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Report to the Trustee on the Actuarial Investigation as at 30 June 2022

British American Tobacco Superannuation Plan

(an employer plan in the Plum Division of the MLC Super Fund)

21 December 2022

A business of Marsh McLennan

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Section 1
Key Results and Recommendations

This report on the actuarial investigation as at 30 June 2022 of the defined benefit section of the British American Tobacco Superannuation Plan (the Plan), an employer plan in the Plum Division of the MLC Super Fund, has been prepared to meet the requirements of the Plan's governing rules and the SIS legislation.

This report should not be relied upon for any other purpose or by any party other than the Trustee of the Plan. Mercer is not responsible for the consequences of any other use. This report should be considered in its entirety and not distributed in parts. The Trustee should share this report with British American Tobacco Australia Limited and other participating companies (collectively referred to as “the Employer” throughout this report).

The Plan has a closed defined benefit section and an accumulation section which is open to all new Plan members. The Trustee administers assets for the defined benefit and accumulation sections separately. The liability for accumulation section benefits is matched to the value of the underlying investments at any given time. Therefore, our actuarial investigation does not consider the assets or liabilities of the accumulation section.

1.1 Financial Position as at 30 June 2022

The following table summarises the Plan's financial position as at 30 June 2022, and shows the corresponding coverage of assets over liabilities at the date of the previous investigation:

	As at 30 June 2022		
Defined Benefits Section	$'000s	Asset Coverage	Asset Coverage as at 30 June 2019
Assets	18,987		
Vested Lump Sum Benefits	11,789	161%	n/a
Vested Benefits	11,913	159%	208%
Actuarial Value of Accrued Benefits	11,352	167%	232%
SG Minimum Benefits	11,071	172%	246%*

The liability figures as at 30 June 2022 include $6,968,000 in respect of current lifetime pensioners.

The above totals exclude the account balances in the Plan's accumulation section. These balances are invested in accordance with members' investment choices and the value of the liabilities are matched to the value of the underlying investments.

* Includes allowance for lifetime pension liabilities of $7,269.000.

Vested Lump Sum Benefits are the lump sum amounts payable as of right to active members should they voluntarily leave service at the investigation date, plus the estimated actuarial value of future payments for current lifetime pensioners.

Some active members have the option to elect to receive their retirement benefit in the form of a lifetime pension rather than a lump sum. The Vested Benefits are similar to Vested Lump Sum Benefits except that allowance has been made for a proportion of eligible members to elect a pension retirement benefit rather than the lump sum benefit. The value of the lifetime pension is generally greater than the lump sum benefit when measured using the assumptions adopted for this actuarial investigation.

As at 30 June 2022, the value of the Plan's assets is adequate to meet the liability for Vested Benefits. Therefore, the Plan is considered to be in a "satisfactory financial position", as defined in superannuation legislation.

The coverage levels have declined over the three years since the previous actuarial investigation. The more significant factors were:

- Salaries for active defined benefit members increased by an average of 1.5% per annum over the three years to 30 June 2022. The previous assumption was 4.0% per annum. Lower than assumed salary increases had a positive impact on the Plan's financial position as members' defined benefits increased by less than anticipated.
- The rate of return on the Plan's investments for the three years to 30 June 2022 was 4.6% per annum. This is less than the previous average assumption of 6.3% per annum for assets supporting pension liabilities and 6.0% per annum for assets supporting active members' liabilities. The lower than assumed investment return had a negative impact on the Plan's financial position.
- In accordance with the recommendations made at the previous actuarial investigation, the Employer has not made contributions towards the defined benefit liabilities (i.e. there has been a contribution holiday) and has utilised the defined benefit section assets to meet Employer contributions allocated to accumulation section members. As expected, the use of assets for this purpose has significantly reduced the excess of Plan assets over liabilities.
- Changes have been made to the actuarial assumptions used for valuing future benefits which have increased the value of the liabilities.

Section 3 has more details of the Plan's experience. The actuarial assumptions adopted for the current investigation are set out in Section 4. The Plan's financial position is examined in detail in Section 7.

1.2 Recommended Employer Rates and Projections

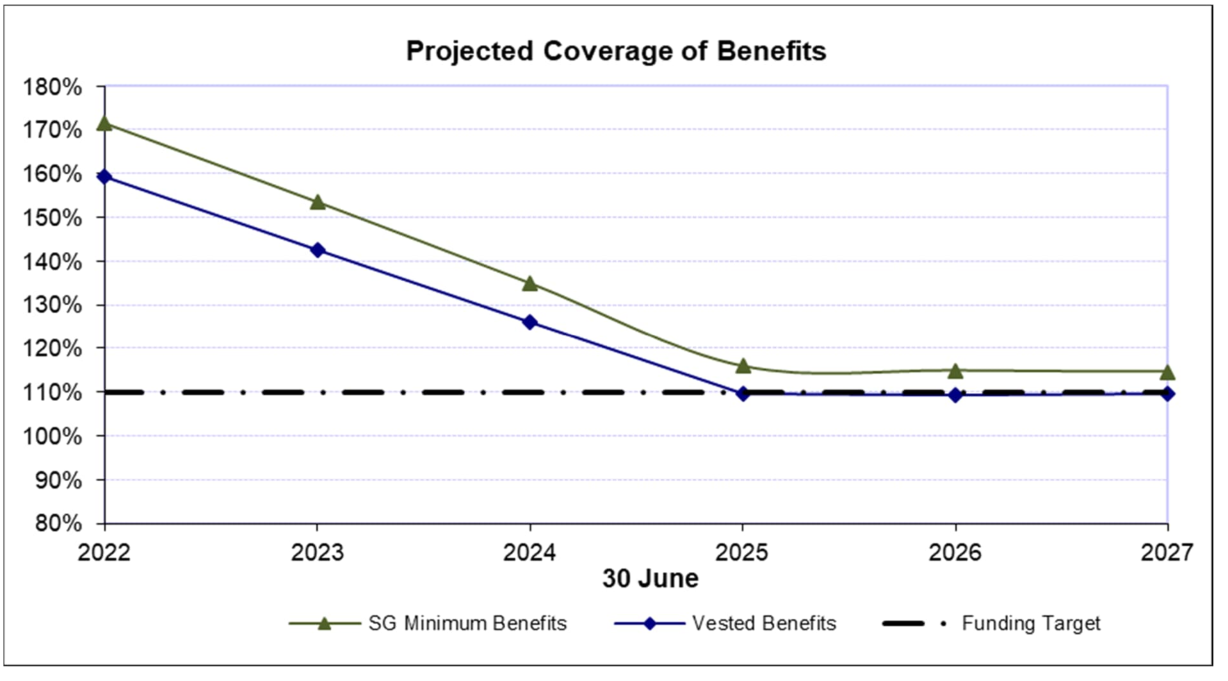
Based on the results of this actuarial investigation, we recommend that the Employer make contributions to the Plan of at least:

- Nil in respect of the defined benefit section (i.e. a continuation of the current contribution holiday, including for any deemed member and Award contributions); and
- The amounts allocated to accumulation section members' account balances as required by legislation and contractual obligations, unless these are met from defined benefit section assets on the request of the Employer and agreed by the Plan actuary.

All voluntary member contributions, including salary sacrifice contributions, for defined benefit and accumulation members must also continue to be paid in addition to the above contributions.

The significant excess of the Plan's defined benefit section assets over liabilities enables the Employer to continue to meet Employer contributions allocated to accumulation section members. This arrangement is currently resulting in approximately $180,000 (net of tax) each month being transferred from the defined benefit section and is forecast to be able to continue for another three years until 30 June 2025. Employer contributions for accumulation section members will then be required to resume. The exact timing will depend on the Plan's future experience and could be earlier than 30 June 2025, subject to ongoing monitoring of the Plan's financial position. Employer contributions to the defined benefit section are not projected to be required but may ultimately need to resume.

A projection of the Plan's financial position, based on the assumptions adopted for this investigation and the above contribution recommendations, is shown below:



The chart shows that, if the contribution holiday in respect of the defined benefit section continues, and the Employer continues to utilise the defined benefit section assets to meet Employer contributions allocated to accumulation section members for the three years to 30 June 2025, the Plan's coverage of vested benefits is projected to remain in excess of the 110% financing objective.

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

1.3 Risks

The Trustee should note that the projection of the Plan's financial position is based on the assumptions adopted, which represent a single scenario from a range of possibilities. The future is uncertain and the Plan's actual experience will differ from these assumptions; these differences may be minor in their overall effect, or they may be significant and material. In addition, different sets of assumptions or scenarios may also be within a reasonable range and results based on those alternative assumptions would be different.

The Trustee has a monitoring process which will identify if an adjustment to the contribution recommendations is required prior to the completion of the next formal actuarial investigation. The Trustee's monitoring of the experience specified in the Notifiable Events section of the Funding and Solvency Certificate will provide a further means of identifying adverse experience which warrants an immediate review of the Plan's financial position.

The liability measures shown in this report assume that the Plan continues to operate 'as is' until the last pensioner dies. In the event of a Plan wind-up, or termination of pension payments, prior to the natural cessation of the pensions, different measures of the benefit liabilities may apply, and further financing from the Employer may be required to meet the resulting benefit liabilities.

These and other risks associated with the defined benefit liabilities are discussed in Section 8.

1.4 Other Findings and Recommendations

Suitability of Policies

We are satisfied with the following current policies for the defined benefit section of the Plan:

- The investment policy;
- The crediting rate policy;
- The insurance arrangements for death and disability benefits;
- The Shortfall Limit (for the purposes of SPS 160); and
- The Trustee's process for monitoring the Plan's financial position.

1.5 Actions Required by the Trustee

The Trustee should:

- Consider this report and confirm its agreement (or otherwise) to the contribution and other recommendations;
- Engage with the Employer to ensure that the Employer understands and accepts the risks of the current investment strategy for the defined benefit section. A more conservative investment strategy could increase the Employer's expected contribution requirements, or reduce the period for which defined benefit section assets can be utilised to meet Employer contributions allocated to accumulation section members (discussed in Section 5.3);

- Engage with the Employer to ensure that the Employer understands and accepts the risks of the defined benefit pensions, noting that there are alternative strategies that could be implemented (discussed in Section 8.4);
- Seek formal agreement from the Employer to contribute in line with the recommendations;
- Continue to monitor the progress of the Plan's coverage of vested benefits; and
- Continue to monitor the "Notifiable Events" specified in the Plan's Funding and Solvency Certificate and advise the Actuary should any actual or potential Notifiable Events occur.

Section 2
Introduction

2.1 Background of the Plan

The British American Tobacco Superannuation Plan (the Plan) is operated for the benefit of employees of British American Tobacco Australia Limited and other participating employers. It is an employer plan in the Plum Division of the MLC Super Fund. The Trustee of the MLC Super Fund, NULIS Nominees (Australia) Ltd, holds a Registrable Superannuation Entity Licence under the SIS legislation and operates the Plan as required under the Trust Deed.

The Plan has a closed defined benefit section and an accumulation section which is open to all new Plan members. The Trustee administers assets for the defined benefit and accumulation sections separately. The liability for accumulation section benefits is matched to the value of the underlying investments at any given time.

The defined benefit section includes a mix of active members and current lifetime pensioners. Active members are provided with lump sum or pension benefits on leaving service, death or disablement. Appendix A provides a high level summary of the Plan's defined benefits.

The Plan is a resident regulated fund and a complying superannuation fund for the purposes of the SIS legislation. The Plan is taxed as a complying superannuation fund.

If the Plan was terminated, the liability to pay benefits under the Plan's governing rules is limited to whatever assets are then held in the Plan.

2.2 Purpose of Investigation

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

- To present the results of an actuarial investigation of the defined benefit section of the Plan as at 30 June 2022;
- To review Plan experience for the period since the previous actuarial investigation as at 30 June 2019;
- To recommend contributions to be made by the Employer intended to allow the Plan to meet its benefit obligations in an orderly manner, and to maintain an appropriate level of security for members' accrued benefit entitlements;
- To satisfy the requirements of the Plan's Trust Deed for actuarial investigations of the Plan's financial position; and
- To meet legislative requirements under relevant superannuation legislation.

This investigation has been prepared in accordance with the requirements of the Trust Deed, the Superannuation Industry (Supervision) Act 1993 and associated regulations (SIS legislation), APRA Prudential Standard SPS 160 and Professional Standard 400 issued by the Actuaries Institute setting out requirements for actuarial investigations of defined benefit superannuation funds under SIS legislation.

This actuarial investigation has not considered the assets or liabilities of the accumulation section of the Plan.

The previous actuarial investigation was conducted as at 30 June 2019 by David O'Keefe FIAA, on behalf of ALEA Actuarial Consulting, and the results are contained in a report dated 25 October 2019.

2.3 Significant Events since the Investigation Date

Investment returns have continued to be volatile since 30 June 2022. We note that whilst the return for the three months to 30 September 2022 was -0.9%, the return since then has been positive. This has not been explicitly allowed for in preparing this investigation. The financial impact of differences between the Plan's actual and assumed experience will continue to be monitored as part of the Trustee's routine quarterly updates and subsequent assessments of the Plan's financial position.

We are not aware of any other significant events that may have occurred since the investigation date which would have a material impact on the findings or recommendations in this report.

Section 3

Experience since the Previous Investigation

3.1 Membership

The Plan's defined benefit membership comprised:

As at 30 June 2022	Active	Pensioner
Number of members	5	18
Total annual salaries/pensions	$831,000	$646,000
Average age (years)	55.5	71.6

Four active members exited since the previous investigation as at 30 June 2019: three were paid a withdrawal benefit and one was paid a lump sum retirement benefit. There was no change to the lifetime pensioners.

We are satisfied that the quality of the data is suitable for the purpose of the actuarial investigation. Any inaccuracies are expected to have no material impact on the actuarial recommendations contained in this report. Assumptions regarding the data are set out in Appendix B.

3.2 Investment Returns

The estimated rate of investment earnings (after tax, investment fees and asset-based administration fees) on assets supporting the active members' defined benefit liabilities over the three years to 30 June 2022 was 4.6% per annum. The rate of investment earnings on assets supporting current pension liabilities was marginally higher as these earnings are tax exempt.

The actual returns are less than the assumptions used at the previous investigation of 6.0% per annum for assets supporting active members' liabilities and 6.3% per annum for assets supporting pension liabilities.

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

3.3 Salary Increases

Salaries for the current active defined benefit members increased by an average of 1.5% per annum over the period. The previous assumption was 4.0% per annum.

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

3.4 Contributions

In accordance with the recommendations made at the previous actuarial investigation, the Employer has not made contributions towards the defined benefit liabilities (i.e. there has been a contribution holiday).

Due to the significant excess of Plan assets over liabilities, the Employer has also utilised the defined benefit section assets to meet Employer contributions allocated to accumulation section members. This arrangement has resulted in approximately $9.9 million (net of tax) being transferred from the defined benefit section over the three years to 30 June 2022.

As expected, the use of assets for this purpose significantly reduced the excess of Plan assets over liabilities.

Section 4

Actuarial Assumptions

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

- the amount of benefits paid out; and
- the expenses of running the Plan, including tax;

less

- members' contributions; and
- the return on investments.

The ultimate cost to the Employer will not depend on the actuarial assumptions or the methods used to determine the recommended Employer contributions, but on the actual experience of the Plan. The financing method and actuarial assumptions adopted will however affect the timing of the contribution requirements from the Employer.

The actuarial process includes projections of possible future Plan assets and benefit liabilities on the basis of actuarial assumptions about future experience. These assumptions include investment returns, salary/wage increases, the rates at which members leave the Plan for various reasons, and other factors affecting the financial position of the Plan.

It is expected that these assumptions will not be precisely borne out in practice, but rather that in combination they will produce a model of possible future experience that is considered a suitable basis for setting contribution rates.

4.1 Economic Assumptions

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

- the assumed rate of investment earnings; and
- the rate of salary/pension increases used in the projections of future benefit payments.

This difference is commonly referred to as the "gap".

The key economic long term assumptions adopted for this investigation are:

Assumption as at 30 June 2022	per annum
Investment returns - after tax (as applicable), investment and asset-based administration fees	
- assets supporting pension liabilities	7.0%
- assets supporting active members' liabilities	6.0%
Salary increases	4.0%

The assumed investment returns are based on the expected earning rates for the Plan's benchmark investment mix, over the likely remaining term of the defined benefit liabilities, calculated using Mercer's assumptions of the means and standard deviations of returns from the various underlying asset classes, the correlations of returns between those asset classes.

The return assumption for assets supporting pension liabilities is higher than the assumption for assets supporting active members' liabilities as income from these investments is tax exempt.

The salary increase assumption is based on economic forecasts for future increases in average weekly earnings, the age profile of the remaining defined benefit members, and input from the Employer.

The assumed real rate of investment return in excess of salary increases is 2% per annum, the same as used for the previous investigation. The gross of tax rate of return on assets supporting pension liabilities has increased from 6.3% per annum to 7.0% per annum to be more consistent with the net of tax assumption.

Pension payments are not indexed.

4.2 Demographic Assumptions

Rates of Decrement

Given the small number of remaining active members and their ages, for simplicity all members are assumed to retire at the earlier of attaining age 65 or completing 40 years of membership. No other decrements are assumed.

Retrenchment

There is no specific retrenchment or redundancy benefit. The benefit payable is equal to the withdrawal benefit or, if eligible, retirement benefit. No explicit allowance is made for the possibility of future retrenchments.

Ill-Health

No allowance is made for the possibility of future ill-health retirements. It is considered unlikely that such a benefit would become payable.

Form of Benefit

There have been very few retirees from the Plan in recent years and all have elected a lump sum benefit. However, the value of the lifetime pension is generally greater than the lump sum benefit when measured using the assumptions adopted for this actuarial investigation.

For the purpose of this actuarial investigation, 20% of eligible members are assumed to elect the lifetime pension benefit rather than the lump sum benefit on retirement (i.e. equivalent to one of the remaining five members).

Pensioner Mortality

The Plan is not large enough to obtain meaningful experience in relation to pensioner mortality. We have used the following assumptions, based on Mercer's analysis of public sector pensioner mortality:

Primary pensioner	Mercer 2012-17 Retirement Pensioner Mortality Rates.
Spouse reversionary	Australian Life Tables 2015-2017.

Allowance is also made for future improvements (i.e. reductions) in the rates of mortality based on the improvement factors published in the most recent Australian Life Tables 2015-17. These factors have been derived from historical trends of the Australian population over the last 25 years.

4.3 Other Assumptions

New Members

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

Expenses and Insurance

Administration and management expenses for the defined benefit section are met from Plan assets. Based on recent experience and expectations for the future, expenses are assumed to average $45,000 per annum.

Based on the current premium rates, insurance costs for defined benefit members are assumed to average 1.5% of active members' salaries.

All administration expenses and insurance costs for accumulation section members are assumed to be fully financed via deductions from members' account balances.

Tax

It is assumed that the current tax rate of 15% will continue to apply to the Plan's assessable income, along with current tax credits and deductions.

All future Employer contributions are assumed to be subject to 15% contribution tax, after deductible expenses. All contribution recommendations quoted in this report are gross of contributions tax.

No allowance has been made for tax which is payable by the individual such as excess contributions tax or additional Division 293 tax on contributions for those with high incomes.

The Superannuation Guarantee (Administration) Act 1992

The SG Act requires employers to provide minimum superannuation benefits that are fully vested in their employees within a complying superannuation fund.

The contribution rates recommended in this report and the projections of the financial position allow for benefits to be augmented as necessary to meet the minimum SG benefit described in the Plan's actuarial Benefit Certificate. The SG rate is currently legislated to increase from 10.5% by 0.5% each year until it reaches 12% from 1 July 2025.

4.4 Impact of Changes in Assumptions

The following table sets out changes in assumptions from those used in the previous investigation and the reasons for the changes:

Assumption	Current Investigation	Previous Investigation	Reason for Change
Investment returns for assets supporting pension liabilities	7.0% per annum	6.3% per annum	Consistency between gross and net of tax asset class returns.
Retirement decrement	Earlier of age 65 or 40 years of membership.	Age 65	Retirement assumed if maximum benefit multiple reached before age 65.
Pension take-up	20% of retirement benefits.	None	Revised expectations.
Pensioner mortality	Mercer 2012-17 experience analysis and latest Australian Life Tables.	Rates from ABS population projections 2002-2101.	Updated for more recent pensioner mortality analysis.
Administration expenses	$45,000 per annum	2.3% of salaries	Expressed as a fixed amount given reducing number of active members.
Insurance costs	1.5% of salaries	1.0% of salaries	Revised expectations

The overall impact of the changes in assumptions as at 30 June 2022 has been to:

- increase the measure of current lifetime pension liabilities by $180,000;
- increase the Plan's Vested Benefits by $304,000;
- increase the Plan's Actuarial Value of Accrued Benefits by $385,000; and
- increase the Employer's "normal" long-term cost of financing benefits accruing in future by 1.8% of active members' salaries.

Section 5
Assets

5.1 Market Value

Based on unaudited data provided by the Plan's administrator, the net market value of defined benefit assets available to pay benefits as at 30 June 2022 was $18,987,000, including an estimated provision for net tax receivable of $343,000 ($177,000 receivable on taxable contributions less expenses, and $166,000 receivable in respect of exempt income on assets supporting current pension liabilities). This value has been used for the purposes of the investigation.

5.2 Operational Risk Reserves

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

The scope of this investigation does not include a review of the adequacy of assets held to meet the Trustee's ORFR or the Trustee's ORFR strategy.

5.3 Investment Policy

The assets supporting the Plan's defined benefit liabilities are currently invested in the MLC Moderate investment option. The investment objective for this option is to achieve a rate of return (after fees and tax) of 3% per annum in excess of Consumer Price Index inflation over 10 year periods. There is a benchmark 76% allocation to "growth" assets such as shares and property and a benchmark 24% allocation to "defensive" assets such as fixed interest and cash. "Growth" assets are expected to earn higher returns over the long term compared to "defensive" assets, but at the same time to exhibit more variation in returns from year to year.

The majority of the defined benefit liabilities are unaffected by the investment return on the Plan's assets. Volatility of the Plan's investment returns can therefore affect the financial position of the Plan from year to year and is likely to impact on the required level of Employer contributions. The expected term of the liabilities is such that the Plan is expected to benefit over the long term from higher returns generated from "growth" type assets, provided the Employer is comfortable with the volatility risk. The impact of investment volatility on the Plan's financial position is discussed in Section 8.

The Plan's investments are expected to provide a high level of liquidity in normal circumstances. Hence, we do not envisage any difficulty in being able to redeem investments to meet benefit payments as they arise.

We have reviewed the Plan's investment strategy for assets supporting defined benefit liabilities, taking into account the Plan's financial position and the nature and term of the benefit liabilities, and confirm that it is a suitable policy.

This conclusion takes into account our understanding that the Employer understands the possible variability in future contributions associated with the current investment strategy. A more conservative strategy could increase the Employer's expected contribution requirements, or reduce the period for which defined benefit section assets could be utilised to meet Employer contributions allocated to accumulation section members, as it would limit potential future investment earnings. However, a more conservative strategy would also reduce the potential volatility of future investment earnings and provide greater certainty to the Employer's contribution arrangements.

The Trustee should confirm that the Employer understands and accepts the risks of the current investment strategy for the defined benefit section.

5.4 Crediting Rates

Crediting rates for the purposes of calculating the amount of investment earnings to be allocated to defined benefit members' non-member investment choice account balances are declared and applied quarterly.

The account balances may include Award contributions, notional Superannuation Guarantee contributions, defined benefit member contributions, transfer amounts and surcharge offsets.

The declared rate is calculated as the average of the actual earning rate on the Plan's defined benefit assets over the preceding three years, subject to a minimum rate of 0%. Where a negative declared rate would otherwise arise in a period (except for application of the minimum rate of 0%), declared rates are adjusted in future such that that the average of the declared rates over the subsequent two years is not more than the average of the actual earning rate on the Plan's defined benefit assets.

For surcharge offset balances, the declared rate is calculated as the average of the end of quarter 90-day Bank Bill rate, adjusted for 15% tax, over the preceding two years.

Other than a minimum declared rate of 0%, which is a requirement of the Plan's rules, the calculation methodology, including the timing of when rates of interest are declared, may be varied by the Trustee at its discretion.

We have received a copy of the Trustee's Product Management Standard Operating Procedures (dated 17 July 2018) which details the Trustee's standard approach to be used for the allocation of investment earnings, with separate documentation required for variations from the standard approach. The Trustee's documentation for the Plan's non-standard approach should be reviewed from time to time and updated where appropriate.

Based on a review of the main features, we consider that the crediting rate policy adopted is suitable.

The Plan's current crediting rate policy is assumed to continue.

Section 6
The Actuarial Approach

6.1 Financing Objective

Defined benefit liabilities are based on members' salaries and service and do not depend on the value of the underlying investments (as is the case for accumulation benefit liabilities).

The Employer bears the risks associated with financing the Plan to ensure assets are sufficient to meet the defined benefit liabilities, and makes additional contributions if there is any shortfall.

The Trustee is focussed on the security of members' benefit entitlements. The financing objective used for this actuarial investigation is to maintain the value of the Plan's assets at least equal to 110% of defined benefit Vested Benefits (including pension liabilities).

A margin in excess of 100% of Vested Benefits provides some security against adverse experience (such as poor investment returns and pensioners living longer than expected) and reduces the risk of the Plan's financial position becoming unsatisfactory.

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

Based on the assumptions used for this investigation, achieving the financing objective of 110% of Vested Benefits would also result in at least 100% coverage of the Actuarial Value of Accrued Benefits and SG minimum benefits. Hence, it is not considered necessary to adopt specific financing objectives in relation to these benefit liability measures.

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

Professional Requirements

Under Professional Standard 400 issued by the Actuaries Institute, the funding method selected by the actuary *"must aim to provide that:*

(a) members' benefit entitlements (including any pension increases provided by the Trust Deed or in accordance with either precedent or the intentions of the Trustee and/or Fund Sponsor) are fully funded before the members retire; and

(b) the assets of the Fund from time to time, after making full provision for the entitlements of any beneficiaries or members who have ceased to be employed, exceed the aggregate of benefits which employed members would reasonably expect to be payable to them on termination of membership, including the expenses of paying those benefits, and having regard to the provisions of the Trust Deed and the likely exercise of any Options or Discretions." (Paragraph 5.5.4 of PS400).

Accordingly the actuary needs to be satisfied that any funding program is expected to provide a level of assets which meets or exceeds immediate benefit entitlements based on members' reasonable expectations. Should assets fall below that level, the funding program needs to aim to lift assets to at least the required level over a reasonable time period and to maintain assets at or above the required level thereafter.

The financing objective has been set on the basis that members' reasonable expectations on leaving service would be to receive their vested benefit entitlement including an allowance for the option for a lifetime pension on retirement. Vested benefits for pensioners are equal to the lump sum value of future payments, determined using the actuarial assumptions adopted for this investigation.

Provisions of the Trust Deed

The rules of the MLC Super Fund include requirements that:

- the Trustee ensures an actuarial investigation of the Plan is conducted when required by legislation; and
- the Employer shall contribute to the Plan acting on the advice of the Actuary.

6.2 Financing Method

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

Under this method, the Employer contribution rate is determined to provide a target level of coverage of a particular benefit liability measure. For this Plan, the target coverage is at least 110% of Vested Benefits. The level of Employer contributions will vary from time to time to ensure that the Plan remains on course with the financing objective.

The "Attained Age Normal" funding method was used at the previous actuarial investigation.

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

Section 7
Financial Position of the Plan

7.1 Liability Measures

Vested Lump Sum Benefits

Vested Lump Sum Benefits are the immediate lump sum amounts payable to active members who voluntarily leave service at the investigation date, plus the estimated actuarial value of future payments for current lifetime pensioners.

Vested Benefits

Some active members have the option to elect to receive their retirement benefit in the form of a lifetime pension rather than a lump sum. The Vested Benefits are similar to Vested Lump Sum Benefits except that allowance has been made for a proportion of eligible members to elect a pension retirement benefit rather than the lump sum benefit. The value of the lifetime pension is generally greater than the lump sum benefit when measured using the assumptions adopted for this actuarial investigation.

Vested benefits for current lifetime pensioners are equal to the estimated actuarial value of future payments.

Coverage of at least 100% of Vested Benefits is necessary for the Plan to be in a “satisfactory financial position” as defined in SIS legislation.

Actuarial Value of Accrued Benefits

The Actuarial Value of Accrued Benefits provides a longer-term measure of the Plan’s overall position. It is the present value (as at the investigation date) of all future expected benefit payments, based on membership to date, discounted to the investigation date, taking into account the probability of payment. This value is calculated using the actuarial assumptions and method outlined in the previous sections of this report. Further details concerning the calculation of the Actuarial Value of Accrued Benefits are set out in Appendix C.

The Actuarial Value of Accrued Benefits for current lifetime pensioners is equal to the estimated actuarial value of future payments.

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

SG Minimum Benefits

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

SG Minimum Benefits for current lifetime pensioners are equal to the estimated actuarial value of future payments.

The Plan assets at 30 June 2022 were greater than the SG Minimum Benefits and hence the Plan was considered to be "solvent" under SIS legislation.

7.2 Financial Position as at 30 June 2022

The following table summarises the Plan's financial position as at 30 June 2022, and shows the corresponding coverage of assets over liabilities at the previous investigation:

	As at 30 June 2022		
Defined Benefits Section	**$'000s**	**Asset Coverage**	**Asset Coverage as at 30 June 2019**
Assets	18,987		
Vested Lump Sum Benefits	11,789	161%	n/a
Vested Benefits	11,913	159%	208%
Actuarial Value of Accrued Benefits	11,352	167%	232%
SG Minimum Benefits	11,071	172%	246%*

The liability figures as at 30 June 2022 include $6,968,000 in respect of current lifetime pensioners.

The above totals exclude the account balances in the Plan's accumulation section. These balances are invested in accordance with members' investment choices and the value of the liabilities are matched to the value of the underlying investments.

* Includes allowance for lifetime pension liabilities of $7,269.000.

As at 30 June 2022, the value of the Plan's assets is adequate to meet the liability for Vested Benefits. Therefore, the Plan is considered to be in a "satisfactory financial position" as defined in superannuation legislation.

The coverage levels at 30 June 2022 have changed since the previous actuarial investigation due to experience as discussed in Section 3 and changes made to the actuarial assumptions as discussed in Section 4.

7.4 Actuarial Balance Sheet

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

As at 30 June 2022	$'000s
Actuarial present value of future benefit payments in respect of exiting lifetime pensioners accrued at the investigation date	6,968
Actuarial present value of future benefit payments in respect of active members accrued at the investigation date	4,384
Actuarial present value of future benefit payments accruing after the investigation date (including insurance costs)	970
Actuarial present value of all future benefit payments	**12,322**

As at 30 June 2022	$'000s
Current value of defined benefit assets	18,987
Actuarial present value of future member contributions	282
Actuarial present value of future available assets (in the absence of other contributions)	**19,269**
Excess/(deficit) to be financed by future Employer contributions	**6,947**

The actuarial balance sheet does not include provision for future administration and management expenses of the Plan and assumes member contributions are paid.

The results above indicate that Plan assets are expected to be more than sufficient to finance future benefit payments over the long term, if future experience matches the assumptions, and ignoring the use of defined benefit section assets to meet Employer contributions for accumulation section members.

7.5 Employer Future Service Cost

Based on the actuarial assumptions used for this investigation, the Employer's "normal" long-term cost of financing the defined benefits accruing in the future for current members, ignoring any surplus or deficit of assets relative to the Actuarial Value of Accrued Benefits, is 14.1% of active members' salaries.

This rate is gross of contributions tax and includes the cost of insurance but does not include any allowance for deemed member and Award contributions or the future operating expenses of the defined benefit section.

This rate is higher than the equivalent rate of 10.3% of active members' salaries measured at the previous actuarial valuation due to a maturing and reducing membership and changes made to the actuarial assumptions.

7.6 Recommended Contributions

Based on the results of this actuarial investigation, we recommend that the Employer make contributions to the Plan of at least:

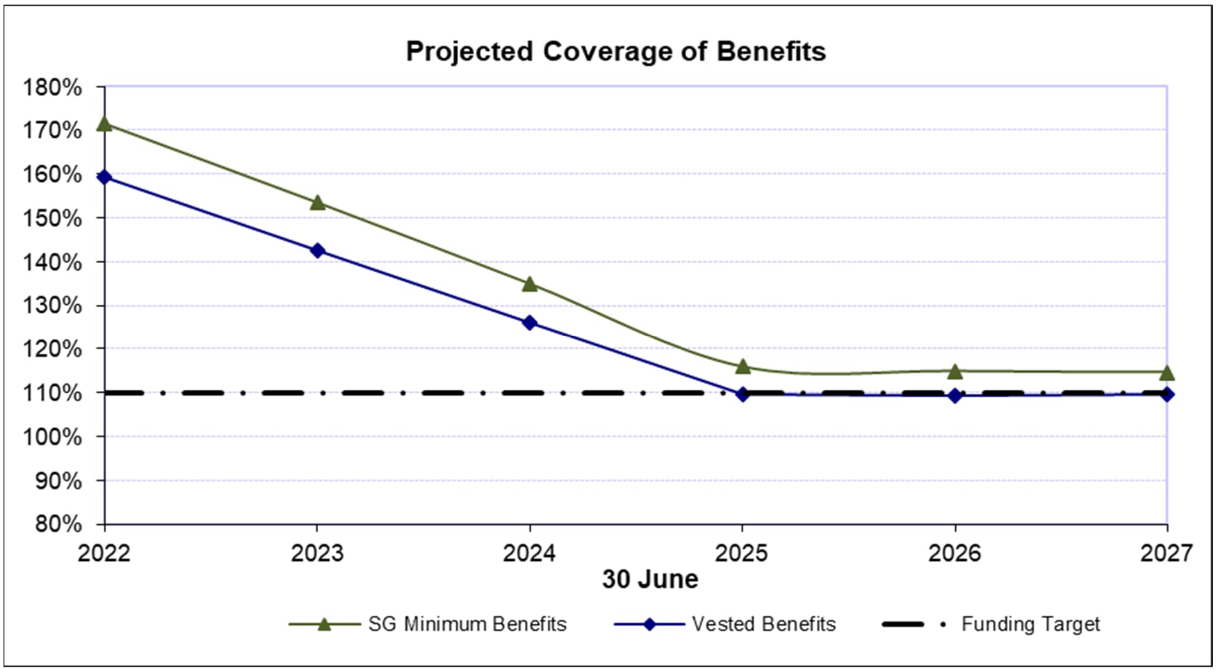
- Nil in respect of the defined benefit section (i.e. a continuation of the current contribution holiday, including for any deemed member and Award contributions); and
- The amounts allocated to accumulation section members' account balances as required by legislation and contractual obligations unless these are met from defined benefit section assets on the request of the Employer and agreed by the Plan actuary.

All voluntary member contributions, including salary sacrifice contributions, for defined benefit and accumulation members must also continue to be paid in addition to the above contributions.

The significant excess of the Plan's defined benefit section assets over liabilities enables the Employer to continue to meet Employer contributions allocated to accumulation section members. This arrangement is currently resulting in approximately $180,000 (net of tax) each month being transferred from the defined benefit section and is forecast to be able to continue for another three years until 30 June 2025. Employer contributions for accumulation section members will then be required to resume. The exact timing will depend on the Plan's future experience and could be earlier than 30 June 2025, subject to ongoing monitoring of the Plan's financial position. Employer contributions to the defined benefit section are not projected to be required but may ultimately need to resume.

7.7 Projected Financial Position

A projection of the Plan's financial position, based on the assumptions adopted for this investigation and assuming the Employer continues to utilise the defined benefit section assets to meet Employer contributions allocated to accumulation section members for the three years until 30 June 2025, is shown below:



The chart shows that the Plan's coverage of vested benefits is projected to remain in excess of the 110% financing objective.

The Trustee should note that this projection is based on the assumptions adopted, which represent a single scenario from a range of possibilities. The future is uncertain and the Plan's actual experience will differ from those assumptions; these differences may be minor in their overall effect, or they may be significant and material. In addition, different sets of assumptions or scenarios may also be within a reasonable range and results based on those alternative assumptions would be different.

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

Section 8
Key Risks

There are a number of risks relating to the operation of the Plan. The Plan's Risk Management Statement and Risk Management Plan should identify the full range of risks faced by the Trustee.

The more significant financial risks relating to members' defined benefits are discussed below.

8.1 Investment Volatility

The risk is that investment returns will be lower than assumed and that the Employer will need to make additional contributions to offset this shortfall.

For example, if the assumed future investment return was reduced by 1% per annum (with no other change in actuarial assumptions), the Actuarial Value of Accrued Benefits would increase by $898,000 (i.e. the Employer's funding cost impact would be $898,000 / 0.85 = $1,057,000 including allowance for tax), with a resulting reduction in the coverage of the Actuarial Value of Accrued Benefits from 167% to 155%.

Note however that the actual investment return achieved by the Plan in future may vary (positively or negatively) from the assumed return by much more than the (negative) 1% per annum illustrated in the example above.

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

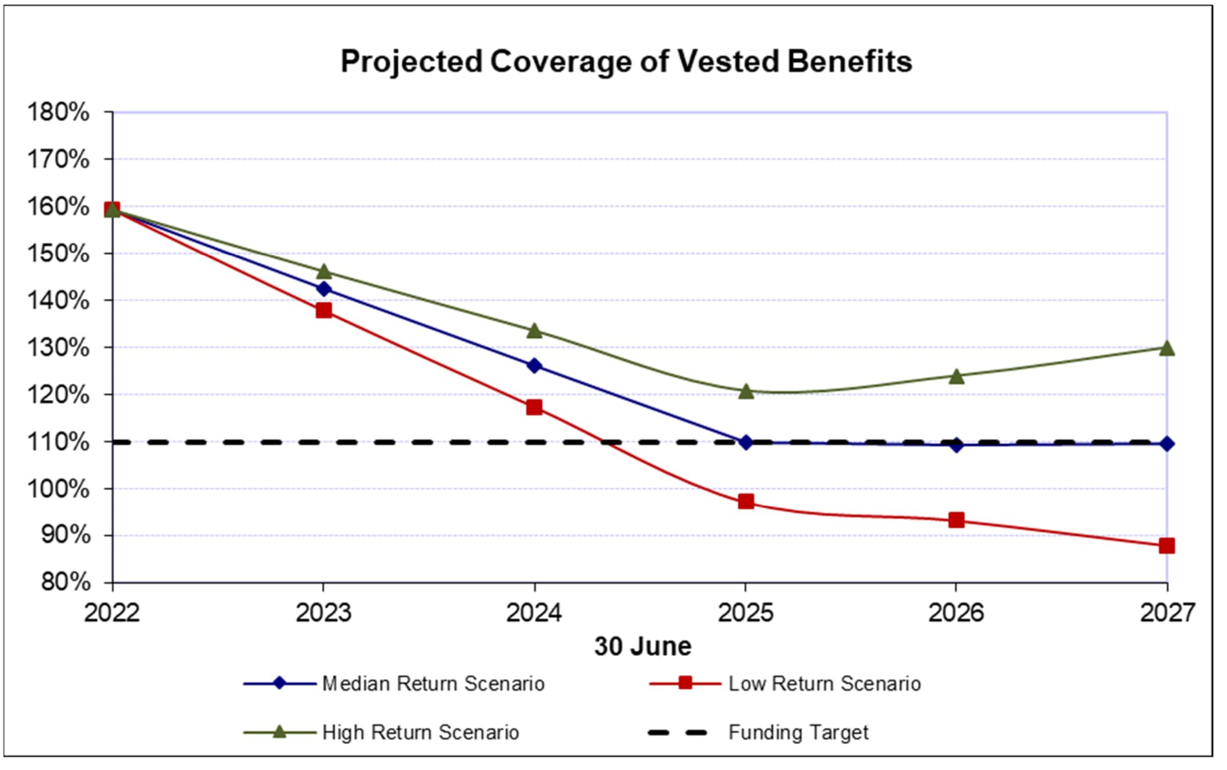
Using the investment return model and assumptions adopted, we estimate that there is an approximate 10% chance of the Plan's cumulative investment return being less than the "low return" scenario. Similarly, we estimate that there is an approximate 10% chance of the Plan's cumulative investment return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

1 July 2022 to 30 June	Assumed Cumulative Investment Return* (%)		
	"Low Return"	Investigation	"High Return"
2023	3.1%	6.0%	8.5%
2024	6.3%	12.4%	17.7%
2025	9.6%	19.1%	27.7%
2026	13.0%	26.2%	38.6%
2027	16.5%	33.8%	50.4%

* Higher assumed returns apply for assets supporting lifetime pension liabilities as earnings are tax exempt.

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

The graph below shows the effect on the projected ratio of assets to Vested Benefits for defined benefit members under the "high return" and "low return" scenarios, with all other investigation assumptions remaining unchanged.



Based on fluctuations in investment returns only, and assuming other experience in is line with the assumptions adopted for this investigation, we estimate that there is an 80% chance that the coverage of assets over vested benefits in three years' time will fall within the range 97% to 121%. The consequences of the potential volatility in the projected financial position will be borne by the Employer.

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

8.2 Salary Growth Risk

The risk is that wages or salaries (on which future benefit amounts will be based) will rise more rapidly than assumed, increasing benefit amounts and thereby requiring additional Employer contributions. This risk is borne by the Employer.

As an example, if the assumed future salary increase rate was 1% per annum higher (with no other change in actuarial assumptions), the actuarial value of accrued benefits would increase by $181,000 (i.e. the Employer's funding cost impact would be $181,000 / 0.85 = $213,000 including allowance for tax), with a resulting reduction in the coverage of the actuarial value of accrued benefits from 167% to 165%.

Note that the actual rate of future salary increases may vary (positively or negatively) from the rate assumed at this investigation by much more than the illustrative example.

8.3 Pension Take-up Risk

The risk is that more members than assumed elect to receive a retirement benefit in the form of a lifetime pension rather than a lump sum. The value of the lifetime pension is generally greater than the lump sum benefit when measured using the assumptions adopted for this actuarial investigation.

For example, if all remaining active members were to ultimately elect a retirement pension, the actuarial value of the Plan's accrued benefits as at 30 June 2022 would be approximately $363,000 higher than currently estimated.

This risk is borne by the Employer and may require the Employer to make additional contributions in future.

8.5 Longevity Risk

The risk is that pensioners or former retirees live for longer than anticipated. If pensions are paid for longer than estimated, the Employer may be required to make additional contributions to meet the increased cost.

8.4 'Market Value' of Pension Liabilities

The basis used to value the Plan's lifetime pension liabilities for the purposes of this investigation is considered suitable taking into account the Plan's current circumstances, including the existing assets and assuming the ongoing support of the Employer. However, there are alternative strategies available to the Trustee and the Employer in the market to manage the risks of the pension liabilities. These strategies involve transferring the risk to a third party using a "market value" of pension liabilities. The market value of the pension liabilities – that is, the amount which would be required to be transferred to a third party (for example, a life office or insurer) to take on the liability – could be different to the liability determined for the purposes of this investigation.

Impact of a possible wind-up

As set out in Section 6, the financing objective has been set on the basis that the pensioners' reasonable expectations on termination or wind-up of the Plan would be to receive a lump sum equal to the value of their pension as determined by the actuarial assumptions adopted for this investigation.

However, this approach may not be realistic or fair for pensioners, as the amount required to be transferred to a third party to replicate the pension could well be higher than the value of the above mentioned lump sum.

In the event of wind up, an annuity contract could be purchased from an insurer (i.e. a "buy-out") and the responsibility of paying the pensions would be passed onto the insurer.

To illustrate the cost of a pension buy-out, we have downloaded Challenger (the main annuity provider in Australia) annuity rates from their advisor portal. Based on this information (e.g. the average price to provide the current lifetime pensions, based on their interest rate and mortality assumptions) the pension liability would be valued at approximately $9 to 10 million (i.e. $2 to 3 million higher than the valuation used for this investigation).

This estimate is based on Challenger's retail pricing for a comparable benefit and pensioner age profile. It is possible that a lower valuation is achievable through negotiation with various annuity providers. There is also a risk that Challenger's retail offering does not fully cater to the Plan's specific pension benefits arrangement and the actual cost of purchasing a buy-out contract could be different.

If these annuity purchases were to occur in a wind-up situation and there was insufficient support from the Employer to make up the difference, then the priority order of assets becomes important.

Clause 6.10 of the Plan's Participation Schedule requires that benefits for pensioners have first priority of payment, followed secondly by any preserved benefits for members who have ceased service, and thirdly by benefits for members in service on the date of wind-up.

However, SIS Regulation 9.25 requires that existing pensioners have the same priority as active defined benefit members' MRBs and accumulation members' benefits, and priority over entitlements above MRBs for active defined benefit members. Hence, it is likely that the current active defined benefit members (and possibly accumulation members and pensioners in a situation where MRBs were not covered) would be adversely affected in a wind-up situation, should there be insufficient support from the Employer.

Impact of using a buy-in contract to fund the pension liability

The Trustee could also reduce the risks associated with the Plan's lifetime pensions by purchasing a buy-in contract.

In a buy-in contract, a premium is paid to an insurer and a bulk annuity contract is issued to the Plan. The annuity contract is considered an investment held by the Plan. The payment of pensions is still the responsibility of the Trustee, paid to pensioners from the Plan assets and not directly by the insurer. The insurer then pays the Plan the value of the pensions agreed in the bulk annuity contract. Therefore, the assets and liabilities associated with the contract remain on the Fund's balance sheet, but are very well matched.

The cost of a buy-in contract would be expected to be similar to that of a buy-out arrangement. As outlined above, the amount that would be required to be transferred to an insurer to take on the pension liability is likely to be higher than the value placed on the pensions in this investigation.

There are some additional risks associated with a buy-in that would need to be considered, such as:

- Counterparty risk – the risk that the annuity provider defaults on their obligations
- Mismatch risk – the risk that the annuity provider cannot provide annuities that match the lifetime pensioners' benefits exactly.

8.6 Legislative Risk

This risk is that legislative changes could be made which increase the cost of providing the defined benefits – for example, an increase in the rate of tax on superannuation funds. The potential risk has increased due to the current level of government debt and rising interest rates. This risk is borne by the Employer.

8.7 Small Plan Risk

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

- A greater focus may now be needed on the immediate funding of benefits which previously may have been financed on the basis of the defined benefit section continuing for many years;
- With fewer remaining members, the experience of a single member or event will have a proportionately larger impact on the Plan's financial position. More frequent monitoring of the financial position may be required;
- Even if the average overall experience is ultimately in line with the actuarial assumptions, there could be occasions where short-term deviations in experience have a significant negative impact on the financial position, warranting immediate additional Employer contributions;
- Contributions required to finance any shortfalls, particularly as a percentage of salaries of defined benefit members, can become much more significant;
- The investment strategy may need to be revised to reflect the reducing term of the liabilities; and
- Operating expenses for the Plan, particularly relative to the number of defined benefit members and/or the salaries of defined benefit members, can become significant. Many operating tasks are essentially the same whether a fund has one or 1,000 members. In fact, increased monitoring of a small and sensitive defined benefit section may be warranted, increasing costs.

Section 9
Insurance

The Plan is not permitted to self-insure death and disability benefits. Death and total and permanent disablement (TPD) benefits are subject to an external insurance policy underwritten by MLC Limited as set out in a policy commencing 1 February 2010 (as renewed from time to time). The purpose of the insurance policy is to protect the Plan against unexpectedly large payouts on the death or disability of members.

For accumulation section members, death and TPD benefits in excess of total account balances are fully insured.

For defined benefit members, the current group life sum insured formula for death and TPD benefits is:

Sum insured = Death/TPD benefit – Vested lump sum benefit

The definition of TPD in the policy is also used to establish a member's eligibility for the benefit under the Plan's governing rules, thus avoiding any definition mismatch risk.

Ideally, the total amount insured should cover the excess of the total death/TPD benefits over the Plan's assets. Based on the formula currently in use, the coverage of the Plan's death/TPD risk at the investigation date was:

As at 30 June 2022		$'000s
	Death/TPD (lump sum) benefits	6,055
less	Sum insured	1,234
less	Assets*	12,019
	Amount at risk	(7,198)

* Excluding assets equal to the liability for current lifetime pension liabilities.

These calculations show that the insurance formula results in over-insurance. This is not unexpected as there is a significant excess of assets over Vested Lump Sum Benefits. Whilst the Trustee may wish to consider amending the formula to reflect the Plan's financial position and reduce the level of over-insurance, the excess of assets is projected to decline in future as a result of the contribution recommendations. In addition, the cost of implementing a change to the insurance arrangements could potentially outweigh any premium savings.

A benefit is payable upon a member's ill-health retirement from age 55 where ill-health is defined under the Plan's governing rules as "…a chronic medical condition of a potentially permanent nature which, whilst not constituting Total and Permanent Disablement, has and is likely to continue to significantly affect the Member's performance in any occupation for reward for which the Member is reasonable qualified by education, training or experience."

The ill-health benefit is the prospective retirement benefit (lump sum or pension) had membership continued for half the remaining period to the member's 65th birthday.

As at 30 June 2022, total lump sum ill-health benefits were approximately $300,000 more than the liability for Vested Benefits. The ill-health benefits are well covered by the Plan's assets, even if it is considered unlikely that such a benefit would become payable.

In our opinion, the current group life insurance arrangements, including the sum insured formula for defined benefit members, are suitable and provide adequate protection for the Plan.

Section 10
Prudential Standards

The Australian Prudential Regulation Authority (APRA) is responsible for the prudential regulation of the superannuation industry. APRA has issued a Prudential Standard SPS 160 relating to the financial management and funding of defined benefit funds. We have commented below on several requirements arising from SPS 160.

10.1 Shortfall Limit

The Trustee must determine a "Shortfall Limit" for each fund, being:

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

The Shortfall Limit is expressed as the coverage level of the defined benefits vested benefits (including liabilities for pensioners) by the defined benefit assets. We understand that the Plan's Shortfall Limit, determined by the Trustee on the basis of previous actuarial advice, is 100%.

It is appropriate to consider the following factors when assessing if the Shortfall Limit remains appropriate:

- The guidance provided in the relevant Actuaries Institute Information Note: Shortfall Limit in Prudential Standard 160 dated June 2013;
- The investment strategy for defined benefit assets;
- The current contribution arrangements (i.e. a contribution holiday in respect of the defined benefit and accumulation sections);
- The results of this investigation regarding the extent to which the current and projected vested benefits are not linked to the investment return on defined benefit assets (i.e. the standard salary based defined benefits) and the current and projected relativity between vested benefits and SG minimum benefits.

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

The suitability of the Shortfall Limit will be reviewed as part of the next regular actuarial investigation. The Shortfall Limit should be reviewed earlier if the Trustee otherwise considers it appropriate to do so.

10.2 Monitoring Process

SPS 160 also requires the Trustee to determine and implement a process for monitoring the defined benefit vested benefits coverage against the Shortfall Limit. If this monitoring process indicates that the vested benefits coverage has (or may have) fallen below the Shortfall Limit, then under SPS 160:

- An "Interim Actuarial Investigation" may be required (depending on the timing of the next regular actuarial investigation).
- A Restoration Plan is required to be put in place if an Interim Actuarial Investigation finds the fund has breached its Shortfall Limit. The Restoration Plan must be designed to return the fund to a "satisfactory financial position", so that the vested benefits are fully covered within a reasonable period that must not exceed three years, and this must be submitted to APRA.

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

The Trustee should also continue to monitor the "Notifiable Events" specified in the Plan's Funding and Solvency Certificate and advise the Actuary should any actual or potential Notifiable Events occur.

10.3 Requirements of Unsatisfactory Financial Position

Restoration Plan

Under SPS 160, a Restoration Plan is required to be put in place if the actuary finds in a regular actuarial investigation that a fund:

- Is in an unsatisfactory financial position (whether or not the Shortfall Limit has been breached); or
- Is likely to fall into an unsatisfactory financial position.

A Restoration Plan must be designed to return the fund to a "satisfactory financial position", so that vested benefits are fully covered, within a reasonable period that must not exceed three years from the investigation date.

An SPS 160 Restoration Plan is not required if the fund is technically insolvent (in which case the insolvency rules must be followed). If an SPS 160 Restoration Plan is already in place then any changes to the contribution program (including its period) must be made within the framework of that Restoration Plan.

As indicated by the financial position and the projections, we consider that:

- The Plan is not in an unsatisfactory financial position; and
- The Plan is not likely to fall into an unsatisfactory financial position.

Hence the special requirements of SPS 160 for funds in an unsatisfactory financial position do not apply at this investigation.

Actuary’s Reporting Requirements

Section 130 of the SIS Act requires that if an actuary forms the opinion that a fund’s financial position may be unsatisfactory, or may be about to become unsatisfactory, and that opinion was formed in performing an actuarial function, the actuary must advise both the Trustee and the prudential regulator (APRA) in writing immediately.

These requirements do not currently apply as we are of the opinion that the Plan’s financial position is not unsatisfactory and is not projected to become unsatisfactory.

10.4 Statements Required by SPS 160

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

(a) The value of the Plan’s assets as at 30 June 2022 was $18,987,000. This value excludes assets held to meet the Operational Risk Financial Requirement.

(b) In our opinion, the value of the liabilities of the Plan in respect of accrued benefits as at 30 June 2022 was $11,352,000. Hence, we consider that the value of the assets is adequate to meet the value of the accrued benefit liabilities at the investigation date. Taking into account the circumstances of the Plan, the details of the membership and the assets, the benefit structure of the Plan and the industry within which the Employer operates, we consider that the assumptions and valuation methodology used are appropriate in relation to the determination of the accrued benefit liabilities for the purposes of this report. Further comments on the assumptions and valuation methodology are set out in Sections 4 and 6 of this report. Assuming that the Employer contributes in accordance with our recommendations, and based on the assumptions used for this actuarial investigation, we expect that assets will remain sufficient to cover the value of accrued benefit liabilities over the three-year period to 30 June 2025.

(c) In our opinion, the value of the liabilities of the Plan in respect of vested benefits as at 30 June 2022 was $11,913,000. Hence, we consider that the value of the assets is adequate to meet the value of the vested benefit liabilities of the Plan at the investigation date. The Plan is in a “satisfactory financial position” as defined in SPS 160. Assuming that the Employer contributes in accordance with our recommendations, and based on the assumptions used for this actuarial investigation, we expect that assets will remain sufficient to cover the value of vested benefit liabilities over the three-year period to 30 June 2025.

(d) In our opinion, the value of the liabilities of the Plan in respect of the minimum benefits of the members of the Plan as at 30 June 2022 was $11,071,000. Hence, the Plan was not technically insolvent at 30 June 2022.

(e) A projection of the likely future financial position of the Plan over the three-year period following 30 June 2022, based on what we consider to be reasonable expectations for the Plan for the purpose of this projection, is set out in Section 7 of this report.

(f) Based on the results of this investigation, we consider that the Shortfall Limit remains appropriate.

(g) In respect of the three-year period following 30 June 2022, we recommend that the Employer make contributions to the Plan of at least:

- Nil in respect of the defined benefit section (i.e. a continuation of the current contribution holiday, including for any deemed member and Award contributions); and
- The amounts allocated to accumulation section members' account balances as required by legislation and contractual obligations unless these are met from defined benefit section assets on the request of the Employer and agreed by the Plan actuary.

All voluntary member contributions, including salary sacrifice contributions, for defined benefit and accumulation members must also continue to be paid in addition to the above contributions.

The significant excess of the Plan's defined benefit section assets over liabilities enables the Employer to continue to meet Employer contributions allocated to accumulation section members. This arrangement is currently resulting in approximately $180,000 (net of tax) each month being transferred from the defined benefit section and is forecast to be able to continue for another three years until 30 June 2025. Employer contributions for accumulation section members will then be required to resume. The exact timing will depend on the Plan's future experience and will be subject to ongoing monitoring of the Plan's financial position.

(h) The Plan is used for Superannuation Guarantee purposes:

- All Funding and Solvency Certificates required under Division 9.3 of the SIS Regulations have been issued for the period from the date of the last investigation to 30 June 2022; and
- We expect to be able to certify the solvency of the Plan in any Funding and Solvency Certificate(s) that may be required in the three-year period from 30 June 2022.

(i) In our opinion, there is a "high degree of probability", as at 30 June 2022 that the Plan will be able to meet the pension payments as required under the Plan's governing rules. This is because the Plan currently holds sufficient reserves to meet the "high degree of probability" test and because pensioners have priority of payment on termination of the Plan.

Section 11
Actuarial Certification

11.1 Professional Standards and Scope

This report has been prepared in accordance with generally accepted actuarial principles, Mercer's internal standards, and the relevant Professional Standards of the Actuaries Institute, in particular PS400 which applies to *"...actuarial investigations of the financial condition of wholly or partially funded defined benefit superannuation funds."*

11.2 Use of Report

This investigation report should not be relied upon for any other purpose or by any party other than the Trustee of the Plan. Mercer is not responsible for the consequences of any other use. This report should be considered in its entirety and not distributed in parts. The Trustee should share this report with the Plan's employer sponsor(s). The Employer may wish to consider obtaining separate actuarial advice on the recommendations contained in the report.

The advice contained in this report is given in the context of Australian law and practice. No allowance has been made for taxation, accountancy or other requirements in any other country.

11.3 Actuarial Uncertainty and Assumptions

An actuarial investigation provides a snapshot of the Plan's financial condition at a particular point in time, and projections of the Plan's estimated future financial position based on certain assumptions. It does not provide certainty in relation to the Plan's future financial condition or its ability to pay benefits in the future.

Future funding and actual costs relating to the Plan are primarily driven by the Plan's benefit design, the actual investment returns, the actual rate of salary growth and any discretions exercised by the Trustee or the Employer. The Plan's actuary does not directly control or influence any of these factors in the context of an actuarial investigation.

The Plan's future financial position and the recommended employer contributions depend on a number of factors, including the amount of benefits the Plan pays, the cause and timing of member withdrawals, administration expenses, the level of taxation and the amount earned on any assets invested to pay the benefits. These amounts and others are uncertain and unknowable at the investigation date, but are predicted to fall within a reasonable range of possibilities.

To prepare this report, assumptions are used to select a single scenario from a range of possibilities. The results of that single scenario are included in this report. However, the future is uncertain and the Plan's actual experience will differ from those assumptions; these differences may be minor in their overall effect, or they may be significant and material. In addition, different sets of assumptions or scenarios may also be within a reasonable range and results based on those alternative assumptions would be different.

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

As actual Plan experience will differ from the assumptions, decisions about benefit changes, investment policy, funding amounts and/or benefit related issues should be made only after careful consideration of possible future financial conditions and scenarios, and not solely on the basis of a set of investigation results.

11.4 Additional Information

The next **actuarial investigation** is required at a date no later than 30 June 2025. At that time, the adequacy of the Employer contribution recommendations will be reassessed.

A new **Funding and Solvency Certificate** will be required at least 12 months before the expiry of the current certificate (which expires on 30 June 2027) and will need to be replaced by 30 June 2026 at the latest.

The next **Benefit Certificate** will be required following the expiry of the current certificate on 30 June 2027. The current Benefit Certificate is designed to accommodate the existing changes to the legislated Superannuation Guarantee rate.

11.5 Further Information

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

Mark P. Nelson

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Mark Nelson
Fellow of the Institute of Actuaries of Australia

21 December 2022

I have reviewed this report under Mercer's professional Peer Review Policy. I am satisfied that it complies with the applicable professional standards and uses assumptions and methods that are suitable for the purpose.

A Hartl

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Angela Hartl
Fellow of the Institute of Actuaries of Australia

Appendix A

Summary of Benefits

A simplified summary of the main benefit provisions for the remaining defined members is set out below. A full description of all the benefits is set out in the Trust Deed and the Plan's Participation Schedule, as amended from time to time. Reference should be made to the formal governing documents for definitive statements.

Component	Details
Normal Retirement Date (NRD)	65th birthday.
Members' Contributions	5% of salary. Not required if attained NRD or after 40 years of membership.
Final Average Salary (FAS)	The average annual rate of salary during the preceding three years.
Discount Factor (DF)	100% less 1.5% per annum (simple) for each year and complete month before age 55.
Retirement Benefit (from age 55)	A lump sum equal to 17.5% per annum x FAS; OR A lifetime pension of 1.6% per annum x FAS. Subject to a maximum of 40 years of membership.
Death Benefit	The prospective retirement benefit (lump sum) had membership continued to NRD.
TPD Benefit	The prospective retirement benefit (lump sum or pension) had membership continued to NRD.
Withdrawal Benefit	A lump sum equal to: 17.5% per annum x FAS x DF.

Total pension payments are guaranteed to be at least equal to the member's own contributions plus interest to the commencement of the first pension payment. 50% of the (uncommuted) pension is payable to a surviving spouse. Pensions are not indexed.

Benefits on leaving service for any reason are subject to a minimum Superannuation Guarantee benefit described in the Plan's Benefit Certificate.

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

Discretion or Option	Historical Prevalence (if known)
A member who was a member of the Wills Superannuation Plan at 11 August 1998 may elect on retirement or TPD a lifetime pension benefit rather than a lump sum benefit. [Participation Schedule Clauses D19 and D21]	Infrequent.
A member or beneficiary may elect, subject to any terms and conditions that the Trustee or Employer may impose, that instead of the normal or specified terms and conditions of payment, an alternative benefit payable in other circumstances or in another manner and form or which shall be paid upon other terms and conditions. [Participation Schedule Clause D14]	Not common
A pensioner may commute up to 50% of the pension at a rate determined by the Trustee after obtaining actuarial advice. [Participation Schedule Clause D8]	Not common.

Appendix B
Data Assumptions

To prepare this report, we have relied on financial and participant data provided by the Plan's administrator. The data used is summarised in this report. We have not independently verified or audited the data provided but have performed a range of broad "reasonableness" checks and tested for consistency with previous records. We are satisfied that the quality of the data is sufficiently accurate for the purposes of this actuarial investigation.

We have also relied upon the documents, including amendments, governing the Plan as provided by the Trustee. We understand that all Plan rules remain consistent with those that applied under the Plum Superannuation Fund prior to the successor fund transfer to the MLC Super Fund. The Trustee is ultimately responsible for the validity, accuracy and comprehensiveness of this information. If the data or Plan provisions are not accurate and complete, the investigation results may differ significantly from the results that would be obtained with accurate and complete information; this may require a revision of this report.

Appendix C

Calculation of the Actuarial Value of Accrued Benefits

The calculation of the Actuarial Value of Accrued Benefits has been carried out using a method of apportionment of benefits between past and future membership that satisfies the requirements of Professional Standard No. 402 of the Actuaries Institute and is acceptable for Australian Accounting Standard AASB 1056 purposes.

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

The past membership component for each type of benefit is based on the member's accrued benefit multiple or relevant account balance(s) at the investigation date. In determining the actuarial value of accrued benefits, a minimum of the vested benefits is not applied.

The method used for the determination of the Actuarial Value of Accrued Benefits is the same as that used at the previous investigation.

Based on the actuarial assumptions used for this investigation, the weighted average term of the actuarial value of accrued benefits is eight (8) years.

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