

WSS Superannuation Plan

Actuarial Review as at 1 July 2020

Towers Watson Australia Pty Ltd
ABN 45 002 415 349 AFSL 229921



4 December 2020

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Section 1: Purpose and Summary

The WSS Superannuation Plan ('The Plan') is a sub-plan of the Retirement Portfolio Service (previously OnePath MasterFund) and which includes a defined benefit section, where the benefits are defined by salary and period of membership. The defined benefit section is closed and new members have benefits provided in accumulation form. Additional accumulation benefits are also provided for some defined benefit members.

A regular actuarial review is necessary for the Plan to:

- examine the sufficiency of the assets in relation to members' accrued benefit entitlements;
- determine the Company contribution rate required to ensure that the Plan maintains a satisfactory financial position;
- examine the suitability of the Plan's insurance and investment arrangements; and
- meet legislative requirements. This actuarial review has been conducted in order to meet the Trustee's obligations in accordance with Prudential Standard SPS 160 (SPS 160) issued under Section 34C of the Superannuation Industry (Supervision) Act (SIS Act).

This report has been prepared for the Trustee OnePath Custodians Pty Limited, in my capacity as RSE Actuary to the Plan. The Effective Date of this actuarial valuation is 1 July 2020.

This report has been prepared for the Plan's Trustee in accordance with Professional Standard 400 issued by the Institute of Actuaries of Australia dated March 2020. The previous valuation was conducted by Surath Fernando, Fellow of the Institute of Actuaries of Australia, on behalf of Towers Watson Australia Pty Ltd as at 1 July 2017. The results were provided in a report dated 20 December 2017.

Reliance statement and data

This report is provided subject to the terms and conditions of the engagement dated 21 May 2018. 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, 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 in this regard. The Trustee should draw the provisions of this paragraph to the attention of its auditors 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.

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

Company Contributions

We recommend that the Company contribute to the Plan at the following rates:

	Recommended Company Contributions
Accumulation members:	SG% of Ordinary Time Earnings*
Defined Benefit members:	
From 1 July 2020 to 31 December 2020	15.0% of salaries^ plus \$6,000 per month;
From 1 January 2021	15.0% of salaries^

^ plus contributions at the prevailing SG rate of annual bonuses, subject to the maximum contributions base

* including bonuses, subject to the maximum contributions base defined in the Benefit Certificate.

In addition, the Company should also make the following contributions:

- 5.9% of salaries for members that salary sacrifice their member contributions, or are deemed to do so;
- any salary sacrifice additional voluntary contributions.
- additional contributions for any exit whilst the Plan is in a unsatisfactory financial position. This amount will be advised by the Actuary in order to maintain the VBI to the level it was prior to the benefit payment being made.

This requirement for additional contributions is expected to be assessed on a quarterly basis, subject to whether a member leaves the plan whilst it is unsatisfactory. It can be calculated as part of the regular review of the Plan's financial position.

We also recommend that the Plan's financial position be reviewed each 31 December and 30 June (or more often if circumstances require it) to ensure the Company contributions above remain appropriate.

Shortfall Limit

As required under SPS 160 the Trustee has set the Shortfall Limit for the Plan, currently 100%. Given the current investment strategy, we suggest the Shortfall Limit could be revised. Our recommendation is to consider reducing the Shortfall Limit to 97% given the current investment strategy. If the trustee

were to change the underlying investment strategy, then we recommend the Shortfall Limit be reviewed.

Financial Position

Our investigation shows that the Plan is in a satisfactory financial position at 1 July 2020. The Superannuation Industry (Supervision) Act 1993 (the SIS Act) requires statements to be made in respect of two measures of the financial position of the Plan, these measures being related to the current and projected “vested benefits” and the present value of “accrued benefits” of members.

Vested Benefits

Vested benefits are the benefits payable if all Members voluntarily resigned from service. As at the valuation date, the net assets of the Plan are sufficient to cover the vested benefits. Excluding benefits of an accumulation nature, the ratio of the Plan’s assets to vested benefits is 103% at 1 July 2020.

Investment experience since 1 July 2020 has been better than expected. This will have strengthened the Plan’s coverage of vested benefits, and thus, we expect that the Plan remains in a satisfactory financial position with vested benefits exceeding assets at the date of signing this report. We note that our recommended Company contributions allow for this known investment experience.

Assuming:

- a. the benefits described in the Plan’s Trust Deed remain unchanged;
- b. Company contributions are paid at the recommended rate; and
- c. the future experience of the Plan is in accordance with the assumptions made in this actuarial valuation;

we expect the Plan’s assets to remain in excess of the vested benefits up to 1 July 2023. On this basis, the financial position of the Plan is expected to remain satisfactory until the next actuarial review.

Present Value of Accrued Benefits

The present value of accrued benefits is the actuarial value (using the assumptions and methodology detailed in this report) of the expected future benefits payable from the Plan to the current members and their dependents in respect of Plan membership completed up to the valuation date.

The Plan’s net assets were adequate to cover the present value of the accrued benefits of all members of the Plan at 1 July 2020. Excluding benefits of an accumulation nature, the ratio of the Plan’s assets to the present value of accrued benefits was 103% at 1 July 2020.

Superannuation Guarantee

The Company's Superannuation Guarantee (SG) obligation is fully met for all members by the minimum benefits provided under the Plan. The Plan's Benefit Certificate certifies the Minimum Requisite Benefits that satisfy SG legislation. The Benefit Certificate that applied during the review period was dated 9 July 2015 and was subsequently replaced on 7 August 2020 upon the expiry of the previous certificate.

The most recent Funding and Solvency Certificate issued to the Trustee is dated 28 June 2019. The purpose of this certificate is to specify the required Company contributions needed to fund the minimum benefits used to offset the Superannuation Guarantee charge. Pursuant to the SIS Act, a superannuation fund is "*solvent*" if the net value of its assets exceeds the minimum Superannuation Guarantee benefits.

At 1 July 2020, the Plan is solvent and based on the actuarial assumptions and our recommendations regarding contribution rates we believe it is likely that an actuary will be able to certify the solvency of the Plan in three years' time on this basis.

OnePath Funding Target

We understand that the Trustee requires that all of its sub-plans aim for a VBI of 110% in order to have a sufficient buffer of assets over vested benefits. As at 1 July 2020, the Plan was below this buffer. However, we note that under the recommended contribution program, we expect the Plan's VBI to reach 110% within the next five years.

Investments

In our opinion, the current investment strategy of the Plan is one of a range of appropriate strategies having regard to the nature of the liabilities and the Plan's membership profile at 1 July 2020. However, the Trustee should ensure the Company is aware of the implications of any volatility in investment returns to underlying contributions and understand the direct effect of returns on members' defined contribution style resignation benefits. A reduced exposure to equities and alternative growth investments may be preferred as the defined benefit liabilities gradually run off.

Insurance

The total amount of insurance protection against death and total and permanent disablement benefits, in conjunction with the Plan's assets, is adequate as at 1 July 2020.

Regulatory Requirements

SPS160 (previously Regulation 9.30 to the SIS Act) requires certain specific information to be included in actuarial reports. A summary of this information is included in Appendix C to this report. Note that this is a summary only and, although the Trustee may choose to provide this summary to any members who request details of the actuarial valuation, members are entitled to request a copy of the full report.

Next Valuation

The next full actuarial review should be held no later than 1 July 2023.



Surath Fernando
Fellow of the Institute of Actuaries of Australia
Towers Watson Australia Pty Ltd
as RSE Actuary to the WSS Superannuation Plan

4 December 2020

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Section 2: Background and Data

The Plan was previously known as the WLB Shipping Staff Superannuation Plan and was established in accordance with a trust deed on 1 July 1980. The Plan was transferred on a successor fund basis into The Corporate Superannuation Master Trust on 1 July 2002, now known as the Retirement Portfolio Service.

The Plan is a regulated complying superannuation fund as defined under the Superannuation Industry (Supervision) Act 1993 and is therefore eligible for concessional tax treatment. The Plan is closed to new defined benefit members.

A summary of the main provisions of the trust deed pertaining to members' benefits, incorporating all amendments made to date, is included as Appendix A to this report.

Previous Recommendations and subsequent events

At the last actuarial review, the Actuary recommended the following contributions be made to the Plan over the three year period ending 30 June 2020:

Recommended Company Contributions	
Accumulation members:	9.5% of Ordinary Time Earnings*
Defined Benefit members:	
▪ From 1 July 2017 onwards	15.0% of salaries plus 9.5% of bonuses

* including bonuses

In addition, the Company made the following contributions:

- 5.9% of salaries for members that salary sacrifice their member contribution, or are deemed to do so; and
- Any salary sacrifice additional contribution.

Subsequently we reviewed the Plan's financial position at 31 March 2020 and recommended the following additional contributions in respect of Defined Benefit members.

- \$6,000 per month, from 1 July 2020 to 30 June 2021;
- An additional contribution for any exit whilst the Plan is in a unsatisfactory financial position from 1 April 2020. This amount will be advised by the Actuary in order to maintain the VBI to the level it was prior to the benefit payment being made.

The requirement for additional contributions is expected to be assessed on a quarterly basis, subject to whether a member leaves the plan whilst it is unsatisfactory.

Company contributions to the Plan have been in line with the above recommendations.

Sources of Information

For the purpose of this valuation, we have relied on membership information stored on the administration system as at 1 July 2020 as supplied to Willis Towers Watson. Where possible the information provided has been checked for reasonableness and is considered suitable for the purposes of this investigation.

The results presented in this report are directly dependent upon the accuracy and completeness of the underlying data. Any material inaccuracy in the data, assets, plan provisions or other information provided to us may have produced results that are not suitable for the purposes of this report and such inaccuracies may produce materially different results that could require that a revised report be issued.

The Defined Benefit membership details as at 1 July 2020 are summarised in the following table:

	1 July 2020
Number of Members:	6
Total Salaries:	
Average Salary:	
Average Age:	
Average Membership:	
Total Vested Benefits*:	

* assuming Company consent is provided for retirement between the ages of 55 and 60 and including defined benefit members' additional accumulation balances of \$125,000.

In addition to the active defined benefit members, there were 63 members with benefits in accumulation form as at 1 July 2020 with total vested benefits of [REDACTED]

Over the three year review period, the defined benefit membership has reduced from 11 members to 6 members, whilst the accumulation membership has decreased from 69 to 63 members.

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

Section 3: Assets

Net Assets

The Plan is a sub-plan of a master trust (the Retirement Portfolio Service) and financial statements are not prepared at the individual sub-plan level. We have not been provided with audited accounts for the Retirement Portfolio Service at 1 July 2020.

Benefit and asset data for accumulation members has been assumed to equal the member account balances provided by the administrator.

We have been supplied with an asset value for the defined benefit section of the Plan by the administrator. We have used this asset value for the purposes of this investigation. We have assumed this to be the redemption value of assets and we note, as the assets are invested in a unit trust, any difference between the fair value and the value on redemption of the assets is likely to be immaterial. Therefore, we believe the asset value provided to be an appropriate net asset value.

The net assets of the Plan's defined benefit and accumulation sections at 1 July 2020 is summarised below.

Net Assets at 1 July 2020	\$
Defined Benefits	4,929,000
Accumulation Benefits*	6,530,000
Total	11,459,000

* Includes voluntary contribution account balances for Defined Benefit Members. This amount is equal to the total accumulation benefits provided by OnePath.

Operational Risk Financial Requirement (ORFR)

In accordance with section 52(8)(b) of the SIS Act, trustees of superannuation funds must maintain and manage in accordance with the prudential standards, financial resources to cover the operational risks that relate to the fund. We were advised that the Trustee will fund the ORFR via profits or capital injections and there will be no deductions from the sub-plans to fund the ORFR. Therefore the financial position of the Plan will not be affected and no adjustment has been made to the Plan's assets for the ORFR.

Accumulation benefits – Member Investment Choice

Members can choose from a range of investment options provided by ANZ Smart Choice Super in which to invest their accumulation accounts. The investment options are unitised and distribute investment returns to members through movements in unit prices. Under investment choice, the returns credited to each option directly reflect the investment earnings of the option.

Nature of Defined Benefit Liabilities

The level of the defined benefit liabilities does not bear the same direct relationship with the assets as exists with accumulation liabilities.

Whereas the defined benefit liabilities reflect salary growth, the supporting assets depend on a range of factors including:

- i. the level of Company contributions, and
- ii. the level of investment returns

In this case it is the Company which bears the investment risk as the level of contributions depends on the level of investment returns achieved.

An investment strategy which is framed to take a long-term view will often adopt relatively high levels of equity investment in order:

- i. to secure attractive long term investment returns, and
- ii. to provide an opportunity for capital appreciation and dividend growth, which gives some protection against inflation (as benefits are linked to Salary growth which is also influenced by inflation)

The main constraint in this situation occurs if potential fluctuations in asset values mean the total asset value could fall below the level of vested benefits, placing the plan in an unsatisfactory financial position.

While the impact of a sudden sharp fall in asset values can be limited by maintaining a buffer of assets over and above the level of vested benefits, the level of the buffer may never be sufficiently high to safeguard against all investment outcomes and the Company may be required to increase its contributions to the Plan if the experience is unfavourable. However, the buffer should be at a level where the risk of the asset values falling below the level of vested benefits under a particular investment strategy is acceptable to the Trustee and the Company.

In this regard, a lower buffer may be acceptable where the Company is willing and able to accept short-term variations in contributions as part of underwriting the defined benefits of the Plan. In this case, short-term variations in company contributions may result from:

- i. reducing a buffer that has grown too large; or
- ii. rebuilding a buffer that has fallen or become negative.

An alternative for a plan which does not have a sufficient asset buffer above the level of vested benefits is to adopt a more conservative investment strategy. While this may reduce short-term fluctuations in asset values, it is also likely to reduce long-term returns and hence result in increased company contributions in the long-term.

In summary, a balance needs to be achieved between these short-term and long-term considerations in funding the defined benefit liabilities.

Investment Objectives and Strategy

Investment Objective

The defined benefit assets of the Plan are invested in the OnePath OptiMix Balanced investment option.

This investment option aims to achieve returns (before fees, charges and taxes) that on average exceed inflation by at least 5.0% pa over periods of ten years or more.

Investment Strategy

The table below shows the benchmark asset allocations for the defined benefit section as at 1 July 2020. We have been advised the benchmark asset allocation has not changed materially since the previous actuarial valuation.

Asset Class	Benchmark Asset Allocation
Australian Shares	27%
International Shares	29%
Property Securities	6%
Australian Fixed Interest	9%
International Fixed Interest	8%
Cash	3%
Alternative Growth	12%
Alternative Defensive	6%
Total	100%

* Alternative assets may include investments such as alternative credit, hedge funds, infrastructure, private equity and real estate.

Suitability of Investment Strategy

The Strategic Allocation to Growth Assets as at 30 June 2020 was 74%. In our opinion the allocation to growth assets is among a range of reasonable allocations although at the higher end of growth allocation given the maturity of the Plan.

Setting the Strategic Asset Allocation is a balance between:

- 3.1 A high allocation to growth assets, which is expected to produce relatively high but more variable investment returns and therefore lower but more variable employer contributions; and
- 3.2 A low allocation to growth assets, which is expected to produce relatively low but less variable investment returns and therefore higher but less variable employer contributions.

The defined benefit categories within the Plan have been closed to new members for many years. The age profile of these categories will gradually increase and the average time to meet benefit payments will gradually reduce.

At 1 July 2020 the average age of defined benefit members was 58.3 years (increased from 57.7 years at 1 July 2017), so the investment timeframe is expected to be low to medium and will continue to decrease as the membership ages. If future investment returns are higher or lower than expected it is possible that a “surplus” or “shortfall” will result and the Company may be faced with a volatile contribution program. Investment returns also directly affect members through their defined contribution style resignation benefit.

As a result, we recommend the Trustee and Company may wish to consider the asset allocation and the risks of equity investments. For example, a reduced exposure to equities and potentially illiquid alternative investments may be preferred as the defined benefit liabilities gradually run off.

In our opinion, the investment strategy of the Plan is one of a range of appropriate strategies having regard to the nature of the liabilities at 1 July 2020 and the satisfactory financial position. However, the Trustee should ensure the Company is aware of the implications of any volatility in investment returns and understand the direct effect of returns on members defined contribution style resignation benefits.

Crediting Rate Policy

We understand that accumulation accounts in the Plan are credited with actual investment returns (net of investment tax and relevant expenses). We regard this as appropriate.

Shortfall Limit

The Trustee has set a Shortfall Limit in accordance with SPS 160 of 100% for the Plan.

A Shortfall Limit is defined in paragraph 10 of SPS 160 as:

“the extent to which an RSE licensee considers that a fund can be in an unsatisfactory financial position with the RSE licensee still being able to reasonably expect that, because of corrections in the temporary negative market fluctuations in the value of fund assets, the fund can be restored to a satisfactory financial position within one year.”

We believe the Shortfall Limit could be revised given the current investment strategy and the Information Note provided by the Actuaries Institute. We have considered that:

- 3.1 The actual asset allocation retains an allocation to growth assets of about 74%. This growth asset allocation suggests a Shortfall Limit of 97% might be appropriate based on the Actuaries Institute's Information Note;
- 3.2 Vested benefits are higher than Minimum Requisite Benefits; and
- 3.3 The employer has a contractual obligation to pay contributions determined by the Trustee.

If the trustee were to change the underlying investment strategy, we recommend the Shortfall Limit is reviewed.

Section 4: Valuation Method, Plan Experience and Actuarial Assumptions

To carry out an actuarial valuation, it is necessary to decide on:

- the valuation method to be adopted;
- the value of the assets for the purposes of long term assessment; and
- the assumptions as to the factors which will affect the cost of the benefits to be provided by the Plan in the future.

Valuation Method

Present Value of the Accrued Benefits

For the purposes of the actuarial review, the valuation method involves a present value being placed on the future benefits and contributions payable under the Plan. A description of these benefits and contributions is outlined in Appendix A.

In valuing the Plan's accrued defined benefit liabilities we have projected each member's benefit to the assumed age of leaving service (age 65) allowing for future salary increases, but only allowing for service up to the valuation date. Vesting on the resignation benefit has also only been allowed for up to the valuation date. The projected payments are then discounted back to the valuation date using the valuation rate of interest.

The actuarial value of accrued benefits for each member is subject to a minimum of that member's vested benefit. In determining vested benefits, we have assumed that Company consent is provided for defined benefit members to retire between the ages of 55 and 60.

Future Contribution Rates

The recommended future contribution rates have been determined based on a projection of the Plan's assets and vested benefits up to 1 July 2025.

We projected the Plan's defined benefit assets and vested benefits based on the assumptions set out in this report and assuming that the Company contributes to the Plan at the rates recommended in this report over the period to 1 July 2025. Assets are compared to vested benefits in each projection year to check that the Plan remains in a satisfactory financial position (with assets exceeding vested benefits). For the projection, defined benefit members were assumed to leave service at age 65.

The results of the projection are shown in Section 6.

This is the same method used in the previous valuation and we believe that this remains a suitable method for the Plan given the satisfactory financial position as at 1 July 2020 and the small defined benefit membership remaining.

Plan Experience and Valuation Assumptions

It is important when setting out the valuation assumptions to examine the experience of the Plan to see how variations from the previous assumptions have been borne out in practice. A summary of the major items of experience over the last three years is given in the following paragraphs.

Investment Return

The assumption for investment returns at the last valuation was 5.0% pa. The Plan's average investment returns (net of investment related tax and expenses) over the three years to 30 June 2020 in respect of the defined benefit assets was 2.6% pa, which has had a negative effect on the Plan's financial position.

For this valuation, we have adopted a long term future investment return of 4.0% pa (net of investment related expenses and taxes). The reduction since 2017 reflects the lower capital market assumptions underlying our asset model. We believe that this assumption is consistent with the ongoing investment policy (as outlined in Section 3) and is reflective of our current expectations for the return from various asset classes.

Salary Inflation

The assumed rate of salary inflation was 3.5% pa at the last valuation. The average rate of growth of salaries for defined benefit members who were present at both the last and current valuation dates was 2.9% pa. The actual increase in salary growth was lower than the assumed rate and therefore had a positive effect on the Plan's financial position.

We believe a reasonable salary increase assumption can be derived from a best estimate of base price inflation plus a margin for real wage increases.

In light of current economic conditions, we believe that a long-term price inflation assumption of 1.6% p.a. is appropriate and an expected real wage growth of 0.5% to 1.0% p.a. is reasonable. This means a salary inflation rate between 2.1% p.a. and 2.6% p.a. is reasonable. The Company has indicated a salary inflation rate of 2.5% p.a. is expected. We believe this to be justifiable under current conditions. Therefore, in our opinion, a long term salary increase assumption of 2.5% p.a. is reasonable, which we have adopted for this valuation.

Gap

Overall, we have assumed a "gap" between the investment return (net of investment related expenses and tax) and salary inflation assumption of 1.5% pa over the long term. Over the review period the average actual "gap" (of -0.3% pa) was lower than expected (1.5% pa).

Rates at which Members Leave Service

We have assumed that all defined benefit members remain in service until age 65 for the purposes of determining the present value of accrued benefits for the defined benefit members. This is different from the previous actuarial review effective 1 July 2017, which assumed members leave the Plan at age 60. We have updated this assumption as three of the remaining six members will be over age 60 at 30 June 2020. We have assumed no members die or become totally and permanently disabled.

New Members

The defined benefit section is closed to new entrants. All new members join the accumulation section.

Expenses and Insurance Premiums

The assumed allowance for expenses and insurance premiums was \$25,000 p.a. at the last valuation. The average expenses and insurance premiums incurred by the Fund was approximately \$10,000 p.a.. The actual expenses were lower than assumed and therefore had a positive effect on the Plan's financial position. The lower expense and premium figure was due to lower premiums as a result of a smaller membership group and an expectation the Company will meet actuarial fees directly as opposed to through the superannuation fund.

We have reduced the allowance for estimated future expenses and insurance premiums to \$15,000 p.a., indexed annually in line with salary inflation. This equates to approximately 1.5% of defined benefit members' salaries at 1 July 2020 and is broadly in line with the expenses incurred by the Plan in 2019/20. No allowance is made for accumulation members as these are deducted from members' accounts.

Summary of Valuation Assumptions

A summary of our valuation assumptions is set out in Appendix B to this report.

Section 5: Solvency and Funding Measures

In order to assess the adequacy of the Plan's assets to meet its accrued liabilities as at 1 July 2020, we have calculated a number of measures of the Plan's financial position.

Vested Benefits

Under superannuation law, a fund (or a section of a fund) is in a “satisfactory” financial position if the assets of the fund cover members' vested benefit entitlements.

The vested benefits represent the benefit entitlements of members should they voluntarily leave the Plan. The Vested Benefits Index (VBI) is the ratio of the Plan's assets to vested benefits. It is a measure of the Plan's financial strength assuming all members voluntarily resigned or retired on the valuation date. In determining vested benefits, we have assumed that Company consent is provided for defined benefit members to retire between the ages of 55 and 60.

The following table shows the VBI of the Plan at 1 July 2020 and 1 July 2017 for comparative purposes.

	1 July 2020 Defined Benefits Only*	1 July 2017 Defined Benefits Only*	1 July 2020 All Benefits	1 July 2017 All Benefits
Net Assets	\$4,929,000	\$6,571,000	\$11,459,000	\$12,486,000
Vested Benefits	\$4,768,000	\$6,325,000	\$11,298,000	\$12,240,000
Vested Benefits Index (VBI)	103%	104%	101%	102%

* The “Defined Benefits Only” figures illustrate the financial position of the Plan in respect of the defined benefit liabilities. As a result, an amount of \$6,530,000 in respect of accumulation liabilities (both for wholly accumulation members and for defined benefit members' additional accumulation benefits) has been excluded from the Net Assets and the Vested Benefits respectively.

The calculated VBI for the Plan at 1 July 2020 is 103%. Therefore, the Plan was in a satisfactory financial position as at 1 July 2020.

The VBI for the Plan has reduced slightly since 1 July 2017 mainly due to lower than expected real investment returns during the three year period. This has been offset by continued defined benefit member exits spreading surplus across a smaller group of people.

We understand that the Trustee requires that all of its sub-plans target a VBI of 110% to provide a sufficient buffer of assets over vested benefits. As at 1 July 2020, the Plan was below this buffer. We consider this requirement in the recommended contribution program described in the next section.

Present Value of Accrued Benefits

An indication of the funding status of the Plan is given by the ratio of the Plan's assets to the Present Value of Accrued Benefits (PVAB). This is called the Present Value of Accrued Benefits Index (PVABI).

PVAB represents the value in today's dollars of future benefits based on membership completed to the review date, allowing for future salary increases, investment earnings and expected incidence of payment. The PVAB has been subjected to a minimum of the Vested Benefit for each member.

It is important that the Present Value of Accrued Benefits Index is not used to compare the level of funding between superannuation funds but is used as a measure to assess the funding status of a superannuation fund from time to time. Different superannuation funds can be expected to have different Present Value of Accrued Benefits Indices depending on the age and employment history of the members.

A fully secured position is represented by an index of 100%. At this level, if the Plan were closed to new entrants and no further benefits were allowed to accrue to current members, assets would be sufficient to meet all future benefit payments if the actuarial assumptions are borne out in practice.

The following table shows the Present Value of Accrued Benefits Index as at 1 July 2020 and 1 July 2017 for comparative purposes.

	1 July 2020 Defined Benefits Only*	1 July 2017 Defined Benefits Only*	1 July 2020 All Benefits	1 July 2017 All Benefits
Net Assets	\$4,929,000	\$6,571,000	\$11,459,000	\$12,486,000
Present Value of Accrued Benefits (PVAB)	\$4,768,000	\$6,325,000	\$11,298,000	\$12,240,000
Present Value of Accrued Benefits Index (PVABI)	103%	104%	101%	102%

* The "Defined Benefits Only" figures illustrate the financial position of the Plan in respect of the defined benefit liabilities. As a result, an amount of \$6,530,000 in respect of accumulation liabilities (both for wholly accumulation members and for defined benefit members' additional accumulation benefits) has been excluded from the Net Assets and the Present Value of Accrued Benefits respectively.

The calculated PVABI for the Plan at 1 July 2020, based on the assumptions used in this investigation, is 103%. The PVABI was estimated to be 104% at the 1 July 2017 investigation. The slight decrease in PVABI is mainly due to the less than expected real investment return over the period.

At 1 July 2020 the assets were more than the present value of accrued benefits. This indicates that benefits in respect of service up to the effective date of this report were covered by the assets of the Plan.

Superannuation Guarantee Minimum Requisite Benefits

Superannuation Guarantee Minimum Requisite Benefits (MRBs) are the minimum benefits which the employers are required to provide in order to meet the requirements of Superannuation Guarantee legislation.

In all cases, the Plan's vested benefits are at least equal to the MRBs. As at 1 July 2020 the ratio of the Plan's assets to total MRBs was 160%, which has increased from 155% from 1 July 2017.

Benefits Payable on Termination

Under the trust deed, benefits on termination of the Plan are limited to the available assets. Therefore termination benefits are automatically covered by Plan assets.

Adequacy of Insurance

Insurance coverage is considered adequate if the assets of the Plan are sufficient to cover members' Death and Total and Permanent Disablement (TPD) benefits after any insured components have been allowed for.

The Plan currently has death and total and permanent disablement insurance with OnePath Life Limited.

The current level of group life insurance for each member is currently determined using the following formulae:

Defined benefit member: Sum Insured = Death and TPD Benefit – Vested Benefit

Accumulation member: Sum Insured = Various age based formula and member choice

The following table shows the adequacy of the Plan's insurance cover at 1 July 2020:

	\$,000s
Lump Sum Death and Disablement Benefits (A)	25,009
Less Aggregate Group Life Insurance (B)	13,711
Plan's Exposure (A – B)	11,298
Plan's Net Assets	11,459
(Excess)/Shortfall in insurance	(161)

If all members of the Plan had died on 1 July 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 five years based on the Plan's projected coverage of vested benefits as shown in Section 6.

In our view, the formulae above remain an appropriate method of determining the Plan's current group life insurance amount.

Section 6: Valuation Results

It should be emphasised that the funding indices shown in Section 5 relate to the current position at the review date. A projection of the Plan is required to assess the adequacy of Company contribution rates to provide defined benefits in the future.

Valuation Results

This valuation has determined that at 1 July 2020, assets exceed both vested benefits and present value of accrued benefits by approximately \$161,000.

Projection of Results

A projection of the Plan's assets and liabilities is required to assess the Company contribution rates necessary to fund the vested benefits in the future.

Such a projection has been carried out using the method discussed in Section 4 and assumptions set out in Appendix B. Importantly, we assume the additional monthly contribution of \$6,000 ceases from 31 December 2020. We also allow for known investment returns of 1.6% from 1 July 2020 to 31 October 2020.

The chart below shows the projected VBI of the Plan if experience is in line with the assumptions adopted for this review (allowing for known investment returns above) and assuming Company contributions are made at the rates below:

Company Contributions	
Defined Benefit members:	15.0% of salaries^ plus \$6,000 per month from 1 July 2020 to 31 December 2020;
Accumulation members:	SG rate (currently 9.5%) of Ordinary Time Earnings*

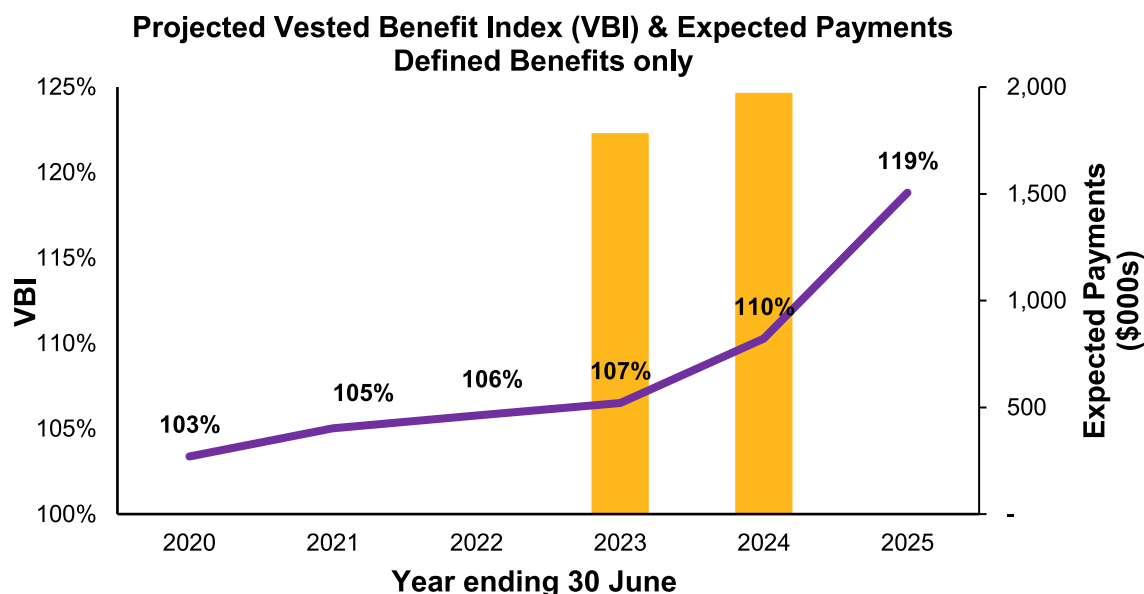
* including bonuses, subject to the maximum contributions base defined in the Benefit Certificate.

^ plus contributions at the prevailing SG rate of annual bonuses, subject to the maximum contributions base.

In addition, the Company should also make the following contributions:

- 5.9% of salaries for members that salary sacrifice their member contributions; or are deemed to do so;
- any salary sacrifice additional voluntary contributions; and
- additional contribution for any exit whilst the Plan is in a unsatisfactory financial position. This amount will be advised by the Actuary in order to maintain the VBI to the level it was prior to the benefit payment being made.

This requirement for additional contributions is expected to be assessed on a quarterly basis, subject to whether a member leaves the plan whilst it is unsatisfactory. It can be calculated as part of the regular review of the Plan's financial position.



The projection indicates that the financial position of the Plan is expected to remain satisfactory over the 5 years to 1 July 2025 under the recommended contribution program.

In addition, the OnePath Trustee requires a margin of assets over vested benefits such that the VBI is at a level of at least 110%. The above contribution program is expected to result in the Plan's VBI reaching 110% over a five year period.

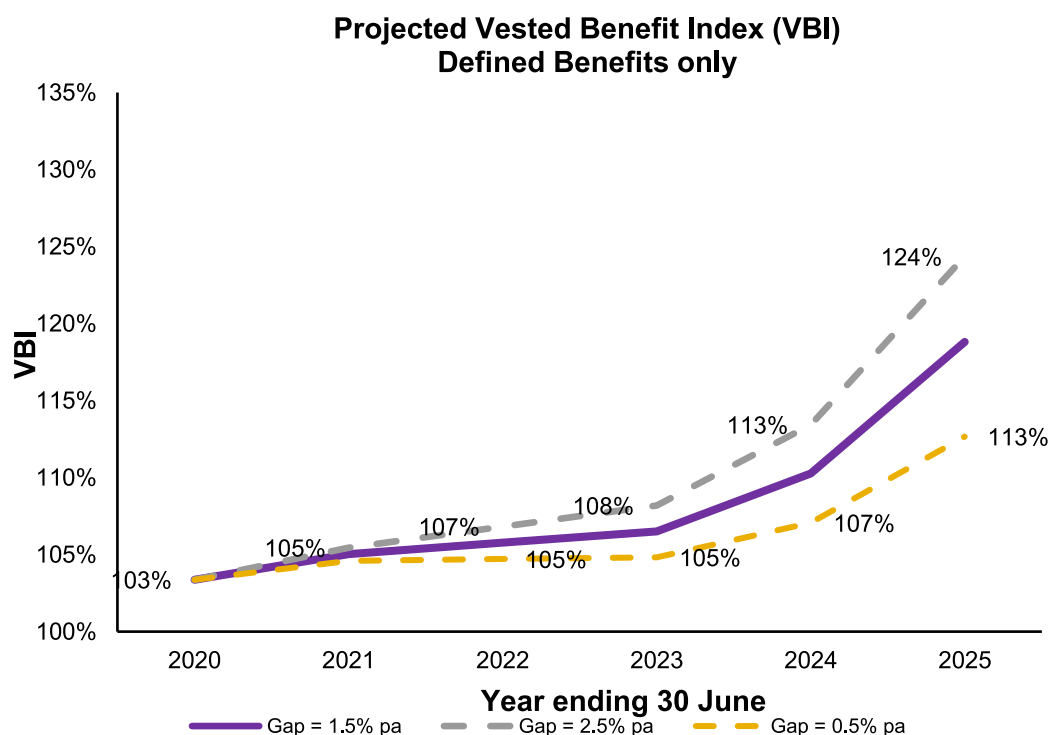
As the Plan reduces with normal retirements we recommend the Plan's Vested Benefits Index be monitored at least semi-annually each 30 June and 31 December (or more frequently if circumstances require) to ensure the recommended contribution program remains appropriate given actual Plan experience.

Section 7: Sensitivity Analysis and Material Risks

Sensitivity Analysis

For the purpose of this investigation the “gap” between the investment return (net of tax) and salary inflation assumption is 1.5% pa. The projected VBI results are sensitive to this gap. Results will be less favourable if the gap is reduced due to either higher salary inflation or lower investment returns.

The projection below shows the impact on the Plan’s defined benefit VBI as a result of increasing or decreasing the gap by 1% pa. Note that we have allowed for actual investment returns to 31 October 2020 and the contribution program as per the previous section.



The Plan is expected to remain in a satisfactory financial position if actual financial experience over the review period is 1% pa less than expected. The lower (or more negative) the actual gap, the weaker the Plan’s projected VBI.

We note that the variations selected in the sensitivity analysis are for illustrative purposes, and do not indicate upper or lower bounds of all possible outcomes.

Material Risks

For this valuation the assumed investment return (net of tax and investment expenses) and salary inflation assumption are 4.0% pa and 2.5% pa respectively. If actual investment returns are less than assumed and/or actual salary increases are greater than assumed, the funding position will be weaker than expected (as shown above). In certain situations, additional Company contributions may be required.

We recommend the Plan's Vested Benefits Index be monitored at least semi-annually each 30 June and 31 December (or more frequently if circumstances require) to ensure the recommended contribution program remains appropriate given actual Plan experience.

Section 8: Recommendations

Recommended Company Contribution Rate

As at 1 July 2020 the Plan's VBI in respect of defined benefit members was 103%. In order to increase the VBI to the Trustee's target VBI of 110%, we recommend that the Company contribute to the Plan at the following rates:

Recommended Company Contributions	
Accumulation members:	SG% of Ordinary Time Earnings*
Defined Benefit members:	
▪ From 1 July 2020 to 31 December 2020	15.0% of salaries^ plus \$6,000 per month;
▪ From 1 January 2021	15.0% of salaries^

^ plus contributions at the prevailing SG rate of annual bonuses, subject to the maximum contributions base

* including bonuses, subject to the maximum contributions base defined in the Benefit Certificate.

In addition, the Company should also make the following contributions:

- 5.9% of salaries for members that salary sacrifice their member contributions, or are deemed to do so;
- any salary sacrifice additional voluntary contributions.
- additional contributions for any exit whilst the Plan is in a unsatisfactory financial position. This amount will be advised by the Actuary in order to maintain the VBI to the level it was prior to the benefit payment being made.

This requirement for additional contributions is expected to be assessed on a quarterly basis, subject to whether a member leaves the plan whilst it is unsatisfactory. It can be calculated as part of the regular review of the Plan's financial position.

Future Review

The financial status of the Plan is sensitive to actual financial experience (principally, investment returns and salary increases) and membership movements. We therefore recommend that the Plan's coverage of vested benefits is monitored regularly (at least each 31 December and 30 June), and also at any time if the defined benefit membership reduces significantly, in order to confirm that the Plan maintains coverage of vested benefits and the recommended contributions remain appropriate.

The next actuarial review is due at 1 July 2023.



Surath Fernando
Fellow of the Institute of Actuaries of Australia
Towers Watson Australia Pty Ltd
as Actuary to the WSS Superannuation Plan

4 December 2020
Towers Watson Australia Pty Ltd
ABN 45 002 415 349 AFSL 229921

Appendix A: Summary of Benefits

Summary of Benefits as at 1 July 2020

Full details of the benefit provisions of the Plan are contained in the Specifications for the Plan attached to the Deed of adoption.

Membership Categories

There are 2 Defined Benefit Categories of Plan membership, which are closed to new entrants:

Categories A and C

In addition, new accumulation members join Category D of the Plan.

Normal Retirement Date

The normal retirement date is the member's 65th birthday.

Defined Benefit Section

Contributions

Members are required to contribute 5% of post tax salary or 5.9% of pre-tax salary.

The Employer contributes at the rates notified by the Actuary from time to time as being necessary to provide benefits in accordance with the rules.

Final Salary

Member's annual salary at the review date immediately prior to the date of termination or retirement date.

Final Average Salary

Average of the member's annual salary over the three year period immediately prior to the date of termination or retirement date.

Normal Retirement Benefits

The benefit on retirement at the Normal Retirement Date is equal to a multiple of Final Salary (Category A) or the greater of Final Salary and Final Average Salary (Category C).

The multiple is equal to:

- 17.5% times membership of Category A; and
- 17% times membership of Category C up to 30 June 2002 and 17.5% times membership of Category C from 1 July 2002; and

where membership is measured in years and complete months.

Early Retirement Benefit

Members may retire and receive their Early Retirement Benefit from age 55, however consent from the Employer is required for the payment of Early Retirement Benefits between ages 55 and 60.

The benefit is calculated in the same manner as the Normal Retirement Benefit, except that it is based on membership to the date of actual retirement.

Late Retirement Benefit

On retirement after the Normal Retirement Date, the benefit is the normal retirement benefit at age 65 updated with contributions and interest from age 65 to the date of late retirement.

Death Benefit

On death, the benefit is a lump sum calculated as if the member had continued in the Plan until the Normal Retirement Date with the same salary as at the date of death.

Total and Permanent Disablement Benefit

Benefit is equal to the Death Benefit.

Retrenchment / Ill Health Benefit

On retrenchment or ill-health, a lump sum of an amount equal to three times the total contributions paid or deemed to have been paid by the member plus interest.

Resignation Benefit

On resignation, a lump sum of an amount equal to the sum of:

- a. the total contributions paid or deemed to have been paid by the member plus interest; and
- b. an amount equal to a percentage of (a) where the percentage is 10% for each complete year of membership with a maximum percentage of 200% after 20 years.

Minimum Superannuation Guarantee Benefit

All benefits are subject to a minimum of the Minimum Requisite Benefit (the minimum benefit specified under the Superannuation Guarantee legislation), as specified in the Plan's Benefit Certificate.

Salary Continuance Benefit

After a waiting period of 90 days, a benefit equal to 75% of Salary is payable for up to 2 years.

Accumulation Section

Contributions

Members are not required to contribute.

The Company contributes at the rate of 9.5% of ordinary time earnings (i.e. the current Superannuation Guarantee minimum contribution rate).

Benefits

Members receive the sum of all their accounts on any mode of exit. In addition, the insured benefit is paid on death.

Salary Continuance Benefit

After a waiting period of 90 days, a benefit equal to 75% of Salary is payable for up to 2 years.

Appendix B: Valuation Method and Assumptions

Asset Value

Net asset value.

Investment Return

4.0% pa (net of investment related expenses and taxes).

Salary Increase Rate

2.5% pa.

Rates of Leaving Service

We have assumed that members leave the Plan at age 65.

Future Expense Allowance

\$15,000 pa, indexed in line with salary inflation.

New Entrants

No allowance for new entrants to the defined benefit categories.

Taxes

Tax on investment income is allowed for in the Investment Returns shown above.

Tax on contributions has been allowed for as 15% of Company contributions reduced by allowable deductions (administration and insurance costs).

Surcharge Tax

No allowance has been made for the Surcharge Tax as the Trustee offsets any tax payable by the Plan against the benefits of the relevant Members, if the Member does not reimburse the Plan for the surcharge payable.

Reserve for Accumulation Benefits

An amount of [REDACTED] represents the total accumulation benefits of members at 1 July 2020. This figure includes [REDACTED] representing the total benefits for the 63 accumulation members and [REDACTED] in additional accumulation accounts of defined benefit members.

The Valuation set out in Section 6 makes no allowance for future contributions to these accumulations as the future contributions and the benefits they produce offset one another.

Appendix C: Actuarial Statements

The following statements are prepared for the purposes of Paragraphs 23(a) to (g) of SPS 160.

Background

The effective date of the most recent actuarial review of the WSS Superannuation Plan was 1 July 2020. The actuarial review was undertaken by Surath Fernando, Fellow of The Institute of Actuaries of Australia, on behalf of Towers Watson Australia Pty Ltd. This statement has been prepared for the Trustee of the Plan as part of this actuarial review.

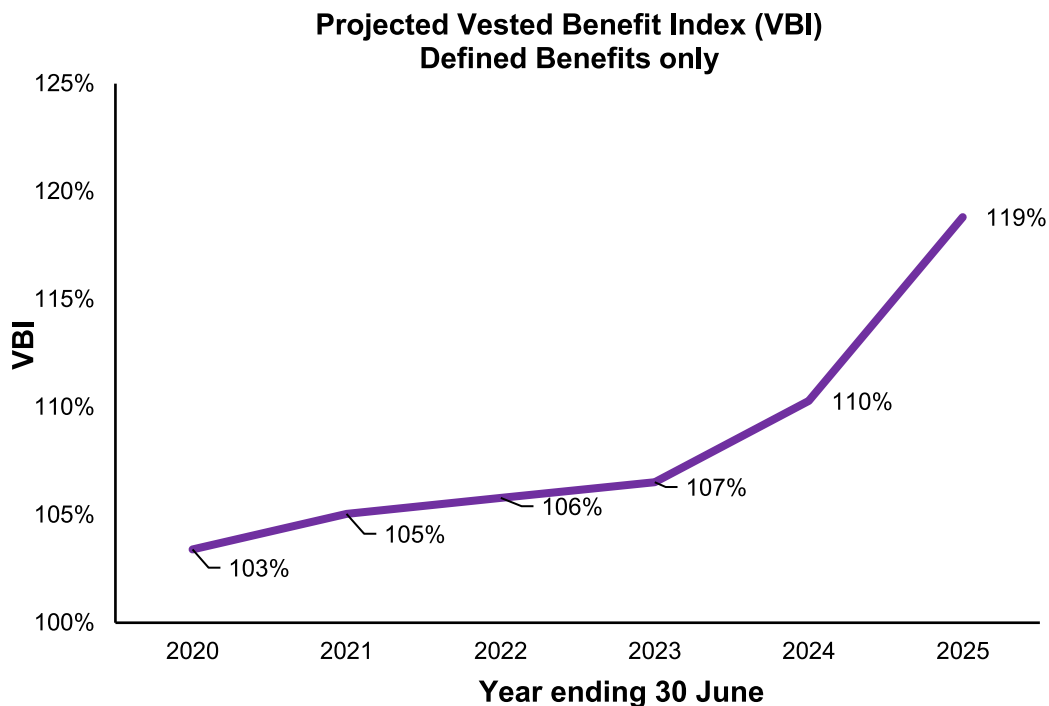
(a) Plan Assets

The net assets attributable to the defined benefit liabilities at 1 July 2020 was \$4,929,000. This amount excludes assets attributable to accumulation members or the accumulation balances of defined benefit members.

This value of assets at 1 July 2020 was used to determine the recommended Company contribution rates and assess the funding status measures.

(b) Projection of Vested Benefits

The projected likely future financial position of the Plan during the five years following the valuation date and based on our best estimate assumptions is as follows:



(c) Accrued Benefits

Accrued Benefits have been determined as the present value of expected future payments arising from membership completed as at the review date plus any additional accumulation benefits at face value. Accrued Benefits have been determined in a manner consistent with Professional Standards and Practice Guidelines produced by the Institute of Actuaries of Australia.

In determining the present value of Accrued Benefits, the major assumptions adopted were:

- market based, risk adjusted discount rate: 4.0% pa (net of tax and investment related expenses)
- expected rate of future salary increases: 2.5% pa

These assumptions are based on our current estimated future rates of return on the Plan's assets and the expected rate of increase in members' salaries. The weighted average future term of the liabilities was 5.8 years.

The past membership component of all benefits payable in future from the Plan in respect of the current membership, are projected forward allowing for future salary increases and then discounted back to the valuation date at the assumed rate of investment returns. We consider that the assumptions and valuation methods set out in this report are appropriate for determining the accrued liability.

At 1 July 2020 the assets were more than the Present Value of Accrued Benefits. This indicates that benefits in respect of service up to the effective date of this report were covered by the assets of the Plan.

(d) Vested Benefits

It is our opinion that the financial position of the Plan as at 1 July 2020 was satisfactory as there was a surplus of Plan assets compared to vested benefits of \$161,000 on that date. We expect the Plan to remain in a satisfactory financial position in the future provided that:

- the benefits provided by the Trust Deed remain unchanged;
- member contributions continue to be paid at rates specified in the Trust Deed which remain unchanged;
- the future experience of the Plan is in line with our assumptions; and
- the Company contributions are paid at the recommended rates.

The Trustee has set the Shortfall Limit for the Plan at 100%. Given the current investment strategy, we consider this Shortfall Limit should be revised to 97%.

In our opinion, based on the assumptions noted above, an actuary is likely to be able to certify the solvency of the Plan in any Funding and Solvency Certificate that may be required during the three years to 1 July 2023.

In summary:

	1 July 2020 (\$'000)
Net Assets	4,929
Vested Benefits	4,768
Accrued Benefits ¹	4,768
Value of assets used in determining contribution rates	4,929
Solvency Ratio (a)/(b)	103%
Solvency Ratio (d)/(c)	103%

¹ Accrued Benefits are subject to the minimum of Vested Benefits.

(e) Minimum Benefits

At 1 July 2020 the value of the minimum benefits of the defined benefit members of the Plan were less than the defined benefit assets at that date. Minimum benefits are as defined in Regulation 5.04 of the Superannuation Industry (Supervision) Regulations.

Based on available data, the coverage of the MBs for all defined benefit members of the Plan as at 1 July 2020 was 160%.

(f) Funding and Solvency Certificates

Funding and Solvency Certificates for the Plan covering the period from 1 July 2017 to 30 June 2020 have been obtained. The Plan was solvent, as defined in the Superannuation Industry (Supervision) Regulations at 1 July 2020. In our opinion, the solvency of the Plan will be able to be certified in any other Funding and Solvency Certificate required under the Regulations during the three year period to 1 July 2023.

(g) Recommended Company Contributions

Based on the results of the actuarial review, we recommend that the Company contributes at the following rates:

Recommended Company Contributions	
Accumulation members:	SG% of Ordinary Time Earnings*
Defined Benefit members:	
▪ From 1 July 2020 to 31 December 2020	15.0% of salaries^ plus \$6,000 per month;
▪ From 1 January 2021	15.0% of salaries^

^ plus contributions at the prevailing SG rate of annual bonuses, subject to the maximum contributions base

* including bonuses, subject to the maximum contributions base defined in the Benefit Certificate.

In addition, the Company should also make the following contributions:

- 5.9% of salaries for members that salary sacrifice their member contributions, or are deemed to do so;
- any salary sacrifice additional voluntary contributions.
- additional contributions for any exit whilst the Plan is in a unsatisfactory financial position. This amount will be advised by the Actuary in order to maintain the VBI to the level it was prior to the benefit payment being made.

This requirement for additional contributions is expected to be assessed on a quarterly basis, subject to whether a member leaves the plan whilst it is unsatisfactory. It can be calculated as part of the regular review of the Plan's financial position.

The above contribution program gradually further strengthens the VBI over the next three years.

We also suggest the Plan's financial position be reviewed at least semi-annually each 30 June and 31 December (or more often if circumstances require it) to ensure the recommended Company contributions remain appropriate.

The Company contribution rates will be reviewed again as part of the next actuarial review of the Plan. However, an earlier actuarial review should be undertaken if there are any significant changes in the Plan.

Despite the Plan's current satisfactory financial position, these statements can only be expressed as an expectation and not as a certainty because the future financial position of the Plan depends on unknown factors such as future investment returns, future Plan membership changes, etc.



Surath Fernando
Fellow of the Institute of Actuaries of Australia

Towers Watson Australia Pty Ltd
as Actuary to the WSS Superannuation Plan

4 December 2020

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