensitivity of the net financial position to the best estimate assumptions, I have calculated the change in liability based on the following scenarios:

- A decrease in the long term investment return assumption of 1% per annum; and
- An increase in the salary increase assumption of [redacted]% per annum.

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 ($'000s)	Change in net financial position ($'000s)
Best estimate 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

The defined benefit retirement benefits are based on members' salaries and periods of membership. These benefits will not be affected by the investment return on the Plan's assets. However, for many Plan members, their retirement benefit is their accumulation style leaving service or SG minimum benefit as these are projected to exceed the defined benefit retirement benefits. The volatility of the Plan's investment returns will therefore affect the financial position of the Plan from year to year, but not as significantly as if accumulation style leaving service or SG minimum benefits did not apply for many members.

(The benefit on leaving service before retirement is equal to the greater of an accumulation style withdrawal benefit and an accumulation style SG minimum benefit. These benefits are directly linked to the value of the Plan's assets.)

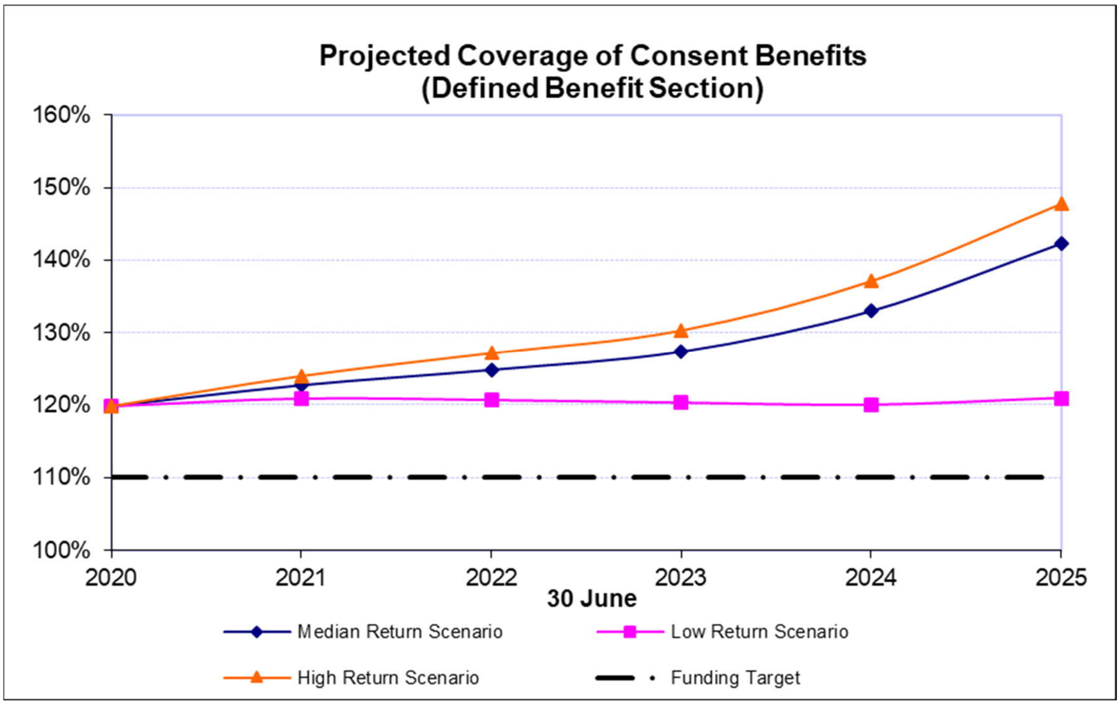
I have considered the impact of investment volatility on the Plan's financial position over the next few years using a "high return" and a "low return" scenario. The returns under both scenarios have been derived from assumptions about the likely risk attached to the Plan's defined benefit investment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

Using the investment return model and assumptions adopted, I estimate that there is an approximate 10% chance of the Plan's cumulative investment return being less than the "low return" scenario. Similarly, I estimate that there is an approximate 10% chance of the Plan's cumulative investment return being greater than the "high return" scenario.

1 July 2020 to 30 June	Cumulative Investment Return		
	"Low Return" Scenario	Investigation Assumptions	"High Return" Scenario
2021	0.0%	4.3%	8.2%
2022	0.0%	8.8%	17.1%
2023	0.0%	13.5%	26.7%
2024	0.0%	18.3%	37.1%
2025	0.0%	23.4%	48.3%

The cumulative investment return is the total return from the investigation date up to 30 June of the year shown. The extent of variation allowed for in these projections reflects the Plan's asset mix and Mercer's views on the potential variability in investment returns across the various asset classes.

The chart below shows the effect on the projected ratio of assets to Consent Benefits under the "high return" and "low return" scenarios, assuming the other actuarial assumptions are borne out in practice and that the Employer makes no further contributions in respect of defined benefit members.



Based on fluctuations in investment returns only, and assuming other experience is in line with the assumptions used for this investigation, I estimate that there is an 80% chance that the coverage of assets over Consent Benefits in three years' time will fall within the range 120% to 130%.

Under the median return and high return scenarios, the accumulation style leaving service and SG minimum benefits are projected to exceed the defined benefit retirement benefits for most members. Under the low return scenario, more members are projected to receive the defined benefit retirement benefit.

Note that these scenarios are illustrations only to demonstrate what may occur if future investment returns differ from the baseline assumptions. These scenarios do not constitute upper or lower bounds. The actual future coverage of Consent Benefits may differ significantly from the range shown above, depending on actual future experience.

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 [redacted]% per annum with no change in other assumptions, then:

(i) The Actuarial Value of Accrued Benefits would increase by $[redacted] (Employer funding cost impact $[redacted]/ 0.85 = $[redacted]), with a resulting reduction in the coverage of the Actuarial Value of Accrued Benefits from 121.5% to 120.4%; and

(ii) The estimated Employer cost of future service benefits would increase from 8% to 9% of salaries under this scenario.

Note 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% per annum illustrated in this example.

Legislative Risk

This risk is that the 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 and is potentially a greater 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 Plan'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. I 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 Plan's financial position should continue to be monitored over the period to the next investigation.

Small Plan Risk

This risk relates to financing a defined benefit plan where there is a small and reducing number of defined benefit members. The time horizon for the defined benefit liabilities will also be diminishing. Issues that may require consideration include:

(i) A greater focus may now be needed on the immediate funding of benefits which previously may be been financed on the basis of the defined benefit section continuing for many years;

(ii) With fewer remaining members, the experience of a single member or event will have a proportionately larger impact on the Plan's financial position. Therefore, more frequent monitoring of the financial position may be required;

(iii) Contributions required to finance any shortfalls, particularly as a percentage of salaries of defined benefit members, can become much more significant;

(iv) Even if the average overall experience is ultimately in line with the actuarial assumptions, there could be occasions where short-term deviations in experience have a significant negative impact on the financial position, warranting immediate additional Employer contributions;

(v) The investment strategy may need to be revised to reflect the reducing term of the liabilities;

(vi) Operating expenses for the Plan, particularly relative to the number of defined benefit members and/or the salaries of defined benefit members, can become significant. Most actuarial tasks are essentially the same whether there are one, 20 or 100 defined benefit members; and

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

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Insurance

The Plan is not permitted to self-insure death or disability benefits. Death benefits are subject to an external insurance policy. The purpose of the insurance policy is to protect the Plan against unexpectedly large payouts on the death of members. The Plan does not provide a specific total and permanent disablements (TPD) benefit – the amount paid is the same as on otherwise leaving service.

The current group life sum insured formula for defined benefit death benefits is:

Sum Insured = Death Benefit – Vested Benefit

The total amount insured should cover the excess of the death benefits over the Plan's assets, unless there is a funding shortfall. Based on the current formula, the coverage of death risk as at 30 June 2020 for the Plan was:

As at 30 June 2020		$'000s
	Death benefits	[redacted]
less	Sum insured	[redacted]
less	Assets	[redacted]
	Uncovered death benefits	**([redacted])**

These calculations show that the insurance formula results in over-insurance. This is not unexpected as there is currently an excess of Plan assets over Vested Benefits.

In my opinion, the current group life insurance arrangements, including the sum insured formula for defined benefit members, are suitable and provide adequate protection for the Plan. However, the Trustee may wish to consider amending the formula to reflect the Plan's financial position and reduce the level of over-insurance, balanced with the cost of implementing any insurance changes, and whether these potentially outweigh the premium savings.

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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. I 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".*

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

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 assessing if the Shortfall Limit remains appropriate:

- The guidance provided in the relevant Actuaries Institute Information Note;
- The investment strategy for defined benefit 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, and the current and projected relativity between Vested Benefits and SG Minimum Benefits.

Based on the above, I consider the current Shortfall Limit to remain suitable.

The projections also indicate that the level of SG Minimum Benefits is not expected to be a constraint in determining the Shortfall Limit.

The suitability of the Shortfall Limit will be reviewed 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 the Plan's defined benefit assets 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. If this monitoring process indicates that 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 three years, and this must be submitted to APRA.

The Trustee should continue to monitor the progress of the Plan's financial position to ascertain if an adjustment to the contribution recommendations is required prior to the completion of the next formal actuarial 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.

Requirements of an 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 fund:

- 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 three years from the investigation date.

An SPS 160 Restoration Plan is not required if the fund 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.

These requirements do not currently apply as I am of the opinion that the Plan's financial position is not unsatisfactory and is not projected to become unsatisfactory.

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.

These requirements do not currently apply as I am of the opinion that the Plan's financial position is not unsatisfactory and is not projected to become unsatisfactory.

Statements Required by SPS 160

This section provides statements required to be made under APRA Prudential Standard SPS 160. Values cited relate to the defined benefit section of the Plan (exclusive of any accumulation section assets and liabilities).

(a) The value of the Plan's assets as at 30 June 2020 was $[redacted]. This value excludes assets held to meet the Operational Risk Financial Requirement and assets to support accumulation members, which are held separately.

(b) In my opinion, the value of the liabilities of the Plan in respect of accrued benefits as at 30 June 2020 was $[redacted]. Hence, I consider that the value of the assets is adequate to meet the value of the accrued benefit liabilities at the investigation date. 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 Sections 4 and 6 of this report. Assuming that the Employer contributes in accordance with my recommendations, and 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 three year period to 30 June 2023.

(c) In my opinion, the value of the liabilities of the Plan in respect of vested benefits as at 30 June 2020 was $[redacted] (or $[redacted] assuming Employer consent is granted for early retirement from age 55). Hence, I consider that the value of the assets is adequate to meet the value of the vested benefit liabilities of the Plan at the investigation date. Assuming that the Employer contributes in accordance with my recommendations, and based on the assumptions used for this actuarial investigation, I expect that assets will remain sufficient to cover the value of vested benefit liabilities over the three year period to 30 June 2023. 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 30 June 2020 was $[redacted]. Hence, the Plan was not technically insolvent at 30 June 2020.

(e) A projection of the likely future financial position of the Plan over the three year period following 30 June 2020, based on what I consider to be reasonable expectations for the Plan 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 remains appropriate.

(g) In respect of the three year period following 30 June 2020, I recommend that the Employer makes contributions to the Plan of:

Category	Recommended Minimum Contributions
Defined benefit members	Nil in respect of the defined benefit section; *plus* Any additional contributions agreed between the Employer and a member that are allocated to an additional accumulation account balance.
Accumulation members	The amounts allocated to members' account balances as required by legislation and contractual obligations. There should be no deduction from defined benefit assets for accumulation members' insurance and administration expenses.

All members' contributions, including voluntary and salary sacrifice contributions for defined benefit and accumulation members, must continue to be paid.

However, it remains open to the Employer to continue to make contributions in excess of the above recommended contribution levels if it prefers.

(h) The Plan 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;
- The Plan was solvent as at 30 June 2020; and
- 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 30 June 2020.

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Actuarial Certification

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 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 Plan's Employer sponsor. 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 provides 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 growth 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, administration 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 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.

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

As actual Plan experience will differ from the assumptions, decisions about benefit changes, investment policy, funding amounts and/or 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 recommendations will be reassessed.

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 10 October 2023).

The next **Benefit Certificate** will be required following the expiry of the current Certificate on 30 June 2023. The current Benefit Certificate is designed to accommodate the existing changes to the legislated Superannuation Guarantee rate.

Further Information

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

Tim Jenkins
Fellow of the Institute of Actuaries of Australia

23 December 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.

Mark Samuels
Fellow of the Institute of Actuaries of Australia

Appendix A

Plan Design

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

Members' Contributions	5% of post-tax salary or 5.9% of pre-tax salary.
Final Average Salary (FAS)	Average of the annual salaries at the three review dates prior to their date of leaving service or retirement.
Normal Retirement Age	65
Early Retirement Age	60, or 55 with Employer consent.
Member Account	Member's contributions accumulated with investment earnings.
Retirement Benefit	Accrued Retirement Multiple x FAS where Accrued Retirement Multiple increases by 16.5% for each year and complete month of membership. A minimum of the Leaving Service Benefit is applied by the Plan administrator.
Late Retirement Benefit	On retirement after the Normal Retirement Age, the amount payable is the normal retirement benefit plus investment earnings to the date of late retirement.
Death Benefit	A lump sum amount equal to the normal retirement benefit that would have been granted if the member had remained in service with unaltered salary until Normal Retirement Age.
Leaving Service Benefit	If not eligible for a death or retirement benefit, the amount payable on leaving service is twice the Member Account.
SG Minimum Benefit	Benefits on leaving service for any reason are subject to a minimum Superannuation Guarantee Benefit as described in the Plan's Benefit Certificate, which is an accumulation style Minimum Requisite Benefit.

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

Trustee and Employer Discretions	Historical Prevalence
Employer consent to early retirement from age 55	Typically granted.
Employer may notify the Trustee to otherwise pay an increased benefit but no larger than the Member's Reserve as certified by the Actuary.	Uncommon.
A Member may be excused by the Employer from contributing and, at the Trustee's discretion, equivalent contributions may be deemed to have been contributed.	Uncommon.
Member Options	**Historical Prevalence**
None.	

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 on leaving service for any reason to be augmented as necessary to meet the minimum Superannuation Guarantee (SG) benefit described in the Plan's actuarial Benefit Certificate. Allowance has been made for the currently legislated increases in the SG rate from 9.5% to 12% over the period to 1 July 2025.

Appendix B

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

The past membership component is based on the member's accrued benefit multiple or accumulated contributions at the investigation date.

The method used for the calculation of the actuarial value of accrued benefits is the same as that used at the previous investigation.

Based on the actuarial assumptions used for this investigation, the weighted average term of the accrued benefit liabilities is [redacted] years.

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