Fluor Australia Retirement Benefit Plan

Report on the Actuarial Investigation as at 30 June 2020

Statement of Advice

15 December 2020

Summary

I am pleased to present my report to the Trustee of the Fluor Australia Retirement Benefit Plan, OnePath Custodians Pty Limited, on the actuarial investigation into the Fluor Australia Retirement Benefit Plan as at 30 June 2020. The Plan is a sub-fund of the Retirement Portfolio Service.

This Summary sets out the key results and recommendations contained in this report.

Solvency

The financial position of the Plan has deteriorated over the intervaluation period, as shown in the reduced Vested Benefits Index from 122.8% as at 30 June 2017 to 107.0% as at 30 June 2020.

The solvency measures as at 30 June 2017 and 30 June 2020 are also shown below:

Measure	30 June 2017	30 June 2020
VBI	122.8%	107.0%
PVABI	122.1%	99.4%
MRBI	369.8%	327.4%

The above solvency measures are in respect of "defined benefits only" and exclude accounts for accumulation liabilities and additional accumulation accounts for defined benefit members.

Funding

The adjusted company contribution rate determined under the Attained Age funding method is calculated as 18.2% of salaries as at 30 June 2020.

Taking into account the projected financial position of the Plan over the next three years, I recommend the Company contribute at 26.9% of members' superannuation salaries (includes 5.9% gross of tax, deemed member contributions) from 1 April 2021.

Contents

Throughout this report the following terms are used:

Plan
Fluor Australia Retirement Benefit Plan

Trustee
OnePath Custodians Pty Limited

Company
Fluor Australia Pty Ltd

Trust Deed or Rules
The Plan's Trust Deed and dated 15 November 2010

The Investigation Date or Valuation Date
30 June 2020

We also recommend that the financial position of the Plan be assessed when a member leaves the defined benefit section to determine if any contributions are required to maintain the Plan's financial position.

In addition, I continue to recommend that the Company contribute at the required amounts to meet any Superannuation Guarantee (SG), contractual or any other obligations in respect of accumulation liabilities in the Plan.

Other Matters involving Actuarial Oversight

I further recommend that:

- The Trustee consider reducing the shortfall limit to 98% based on the current investment structure of the Plan;
- The Trustee monitor the financial position of the Plan annually throughout the following investigation period;
- Current external insurance arrangements for death and disablement benefits be retained;

In line with requirements under legislation and Trust Deed, the next actuarial investigation of the Plan should be conducted with an effective date no later than 30 June 2023. The recommended company contribution rates will be reviewed at that time or at an earlier date if considered appropriate as a consequence of the regular review of the VBI or as required by legislation.

I am not aware of any event since 30 June 2020 that warrants review of the recommendations in this report.

T. Polldore

Tracy Polldore
Fellow of the Institute of Actuaries of Australia

15 December 2020

ABN 45 002 415 349 AFSL 229921

Level 4, 555 Bourke Street, Melbourne VIC 3000

Introduction

Scope

This investigation has been prepared effective 30 June 2020 for OnePath Custodians Pty Limited, the Trustee of the Plan, by the actuary to the Plan, Tracy Polldore, FIAA.

Current legislation and the Trust Deed require an actuarial investigation and report to be due at least every three years for defined benefit funds not paying a defined benefit pension. The main aims of the investigation are to examine the current financial position of the Plan and the long-term funding of the Plan's benefits, and to provide advice to the Trustee on the contribution rate at which the Company should contribute and on any other matters the actuary considers relevant.

This investigation is primarily interested in the defined benefit liabilities of the Plan, and unless otherwise specified, this report relates only to such defined benefit liabilities. The Defined Contribution liabilities of the Plan, including those that relate to defined benefit members, are fully funded and do not impact upon the Defined Benefit liabilities. No investigation is required regarding the Defined Contribution liabilities, although in my recommendations I have continued to recommend that the Company contribute to meet any Superannuation Guarantee, contractual or any other obligations in respect of such liabilities.

This report has been prepared in accordance with Professional Standard 400, dated March 2020, issued by the Institute of Actuaries of Australia.

Previous Actuarial Investigation

The previous actuarial investigation of the Plan was carried out by myself, Tracy Polldore, FIAA as at 30 June 2017, with the results of that investigation set out in a report dated 20 December 2017.

The report concluded that the Plan was not in an unsatisfactory financial position (as defined by SIS legislation) at that date, and recommended that the Company commence a contribution holiday from 1 July 2017.

We understand that the Employer has continued to contribute amounts of 5.9% member salaries in respect of deemed member contributions over the intervaluation period.

Experience since 30 June 2020

Since 30 June 2020 the experience of the Plan has been as follows:

- The net return on the Plan's assets from the valuation date to 31 October 2020 was approximately 0.8%; and
- Not materially more or less number of members than expected members have exited the Plan.

The actual experience since 30 June 2020 has had an impact on the Plan. Because of this, in this valuation we have taken into account investment experience from 30 June 2020 to 31 October 2020 when carrying out the projection of the financial position of the Plan.

Limitations

This report is provided subject to the terms set out herein and in our engagement letter dated 18 December 2006 and the accompanying Terms and Conditions of Engagement. This report is provided solely for the Trustee's use and for the specific purposes indicated above. It may not be suitable for use in any other context or for any other purpose.

Except where we expressly agree in writing, this report should not be disclosed or provided to any third party, other than as provided below. In the absence of such consent and an express assumption of responsibility, no responsibility whatsoever is accepted by us for any consequences arising from any third party relying on this report or any advice relating to its contents.

We consent to the Trustee making a copy of this report available on the Plan's website where required in accordance with the relevant legislation.

The Trustee may make a copy of this report available to its auditors, the Company and to any person to whom the Trustee may be required to provide a copy under relevant legislation, but we make no representation as to the suitability of this report for any purpose other than that for which it was originally provided and accept no responsibility or liability to the Trustee's auditors the Company or any third party in this regard. The Trustee should draw the provisions of this paragraph to the attention of its auditors and the Company when passing this report to them.

In preparing this valuation, we have relied upon information and data provided to us orally and in writing by the Trustee and other persons or organisations designated by the Trustee. We have relied on all the data and information provided, including Plan provisions, membership data and asset information, as being complete and accurate. We have not independently verified the accuracy or completeness of the data or information provided, but we have performed limited checks for consistency. The data and information we have relied upon is shown in the "Additional Information" section of this report.

In our opinion, all calculations are in accordance with requirements of applicable legislative requirements, and the procedures followed and the results presented conform to applicable actuarial standards of practice.

Solvency

When assessing the adequacy of the assets and future contribution rates, both the long-term and short-term solvency positions should be considered. To assess the solvency position, I have considered the following funding solvency measures:

- Vested Benefits Index (VBI), the ratio of assets to the vested benefits, which represent the total amount which the Plan would be required to pay if all members were to voluntarily leave service on the investigation date;
- The Present Value of Accrued Benefits Index (PVABI), the ratio of assets to the present value of accrued benefits, which represents the value in today's dollars, of expected future benefits payable based on membership completed to the valuation date,[1] and
- The MRBI, the ratio of assets to the portion of the Minimum Requisite Benefits as defined in the Plan's Benefit Certificate that relates to defined benefits.

The following table shows the above indices as at the valuation date, as well as the prior valuation date.

	As at 30 June 2020			As at 30 June 2017		
Measure	Value of Liability	Value of Assets	Index	Value of Liability	Value of Assets	Index
VBI	[redacted]		107.0%	[redacted]		122.8%
PVABI[1]			99.4%			122.1%
MRBI			327.4%			369.8%

The above indices are in respect of "defined benefits only" and exclude accounts for accumulation liabilities and additional accumulation accounts for defined benefit members.

Overall, the indices have reduced from those at the previous investigation date. This is primarily a result of the negative experience of the Plan since 30 June 2017, in particular, the company contribution holiday, and lower than expected gap between investment returns and salary increases over the intervaluation period.

The lower gap between the expected level of future investment returns and salary increases has increased the level of the present value of accrued benefits, which in isolation, resulted in a deterioration of the PVABI.

The VBI is above 100% as at the valuation date, and as such, the Plan is to be treated as being in a satisfactory financial position as at that date.

[1] Benefits have been apportioned to past service by proportioning the projected benefit payable by the proportion of total projected service that is completed to the valuation date.

Retrenchment Benefits, Other Discretionary or Contingent Benefits

The benefit payable on retrenchment is the same as the resignation benefit, and therefore the Plan does not have any material additional funding strain that would be caused by any retrenchments.

The Plan has not historically paid any material discretionary benefits so we have not analysed the impact of such discretionary benefits. There are no other material contingent benefits offered by the Plan.

Termination Benefits

Under the Trust Deed, the benefits required to be paid on termination are amounts determined by the Trustee with the advice of the actuary. In any case, the amounts to be paid would be limited by the amount of assets available in the Plan.

If the Plan was ever terminated, the Trustee would need to seek both actuarial and legal advice at that time to consider the method of determining and payment form of benefits from the Plan.

Funding

This section considers the long-term funding of the Plan and assesses the contributions required in order to fund benefits payable in future. To determine the long-term contribution rates, we have used the Attained Age funding method as described in the “Additional Information” section of this report.

In producing my recommendations, I have then adjusted the long term rate to also take into account the pace of funding required to maintain certain short term solvency measures, in particular, that legislation requires the VBI to be above 100% and that the Trustee has a funding target of 110%.

Long Term Funding results

The long-term Company contribution rate and the short-term rate, which is based on the long-term rate plus adjustment to allow for the pace of funding is calculated in the table below.

Calculation of Company Contribution Rate	$'000
Future Service Liability	2,385
Less Present Value of Member Contributions	0
Liability to be funded by Employer Contributions	2,385
Present Value of 1% of Salaries	163
Liability to be funded as a % of salaries	**14.6%**
Long-term employer contribution rate, after allowing for tax and other costs	**18.2%**
Fair Value of Assets	13,566
Less Present Value of Accrued Benefits	13,647
Equals Surplus/(Deficit)	(81)

The long term employer contribution rate required to fund benefits for Defined Benefit members is 18.2% of salaries. The long term contribution rate at the previous investigation was 18.1% of salaries. We have not allowed for insurance premiums in the above rates as we understand these are paid directly by Fluor Australia. Deemed member contributions of 5% net or 5.9% gross are included in the rate of 18.2% in the above analysis.

Overall the long term contribution rate has remained stable. The reduction in the long term investment return assumption (3.5% p.a. to 2.7% p.a.) increased the long term contribution rate. This increase was offset by the change in profile of membership over the review period and the effect of changes expected in the profile over the next year.

There is a deficit at 30 June 2020 (assets relative to Actuarial Value of Accrued Benefits) of $81,000. The funding of this deficit increases the long term contribution rate to 18.8%.

Recommended Level of Contributions

In recommending the level of contributions, we have considered:

- The current level of Company contributions (0% of salary for defined benefit members);
- The Trustee's preference for the VBI of at least 110%; and
- Investment returns from 1 July 2020 to 31 October 2020.

We recommend the following level of Company contributions:

- 26.9% of superannuation salary from 1 April 2021 (includes 5.9% gross of tax, deemed contributions)

The Company should also contribute:

- For defined benefit members, contributions at the prevailing SG rate of any allowance included in Ordinary Time Earnings (OTE), but excluded from superannuation salary;
- For members with accumulation only benefits, contributions at the prevailing SG rate of OTE, plus (if applicable) an allowance to cover insurance premiums.

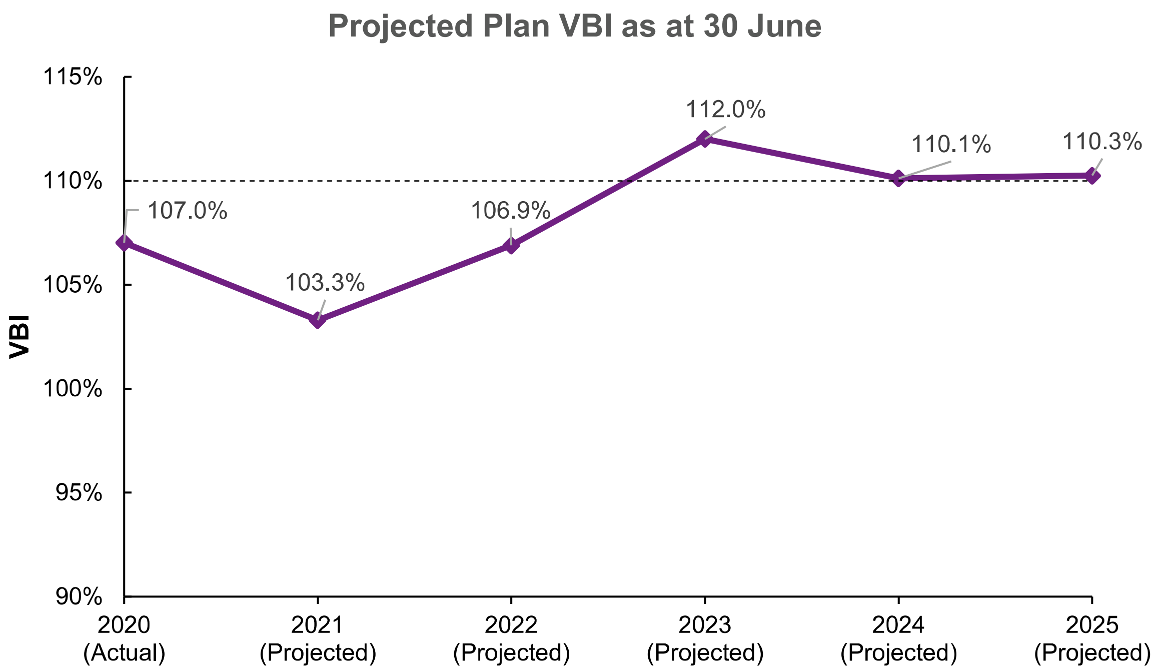
When considering contributions based on OTE, the Company may be able to apply the Maximum Contributions Base to OTE to limit the contributions paid.

We also recommend that prior to members being paid from the defined benefit section of the Plan over the next three years, the financial position of the Plan is assessed to determine if additional contributions are required to ensure the financial position is maintained.

The Company should also pay pre-tax member contributions for members who have elected to make voluntary contributions by salary sacrifice.

Projection of Results

In order to assess whether the above contribution program is likely to meet this target, we have projected the Plan's Vested Benefits Index over the next five years based on the above recommended contributions.



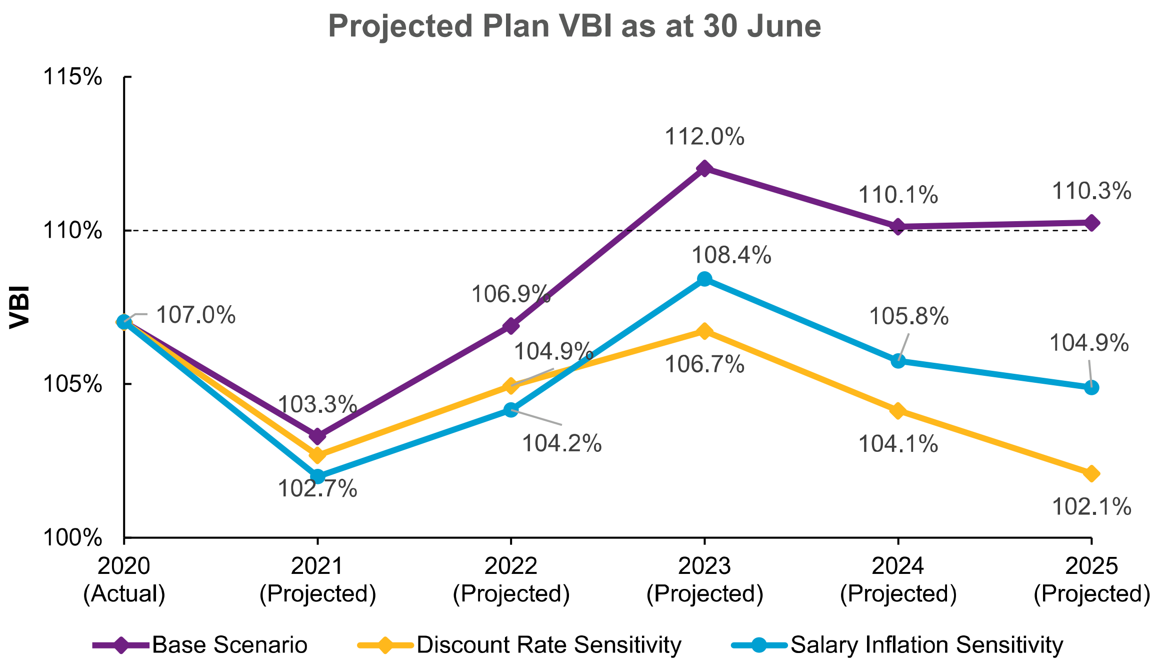
As can be seen from the graph, on the basis of the selected actuarial assumptions, the company contribution rate of 26.9% of salaries (includes 5.9% gross of tax, deemed member contributions) from 1 April 2021 is sufficient to maintain the VBI above 100% and restore the Plan VBI to the Trustee target of VBI of 110%.

Sensitivity Analysis

Before making a recommendation on the level of contributions that the Company should make to the Plan, it is useful to consider the sensitivity of the analysis above to reasonable variations in the valuation assumptions. The following table shows the long-term contribution rate calculated, if key assumptions had been varied as described below:

	This Valuation Basis	Scenario 1	Scenario 2
Description	Base Case	Investment Return Sensitivity	Salary Inflation Sensitivity
Discount Rate	2.7%	1.7%	2.7%
Price Inflation	N/A	N/A	N/A
Expected Salary Growth	3.0%	3.0%	4.0%
Present Value of Accrued Benefits Index	99.4%	94.3%	95.6%
Long Term Contribution Rate (before any adjustment for surplus or deficit)	18.2%	19.2%	18.9%

Similarly, the Plan's projected VBI over the next three years under the varied assumptions are shown in the graph below:



These results show that the required Company contribution rate, as well as the Plan's projected financial position, is very sensitive to long-term actuarial assumptions. While the sensitivities have been selected to be illustrative of reasonable changes in the valuation assumptions, they do not represent the upper or lower bounds of possible outcomes and more extreme outcomes are possible.

The results show that the Plan's position is expected to weaken over the next 6 months and will be sensitive to experience in the coming year. We recommend that prior to members being paid from the Plan over the next three years, the financial position of the Plan is assessed to determine if additional contributions are required to ensure the financial position is maintained.

Summary

On the basis of the above results, and having regard to the Company's preferences as well as the long-term target objective of the Trustee to achieve a funding target of a VBI of 110%, we believe that from 1 April 2021 a Company contribution rate of 26.9% of members' superannuation salaries (includes 5.9% gross of tax, deemed member contributions), is sufficient to meet the funding requirements of the Plan.

The Company should also contribute:

- For defined benefit members, contributions at the prevailing SG rate of any allowance included in Ordinary Time Earnings (OTE), but excluded from superannuation salary;
- For members with accumulation only benefits, contributions at the prevailing SG rate of OTE, plus (if applicable) an allowance to cover insurance premiums.

We also recommend that prior to members being paid from the defined benefit section of the Plan over the next three years, the financial position of the Plan is assessed to determine if additional contributions are required to ensure the financial position is maintained.

When considering contributions based on OTE, the Company may be able to apply the Maximum Contributions Base to OTE to limit the contributions paid.

The Company should also pay pre-tax member contributions for members who have elected to make voluntary contributions by salary sacrifice.

We further recommend that the VBI position (and other measures of solvency) continue to be monitored annually throughout the following investigation period, to ensure that these contribution recommendations remain appropriate.

Other Matters Involving Actuarial Oversight

Investments

Investment Strategy

The return objective of the Plan's Investment Strategy for assets supporting defined benefits is to achieve returns (before fees, charges and taxes) that on average exceed inflation by at least 3.0% p.a., over periods of ten years or more. To meet this objective, the assets supporting defined benefits are invested in a diversified portfolio of Australian and international assets through a mix of managers, with a bias towards defensive assets. This investment option is actively managed in accordance with the Optimix Multi-manager investment process.

The actual and target asset allocation as 30 June 2020 of such assets is shown in the below table:

Asset Class	Actual	Target
Australian Equities	9.8%	10.0%
International Equities	12.0%	12.0%
Property	4.1%	4.0%
Alternative Assets	26.6%	25.0%
Total Growth Assets	**52.5%**	**51.0%**
Australian Fixed Interest	22.2%	22.0%
International Fixed Interest	20.1%	20.0%
Cash	5.2%	7.0%
Total Defensive Assets	**47.5%**	**49.0%**

In my opinion an investment strategy as described above is suitable for a Plan of this type having regard to its financial position, the underlying liabilities and the capacity of the respective employers to meet any funding shortfall.

Crediting Rate Policy

The Trustee has adopted a policy of smoothing returns to defined benefit members' compulsory balances by crediting the average return over the past three years. The smoothing method is intended to result in crediting rates being in line with the Plan's actual earning rates (net of fees and taxes) over the medium to long term.

This policy has been in place for many years. At 30 June 2020, only one member was receiving benefits that are subject to the crediting rate. In our view, this approach remains appropriate.

Liquidity

Taking into account the ready sale of the Plan's assets from time to time, in our opinion the Plan has sufficient liquidity to meet payments from regular cashflows.

Shortfall Limit

The Trustee currently has an approved shortfall limit of 100%.

Based on the Plan's benefit design, its target asset allocation described above and information contained in the Actuaries Institute Information Note on Shortfall Limits, we consider a Shortfall Limit of 98% may be considered acceptable. We recommend the trustee consider changing the shortfall limit to 98% for the Plan.

Insurance

Death and Disablement Benefits

At the investigation date, the Plan has death, total and permanent disablement (TPD) and Income Protection (IP) insurance with AIA.

For members of the Accumulation section, the insured amount relates to Death, TPD and IP. The member's benefit for death and TPD equals the total of the accumulation accounts plus the amount insured with the Plan insurer.

Defined benefit members receive a death benefit from the Plan but no TPD or IP benefit within the Plan.

The formula used to calculate the level of insurance for each defined benefit member is:

Death Benefit *less* Leaving Service Benefit

As at the valuation date, the amounts over/(under) insured in the Plan in respect of defined benefit members are shown in the table below:

	$
Market Value of Assets	[redacted]
Sum Insured	
Total Funds Available (A)	
Total Death Benefits (B)	
Plan's Surplus / (Exposure) (A-B)	

If all members of the Plan had died on 30 June 2020, the Plan's assets, combined with the insured components above, were sufficient to meet death benefits. The insurance arrangements are expected to remain satisfactory over the next three years based on the Plan's projected coverage of vested benefits.

On this basis, we consider the current insurance arrangements adequate and recommend that the current insurance formula be maintained.

Additional Information

Risks

The table below summarises the main risks to the financial position of the Plan.

Risk	Approach taken to risk
Investment returns on the existing assets could be insufficient to meet the Trustee's funding objectives	The Trustee takes advice from the Plan Actuary on possible assumptions for future investment returns. In setting the future contributions, the Plan Actuary considers the effect on the future financial position if investment returns are less than expected. The Trustee is able to agree further contributions with the Company at subsequent valuations if future returns prove insufficient.
Price inflation or salary increases could be different from that assumed which could result in higher liabilities	The Trustee invests in assets that are expected to be correlated to future inflation in the longer term (sometimes referred to as "real" assets). This means that, over the longer term, such assets are expected to keep pace with inflation. Such assets include equities, property and index-linked bonds.
Falls in asset values might not be matched by similar falls in the value of the Plan's liabilities	The Trustee considers this risk when determining the Plan's investment strategy. It consults with the Company in order to understand the Company's appetite for bearing this risk and takes advice on the Company's ability to make good any shortfall that may arise. To the extent that such falls in asset values result in deficits at future valuations, the Company would be required to agree a recovery plan with the Trustee to restore full funding over a period of time.
Legislative changes could lead to increases in the Plan's liabilities	The Trustee takes legal and actuarial advice on changes in legislation and consults with the Company, where relevant.

Economic risk   Legal risk

Benefits summary

The previous plan commenced with effect from 30 September 1977, it was transferred on a successor fund basis to the Retirement Portfolio Service (previously known as the ING MasterFund) effective 1 July 2002.

The benefits and provisions of the Plan are set out in the Rules of the Consolidated Trust Deed of the Retirement Portfolio Service.

The Plan provides defined benefits for its members and complies with the Income Tax Assessment Act, the Occupational Superannuation Standards Act and Regulations and the Superannuation Industry (Supervision) Act 1993 and Regulations.

The Principal Employer is Fluor Australia Pty Ltd. The Trustee is OnePath Custodians Pty Ltd.

Summary of Benefits and Provisions

Full details of the benefit provisions of the Plan are contained in the Trust Deed. A brief summary of the current provisions is set out below. The determination of the funding requirements in this report relate to the defined benefit section of the Plan, therefore the description below relates to members in the defined benefit section only.

1. Membership Classes and Member Contributions

The defined benefit classes of membership of the Plan and corresponding member contributions are:

Class	Member Contribution Rate % Salary	Comment
2,3	5	The Company pays deemed member contributions for all members.
5	1	The Company pays deemed member contributions for all members.

Class 5 is a supplementary defined benefit section.

2. Eligibility

The defined benefit section is closed to new members.

3. Normal Retirement Age

The Normal Retirement Age is the 65th birthday.

4. Normal Retirement Benefit

The benefit on retirement at the Normal Retirement Age is a lump sum equal to a Multiple of the member's Final Eligible Salary. The Final Eligible Salary is the average of the highest three consecutive Annual Eligible Salaries within a period of 10 years prior to Exit date.

The Multiple is determined as follows:

- 15% for each year of Class 2 or 3 membership, plus
- 2.5% for each year of Class 5 membership

The benefits in Class 5 are offered in addition to the benefits in Classes 2 and 3.

5. Early Retirement Benefit

Members may retire

- within 5 years of Normal Retirement Age or
- with the consent of the Company, within 10 years of Normal Retirement Age, provided at least 10 years of membership has been completed or
- with the consent of the Company, within 15 years of Normal Retirement Age, provided at least 20 years of membership has been completed

For Class 3 members, eligibility for Early Retirement is based on service instead of membership.

The benefit payable is calculated in the same way as for normal retirement, but based on service completed to the date of early retirement.

For Classes 2, 3 and 5 members, the resultant benefit is reduced by 0.25% for each complete month by which the exit date precedes the member's 60^{th} birthday.

6. Death in Service Benefit

Class 2: Equal to the prospective Normal Retirement Benefit with a minimum of 3 x salary.

Class 3: Equal to the prospective Normal Retirement Benefit with a minimum of 5 x salary plus the leaving service (or, if eligible, the early retirement) benefit.

Class 5: Equal to the prospective Normal Retirement Benefit.

7. Leaving Service Benefit

For members in Class 2, 3 and 5 the benefit is:

a. the member's contributions plus any deemed contributions with interest at the Plan's earning rate, and

b. for members with more than 5 years of membership, 5% of the amount in (a) for each year of membership (service for Class 3)

The maximum benefit is 2 times the amount in (a).

8. Minimum Benefits

The minimum benefits are those set out in the Plan's Benefit Certificate signed by Tracy Polldore of Willis Towers Watson and dated 12 May 2020. Together with any contributions to other plans for the members, the minimum benefit is such that the employer will not be required to pay the Superannuation Guarantee Charge.

9. Company Contributions

The Company contributes the balance needed to meet the cost of the defined benefits.

Company contributions are not allocated to individual members but are applied as required to provide benefits.

10. Superannuation Surcharge

From 20 August 1996, the Federal Government introduced a surcharge on employer superannuation contributions of higher income members. The surcharge was abolished from 1 July 2005. Relevant members' benefits are reduced as necessary in order to meet the cost of the surcharge.

Summary of Data Used in this Investigation

Membership Data

The administrator has responsibility for maintaining member records, payment of benefits and other administrative tasks of the Plan.

The administrator has provided data in respect of members of the Plan as at 30 June 2020.

We have checked a sample of the membership data for internal consistency and are satisfied as to the accuracy of this sample.

The following table shows a summary of the membership as at 30 June 2017 and 30 June 2020:

	30 June 2017	30 June 2020
Number of Members	11	9
Average Age	[redacted]	[redacted]
Average Past Company Membership	[redacted]	[redacted]
Average Superannuation Salary	[redacted]	[redacted]

Assets Data

OnePath provided an asset value for defined benefit section of the Plan as at 30 June 2020. The fair value of assets as disclosed, less any amount held to meet the Operational Risk Financial Requirement, was [redacted]. This asset value was used in this valuation to determine contribution recommendations and Funding Status Measures.

The Plan is a sub-plan of a master trust (the Retirement Portfolio Service) and financial statements are not prepared at the sub-plan level. We have not been provided with audited accounts for the Retirement Portfolio Service at 30 June 2020.

We are satisfied that there are no material data discrepancies and that the data provided is suitable for the purpose of this investigation. We have relied on the information provided for the purposes of this investigation. Although we have no reason to doubt the quality of asset information provided, the results of this investigation are dependent on the quality of the asset information. Any changes to the asset values above will have an impact on the outcome of the investigation and any resulting recommendations.

Funding Method, Assumptions and Experience

Funding Method

In this valuation, I have used the Attained Age method. Under this method, the company contributions is calculated as the cost of benefits accruing to members in respect of all future membership plus other relevant costs (such as administration expenses), with an adjustment to allow for the amortisation of surplus or deficit existing in the Plan in respect of benefits accrued at the valuation date. These contributions are expressed as a percentage of salaries, by comparing the amount against the expected present value of 1% of members' salaries.

This funding method is suitable for this valuation as it allows the surplus (or deficit) of the Plan to be used (or made up) by the Company over a shorter time period.

In producing my recommendations, I have also taken into account the pace of funding required to maintain certain short term solvency measures, in particular, that legislation requires the VBI to be above 100% and that the Trustee has a funding target of 110%.

In the previous actuarial investigation, the Attained Age Funding Method was used to determine the level of contributions. In my view this method remains appropriate.

Assumptions

In order to determine the value of expected future benefits and Plan assets, it is necessary to make assumptions regarding the timing and amount of future benefit payments, expenses and contributions. In doing so it is important to examine the experience of the Plan since the last valuation to see whether the previous assumptions have been borne out in practice.

While each of the assumptions used is normally the actuary’s best estimate of future experience, in practice, the actual experience in any (short) period can always be expected to differ from the assumptions to some extent. However, it is intended that over longer periods, they will provide a reasonable estimate of the likely future experience and financial position of the Plan.

In the short-term, as the actual experience emerges differently to the experience implied by the assumptions, the financial position of the Plan will also vary from that expected. To reduce the likelihood of the experience of individuals affecting the financial position of the Plan on exit, we have recommended that the financial position be assessed when members exit the Plan.

Financial Assumptions

Valuation assumptions can be broadly divided into demographic assumptions, which relate to characteristics of current and future members of the Plan, and financial assumptions, which are assumptions other than demographic assumptions. The following sections first consider the financial assumptions that are to be adopted for this valuation.

Investment Returns

The rate of return on the Plan's Assets (net of tax and investment expenses that are deducted from the investment return) from 30 June 2017 to 30 June 2020 are set out in the table below:

Year Ending	Net Investment Return
30 June 2018	3.7%
30 June 2019	5.6%
30 June 2020	-0.4%
Overall	2.9% p.a.

Over the three-year period to 30 June 2020 the assets held in the Plan returned 2.9% p.a. which is lower than the rate assumed in the previous investigation of 3.5% p.a. (net of tax). In isolation, this has had a negative impact on the financial position of the Plan.

While short-term differences between actual investment return experience and the actuarial assumption can affect the long term financial position of the Plan as measured by the actuarial investigation, the assumption used in the investigation must be based on long-term expectations since the investigation involves valuing payments in the future.

Based on models of future investment returns developed by Willis Towers Watson, the current long term expectations of investment returns net of taxation and investment management expenses and current strategic asset allocation of the Plan is 2.7% p.a.. On this basis, I have assumed a long-term investment earning rate of 2.7% p.a. for this investigation, which is lower than the assumed long term earning rate used for the previous investigation which was 3.5% p.a..

Salary Increases

The average salary increases during the investigation period for the members remaining in the Plan as at 30 June 2020 was 5.2% p.a.. This is higher than the salary increases assumption adopted for the previous actuarial investigation of 3.0% pa. This has had a negative impact on the financial position of the Plan.

The Company has confirmed that it expects long-term salary increases for the remaining members to average 3.0% p.a.. I have therefore adopted this rate for the purpose of this investigation.

Administration Expenses and Insurance Costs

For this investigation, I assumed:

- A long-term rate of administration expenses of 1.0% of members' superannuation salaries, in line with the Plan's experience and expected expenses going forward. This is the same as the rate of 1.0% allowed for in the previous investigation. When considering the expense of 1% of members' superannuation salaries we have applied a minimum expense of $25,000 p.a. indexed with price inflation of 2% to reflect the fixed component of Plan expenses.
- Nil insurance premium expenses as these premiums are paid directly by Fluor Australia.

Demographic Assumptions

Rates at which Employee Members Cease Service

I have analysed the rates at which employee members cease service during the intervaluation period from 30 June 2017 to 30 June 2020. There were 2 members who exited the Plan over the intervaluation period, this is consistent with the expected number of exits during this period from the previous valuation.

Because of the small number of employee members remaining in the Plan I have assumed, that all employee members would only cease service when they retire at their Normal Retirement Age of 65 (or above if they are currently at this age). I have largely retained this assumption because of the size of the Plan and the mature age of the members, where applying assumed decrement rates before retirement would not be appropriate because it would not adequately capture the impact of the event of a member ceasing service. However, we have allowed for exits in the short term as advised by the Company.

Statutory Statements Under SPS 160

Fluor Australia Retirement Benefit Plan
Actuarial Investigation as at 30 June 2020

The statements required under paragraphs 23(a) to (i) of SPS 160 for interim and regular investigations are set out below:

Plan Assets

At 30 June 2020 the net market value of assets of the Plan, excluding any amount held to meet the Operational Risk Financial Requirement (ORFR), was $13,566,000.

Projection of Defined Benefit Vested Benefit Index

Based on the actuarial assumptions I project that the likely future financial position of the Plan over the three years following the investigation date will be as follows:

Date	Defined Benefit Vested Benefits Index
30 June 2020	107%
30 June 2021	103%
30 June 2022	107%
30 June 2023	112%

Accrued Benefits

The value of the accrued liabilities of all members as at 30 June 2020 was [redacted]

In my opinion, the value of the assets of the Plan at 30 June 2020 was not adequate to meet the liabilities in respect of accrued benefits in the Plan (measured as the present value of members' accrued entitlements using the actuarial assumptions).

This assessment has been made using assumptions and a valuation method which I regard as reasonable.

Vested Benefits

The value of the vested benefits of all members as at 30 June 2020 was [redacted].

In my opinion, the financial position of the Plan is not unsatisfactory. The trustee can consider reducing the shortfall limit to 98% based on the current investment structure of the Plan.

Minimum benefits

The value of the liabilities in respect of the minimum benefits of members as at 30 June 2020 was [redacted] which is less than the value of assets held at that date.

Funding and Solvency Certificates

Funding and Solvency Certificates for the Plan covering the period from 30 June 2017 to 30 June 2020 required by the Superannuation Industry (Supervision) Act have been provided. In my opinion, I am likely to be able to provide Funding and Solvency Certificates for the Plan covering the period from 30 June 2020 to 30 June 2023.

Company Contributions

The report on the actuarial investigation of the Plan at 30 June 2020 recommends the Employer to contribute from 1 April 2021 at a contribution rate of 26.9% of members' superannuation salaries (includes 5.9% gross of tax, deemed member contributions).

The Company should also contribute:

- For defined benefit members, contributions at the prevailing SG rate of any allowance included in Ordinary Time Earnings (OTE), but excluded from superannuation salary;
- For members with accumulation only benefits, contributions at the prevailing SG rate of OTE, plus (if applicable) an allowance to cover insurance premiums.

Prior to members being paid from the defined benefit section of the Plan over the next three years, the financial position of the Plan should be assessed to determine if additional contributions are required to ensure the financial position is maintained.

The Company should also pay pre-tax member contributions for members who have elected to make voluntary contributions by salary sacrifice.

Tracy Polldore
Fellow of the Institute of Actuaries of Australia

15 December 2020

ABN 45 002 415 349 AFSL 229921

Level 4, 555 Bourke Street, Melbourne VIC 3000