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31 August 2021

OnePath Custodians Pty Limited
C/- Mr N Hucker
IOOF Holdings Limited
Level 13, 347 Kent Street
SYDNEY NSW 2000

Dear Trustee,

**VINIDEX STAFF SUPERANNUATION PLAN
– ACTUARIAL VALUATION AS AT 30 JUNE 2021**

EXECUTIVE SUMMARY

Introduction

Oasis Asset Management Limited (the “Administrator”) has requested, on your behalf, that ALEA Actuarial Consulting Pty Limited conducts an actuarial valuation of the Vinidex Staff Superannuation Plan (the “Plan”), a sub-plan of ANZ Super Advantage Superannuation Fund (the “Fund”), as at 30 June 2021.

This actuarial valuation follows the previous valuation of the Plan conducted as at 30 June 2018 (my report dated 9 October 2018). I understand the Plan is not a non-complying fund under the Superannuation Industry (Supervision) Act 1993 (“SIS Act”).

The purpose of the investigation is to provide an assessment of the financial position of the Plan with regard to its defined benefit liabilities and to review the level of the contribution rate required by Vinidex Pty Limited (the “Employer”) to fund members’ defined benefits.

This report is undertaken in accordance with:

- the provisions of the Prudential Standard SPS160 (“SPS160”) – Defined Benefit Matters; and
- the Institute of Actuaries of Australia’s professional standard relating to the actuarial investigation of defined benefit funds and reporting of the results of such an investigation – Professional Standard 400 (“Investigations of the Financial Condition of Defined Benefit Superannuation Funds”).

Background

The Plan commenced as a sub-plan of the Fund on 1 September 2003. All members' benefit entitlements under the Vinidex Staff Superannuation Plan (the "Previous Plan") were transferred to the Plan.

Member Benefits, Contributions and Member Data (Appendix A and Appendix B)

This investigation is concerned principally with the valuation of the Plan's assets and liabilities in respect of defined benefit members only. Therefore the value of accumulation members' assets and liabilities, as well as the accumulation assets and liabilities of defined benefit members, are excluded from this investigation.

The Employer has advised that the defined benefit section of the Plan is closed to new employees since all new employees joining the Plan are provided with accumulation benefits.

Members' benefits are specified in the Previous Plan's Trust Deed as the greater of a defined benefit, based on a member's Final Average Salary, and an accumulation benefit with additional benefits provided on an accumulation basis. A brief summary of our understanding of members' benefit entitlements is provided in Appendix A.

As at 30 June 2021, the Plan had nine (9) members entitled to receive defined benefits. All other members receive accumulation benefits from the Plan.

During the period from 1 July 2018 to 30 June 2021 the salaries of defined benefit members who remained in the Plan throughout the period increased by an average of 2.1% per annum which was less than the rate assumed in the previous actuarial valuation as at 30 June 2018 (my report dated 9 October 2018).

I have reviewed the member data provided by the Administrator for this valuation and I am satisfied it is appropriate for use in this investigation. A brief summary of the data is included in Appendix B.

Plan Assets, Investment Strategy and Investment Performance (Appendix C)

As at 30 June 2021 the Plan's monies were invested in the OnePath Balanced Fund (the "Portfolio"). The market value of these assets as at 30 June 2021 was advised to be approximately [REDACTED].

I have reviewed the asset and transaction details provided by the Administrator and I am satisfied they are appropriate for use in this investigation. A brief summary of transactions for the period from 1 July 2018 to 30 June 2021 is included in Appendix C.

Over the period from 1 July 2018 to 30 June 2021 the Plan's average rate of investment earnings was approximately 5.5% per annum which was less than the rate assumed in the previous valuation (6.0% per annum).

The Administrator also advised that as at 30 June 2021 approximately 58% of the Plan's assets were invested in "growth" assets – i.e. shares, property and alternative assets – with the remaining 42% of the Plan's assets invested in "non-growth" assets. This is less than the Plan's "growth" asset allocation as at 30 June 2018 (65%).

I understand the Portfolio's "benchmark" asset allocation to "growth" assets remains around 65%. Consequently I believe the current "growth" asset allocation noted as at 30 June 2021 remains broadly consistent with the Portfolio's long term investment strategy.

I have also reviewed the continued suitability of the current investment strategy for the Plan. This assessment indicated there is a reasonable level of "matching" of the Plan's assets and defined benefit liabilities by term or duration, nature or type and currency.

I confirm the Plan's current investment strategy remains appropriate for the Plan at this time, although the Trustee and Employer should be aware adoption of such a "growth" strategy may be expected to be accompanied by a higher level of risk compared to other less "aggressive" approaches.

I consider the current Crediting Rate of Interest policy, as described in Appendix C, is appropriate to the Plan at this time.

Valuation Assumptions, Taxation and Legislative Changes (Appendix D)

Assumptions

The financial assumptions adopted for the previous investigation were used again in this investigation. However, based on the ages of members in the Plan and present economic circumstances I have altered the demographic assumptions slightly to assume members remain in the Plan after their Normal Retirement Age.

Taxation

The Plan is liable for tax at 15% (the concessional rate for regulated superannuation funds) on employer contributions less insurance charges and certain expenses. Tax at 15% is also paid directly by the investment manager on investment earnings in respect of the Plan, less certain deductions.

A higher rate of contributions tax may apply to individual members. We have not taken this extra tax into account in this investigation.

Superannuation Guarantee ("SG") Rate

The SG rate is expected to gradually increase from 9.5% of a member's Ordinary Time Earnings to 12% of a member's Ordinary Time Earnings over the period from 1 July 2021 to 1 July 2025. Although this change is expected to impact upon the level of members' Minimum Benefits in the future there is no immediate effect upon the Plan's financial position.

Prudential Standard SPS160 ("SPS160") – Defined Benefit Matters

SPS160 commenced with effect from 1 July 2013 and includes a number of matters to be addressed in actuarial investigations. It also provides for the establishment of a "shortfall limit" for the Plan to be used as a measure of the extent to which the Trustee considers an "unsatisfactory" financial position, arising due to temporary investment market fluctuations, may be corrected within one (1) year.

In compliance with SPS160, the Trustee decided upon a shortfall limit for the Plan as a Vested Benefit Index (“VBI”) figure of 100%. On this basis, the shortfall limit has not been breached as at 30 June 2021 and the current shortfall limit remains appropriate for the purpose of SPS160 at this time.

Prudential Standard SPS114 (“SPS114”) – Operational Risk Financial Requirement (“ORFR”)

In accordance with SPS114 it is my understanding the Plan’s ORFR is met by Trustee capital. Therefore, for the purpose of this investigation I have ignored any assets held by, or on behalf of, the Plan to fulfil its ORFR requirements.

Funding Status (Appendix E)

It is instructive to consider various measures of the funding status of the Plan. A brief summary of such measures is given below with further details provided in Appendix E.

It is a minimum requirement that if a superannuation fund was wound up on the valuation date the available assets should be sufficient to pay members’ leaving service benefits – i.e. their Vested Benefits.

It is also important to assess a fund’s position as an ongoing entity. The Plan’s progress in this regard is determined by comparing the value of Plan assets with the total Value of Accrued Benefits as at the date of the investigation.

The Plan’s financial position as at 30 June 2021 in respect of these measures is illustrated below:

	30 June 2018	30 June 2021
<i>Vested Benefits Index (“VBI”)</i>	104%	104%
<i>Value of Accrued Benefits Index (“VABI”)</i>	104%	104%
<i>Minimum Benefits Index (“MBI”)</i>	174%	157%

These figures indicate the Plan is in a satisfactory financial position on a windup basis as at 30 June 2021 and is in a sound financial position on an ongoing basis as at the same date.

The Plan’s financial position, as reflected by the Plan’s VBI and VABI, remained reasonably stable over the period since the previous valuation. This reflects a number of factors which are discussed in Appendix H.

The Plan’s MBI indicates the Plan is not in a position of “technical insolvency” as at 30 June 2021 although it has reduced over the period since 30 June 2018 following a detailed review by the Administrator of the Plan’s SG benefits.

Employer Contribution Rates from 1 July 2021 (Appendix F)

As at 30 June 2021 the Plan is in effect operating under an accumulation benefit basis with a defined benefit guarantee underlying this benefit. In this event members’ new accruals of benefits are approximately equal to the accumulation of contributions of 15% of members’ salaries without adjustment for Plan fees or costs which are all met by the Employer.

As noted previously there is a difference between the crediting rate of interest applied to members’ accounts (as calculated) and the Plan earnings rate.

This difference reflects an allowance for indirect fees deducted from the assets of the Plan (0.84% per annum) and results in the Plan's accumulation based liabilities growing at a rate greater than the rate of growth of Plan assets.

At this time all members are expected to receive an accumulation benefit on leaving the Plan such that this fee allowance will impact upon the cost of providing members' benefits. This was allowed for in the Employer contribution recommendation set out below.

Recommended Employer Contribution Arrangements

On the basis of the valuation method and assumptions described in Appendix D the required Employer contribution rate to apply with effect from 1 July 2021 was calculated to be 6.5% of defined benefit members' salaries. It is expected payment of contributions on this basis will maintain the Plan's VBI above 100% over the period to 30 June 2024 – i.e. the date of the next actuarial investigation.

The above rate is significantly lower than the current Employer contribution rate of 17.0% and does not allow for any buffer to be accumulated within the Plan assets. On this basis I recommend the Employer continues to contribute at the rate of 17.0% of defined benefit members' salaries from 1 July 2021 to 30 June 2024.

Employer contributions of 17.0% of defined benefit members' salaries are expected to maintain the Plan's VBI about the 105% level over the period to 30 June 2024.

The Trustee and Employer might also wish to consider other contribution alternatives that may be more appropriate to the Employer's circumstances.

Financial Experience since 30 June 2021

During the period from 30 June 2021 to 19 August 2021 it is estimated the Plan's assets achieved an average return of approximately 1.8% – i.e. approximately 13.6% per annum. This is greater than assumed in this investigation (6.0% per annum). Allowance was made for this experience in determining the above Employer contribution rate.

Further Recommendations

In addition to the above Employer contribution rate for defined benefit members I recommend the Employer makes contributions to the Plan as follows:

- such additional contributions as are recommended by the Actuary where a defined benefit payment is made from the Plan during a quarter when the Plan is in an "unsatisfactory financial position" (the amount of the additional payment would reflect the Plan's financial position and allow also for the payment of contributions tax); and
- the Employer makes such other "top up" payments as may be advised from time to time by the Plan's Actuary.

Sensitivity Analyses and Material Risks (Appendix G)

I have undertaken sensitivity analyses in relation to the key assumptions – i.e. the investment earnings rate and the salary growth rate – used in this investigation. The results of the analyses are discussed in Appendix G.

Further, the benefit design and the membership profile of the Plan have potential implications for the Plan's financial position. These issues are also discussed in Appendix G.

Plan Experience during the Valuation Period (Appendix H)

Surplus or deficit items arose during the valuation period due to actual experience differing from the experience assumed as at the previous valuation. The effects of these differences are discussed briefly in Appendix H.

Insurance (Appendix I)

The current group insurance arrangements are considered adequate to protect the Plan against adverse Death/Total Permanent Disablement experience.

Total and Temporary Disablement benefits are provided also to defined benefit members of the Plan. I was advised the Trustee has arranged for an insurance policy that fully insures these benefits.

On this basis I consider these arrangements to be adequate to protect the Plan against adverse Total and Temporary Disablement experience.

Statement of Compliance (Appendix J)

SPS160 prescribes minimum requirements of actuarial reports for defined benefit superannuation funds. On the basis of the information provided by the Trustee and Administrator I certify a number of matters in Appendix J.

Reliance and Limitation

It is important to note this valuation relies upon the accuracy and completeness of data and information provided by the Administrator and the Employer for the purpose of this investigation.

I have not carried out any independent verification or audit of the data provided but have carried out various reasonableness checks of the data. Where necessary, any data issues were discussed with the Administrator and clarification of relevant matters was received.

It should be noted that if any data, or other information provided to us, is inaccurate or incomplete then this report and any recommendation may need to be revised.

This report is produced solely for the use of the Trustee and the Employer. No other use of, or reference to, this report should be made without prior written consent, nor should the whole or part of this report be disclosed to any other person without prior written consent.

Recommendations

I recommend that:

- the Employer contributes at the rate of 17.0% of defined benefit members' salaries from 1 July 2021 to 30 June 2024;
- the Employer contributes such additional monies as are required to cover the cost of administration and insurance expenses – as agreed previously by the Employer;

- the Employer makes additional contributions where a defined benefit payment is made from the Plan during a quarter when the Plan is in an “unsatisfactory financial position” (the amount of the additional payment would reflect the Plan’s financial position and allow also for the payment of contributions tax);
- the Employer makes such other “top up” payments as may be advised from time to time by the Plan’s Actuary;
- the above recommendations are reviewed if:
 - the Plan experiences significant movements in its defined benefit membership numbers;
 - the Plan implements significant increases to its benefit basis; or
 - there is a substantial reduction in the value of the Plan’s assets; and
- the next actuarial investigation of the Plan is to be made no later than 30 June 2024 to comply with the requirements of the SIS Act and Regulations.

This report and underlying calculations were completed and checked by actuarial personnel within ALEA Actuarial Consulting Pty Limited and reviewed by David O’Keefe.

Yours sincerely,



David O’Keefe
Fellow of the Institute of Actuaries of Australia
Director – ALEA Actuarial Consulting Pty Limited

APPENDIX A – MEMBER BENEFIT ENTITLEMENTS AND CONTRIBUTIONS

Plan Background

Defined benefit members receive benefits in accordance with the provisions of the Plan Summary. The Administrator has advised this is consistent with the benefit provisions provided under the Trust Deed of the Previous Plan. There have been no amendments to the Plan Summary since the previous actuarial investigation as at 30 June 2018 that directly affect the benefits provided to defined benefit members.

The principal parties involved with the Plan are:

Service Provided	Party
<i>Trustee:</i>	<i>OnePath Custodians Pty Limited</i>
<i>Principal Employer:</i>	<i>Vinidex Pty Limited</i>
<i>Administrator:</i>	<i>Oasis Asset Management Limited</i>
<i>Insurer:</i>	<i>OnePath Life Limited</i>
<i>Investment Manager:</i>	<i>OnePath Investment Management Limited</i>

General

Details of the benefit provisions applicable to Plan members are included in the Plan Summary. A brief summary of our understanding of these provisions is set out below.

Retirement Benefit

The Normal Retirement Age (“NRA”) for defined benefit members is age 62 (Note: members may continue to accrue defined benefits after age 62).

The benefit payable on retirement is equal to the sum of the Member Reserve and the Member’s Voluntary Contribution Accounts, reduced by the balance of any member surcharge liabilities.

The Member Reserve (“MR”) is defined as the greater of (i) and (ii), where:

- (i) is the sum of:
- 2.5 times the Member’s Accumulated Contributions attributable to contributions made prior to 1 September 1992; and
 - 3.75 times the Member’s Accumulated Contributions attributable to contributions made on or after 1 September 1992.
- (ii) is the amount obtained by the formula:

$$MP \times 18\% \times FAS \times F$$

where:

- Membership Period (“MP”) is the latest continuous period (calculated in years and complete months) in respect of contributions that have been (or deemed to have been) made, with a maximum period of 40 years.
- Final Average Salary (“FAS”) is the average of salaries earned over the last three (3) years prior to retirement.
- The discount factor (“F”) is obtained from the following table (interpolating between factors for any additional months of age):

Age Last Birthday	“F”	Age Last Birthday	“F”
40 or less	0.68	52	0.825
41	0.69	53	0.84
42	0.7	54	0.855
43	0.71	55	0.87
44	0.72	56	0.885
45	0.73	57	0.9
46	0.74	58	0.92
47	0.75	59	0.94
48	0.765	60	0.96
49	0.78	61	0.98
50	0.795	62 or more	1
51	0.81		

Death Benefit/Total & Permanent Disablement (“TPD”) Benefit

The benefit payable on death or TPD is equal to a lump sum payment of:

$$18\% \times \text{FAS} \times \text{PMP}$$

where:

- “FAS” is the member’s Final Average Salary; and
- “PMP” is the member’s Pensionable Membership Period, which is the sum of the member’s Membership Period and the difference between the date of ceasing to be a Member and the member’s Normal Retirement Date, subject to a maximum of 40 years.

Total but Temporary Disablement (“TTD”) Benefit

The benefit payable on TTD is equal to one eighth of the Death or TPD Benefit. This benefit is payable until:

- the member recovers and returns to work;
- the payment of a lump sum benefit if TPD is determined; or
- the member dies or reaches age 62.

Resignation Benefit

Upon resignation the member will receive a lump sum benefit equal to:

$$\text{MAC} + \text{SGA} + (\text{MR} - \text{MAC} - \text{SGA}) \times X / (Y - 2)$$

plus any Member's Voluntary Contribution Accounts reduced by the balance of any member surcharge liabilities.

Where:

- "MAC" is the Member's Accumulated Contributions, which are the member's contributions made (or deemed to have been made) and accumulated with interest compounded annually at the Determined Rates;
- "SGA" is the Superannuation Guarantee additional benefit, calculated as per section B1.13 of the Trust Deed;
- "X" is the lesser of the member's Contributory Service or 12 years;
- "Y" is the lesser of the member's Pensionable Membership Period or 14 years.

Accumulation Benefits

In addition to the above defined benefits a member may be entitled to receive a further amount in respect of any voluntary/rollover accounts less any surcharge amounts.

Minimum Benefits

All benefits payable are subject to a minimum of the Resignation Benefit.

The benefits payable to members are subject to a minimum of the amount of their Minimum Requisite Benefit as defined in the Plan's current Superannuation Guarantee Benefit Certificate.

Contribution Rates

Members contribute to the Plan at the rate of 4.0% of salary.

The Employer contributes to the Plan on the basis of the rates recommended by the Plan actuary as being required to provide for members' benefits.

APPENDIX B – MEMBERSHIP DATA

Membership Summary

The table below provides a brief summary of membership details as at 30 June 2021.

Category	Number	Salaries	Average Age	Average Membership (years)
A	9			28.8

Membership Reconciliation

A brief reconciliation of the change in membership over the period from 30 June 2018 to 30 June 2021 is shown below:

	Total
Number of members as at 30 June 2018	11
+ New entrants/transfers in	0
- Exits during the period	2
Number of members as at 30 June 2021	9

This represents a decrease in the defined benefit membership over the period since 30 June 2018.

During the same period the salaries of defined benefit members who remained in the Plan throughout the period increased by an average of approximately 2.1% per annum which was less than the assumed previously (4.0% per annum).

This investigation was made having regard to liabilities calculated on the basis of member details advised by the Administrator and benefit provisions as described in the Plan Summary. I am satisfied reasonable steps have been taken to ensure the reliability of the data used in this investigation.

APPENDIX C – PLAN ASSETS, INVESTMENT STRATEGY AND INVESTMENT PERFORMANCE

Plan Accounts

A summary of the Plan’s accounts for defined benefit members follows below:

	('\$000)	('\$000)
Market Value of Plan Assets as at 30 June 2018		█
Income:		
Employer and Member Contributions	█	
Investment Earnings	█	█
Outgo:		
Benefit Payments and Expenses	█	
Tax Paid	█	█
Market Value of Plan Assets as at 30 June 2021		█

These figures are based on unaudited transactions provided by the Administrator for the period from 1 July 2018 to 30 June 2021 in respect of defined benefit members only and do not allow for any outstanding transactions, if any.

Plan Assets

The Administrator has advised that the Plan’s assets as at 30 June 2021 totalled approximately █ and the monies were invested wholly in the OnePath Balanced Fund (the “Portfolio”). These assets specifically exclude all accumulation benefit entitlements for members where they have an option to select how such monies are invested.

Investment Strategy

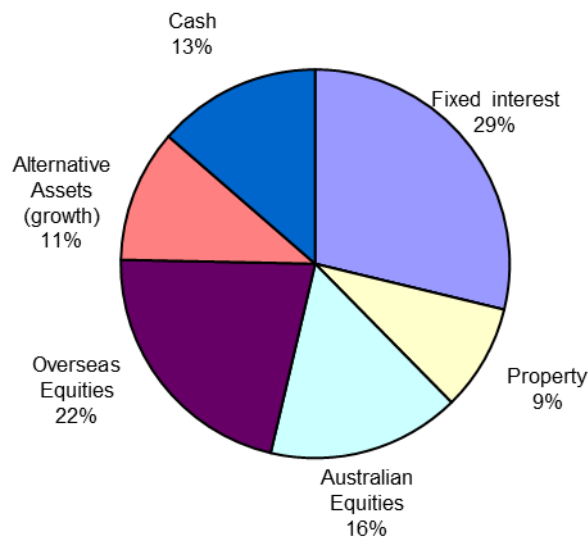
The general aim of the investment strategy is to achieve capital and income growth, while minimising the risk that members’ benefits will not be adequately covered, through asset diversification and the use of a professional fund manager.

The Administrator advised that as at 30 June 2021 approximately 58% of the Plan’s assets were invested in “growth” assets – i.e. shares, property and alternative assets – with the remaining 42% of the Plan’s assets invested in “non-growth” assets. This is less than the Plan’s “growth” asset allocation as at 30 June 2018 (65%).

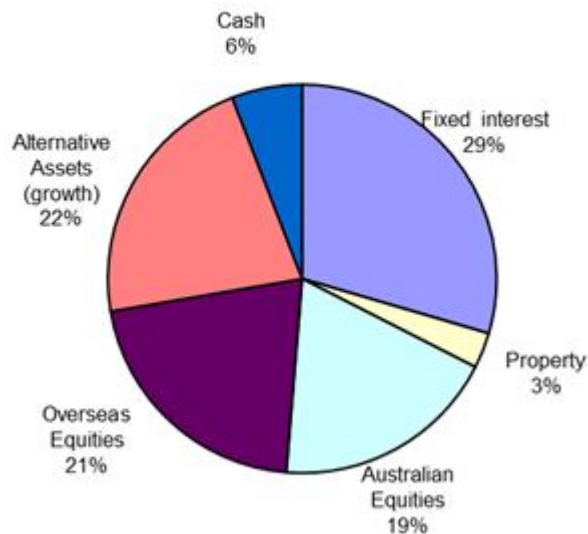
I understand the Portfolio’s “benchmark” asset allocation to “growth” assets remains around 65%. Consequently I believe the current “growth” asset allocation noted as at 30 June 2021 remains broadly consistent with the Portfolio’s long term investment strategy.

On the basis of advice received from the Administrator, the Plan’s asset allocations as at 30 June 2021 and 30 June 2018 were advised to be:

Asset Allocations as at 30 June 2021



Asset Allocations as at 30 June 2018



I have reviewed the continued suitability of the current investment strategy for the Plan by estimating each member's possible benefit at various future times based on the Plan's current benefit provisions as described in its benefit rules. In particular I considered the extent of "matching" of future defined benefit liabilities with the available assets for the Plan given the current investment strategy.

On this basis we were able to estimate the Plan's likely maximum and average future periods of operation (based on the level of members' benefit entitlements). However, it is important to note this assessment makes no allowance for any decision in the future by the Employer to withdraw its support for the Plan prior to the Plan's expected cessation when the last member leaves.

The assessment indicates there is an appropriate level of “matching” of the Plan’s assets and defined benefit liabilities by term or duration, nature or type and currency. It is my opinion the current investment strategy is appropriate to the Plan as at this time.

The Trustee and Employer should be aware also that adoption of such a “growth” strategy is accompanied by an increased level of risk compared to other less “aggressive” approaches. Additional contributions may be required if the value of the Plan’s assets fall. These contributions would be needed to ensure members’ Vested Benefits remain adequately covered.

Continuation of the strategy in respect of the Plan’s defined benefit members requires regular monitoring of future investment returns. This is especially important given the Plan is closed to new defined benefit members.

Investment Performance

During the period to 30 June 2021 the Plan’s investment performance, based on the market value of assets and cash flow, was estimated to be:

Year ending 30 June	Net Investment Return (per annum)	Crediting Rate of Interest (per annum)
2019	6.0%	6.9%
2020	-1.0%	-0.2%
2021	11.8%	12.6%
Average	5.5%	6.3%

These rates were calculated net of expenses and tax based on the market value of assets.

By comparison, the SuperRatings Fund Crediting Rate Survey showed an asset weighted average return for superannuation funds, with similar asset allocations, of approximately 7.9% per annum (net of fees and tax) for the same period.

On this basis, the Plan’s investment performance over the period was less than the average return achieved by other superannuation funds with similar investment strategies over the same period.

Crediting Rate of Interest Policy

The Plan’s Crediting Rate of Interest is calculated annually as the actual rate of interest earned on the defined benefit members’ assets for the period increased by an allowance for indirect fees deducted from the assets of the Plan.

Accordingly, the Crediting Rate of Interest is always greater than the rate of investment earnings achieved because of the fee allowance. However, I understand the cost of this fee allowance is to be met by the Employer through its contributions to the Plan.

I consider the current Crediting Rate of Interest policy, as described above, is appropriate to the Plan at this time.

APPENDIX D – VALUATION OBJECTIVES, METHODS AND ASSUMPTIONS

Valuation Objectives

The objectives of the valuation of members' defined benefits are as follows:

- to determine a rate of contribution as a percentage of salaries that will prove adequate and will remain reasonably stable in the long term;
- to test whether the funds accumulated at the valuation date are adequate to cover liabilities for benefits accrued prior to the valuation; and
- to determine whether the assets of the Plan are adequate to cover Vested Benefits in respect of service completed before the valuation date.

Valuation Method

A funding method is a systematic basis for meeting the cost of benefits over the years of operation of the Plan.

This valuation was undertaken using a Target Funding Method that is sometimes used in Australia for similar funds. This method identifies the Employer contribution rate required for the Plan, such that members' vested defined benefits remain adequately covered by the Plan's assets attributable to those members and is consistent with the previous valuation as at 30 June 2018.

It is used here because it provides a future contribution rate that:

- is relatively simple to understand;
- gives members security in respect of previously accrued Plan benefits; and
- aims to avoid the unnecessary accumulation of surplus assets within the Plan whilst meeting the cost of members' accumulation benefits.

Assumptions

In determining the value of future expected defined benefits and contributions, assumptions are generally required about a variety of future factors, both economic and demographic.

The following paragraphs outline the considerations taken into account in setting these assumptions.

Investment Earnings and Salary Increases

The difference between the investment earnings rate and the rate of salary increase is generally referred to as the "real" investment return and is usually the most significant assumption. It is important to note that the differential is applied over a long period of time, namely the future membership of each active member of the Plan. Accordingly it is important to choose assumptions that relate to relatively long periods of time.

During the twelve (12) year period since 1 July 2009 the Plan's actual real rate of return was an average of approximately 3.6% per annum (based on actual investment earnings relative to the average growth of members' salaries).

Taking account of past long term real rates of return, together with future expectations, the Plan's current investment strategy and the size of the Plan's defined benefit membership, the rates adopted for this investigation were 6.0% per annum (net of tax and expenses) for investment earnings and 4.0% per annum for increases in future salaries, thereby providing a real rate of return of 2.0% per annum.

These are the same financial assumptions as were made in the previous investigation as at 30 June 2018.

Crediting Rate of Interest

It is assumed in this investigation the Crediting Rate of Interest is 6.8% per annum – i.e. the assumed rate of investment earnings plus an allowance for indirect fees of 0.84%.

Demographic Assumptions

It has been assumed previously that members remain in the Plan until their Normal Retirement Age or until the following June where a member is aged 62 or above.

However, based on the ages of members in the Plan and present economic circumstances I have altered the demographic assumptions slightly to assume members remain in the Plan after their Normal Retirement Age.

No other assumptions were made regarding future exits from the Plan, which is the same as assumed in the previous valuation.

Asset Valuation

The net market value of Plan assets was used for valuation purposes (see Appendix C).

Expenses and Insurance

The investment earnings rate is assumed to be net of investment expenses.

The Administrator has advised that the Employer pays directly for administration expenses and insurance costs. Consequently, there was no allowance made for administration expenses and insurance costs (Death or TPD insurance and TTD insurance), which is the same as assumed in the previous valuation.

Taxation

The Plan is liable for tax at 15% (the concessional rate for regulated superannuation funds) on employer contributions less insurance charges and certain expenses. Tax at 15% is also paid directly by the investment manager on investment earnings in respect of the Plan, less certain deductions.

A higher rate of contributions tax may apply to individual members. We have not taken this extra tax into account in this investigation.

Superannuation Guarantee ("SG") Rate

The SG rate is expected to gradually increase from 9.5% of a member's Ordinary Time Earnings to 12% of a member's Ordinary Time Earnings over the period from 1 July 2021 to 1 July 2025.

Although this change is expected to impact upon the level of members' Minimum Benefits in the future there is no immediate effect upon the Plan's financial position.

Prudential Standard SPS160 ("SPS160") – Defined Benefit Matters

SPS160 commenced with effect from 1 July 2013 and includes a number of matters to be addressed in actuarial investigations.

It also provides for the establishment of a "shortfall limit" for the Plan to be used as a measure of the extent to which the Trustee considers an "unsatisfactory" financial position, arising due to temporary investment market fluctuations, may be corrected within one (1) year.

In compliance with SPS160, the Trustee decided upon a shortfall limit for the Plan as a VBI figure of 100%. On this basis, the shortfall limit has not been breached as at 30 June 2021.

In my opinion, the current shortfall limit is appropriate for the purpose of SPS160 at this time.

Prudential Standard SPS114 ("SPS114") – Operational Risk Financial Requirement ("ORFR")

In accordance with SPS114 it is my understanding the Plan's ORFR is met by Trustee capital. Therefore, for the purpose of this investigation I have ignored any assets held by, or on behalf of, the Plan to fulfil its ORFR requirements.

General

These assumptions are realistic in terms of the likely long term experience and provide a reasonable estimate of the Plan's future experience. It is important to note that the long term cost of the benefits does **not** depend directly on the chosen assumptions, but on the Plan's own future experience.

APPENDIX E – FUNDING STATUS

General

It is instructive to consider various measures of the funding status of the Plan. These measures assist in monitoring the progress of the Plan over time and can be readily calculated at annual intervals between major valuations of the Plan.

Vested Benefits Index

The first measure compares the value of the assets with members' Vested Benefits at the valuation date – both figures exclude the accumulation components of members' benefits where appropriate. The Vested Benefits are the amount of withdrawal and early retirement benefits that would be paid if all members resigned or retired early at the valuation date. This measure represents a minimum reasonable funding standard for the Plan.

	30 June 2018	30 June 2021
	('\$000)	('\$000)
A. Total Vested Benefits	██████████	██████████
B. Market Value of Investments	██████████	██████████
C. Vested Benefits Index (B/A)	104%	104%
Surplus/(Deficit)	██████████	██████████

The Vested Benefits Index as at 30 June 2021 was 104% and has remained reasonably steady over the period since 30 June 2018. It is above the minimum required level (100%) and represents a satisfactory financial position.

A brief discussion of factors expected to affect the Index is provided in Appendix H.

Value of Accrued Benefits Index

The second measure compares the value of assets of the Plan with the total actuarial value of all members' accrued benefits – both figures exclude the accumulation components of members' benefits where appropriate. The actuarial value of members' accrued benefits are calculated from the Plan's retirement benefit formulae based on service completed, salaries at the valuation date, the valuation assumptions and method described above.

	30 June 2018	30 June 2021
	('\$000)	('\$000)
A. Total Value of Accrued Benefits	██████████	██████████
B. Market Value of Investments	██████████	██████████
C. Value of Accrued Benefits Index (B/A)	104%	104%
Surplus/(Deficit)	██████████	██████████

The Value of Accrued Benefits Index as at 30 June 2021 was 104% and indicates a sound financial position on a long term basis. It has remained reasonably steady over the period since 30 June 2018.

A brief discussion of factors expected to affect the Index is provided in Appendix H.

Superannuation Guarantee Minimum Benefits Index

It is a minimum requirement that the level of assets in a fund should exceed the total of members' Minimum Benefit amounts for SG purposes. The Plan's progress in this regard is determined by comparing the value of the Plan's assets with the total of members' Minimum Benefits as at the date of investigation. These benefit amounts are calculated in accordance with the terms of the Plan's SG Benefit Certificate.

The Plan's financial position in relation to these benefits is illustrated by considering the following MBI figures:

	30 June 2018 ('\$000)	30 June 2021 ('\$000)
A. Minimum Benefits	██████████	██████████
B. Net Market Value of Investments	██████████	██████████
C. Minimum Benefits Index (B/A)	174%	157%
Surplus/(Deficit)	██████████	██████████

The Plan's MBI indicates the Plan is not in a position of "technical insolvency" as at 30 June 2021 although it has reduced over the period since 30 June 2018 following a detailed review by the Administrator of the Plan's SG benefits.

Retrenchment Benefits

In the event of retrenchment the benefit payable to members will be the sum of the Member Reserve and the Member's Voluntary Contribution Accounts, reduced by the balance of any member surcharge liabilities. The value of retrenchment benefits in respect of defined benefit liabilities only was \$██████████ as at 30 June 2021 which is less than the value of the Plan's assets of \$██████████ as at that date.

The Plan's assets are sufficient to meet members' benefits if all members were retrenched as at the valuation date. At this time I have not been advised of any present, or proposed, plan by the Employer to effect any retrenchment program.

Termination Benefits

In the event of Plan termination, there are no guaranteed benefits, and existing members are entitled to their actuarial reserve as determined by the Actuary. Therefore the value of the Plan's assets is, by definition, sufficient to meet members' benefits on termination at this time.

APPENDIX F – VALUATION RESULTS AND FUTURE CONTRIBUTION RATES

Valuation Results

As at 30 June 2021 the Plan is in effect operating under an accumulation benefit basis with a defined benefit guarantee underlying this benefit. In this event members' new accruals of benefits are approximately equal to the accumulation of contributions of 15% of members' salaries without adjustment for Plan fees or costs which are all met by the Employer.

As noted previously there is a difference between the crediting rate of interest applied to members' accounts (as calculated) and the Plan earnings rate. This reflects the allowance for indirect fees deducted from Plan assets (0.84% per annum) and results in the Plan's accumulation based liabilities growing at a rate greater than Plan assets.

At this time all members are expected to receive an accumulation benefit on leaving the Plan such that this fee allowance will impact upon the cost of providing members' benefits. This was allowed for in the Employer contribution recommendation set out below.

On the basis of the valuation method and assumptions described in Appendix D the required Employer contribution rate to apply with effect from 1 July 2021 was calculated to be 6.5% of defined benefit members' salaries. It is expected payment of contributions on this basis will maintain the Plan's VBI above 100% over the period to 30 June 2024 – i.e. the date of the next actuarial investigation.

The above rate is significantly lower than the current Employer contribution rate of 17.0% of defined benefit members' salaries reflecting:

- the nature of the Plan's benefit arrangements, whereby all members are entitled to receive the greater of a salary-based amount and an accumulation-based amount at any time;
- the relatively low rate of salary growth over the period since 30 June 2018 compared to the rate of interest credited to members' accumulation accounts during the same period;
- the Plan's crediting policy with crediting rates higher than the corresponding investment returns;
- the underlying benefit for all members in the Plan as at 30 June 2021 was an accumulation-based amount;
- the exits over the period since 30 June 2018 affecting the membership profile;
- the continued payment of contributions as recommended; and
- the "surplus" in Plan assets, relative to the value of members' Vested Benefits.

Recommended Employer Contribution Arrangements

As noted above, the calculated Employer contribution rate is lower than the current Employer contribution rate of 17.0% and does not allow for any buffer to be accumulated within the Plan assets.

On this basis I recommend the Employer continues to contribute at the rate of 17.0% of defined benefit members' salaries from 1 July 2021 to 30 June 2024. This is expected to maintain the Plan's VBI about the 105% level over the period to 30 June 2024.

The Trustee and Employer might also wish to consider other contribution alternatives that may be more appropriate to the Employer's circumstances.

Financial Experience since 30 June 2021

During the period from 30 June 2021 to 19 August 2021 it is estimated the Plan's assets achieved an average return of approximately 1.8% over the period – i.e. approximately 13.6% per annum.

This is greater than assumed in this investigation (6.0% per annum) and allowance was made for this experience in determining the above Employer contribution rate.

Further Recommendations

In addition to the above contribution rate for defined benefit members I recommend the Employer makes contributions to the Plan as follows:

- such additional contributions as are recommended by the Actuary where a defined benefit payment is made from the Plan during a quarter when the Plan is in an “unsatisfactory financial position” (the amount of the additional payment would reflect the Plan's financial position and allow also for the payment of contributions tax); and
- the Employer makes such other “top up” payments as may be advised from time to time by the Plan's Actuary.

Recommendations

I recommend that:

- the Employer contributes at the rate of 17.0% of defined benefit members' salaries from 1 July 2021 to 30 June 2024;
- the Employer contributes such additional monies as are required to cover the cost of administration and insurance expenses – as agreed previously by the Employer;
- the Employer makes additional contributions where a defined benefit payment is made from the Plan during a quarter when the Plan is in an “unsatisfactory financial position” (the amount of the additional payment would reflect the Plan's financial position and allow also for the payment of contributions tax);
- the Employer makes such other “top up” payments as may be advised from time to time by the Plan's Actuary;
- the above recommendations are reviewed if:
 - the Plan experiences significant movements in its defined benefit membership numbers;
 - the Plan implements significant increases to its benefit basis; or

- there is a substantial reduction in the value of the Plan's assets; and
- the next actuarial investigation of the Plan is to be made no later than 30 June 2024 to comply with the requirements of the SIS Act and Regulations.

APPENDIX G – SENSITIVITY ANALYSES AND MATERIAL RISKS

Sensitivity Analyses

I have undertaken sensitivity analyses in relation to key assumptions – i.e. the investment earnings rate and the salary growth rate – used in this investigation.

Based on recent experience and future expectations in respect of the Plan and financial markets, I believe it would be appropriate to “stress test” both of these financial assumptions as follows:

- the rate of investment earnings (6.0% per annum) increased or decreased by 2.0% per annum; and
- the rate of salary growth (4.0% per annum) increased or decreased by 2.0% per annum.

It is important that the Trustee and the Employer understand that these sensitivity analyses are used only to illustrate the possible financial implications for the Plan in relation to the changes in investment earnings rate and salary growth rate. They do not represent upper or lower bounds of possible outcomes that might arise in the future.

The table below shows the Plan’s projected VBI as at 30 June 2024 under different assumptions as outlined above and assuming the Employer contributes at the rate of 17.0% of defined benefit member salaries with effect from 1 July 2021 until 30 June 2024:

	VBI as at 30 June 2024
Current Assumptions	105%
Investment Earnings Rate - 2% higher	105%
Investment Earnings Rate - 2% lower	105%
Salary Growth Rate - 2% higher	105%
Salary Growth Rate - 2% lower	105%

The table illustrates that variations in the salary growth or investment earnings rate have relatively little impact on the Plan’s VBI as at 30 June 2024 due to the nature of the benefit design – i.e. where members receive the greater of a defined benefit amount and an accumulation benefit amount on leaving the Plan.

Material Risks

During the process of this investigation, I identified three (3) material risks that may impact on the Plan’s financial position:

- The benefit design of the Plan – Members’ benefits are specified to be the greater of a defined benefit amount, based on a member’s Final Average Salary, and an accumulation benefit amount, with additional benefits provided on an accumulation basis.

If one part of the benefit calculation changes due to experience – e.g. salary increase or investment earnings movements – the other element of the calculation may take precedence.

The Trustee and the Employer should be aware the Plan's benefit design includes this "option risk".

- The membership profile and size of the Plan – There is only a relatively small group of members in the Plan as at 30 June 2021 and it is closed to new defined benefit members.

There is a relatively high "concentration" risk because a significant proportion of the membership is over age 62 and may retire at any time (accounting for approximately 51% of the Plan's Vested Benefits).

Consequently, cash flow requirements for the Plan may become very "lumpy" in the near future as individual members elect to retire and leave the Plan.

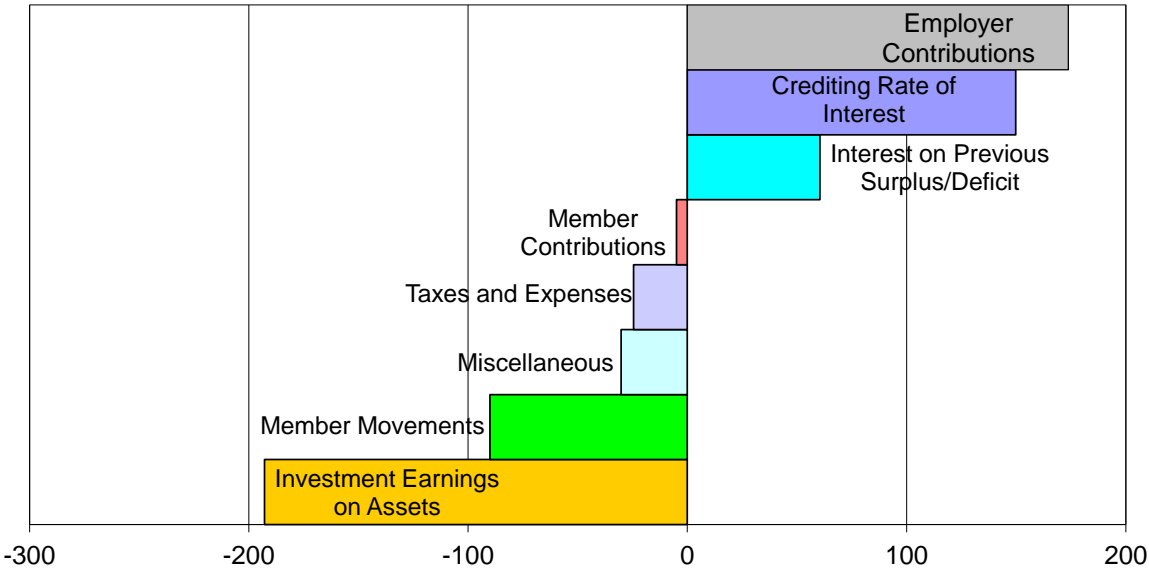
- The mismatch of the crediting rates and Plan earning rates - There is a difference between crediting rates and corresponding Plan earnings (which reflects an allowance for indirect fees deducted from the assets of the Plan of 0.84% per annum). This causes the Plan's accumulated based liabilities continue to grow at a rate higher than the assets.

Together with the fact that currently all of the members are entitled to their accumulation benefit, I believe this fee allowance is having a significant impact on the cost of the Plan.

In my opinion, it is appropriate for the material risks identified above to be monitored as part of the actuarial valuation as per the current approach.

APPENDIX H – COMPARISON WITH PREVIOUS VALUATION

An approximate analysis was made of the change in the Plan’s financial position since the previous valuation. Overall, the Plan’s long term position remained steady over the period to 30 June 2021. The relative impact of the main items producing this change in the Plan’s financial position compared to what was expected in the previous valuation as at 30 June 2018 is illustrated below:



Employer Contributions – Employer contributions paid over the period were greater than required to cover the long term cost of members’ benefits. This improved the Plan’s financial position as at 30 June 2021.

Crediting Rate of Interest – During the period from 1 July 2018 members’ accounts were credited with a rate which was lower than expected. This resulted in an improvement in the Plan’s financial position as at 30 June 2021.

Interest on Previous Surplus/Deficit – This is the effect of interest on the surplus at the beginning of the period which resulted in an improvement in the Plan’s financial position as at 30 June 2021.

Member Contributions – Member contributions paid over the period were slightly less than expected. This reduced the Plan’s financial position as at 30 June 2021.

Taxes and General Expenses – Contributions tax and general expenses paid from the Plan since the previous valuation were slightly higher than expected and resulted in a deduction in the Plan’s financial position as at 30 June 2021.

Member Movements – This is the effect of member exits during the period from 30 June 2018 compared to the projection in the previous valuation as at 30 June 2018. This resulted in a reduction in the Plan’s financial position as at 30 June 2021.

Investment Earnings on Assets – Earnings on Plan assets averaged approximately 5.5% per annum over the period since 30 June 2018. This is less than the 6.0% per annum assumed as at the previous investigation. This reduced the Plan’s financial position as at 30 June 2021.

Miscellaneous – The miscellaneous item refers to those items considered too small to be analysed.

APPENDIX I – INSURANCE

Death or Total and Permanent Disablement (TPD) Insurance

The purpose of this insurance is to protect the Plan against Death/Total and Permanent Disablement (the “Death/TPD”) benefits to the extent of the “Amount at Risk” for defined benefit members in the Plan. The Amount at Risk is the difference between the total of members’ Death/TPD benefits and the value of their insured benefits.

The Trustee effected a group life insurance policy for the Death/TPD benefits with OnePath Life Limited. Under this policy each defined benefit member’s insured amount is calculated as:

$$18\% \times \text{FAS} \times (\text{future service from 1 July 2021 to normal retirement age})$$

Therefore the Amount at Risk is calculated as follows:

	Amount ('\$000)
Death/TPD benefits (defined benefit components only)	██████
less	
Sum of Insured Amounts	██████
Amount at Risk	██████

On this basis, the Amount at Risk is less than the value of the Plan’s assets of approximately \$██████

I confirm the Plan’s insurance arrangements are expected to provide the Plan with adequate protection against adverse Death and TPD experience.

Total and Temporary Disablement (TTD) Insurance

Members are eligible to receive an invalidity pension equal to one-eighth of the Death/TPD benefit. I understand the Trustee has arranged for an insurance policy that fully insures these benefits with OnePath Life Limited.

On this basis I consider these arrangements to be adequate to protect the Plan against adverse TTD experience

APPENDIX J – STATEMENT OF COMPLIANCE WITH PARAGRAPH 23 OF SPS160

SPS160 prescribes the following matters to be contained in actuarial reports for defined benefit superannuation funds:

- The total value of the Plan's assets for the purpose of the valuation was approximately [REDACTED] as at 30 June 2021. This was also the net market value of Plan assets at that date.
- The Plan's assets are adequate to meet the value of the defined benefit liabilities of the Plan in respect of Accrued Benefits of [REDACTED] as at 30 June 2021.
- The Plan's assets are adequate to meet the value of the defined benefit liabilities of the Plan in respect of total Vested Benefits in the Plan of approximately \$8,867,000 as at 30 June 2021. Accordingly, the Plan's financial position as at 30 June 2021 was not unsatisfactory under Regulation 9.04 of the Superannuation Industry (Supervision) Regulations.
- The value of the defined benefit liabilities of the Plan in respect of Minimum Benefits – calculated in accordance with the terms of the Plan's SG Benefit Certificate – was approximately [REDACTED] as at 30 June 2021.
- The recommended Employer contribution arrangements in respect of the period from 30 June 2021 are described in Appendix F.
- In my opinion payment of the Employer contributions as above, together with the assets of the Plan and the expected earnings of the Plan over the period from 1 July 2021 to 30 June 2024, are likely to provide adequately for the expected liability during the period and the liability at the end of that period in respect of accrued benefits.
- The Plan is to be used to reduce or remove the Employer's Superannuation Guarantee Charge obligation imposed under Section 5 of the Superannuation Guarantee Charge Act 1992:
 - all funding and solvency certificates required over the period from 1 July 2018 to 30 June 2021 were obtained during this period; and
 - on the basis of the information provided for this investigation, and assuming that future experience is a reasonable reflection of the assumptions used in this investigation, it is my opinion that an actuary will be able to certify the solvency of the Plan in a funding and solvency certificate under the Superannuation Industry (Supervision) Regulations during the period from 1 July 2021 to 30 June 2024.
- The Plan has not been granted a Pre-1 July 1988 funding credit, nor has it obtained such a credit by way of transfer.