Actuarial Investigation as at 30 June 2024

ARRB Staff Superannuation Plan

In the Corporate Category of the AMP Super Fund

N.M. Superannuation Proprietary Limited (Trustee)

PREPARED BY: **The Heron Partnership Pty Limited**

October 2024

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Executive Summary

Outlined below is a summary of the results of the actuarial valuation of the ARRB Staff Superannuation Plan in the AMP Super Fund at 30 June 2024.

Purpose

This report is provided to the Trustee of the AMP Super Fund by the actuary for the ARRB Staff Superannuation Plan, Nerida Seccombe on behalf of The Heron Partnership Pty Limited. A copy of this report should be provided to the Employer.

The main purpose of the actuarial valuation is to evaluate the financial position of the Plan, recommend an appropriate employer contribution program to finance the benefits arising and provide the various reporting statements required under SIS, SPS160 and AASB 1056.

Restoration Plan

In the 30 June 2023 Funding Update dated 16 August 2023, it was reported that the Plan had fallen into an unsatisfactory financial position (i.e. assets less than vested benefits) as at 30 June 2023. As the Plan's Shortfall Limit was set at 100% at the time, the Plan's assets were also below the Shortfall Limit. In that report, a Restoration Plan was recommended, which was expected to restore the Plan's funding position to 100% of Vested Benefits by 30 June 2026:

- Employer contributions of 20% of active defined benefit members' salaries (i.e. approximately $8,500 per month); plus
- Additional annual Employer contributions of $100,000 paid in 2023 and $100,000 paid in 2024 (payable as single lump sums or via instalments); plus
- Compulsory 5% member contributions made through salary sacrifice arrangements.

We understand that the Employer has contributed in line with the above recommendations.

We note a letter was issued on 17 August 2023 by Nerida Seccombe on behalf of The Heron Partnership notifying APRA that the Plan had fallen into an unsatisfactory financial position at 30 June 2023. We understand that the Trustee also contacted APRA and has monitored the financial position of the Plan on a quarterly basis.

ARRB Staff Superannuation Plan Financial Position

At 30 June 2024 there are 8 defined benefit members in the Plan, comprising 3 active members and 5 deferred members. The total salaries of the active members is around $526,000.

We have summarised in the table below the ARRB Staff Superannuation Plan's financial position as at 30 June 2024 and as shown in the most recent Funding Update at 30 June 2023.

	As at 30 June 2024		As at 30 June 2023	
	$ '000s	Asset Coverage	$ '000s	Asset Coverage
Assets	$5,608		$5,008	
Minimum Requisite Benefits	$3,267	171.6%	$2,985	167.8%
Vested Benefits [1]	$5,641	99.4%	$5,085	98.5%
Present Value of Accrued Benefits [2]	$5,641	99.4%	$5,202	96.3%

[1] *Members under age 55 can elect a deferred retirement benefit or an immediate lump sum benefit. The 30 June 2023 Vested Benefits shown above assume deferred retirement benefits are elected. Assuming immediate lump sum benefits are elected results in Vested Benefits at 30 June 2023 of $4.475m. At 30 June 2024, all active members had attained age 55.*

[2] *Includes a minimum of Vested Benefits on an individual basis.*

As seen in the table above, although the Plan financial position has improved, the Plan remains in an unsatisfactory financial position (i.e. assets less than Vested Benefits) as at 30 June 2024.

The following items had a positive impact on the Plan's financial position at 30 June 2024 relative to that at 30 June 2023:

- The employer contributions made in line with the Restoration Plan recommended in the 30 June 2023 Funding Update;
- Higher than expected Investment returns;
- Lower than expected average salary increases; and
- The increase to the real return for active members (reflecting the updated EBA).

Recommended Level of Contributions

Given the Plan continues to be in an unsatisfactory financial position at 30 June 2024, we recommend the Employer continues to contribute as follows:

- 20% of active defined benefit members' salaries (i.e. approximately $8,750 per month); plus
- The remaining amount required to meet the $100,000 additional Employer contributions for 2024 (we understand as at 30 June 2024, $50,000 has already been paid, with the remaining $50,000 scheduled to be paid in monthly $10,000 instalments); plus
- Compulsory 5% member contributions made through salary sacrifice arrangements.

This contribution program is expected to restore 100% coverage of Vested Benefits by 30 June 2025 and maintain the Plan in a satisfactory financial position thereafter.

If investment returns continue to be very favourable, then there may be some scope to reduce employer contributions from 1 July 2025.

This contribution program will be next reviewed with an effective date of 30 June 2025 as part of the annual Funding Update of the Plan. Alternative contribution programs are possible and we would be happy to discuss these with the Trustee and the Employer.

SPS 160 Shortfall Limit

We recommend the Shortfall Limit be maintained at 98.8% of Vested Benefits.

Investment Policy

The Employer with the approval of the Trustee has adopted an investment policy of investing the assets supporting the defined benefit liabilities in the AMP Future Directions Moderately Conservative option with an exposure to growth assets of 56.5%. The investment strategy has remained unchanged since the last valuation.

We confirm the sub-plan's current investment policy remains appropriate provided that the Trustee and the Employer are comfortable with some volatility in the funding position and the potential for additional company contributions to be required.

Given the reducing membership, if the defined benefit division of the Plan were to be closed within a short period, then the Trustee in conjunction with the Employer may wish to consider cashing up the investments.

Key Financial Assumptions

In accordance with the investment policy we have assumed a future long term investment earning rate of 5.0% per annum. Consistent with future salary increases and inflation expectations, we have assumed a future salary increase rate (including promotional salary increases) of 3.5% per annum (i.e. a 1.5% real return assumption for active DB members) and indexation of 2.75% per annum (i.e. a 2.25% real return assumption for deferred members).

This compares to the future long term investment earning rate of 5.0% per annum, the long term future salary increase rate of 4.0% per annum (including promotional salary increases) and indexation of 2.5% per annum adopted in the 30 June 2023 Funding Update.

Insurance

Given the Restoration Plan is expected to restore the funding position to above 100% of Vested Benefits by 30 June 2025, we confirm that the current insurance arrangements remain appropriate.

Next Actuarial Valuation

The next full actuarial valuation will be carried out with an effective date no later than 30 June 2027 (to be completed by 31 December 2027).

1 Introduction

1.1 General

This report contains the results of the Actuarial Investigation of the ARRB Staff Superannuation Plan as at 30 June 2024. This report is provided to the Trustee of the AMP Super Fund by the actuary for the ARRB Staff Superannuation Plan, Nerida Seccombe, on behalf of The Heron Partnership.

The previous Triennial Actuarial Investigation was provided as at 30 June 2021 by me on behalf of The Heron Partnership Pty Limited in a report dated 8 December 2021.

Annual actuarial Funding Updates on the financial position of the Plan were carried out as at 30 June 2022 and 30 June 2023.

This report was commissioned by the Trustee of the Plan, N.M. Superannuation Proprietary Limited. A copy of this report should be provided to the Employer.

1.2 Requirement

An actuarial review of the Plan is required on entry and thereafter not less than every three years to meet the provisions of the Trust Deed and Superannuation legislation.

This report has been prepared in accordance with Prudential Standard SPS 160 and the Institute of Actuaries of Australia Professional Standard 400.

1.3 Purpose

The purpose of this valuation is to:

- Examine the financial position of the Plan;
- Recommend a Company contribution level;
- Satisfy the requirements of the Trust Deed;
- Include any additional requirements under SPS 160, PS 400 and AASB 1056; and
- Meet the relevant legislative requirements.

1.4 Source of Information

This review has been based on the latest Employer Participation Agreement dated 28 November 2008 (as amended to 31 July 2017) and the AMP Super Fund Trust Deed incorporating this Plan dated 19 February 2024.

Accumulation only members and additional accumulation accounts for defined benefit members are not specifically included in this investigation as their balances are matched by the assets supporting them.

All membership and investment balance information is based on the details held by AMP's administrator as at 30 June 2024 for these defined benefit members. Allowance has been made for relevant events after the effective date of the investigation. We have not verified or audited any of the data provided. However, we have reviewed the data for consistency and have no reason to doubt that it is suitable for the purpose of this report.

The Trustee is ultimately responsible for the validity, accuracy and comprehensiveness of the documents and data provided. If the data or Plan provisions are not accurate and complete, the valuation results may differ from results obtained with accurate and complete information, and may require a revision of this report.

1.5 Fund Structure

The Plan is within the Corporate Category of the AMP Super Fund and is governed by the Trust Deed for the AMP Super Fund and Employer Application.

Prior to 15 May 2020, the Plan was in the Corporate Category of the AMP Super Fund (formerly known as the Super Directions Fund), with N.M. Superannuation Proprietary Limited (Trustee) as Trustee.

The Plan is closed to new members as was the former fund when it transferred to the AMP Super Fund.

The Plan is a "regulated fund" under SIS and is treated as a "complying superannuation fund" for taxation purposes.

There are two categories of membership within the Plan

- Category A - active members; and
- Category D - deferred members.

Further details on benefit design are set out in Appendix A.

1.6 Superannuation Guarantee Certificates

A Benefit Certificate was prepared effective from 15 May 2020 in accordance with the Superannuation Guarantee and Superannuation Industry (Supervision) legislation.

A Funding and Solvency Certificate was prepared effective from 1 December 2021 in accordance with the Superannuation Guarantee and Superannuation Industry (Supervision) legislation.

2 Plan Experience

2.1 Investments

Assets supporting the defined benefit liabilities of the Plan are invested in the AMP Future Directions Moderately Conservative option (56.5% growth, 43.5% defensive). The asset allocation of the AMP Future Directions Moderately Conservative Option as provided by the Plan Administrator is outlined below:

Asset Allocation at 30 June 2024	Strategic Asset Allocation	Actual Asset Allocation
Australian Equities	18%	18%
International equities	21%	23%
Listed Property/Infrastructure	7%	7%
Direct Property/Infrastructure	6%	6%
Opportunistic Credit	3%	2%
Private Equity	2%	3%
Alternatives	2%	2%
Australian Bonds	11%	12%
International Bonds	8%	11%
International Investment Grade Credit	5%	6%
Diversified Credit	5%	4%
Cash	12%	6%
Total	**100%**	**100%**

The investment performance since the previous investigation (based on unit price movements which are net of tax and investment fees and adjusted to be net of the Plan administration fee) is shown below.

% Return Per Annum	Investment Return	Crediting Rate
1 July 2021 to 30 June 2022	-5.7%	-5.7%
1 July 2022 to 30 June 2023	5.3%	5.3%
1 July 2023 to 30 June 2024	7.4%	7.4%
Average Return for the Last 3 Years	**2.2% p.a.**	**2.2% p.a.**

The investment assumption used since the 30 June 2021 triennial actuarial valuation was set at a long term rate of 5.0% per annum. Actual investment performance over the 3 year period (allowing for the Plan based Administration Fee) averaged 2.2% per annum, which was significantly lower than the long term assumption. We note that the average return over the 3 year period was impacted by the significant negative returns over the year to 30 June 2022.

The return (after deducting off the 0.19% per annum Plan based Administration Fee) since 30 June 2024 (to 13 October 2024) for the AMP Future Directions Moderately Conservative option was 3.9%. We have allowed for this return in our contribution recommendations.

2.2 Salary and Consumer Price Increases

The table below shows the average salary escalation for the 3 remaining Category A members over the 3 year period.

Period	% Salary increase
1 July 2021 to 30 June 2022	6.3%
1 July 2022 to 30 June 2023	6.4%
1 July 2023 to 30 June 2024	3.5%
Average Increase p.a.	**5.4%**
Average Increase p.a. Weighted by Liabilities	**5.4%**

For current members at 30 June 2024, the average salary increase over the 3 year period was 5.4% per annum. This is significantly higher than the long term salary increase rate of 3.3% per annum (including 0.8% promotional) assumed in the 2021 valuation and 4.0% per annum assumed in the 2023 funding update.

To the extent that the defined benefits for Category A members are salary-related, the isolated net effect of a higher rate of increase will increase the need for further employer contributions to finance these benefits and vice versa.

We note that EBAs have been updated from 22 June 2023, setting out annual increases of 3.0% p.a. in both 2025 and 2026. This compares to the previous annual salary increases set out in the 2018 EBA of CPI +1%.

Deferred members' benefits are increased in line with the Melbourne Consumer Price Index. The table below shows the Melbourne Consumer Price Index changes over the period.

Period	Melbourne CPI
1 July 2021 to 30 June 2022	6.1%
1 July 2022 to 30 June 2023	5.6%
1 July 2023 to 30 June 2024	3.7%
Average Increase pa	**5.1%**

Consistent with past practice, allowance has been made for deferred benefit increases equal to the expected CPI increases. The average inflation experience (applied to Deferred members' benefits) has been significantly higher than the long-term Deferred Benefit increase assumption of 2.0% per annum assumed in the 2021 valuation and 2.5% per annum assumed in the 2023 funding update.

2.3 Differential between Investment Return and Salary Increases/Deferred Increases

The key determinant of the cost of providing defined superannuation benefits relating to salary is the margin between investment returns and salary increases/deferred (inflation) increases. This margin is effectively the "real net earning rate" of the Plan. Over the period since the previous investigation, the actual differential between investment returns and salary increases has averaged -3.2% per annum. The differential between investment returns and deferred benefit increases has averaged approximately -2.9% per annum. Overall, this has had a negative impact on the Plan's financial position since 1 July 2021.

For this investigation we have continued to assume a future long term investment earning rate of 5.0% per annum in conjunction with an assumed long term future salary increase rate (including promotional salary increases) of 3.5% per annum i.e. a 1.5% real return assumption and have also considered the impact of variations to this assumption, particularly in the short term. We have also assumed a long term price inflation of 2.75% per annum, i.e. a gap of 2.25% per annum between assumed future investment earnings and CPI increases.

2.4 Employer Contributions

Since 30 June 2023, in line with the Restoration Plan recommended in the 30 June 2023 Funding Update, the Employer has contributed as follows:

- Employer contributions of 20% of active defined benefit members' salaries (i.e. approximately $8,500 per month); plus
- Additional annual Employer contributions of $100,000 paid in 2023; plus
- Additional annual Employer contributions of $100,000 paid in 2024 (we understand as at 30 June 2024 $50,000 has been paid, with the remaining $50,000 scheduled to be paid in monthly $10,000 instalments before 31 December 2024); plus
- Compulsory 5% member contributions made through salary sacrifice arrangements.

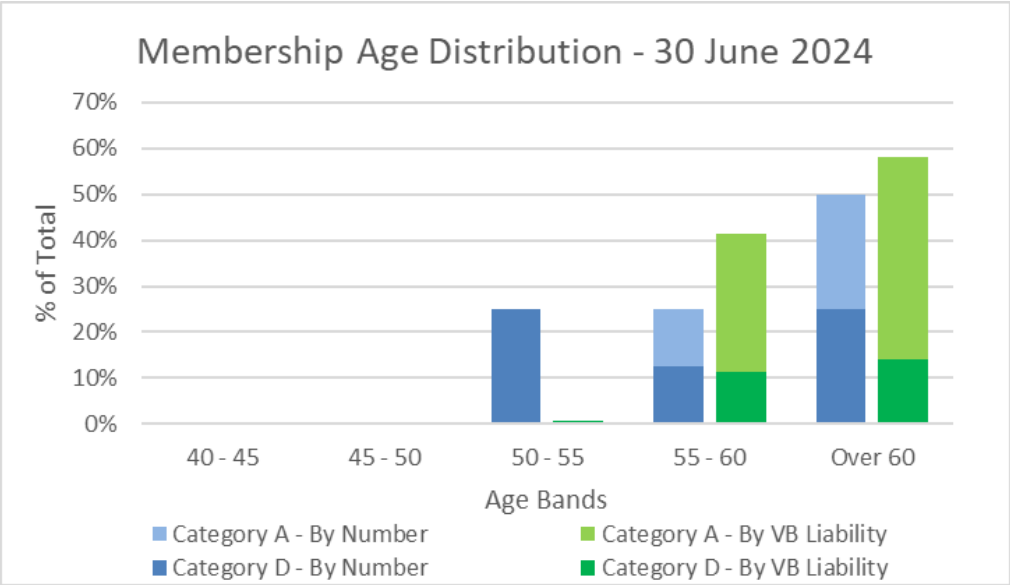
2.5 Membership

Over the period since the previous triennial review at 30 June 2021, the membership declined from 9 members to 8 members:

Defined Benefit Category	Number of Members at 30 June 2024	Total Salaries p.a. at 30 June 2024*	Number of Members at 30 June 2021*
Category A	3	$526,000	3
Category D	5	n/a	6
Total	**8**	**$526,000**	**9**

* *Excludes 1 late retirement member and 2 members who exited in August 2021*

The Plan is closed to new entrants. The profile of the remaining 8 Category A and Category D members at 30 June 2024 is shown in the chart below:



On this basis, less than 1% of the plan liabilities relate to members under the age of 55 and around 74% of the Plan liabilities relate to Active members.

2.6 Assumptions and Financing Approach

The financing approach adopted is unchanged from the previous Actuarial Investigation of the plan, i.e. to target coverage of Vested Benefits.

Investment Returns and Salary Increases

Given the small size and age of the membership, and taking into account the Plan's investment strategy, we have adopted an assumption of 1.5% per annum long term real return.

Using an expected salary escalation rate (including promotional salary increases) of 3.5% per annum implies an assumed future long term investment return of 5.0% per annum. It should be emphasised that due to the maturity of the Plan, a variation in this key real return assumption can translate to wide variations in required employer contribution rates.

Deferred Benefit Indexation

Deferred members' benefits are increased in line with the Melbourne Consumer Price Index. For this Actuarial Investigation we have assumed a long term price inflation of 2.75% per annum, i.e. a gap of 2.25% per annum between assumed future investment earnings and CPI increases.

This assumption reflects that higher levels of inflation has been more persistent than initially expected and is within the range of the RBA target inflation rate of 2.0% to 3.0% per annum.

Note that deferred member benefits are subject to a minimum of their accumulation accounts received on exit that increase with investment earnings. At 30 June 2024, 2 of the 5 remaining Deferred members have their accumulation accounts applying.

Leaving Service Rates

Since the previous Triennial Actuarial Investigation at 30 June 2021, the membership has declined from 9 members to 8 members. Given the small size of the membership, there is insufficient data to conduct any meaningful Plan specific analysis. On this basis, we have adopted resignation, retirement and death rates that are consistent with the assumptions used at the previous valuation. Note that given the age of the membership, the retirement assumptions have the most impact.

Expenses

We have allowed for an expense assumption (covering insurance premiums, admin expenses, actuarial fees and consulting costs) of $28,000 per annum, increasing with annual CPI.

Note that a fixed lump sum for expenses rather than a percentage of salary reflects the primarily fixed costs associated with maintaining a small defined benefit plan with reducing membership.

Impact of Assumption Changes

The impact of the changes to the assumptions adopted for this actuarial investigation relative to those adopted at the 30 June 2023 Funding Update are summarised below.

2024 Actuarial Investigation Assumptions	2023 Actuarial Investigation Assumptions	Impact on Valuation Results
Salary Increases: 3.5% p.a.	Salary Increases: 4.0% p.a.	Decrease to PVAB (no Min VB) of around **$70,000**. Decrease of **0.3%** to the long-term future contribution rate (of active members' salaries).
Deferred Benefit Increases: 2.75% p.a.	Deferred Benefit Increases: 2.5% p.a.	Increase to PVAB (no Min VB) of around **$7,000**. Increase of **0.1%** to the long-term future contribution rate (of active members' salaries).

2.7 Additional Accumulation Accounts

Additional accumulation accounts arise under the plan. Where they form a minimum benefit, this has been taken into account in the future projections. If these are payable in addition to the defined benefit, then this has been consistently deducted from both the assets and liabilities.

3. Financial Position

3.1 Coverage of Benefit Liabilities

In recommending the Employer contribution rate to apply in future, consideration must be given to the current and projected financial strength of the Plan.

Net Assets as at 30 June 2024 available to support defined benefit member liabilities were $5.608m. This asset valuation has not been audited. The valuation is based on unit holdings and prices at 30 June 2024 provided by AMP.

Assets/Minimum Requisite Benefits = $5.608m/$3.267m = 171.6%

Minimum Requisite Benefits (MRB's) which are the minimum Superannuation Guarantee (SG) benefits set out in the Plan Benefit Certificate are used to determine the solvency of the Plan under SIS. For this purpose "solvency" is defined in a limited sense by considering only whether minimum SG benefits are covered by the Plan assets. Where employer contributions are made above SG levels or where defined benefits exceed these SG accumulations, these extra benefits are not counted in the determination of this measure.

The Minimum Benefit Index is calculated as the Plan assets divided by Minimum Requisite Benefits. The Minimum Benefit Index for the Plan at the current investigation was above 100% confirming the Plan is technically solvent.

Assets/Vested Benefits = $5.608m /$5.641m = 99.4%

"Vested Benefits" are the benefits which would have been payable had all members voluntarily resigned on the review date. We have calculated Vested Benefits as the greater of the standard resignation benefits and the discounted deferred retirement benefit, or, for eligible members, early or late retirement benefits.

The Vested Benefits Index is calculated as the total assets divided by Vested Benefits and represents the extent to which the Plan asset value covers Vested Benefits. The **Assets fell short of Vested Benefits by $0.033m at 30 June 2024.**

Total Vested Benefits are normally regarded as the minimum which should be covered by assets in the Plan. A Plan is considered to be in an unsatisfactory financial position if its Vested Benefits Index falls below 100% (i.e. net assets are less than Vested Benefits).

Assets/Accrued Benefits Reserve = $5.608m /$5.641m = 99.4%

The Accrued Benefits Reserve represents the value in today's dollars of members' accrued benefits allowing for future salary increases, investment earnings and expected incidence and type of payment (subject to a minimum for each member of their Vested Benefit).

The Accrued Benefits Reserve Index is calculated as the total assets divided by the Accrued Benefits Reserves and represents the extent to which the Fund Value covers the Accrued Benefits Reserves.

A fully secured position is represented by an Accrued Benefits Reserve Index of 100%. At this level, if 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 **Assets fell short of the Accrued Benefits Reserve by $0.033m at 30 June 2024.**

The method of calculating "Accrued Benefit Reserve" in this report is not consistent with AASB 1056 nor AASB 119 and should not be used for purposes of disclosures in company or fund accounts.

The Accrued Benefits on a basis consistent with AASB 1056 (i.e. not subject to a minimum of each member's Vested Benefit) equal $5.363m.

Assets/Termination Benefits = 100%

In the event that the Plan terminates with insufficient assets to cover Vested Benefits, the benefits payable will be reduced so that in total, the termination benefits are equal to the Plan assets. That is, the termination benefits are automatically covered by the Plan assets.

Comments

The Plan has been in an unsatisfactory financial position since the last Funding Update at 30 June 2023. A Restoration Plan is currently in place and, assuming actuarial assumptions are borne out in practice, is expected to restore 100% coverage of Vested Benefits by 30 June 2025.

3.2 Implications of Unsatisfactory Financial Position

There are various requirements that must be met by the actuary and the Trustee under SPS 160 when the actuary determines that a plan is in an unsatisfactory financial position as part of an actuarial investigation. These include the actuary providing a statement to the Trustee that, at a minimum:

(i) describes the recommended actions to be taken to address the financial position; and

(ii) contains a recommendation that, on reasonable expectations, will restore the fund to, and maintain it in, a satisfactory financial position, within a time period that is reasonable in the circumstances of the fund but which must not exceed three years from the valuation date; and

When a Trustee receives a statement as referred to above from an actuary it must (amongst other requirements) set out a Restoration Plan to return the fund to a satisfactory financial position within 3 years. The Restoration Plan may be developed in consultation with the employer-sponsor and the actuary and must be approved by the Board within three months of receiving the statement from the actuary.

We note a letter was issued on 17 August 2023 by Nerida Seccombe on behalf of The Heron Partnership notifying APRA that the Plan had fallen into an unsatisfactory financial position at 30 June 2023. We understand that the Trustee also contacted APRA and has monitored the financial position of the Plan on a quarterly basis.

As a result, we understand that all the requirements of SPS 160 in relation to the Plan's unsatisfactory financial position have previously been addressed following the findings of the 30 June 2023 funding update and the Restoration Plan recommended in that report.

3.3 Long Term Adequacy of Employer Contributions

Projection of Indices

It should be emphasised that the funding indices shown in Section 3.1 relate to the current position only. A projection of the Plan is required to assess the adequacy of Company contribution rates in the future.

Ideally the Plan's financial position would include a buffer of assets over Vested Benefits that would allow for potential variations in experience. Being a small mature plan, experience will be more volatile. If the number of members in the Plan falls due to a higher number of departures from the defined benefit section than that assumed, the margin of assets over Vested Benefits will decrease if the Plan is in an unsatisfactory financial position or increase if the Plan is in a satisfactory financial position.

<u>Projected Scenarios</u>

The chart below shows the projected financial position over the next 5 years with regard to Vested Benefits for a range of scenarios. The projections below allow for the Plan's 3.9% investment return from 30 June 2024 to 13 October 2024.

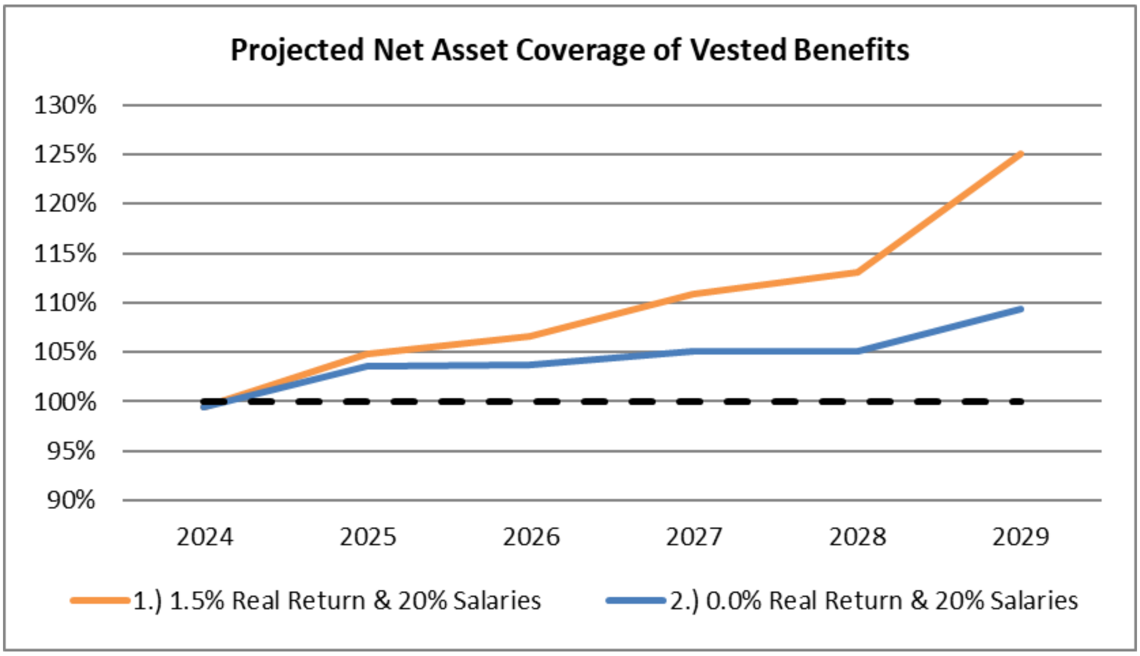
Scenario 1. (Base Assumptions: 1.5% p.a. Real Return & 20% Employer Contributions)

Assumes actuarial assumptions are borne out in practice (i.e. a 1.5% real return p.a. – refer to Section 2.6) and the current Restoration Plan continues (i.e. Employer contributions of 20% of DB member salaries.

Scenario 2. (0.0% p.a. Real Return & 20% Employer Contributions)

Assumes the expected investment returns are 1.5% p.a. lower than expected (i.e. a 0.0% p.a. real return) and the current Restoration Plan continues (i.e. Employer contributions of 20% of DB member salaries.

The projection scenarios both assume the Employer contributes the remaining $50,000 (paid as $10,000 monthly instalments) by 31 December 2024.



The projections above show that assuming actuarial assumptions are borne out in practice, the VBI is expected to recover to a satisfactory financial position by 30 June 2025 under both scenarios.

Scenario 1 shows that if the Employer were to continue to contribute at 20% of DB member salaries (in line with the current Restoration Plan), that the financial position of the Plan is expected to increase to around 111% by 2027 and 125% by 2029.

Scenario 2 shows that if returns are on average 1.5% lower than expected and the Employer continues to contribute at 20% of DB member salaries (in line with the current Restoration Plan), that the financial position of the Plan is projected to increase to 105% by 2027 and 109% by 2029.

Note the projection scenarios shown above do not represent the full range of potential outcomes.

Conclusion

The financial position is sensitive to changes to the key assumptions used such as future investment returns and salary escalation. Variations in these outcomes will impact the contribution requirements, potentially materially.

The ARRB plan is a small, mature plan which is declining in size and is currently in an unsatisfactory financial position.

The projections above indicate that assuming expected actuarial assumptions are borne out in practice, that the current contribution program is expected to restore 100% coverage of Vested Benefits by 30 June 2025 and will maintain the Plan in a satisfactory financial position thereafter.

If investment returns continue to be very favourable, then there may be some scope to reduce employer contributions from 1 July 2025.

If the investment strategy for assets backing defined benefits is changed these contribution recommendations may need to be reviewed. This contribution program will be next reviewed as at 30 June 2025 as part of the annual Funding Update of the Plan.

Alternative contribution programs are possible and we would be happy to discuss these with the Trustee and the Employer.

3.4 Insurance Coverage

We understand that the insurance coverage for defined benefit members is equal to the future service component of the death benefits plus any additional death and total and permanent disablement cover elected by the member. We confirm that these arrangements continue to be appropriate.

The position with regard to the insurance coverage of defined benefit death benefits is shown in the table below:

Total for DB members	Death	TPD
Administration Death/TPD Benefits	\$6.410	\$5.644
Administration Death/TPD Sums Insured	\$0.769	\$0.003
Excess of Death/TPD Benefits after allowing for Insured Portion	**\$5.641**	**\$5.641**
Plan Defined Benefit Assets	\$5.608	
Excess of Net Assets to Death/TPD Benefits less Insurance	**-\$0.033**	

As seen in the table above, due to the current funding deficit, the Plan does not have sufficient assets to meet total Death/TPD benefits at 30 June 2024.

However, assuming actuarial assumptions are borne out in practice, the current contribution program is expected to restore the funding position to 100% of Vested Benefits by 30 June 2025.

As such, we recommend that insurance coverage remains unchanged.

3.5 Investment Policy

The Employer, with the approval of the Trustee, has adopted an investment policy of investing in the AMP Future Directions Moderately Conservative Option. This investment strategy has an exposure to growth assets of around 56.5%. This policy would be expected, over the medium to long term, to deliver returns consistent with the liability profile of the Plan.

We have reviewed the Plan's investment policy and have determined that the investment policy and the method for crediting investment earnings to member's accounts are suitable.

Given the reducing membership, if the defined benefit division of the Plan were to be closed within a short period, then the Trustee in conjunction with the Employer may wish to consider cashing up the investments.

3.6 Shortfall Limit

We recommend that the Trustee maintain the Shortfall Limit at 98.8% as recommended in the 30 June 2023 Funding Update report.

4. Material Risks

4.1 Investment Returns

As a mature fund that is closed to new entrants, the funding of benefits relies more on the investment returns on fund assets than on future contributions. Worse than expected investment returns over an extended period will increase future contributions required to fund the benefits.

4.2 Salary Inflation and Pension Indexation

Some components of the defined benefit are calculated based on salary or price increases. Salary or price increases in excess of investment returns will increase the value of these components relative to the assets supporting them and so the future contributions required to fund the benefits will increase.

4.3 Small DB Membership

The small and declining number of active DB members can result in individuals having a significant impact on the Plan's financial position. For example, large salary increases for some individuals can materially impact the overall funding position.

5 Recommendations

5.1 Recommended Contribution Rates

We recommend the Employer continues to contribute as follows:

- 20% of active defined benefit members' salaries (i.e. approximately $8,750 per month); plus
- The remaining amount required to meet the $100,000 additional Employer contributions for 2024 (we understand as at 30 June 2024, $50,000 has already been paid, with the remaining $50,000 scheduled to be paid in monthly $10,000 instalments); plus
- Compulsory 5% member contributions made through salary sacrifice arrangements.

This contribution program is expected to restore 100% coverage of Vested Benefits by 30 June 2025 and maintain the Plan in a satisfactory financial position thereafter.

If investment returns continue to be very favourable, then there may be some scope to reduce employer contributions from 1 July 2025.

This contribution program will be next reviewed with an effective date of 30 June 2025 as part of the annual Funding Update of the Plan. Alternative contribution programs are possible and we would be happy to discuss these with the Trustee and the Employer.

5.2 Investment Policy

The Employer, with the approval of the Trustee, has adopted an investment policy of investing the assets supporting the defined benefit liabilities in the AMP Future Directions Moderately Conservative option with an exposure to growth assets of 56.5%. The investment strategy has remained unchanged since the last valuation.

We confirm the sub-plan's current investment policy remains appropriate provided that the Trustee and the Employer are comfortable with some volatility in the funding position and the potential for additional company contributions to be required.

Given the reducing membership, if the defined benefit division of the Plan were to be closed within a short period, then the Trustee in conjunction with the Employer may wish to consider cashing up the investments.

5.3 Shortfall Limit

We recommend the Shortfall Limit be maintained at 98.8%.

5.4 Insurance Coverage

Given the Restoration Plan is expected to restore the funding position to above 100% of Vested Benefits by 30 June 2025, we confirm that the current insurance arrangements remain appropriate.

5.5 Next Actuarial Investigation

The next full Triennial Actuarial Investigation will be carried out with an effective date no later than 30 June 2027 (to be completed by 31 December 2027).

Nerida Seccombe

Fellow of the Institute of Actuaries of Australia

15 October 2024

APPENDIX A – Summary of Benefit Design

The following summary does not include benefits for accumulation members.

Normal Retirement Date	Member's 65th birthday
Member Contributions	5% of Salary (or an equivalent pre-tax amount)
Service	The sum of: - where the person was a Member on 30 June 1992 - the period of continuous employment; - where the person last became a Member after 30 June 1992 - the period of continuous membership of the Previous Fund and the Plan; less - any leave of absence without pay for a continuous period exceeding three months. Calculated in years and complete months with each month counting as one twelfth of a year.
Notional Service	Members of the Fund on 10 November 1983 and who are listed in table 1 in the appendix to part 3 of the Plan Participation Agreement are granted 5 years of additional service at age 60.
Final Salary	Means the Member's annual salary on the date on which the Member retires from Service or dies.
Benefit Multiple	The Benefit Multiple accrues at the following rates: - 27% per year of Service to 30 June 1993; - 24% per year of Service after 30 June 1993; and - 24% per year of Notional Service.
Normal Retirement Benefit	Lump sum equal to Benefit Multiple times Final Salary for each year of membership plus the sum of the balances in other member accounts.
Early Retirement Benefit	Members may elect to retire in the 10 years preceding age 65. The benefit is calculated as the accrued retirement benefit plus the sum of the balances in other member accounts. For members with Notional Service, the extra 5 years of service is pro-rated as a proportion of prospective service to age 60.
Late Retirement Benefit	Normal Retirement Benefit plus interest at the declared crediting rate or such other interest rate as determined by the Trustee.

Leaving Service Benefit	On resignation, retrenchment or redundancy prior to age 55.
	Option of either:
	- a Deferred Retirement Benefit, or
	- a cash lump sum benefit equal to the sum of:
	  - 3 times the balance in the Member's Member DB Account; plus
	  - the sum of the balances of other Member accounts.

Deferred Retirement Benefit	Members may elect to receive their Leaving Service Benefit as a Deferred Retirement Benefit calculated as: - Benefit Multiple at the date of termination of employment times Retirement Salary, plus - the sum of the balances in other member accounts. The Deferred Retirement Benefit is subject to a minimum of members' MRB balances that increase with investment earnings.
Retirement Salary	The Member's Salary at date of termination of employment indexed to the (Melbourne) Consumer Price Index to the date of benefit payment.
Death Benefit	A lump sum equal to the member's prospective normal retirement benefit multiple times salary.
Salary Continuance Benefit	75% of salary for a period of up to 2 years is provided on the policy owned by the Plan.
Superannuation Guarantee Benefits	The minimum level of superannuation benefit payable from the Plan in respect of a Member to ensure that no superannuation guarantee charge will be payable by the Employer.

APPENDIX B – Financing Method and Assumptions

Financing Method

The financing approach adopted is to target coverage of Vested Benefits.

Actuarial Assumptions

We have adopted the following actuarial assumptions in projecting the Plan's financial position and evaluating the employer contribution program.

Investment Returns and Salary/Deferred Increases

The most critical factor affecting the cost of benefits is the "gap" between the investment earnings and salary/deferred benefit increases i.e. the real rate of return.

At this investigation, we have assumed that the future level of investment returns (net of tax on investment income and investment charges) would average 5.0% per annum.

For active defined benefit members, salary increases (including promotional salary increases) are assumed to average 3.5% per annum, i.e. a "real investment return" of 1.5% per annum. For deferred benefit members, benefit indexation is assumed to average 2.75% per annum long term, i.e. a "real investment return" of 2.25% per annum.

Expenses and Insurance Premiums

We have allowed for an expense assumption (covering insurance premiums, administration expenses, actuarial and consulting costs) of $28,000 per annum, increasing with annual CPI.

Taxation

A tax of 15% on Company contributions (net of admin and insurance expenses) has been assumed.

New Members

No new members are assumed to join the defined benefit section of the Plan.

Leaving Service Rates

Given the small size of the membership, we have adopted resignation, retirement and death rates that are consistent with the assumptions used at the previous valuation. The following are a sample of the leaving service rates assumed in the assessment of the contribution rate.

Age	Expected Number per Year Per Thousand Members		
	Withdrawals	Retirement	Deaths
25	145	0	0.6
30	110	0	0.6
35	88	0	0.8
40	66	0	1.3
45	44	0	2.4
50	22	0	4.1
55	0	142	7.0
56	0	60	7.8
57	0	70	8.7
58	0	80	9.7
59	0	90	10.7
60	0	100	11.8
61	0	110	13.1
62	0	120	14.5
63	0	130	16.0
64	0	140	17.5
65	0	1000	0.0

APPENDIX C – Prudential Requirements

ACTUARIAL STATEMENT REQUIRED BY SUPERANNUATION PRUDENTIAL STANDARD SPS 160

As the Actuary to the Fund, I hereby certify that:

(i) At 30 June 2024, the value of the assets of the Plan in respect of defined benefit liabilities was $5.608m, excluding accumulation members, additional accumulation accounts for defined benefit members and any amounts to meet the Plan's Operational Risk Financial Requirement.

(ii) In my opinion, the value of the assets of the Plan at 30 June 2024 was not adequate to meet the liabilities of the Plan in respect of accrued benefits in the Plan (measured as the greater of Vested Benefits and the present value of members' accrued entitlements using the valuation assumptions).

(iii) This report contains a projection of the likely future position of the Plan during the three years following the valuation date, based on assumptions as to future experience, which I consider reasonable.

(iv) Based on Employer contributions as recommended in the report and the assumptions as to future experience, which I consider as reasonable, I consider that the value of assets of the Plan together with the contributions recommended will become adequate to meet the accrued liabilities of the Plan throughout the period to 30 June 2027.

(v) In my opinion, the Plan's financial position was in an unsatisfactory financial position under SIS Regulation 9.04 at 30 June 2024.

(vi) In my opinion, the current Shortfall Limit of 98.8% does not need to be reviewed.

(vii) In my opinion, the value of the assets of the Plan at 30 June 2024 was adequate to meet the liabilities of the Plan in respect of the minimum requisite benefits in the Plan, estimated to be $3.267m in Section 3 of this report.

(viii) Funding and Solvency Certificates for the Plan covering the period from 1 July 2021 to 30 June 2024 required by the Superannuation Industry (Supervision) Act have been provided. In my opinion, the solvency of the Plan will be able to be certified in the Funding and Solvency Certificate required under the Superannuation Industry (Supervision) Regulations during the period to 30 June 2027.

(ix) I have recommended that the employer contributes:

- 20% of active defined benefit members' salaries (i.e. approximately $8,750 per month); plus
- The remaining amount required to meet the $100,000 additional Employer contributions for 2024 (we understand as at 30 June 2024, $50,000 has already been paid, with the remaining $50,000 scheduled to be paid in monthly $10,000 instalments); plus
- Compulsory 5% member contributions made through salary sacrifice arrangements.

Nerida Seccombe

Fellow of the Institute of Actuaries of Australia

15 October 2024

APPENDIX D – Additional Information for AASB 1056

This information has been prepared at the request of the Trustee of the Plan and sets out the value of Accrued Benefits and other actuarial information required under AASB 1056 in respect of the DB Plan.

Defined Benefit Liabilities at 30 June 2024

For the disclosure purposes of AASB 1056, the Accrued Benefits and Vested Benefits for the defined benefit members are summarised in the table below.

($'000)	Actives	Deferred	Total
Accrued Benefits [1]	$3,986	$1,377	$5,363
Vested Benefits	$4,192	$1,449	$5,641
Adjustment Factor [2]			0.951

[1] *Not subject to minimum of Vested Benefits.*
[2] *Ratio of Accrued Benefits to Vested Benefits*

The method of determining Accrued Benefits has been applied in a manner consistent with Professional Standard 402 issued by The Institute of Actuaries of Australia. The weighted average term of the defined benefit liabilities as at 30 June 2024 was 3.3 years.

Assumptions

The assumptions used to calculate Accrued Benefits and Vested Benefits are summarised as follows:

Discount Rate:	5.00% per annum
Future Salary Increases (Including Promotional):	3.50% per annum
Deferred Benefit Increases:	2.75% per annum

The discount rate is considered to be a reasonable expectation of actual future Plan returns over the average expected term of the benefit liabilities, in light of the Plan's present investment strategy and taxation position.

Sensitivities at 30 June 2024

The table below shows the sensitivity of the Accrued Benefits to changes in key assumptions on a univariate basis:

Impact on Accrued Benefits	Impact on Accrued Benefit (%)	Adjustment Factor *
Discount rate 1% higher	-3.0%	0.922
Discount rate 1% lower	3.2%	0.981
Salary increase 1% higher	2.6%	0.976
Salary increase 1% lower	-2.5%	0.927
Deferred Benefit Increases 1% higher	0.3%	0.953
Deferred Benefit Increases 1% lower	-0.3%	0.948

* *Can be applied to Vested Benefits to determine Accrued Benefits*

This statement has been prepared in accordance with Practice Guideline 499.06 issued by the Institute of Actuaries of Australia.

Nerida Seccombe

Fellow of the Institute of Actuaries of Australia

15 October 2024