Carlton & United Breweries Superannuation Plan

Actuarial Investigation as at 30 June 2023

Report date: 20 December 2023

Deloitte Actuaries & Consultants Limited
ACN 092 651 057
AFSL 244576
Quay Quarter Tower
50 Bridge Street
Sydney, NSW, 2000
Australia

Phone: +61 2 9322 7000
www.deloitte.com.au

20 December 2023

NULIS Nominees (Australia) Ltd
Level 8, 347 Kent Street
Sydney NSW 2000

Attention: Philip Donaghey

Dear Trustee,

Carlton & United Breweries Superannuation Plan - Actuarial investigation as at 30 June 2023

We are pleased to present the actuarial investigation of Carlton & United Breweries Superannuation Plan ("the Plan"), a sub-plan in the Plum Division of the MLC Super Fund ("the Fund"), as at 30 June 2023 to NULIS Nominees (Australia) Ltd ("the Trustee").

Please call Diane Somerville on (02) 9322 7636 if you would like to discuss.

Yours sincerely,

Diane Somerville	**Andrew Boal**
Fellow of the Institute of Actuaries of Australia	Fellow of the Institute of Actuaries of Australia

Contents

1 Executive summary

1.1 Introduction

NULIS Nominees (Australia) Ltd has requested that Deloitte Actuaries & Consultants Limited ("Deloitte") conduct an actuarial investigation of the Carlton & United Breweries Superannuation Plan ("the Plan"). The Plan is a sub-plan in the Plum Division of the MLC Super Fund ("the Fund"). This report presents the results of the actuarial investigation of the Plan as at 30 June 2023.

The purpose of this report is to:

- Examine the sufficiency of the assets in relation to members' accrued benefit entitlements at the valuation date;
- Determine the employer contribution rate required after the valuation date;
- Satisfy the requirements of the Superannuation Industry (Supervision) Act and Superannuation Prudential Standard 160;
- Comment on any other matter considered relevant or as required under relevant Professional Standards of the Actuaries Institute; and
- Comment and advise on any matter considered relevant.

This report has been prepared by Diane Somerville and Andrew Boal, of Deloitte Actuaries & Consultants Limited, in accordance with the Professional Standards, Guidance Notes and Practice Guidelines (in particular Professional Standard 400) issued by the Actuaries Institute.

1.2 Financial position

Superannuation Prudential Standard (SPS) 160 requires statements to be made in respect of two measures of the financial position of the Plan, these measures being related to the current and projected "vested benefits" and the present value of "accrued benefits" of members.

This investigation is concerned primarily with the valuation of the Plan's assets and liabilities in respect of members' defined benefits only. The value of accumulation member liabilities is directly related to the value of the underlying assets and is not exposed to the same funding risks as defined benefit liabilities. Therefore, the value of accumulation members' assets and liabilities, and the accumulation benefits of defined benefit members where the members have an option to select how such monies are invested, are excluded from this investigation.

Funding levels for defined benefits

In respect of the defined benefit liabilities, the funding ratios at 30 June 2023 are shown in the table below:

Funding Measure	Defined Benefit Assets ($'000)	Defined Benefit Liabilities ($'000)	Funding Ratio
Vested Benefits	13,702	13,367	103%
Value of Accrued Benefits [1]	13,702	13,427	102%

[1] Minimum of vested benefits at an individual member level have been applied.

Therefore, the assets backing defined benefits were sufficient to meet the total vested benefits and the total of the present value of accrued benefits for defined benefit members at the valuation date.

Superannuation guarantee and technical solvency

The Employer's Superannuation Guarantee obligation is met in full for all members by the minimum benefits provided under the Plan. The required Benefit Certificate was issued on 16 January 2019 with effect from 16 January 2019 for a period of 5 years.

The current Funding and Solvency Certificate (issued on 26 March 2021) is effective from 1 July 2020 for a period of 5 years. The purpose of the Funding and Solvency Certificate is to specify the required Employer contributions needed to fund the Minimum Requisite Benefits used to offset the Superannuation Guarantee Charge. Pursuant to the Superannuation Industry (Supervision) Act ("the SIS Act"), a superannuation plan is "technically solvent" if the net value of its assets exceeds the minimum Superannuation Guarantee benefits.

At 30 June 2023, the Plan was solvent on this basis and based on the assumptions in relation to vested benefits, we expect that an actuary will be able to certify the solvency of the Plan at all times during the three years to 30 June 2026.

It is expected that a new Benefit Certificate and a new Funding and Solvency Certificate will be issued following completion of this investigation.

Investments

The Trustee has developed formal objectives and a policy for the investment of the Plan's assets. These objectives and policy are summarised in the Product Disclosure Statement and other information available to employers and members.

The Plan has been invested in the JANA Cash option since October 2019 in anticipation of the Plan being wound-up by the employer. However, this did not eventuate and is no longer anticipated. Therefore, we have reviewed the Plan's investment policy in light of the funding method adopted and the nature of the Plan's liabilities.

We recommend that the Trustee revise the Plan's investment policy to reflect the ongoing nature of the Plan and therefore we believe it is appropriate to move the Plan's defined benefit assets to the MLC Conservative Balanced option. The MLC Conservative Balanced option is the equivalent investment portfolio to the former Pre-Mixed Cautious investment option (in which the Plan's assets were previously invested before they were moved to Cash four years ago) as that investment option has since been closed (in mid-2022).

Regulatory requirements

Paragraph 23 of SPS 160 requires certain information to be included in actuarial reports. A summary of this information is included in Appendix C to this report. The Trustee may choose to provide this summary to any members who request details of the actuarial valuation, although members are entitled to request a copy of the full report.

The Trustee has set the current shortfall limit at a level of 100% for the Plan. We confirm that the Vested Benefits Index (VBI) of the Plan was in excess of the shortfall limit as at 30 June 2023 and in the period since.

We recommend that the Trustee change the shortfall limit for the Plan to 98%, as we believe that a shortfall limit of 98% would be appropriate given the recommended change in investment strategy for the Plan and the nature of the liabilities, and in light of the recommendation to recommence employer contributions.

The Plan is not self-insured and there are no specific SPS 160 requirements on the Trustee for annual attestation of the validity (or otherwise) of continuing self-insurance.

Insurance

The valuation shows that the current insurance arrangements in respect of death and total and permanent disablement benefits are adequate for the defined benefits section of the Plan.

The salary continuance insurance benefits are fully insured in the Plan. This is appropriate in our opinion as the Plan does not accrue reserves in respect of this benefit.

Events since 30 June 2023

There have been no other significant events in the period since 30 June 2023 to the date of this report that would have changed the recommendations in this report.

The financial position of the defined benefits section of the Plan is sensitive both to financial experience and changes in the Plan's demographics over time. We therefore recommend continuation of quarterly reviews of the vested benefit coverage.

1.3 Recommendations

Previous investigation

The previous actuarial investigation of the Plan was effective 30 June 2020 and was undertaken by Diane Somerville and Alan Merten of Deloitte Actuaries & Consultants Limited (report dated 22 December 2020). The report recommended the employer contribute from 1 July 2020 as follows:

- Nil contributions in respect of defined benefit members' salaries;
- Pre-tax defined benefit member contributions where applicable; and
- The Employer continue to pay contributions in respect of accumulation members where the member is receiving Superannuation Guarantee contributions into the Plan, except that an accumulation contribution holiday (covering employer contributions and salary sacrifice member contributions) of up to three (3) months may be taken at any time up to completion of the next actuarial investigation.

Also, the report recommended that the Employer continue to meet employer-paid expenses and insurance premiums from the Plan's defined benefit assets for the period from 1 July 2020 until completion of the next actuarial investigation (effective no later than 30 June 2023).

In addition, the report recommended that the Trustee seek clarity from the Employer regarding its plans to wind-up the Plan and the expected timeframe, and in that event the Trustee also seek actuarial advice on the implications of the proposed termination basis.

We understand that the Employer has contributed amounts consistent with these recommendations to 30 June 2023, with the exception of the accumulation contribution holiday which was not taken up.

Current investigation

Based on the approach and assumptions set out in this report, the recommended Employer contribution rates for defined benefit members are at least:

- From 1 July 2023 to 29 February 2024:
    - nil employer contributions for defined benefit members; plus
    - pre-tax defined benefit member contributions where applicable.

- From 1 March 2024 until 30 June 2024:
  - 14.0% p.a. of defined benefit members' salaries; plus
  - $28,000 per month to cover the impact of administration expenses and insurance premiums in relation to defined benefit and accumulation members being met from the defined benefit assets; plus
  - pre-tax defined benefit member contributions where applicable;

  (or an alternative contribution basis which the actuary advises is broadly equivalent to this contribution recommendation, having consideration of SPS 160 requirements)
- From 1 July 2024 until completion of the next actuarial investigation (effective no later than 30 June 2026):
  - 14.0% p.a. of defined benefit members' salaries; plus
  - $7,500 per month to cover the administration expenses and insurance premiums in relation to defined benefit and accumulation members; plus
  - pre-tax defined benefit member contributions where applicable;

  (or an alternative contribution basis which the actuary advises is broadly equivalent to this contribution recommendation, having consideration of SPS 160 requirements).

In addition, we recommend that the Employer continue to pay contributions in respect of accumulation members where the member is receiving Superannuation Guarantee contributions into the Plan.

In addition, we recommend that:

- the Plan's financial position is monitored on a quarterly basis to ensure the continued appropriateness of the Plan contribution rate to maintain the Vested Benefits Index of at least 100%;
- these recommendations be reviewed where the Plan undergoes significant changes to its membership or benefit basis, or there is a substantial reduction in the value of the Plan's investment portfolio; and
- the Trustee revise the Plan's investment policy to reflect the ongoing nature of the Plan (as noted above), and accordingly move the Plan's defined benefit assets to the MLC Conservative Balanced investment option as soon as practicable.

We have also completed a number of VBI projections in section 7 to illustrate the sensitivity of the VBI to different factors.

Also, as noted above and elsewhere in this report, we recommend that the Trustee revise the Plan's investment policy to the MLC Conservative Balanced option to reflect the ongoing nature of the Plan. Further, we have recommended that the Trustee change the shortfall limit for the Plan to 98%, as we believe that a revised shortfall limit would be appropriate given the recommended change in investment strategy for the Plan and the nature of the liabilities, and in light of the recommendation to recommence employer contributions.

Next valuation

The next valuation is required to be conducted at an effective date no later than 30 June 2026.

Reliances and Limitations

This report has been prepared under the terms and conditions set out in the engagement letter dated 27 February 2017 (as most recently amended on 19 December 2022). We have carried out our work on the following assumptions and conditions. These are in addition to any assumptions or conditions which may be included in this report:

- Our work has been based on the representations, information, documents and facts ("information") provided to us;

- We have assumed that the information provided is true, correct and complete and not misleading. Although we have reviewed it for general reasonableness and consistency, we have not independently verified or audited the data but, if the information is untrue, incorrect, incomplete or misleading then our work may need to be revised.
- This report has been prepared for the sole use of the Trustee and Employer for the purpose stated earlier. No other use of, or reference to, this report should be made without prior written consent from Deloitte, nor should the whole or part of this report be disclosed to any other person. The report should be considered as a whole. Members of Deloitte staff are available to answer any queries, and the reader should seek that advice before drawing conclusions on any issue in doubt.

Diane Somerville
Fellow of the Institute of Actuaries of Australia

Andrew Boal
Fellow of the Institute of Actuaries of Australia

20 December 2023

2 Background

2.1 History

The membership of the Carlton & United Breweries Superannuation Plan was transferred effective 20 January 2014 from the AusBev Superannuation Fund to the Plum Superannuation Fund, a predecessor fund of the MLC Super Fund. Subsequently the Plum Superannuation Fund was transferred to the MLC Super Fund on a successor fund basis on 1 July 2016, and the Plan became a sub-plan in the Plum Division of the MLC Super Fund ("the Fund").

The Employer has advised the Plan is closed to new defined benefit members and all new employees joining the Plan are provided with accumulation benefits.

As a sub-plan in the Plum Division of the MLC Super Fund, the Plan is a resident regulated fund and a complying fund for the purposes of the Superannuation Industry (Supervision) Act 1993 (the SIS Act). The Plan therefore qualifies for concessional tax treatment.

2.2 Governing Documents

The MLC Super Fund was established under a Trust Deed dated 9 May 2016 (as amended from time to time). The members and assets of the Plum Superannuation Fund were transferred into the MLC Super Fund on a successor fund basis from 1 July 2016. The operation of the Plan is governed by the Trust Deed as subsequently amended and by the Participation Agreement (version dated 20 March 2018 pending execution) (as amended) between the Employer and NULIS Nominees (Australia) Limited.

A summary of the main benefit provisions for the Plan is included as Appendix A to this report.

2.3 Purpose of the Investigation

Current legislation requires that an actuarial investigation be undertaken at least every three years. [1]

The purpose of this investigation is to:

- Examine the sufficiency of the assets in relation to members' accrued benefit entitlements at the valuation date;
- Determine the recommended employer contributions required after the valuation date;
- Satisfy the requirements of the Superannuation Industry (Supervision) Act and Superannuation Prudential Standard 160;
- Comment on any other matter considered relevant or as required under relevant Professional Standards of the Actuaries Institute; and
- Comment and advise on any matter considered relevant.

Current legislation also requires that the investigation consider the solvency and financial position of the Plan both as at the investigation date and during the ensuing three years.

This report is provided to the Trustee of the Plan.

[1] Where a defined benefit fund is paying defined benefit pensions (which does not apply to the Plan), legislation requires an actuarial investigation to be undertaken annually, unless APRA determines that less frequent investigations (at intervals determined by APRA, between 1 year and 3 years) are permitted for that fund.

2.4 Key Risks

There are a number of risks relating to the operation of the Plan. The more significant financial risks for the Plan are:

- ***Investment risk***

  Investment risk is borne by the Employer where the benefit payable to a member is defined benefit in nature. The risk is that investment returns will be less than assumed and the Employer will need to increase contributions to offset this shortfall.

  For example, the sensitivity analysis shown in section 7.5 of this report estimated that if the assumed future investment return was reduced by 1% p.a. with no change to other assumptions, then the Plan's coverage of accrued benefits would fall by about $422,000 (and the Accrued Benefits Index would be 100%, compared to 102% under the base valuation assumptions).

  We note that the actual investment return achieved by the Plan in the future may vary (positively or negatively) from the rate assumed in this investigation by much more than the negative 1.0% p.a. in the above sensitivity scenario.

- ***Investment mismatch risk***

  In addition, another source of risk is that the crediting rate for the Plan which is based on the underlying returns of the MLC Conservative Balanced investment portfolio has differed from the actual investment returns earned on the Plan assets which have been invested in the JANA Cash investment option during the inter-valuation period. However, this risk has been mitigated because the bulk of the benefits for defined benefit members in the Plan do not depend on account balances and so are not impacted by crediting rates (other than immaterial impacts on surcharge accounts).

  If the Trustee implements our recommendation in this report to revise the Plan's investment strategy to the MLC Conservative Balanced investment option, this will eliminate the investment mismatch risk for the Plan in future.

- ***Salary growth risk***

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

  For example, the impact of a 1% p.a. increase in the assumed rate of salary increase would be expected to reduce the coverage of accrued benefits (before application of vested benefit minimums) by about $315,000 (as shown in section 7.5 of this report) (and the Accrued Benefits Index would be 100%, compared to 102% under the base valuation assumptions).

- ***Liquidity risk***

  Liquidity risk is borne by the Employer. The expected average term of the defined benefit liabilities is approximately three and half (3.5) years. Benefit payments are paid in lump sum form. Accordingly, it is expected that benefit payments in coming years will exceed net contributions to the Plan. This means that there is a need for the Trustee to ensure that the Plan's defined benefit investments provide a suitable level of liquidity to meet projected benefit payments.

  The Plan has been invested in the JANA Cash investment portfolio since 1 October 2019, as it was anticipated that the Plan was going to be wound-up in the near-term. However, a wind-up of the Plan is no longer anticipated, and therefore we have recommended as part of this actuarial investigation that the Plan's defined benefit assets be transferred to the MLC Conservative Balanced investment portfolio.

  Whether the Plan's assets are invested in the JANA Cash option or the MLC Conservative Balanced option, we note that the Plan's assets are (and will continue to be) invested in an investment option together with the assets of many other funds and members, both accumulation and defined benefit based. Therefore, we expect that the current investment policy, and the recommended new investment strategy, will provide an adequate level of liquidity for the Plan.

- ***Sequencing risk***

  As the size of the defined benefit membership reduces due to the Plan being closed to new defined benefit members, individual benefit payments are gradually becoming a significant portion of the overall Plan assets. This risk will become more relevant in coming years.

- ***Legislative risk***

  Legislative risk is borne by the Employer. The 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 taxation on superannuation funds or an increase in the Superannuation Guarantee (SG) rate.

  Current legislation sets out increases in the SG rate from 11% to 12% progressively over the period from July 2023 to July 2025 with the next increase due to occur with effect from July 2024. The benefits provided to active defined benefit members are subject to a minimum of the Minimum Requisite Benefits defined in the Plan's Benefit Certificate. This may increase the benefits payable to some defined benefit members, and therefore increase the cost of providing the defined benefits.

The Risk Management Strategy and Risk Management Policy of the MLC Super Fund should identify the full range of risks faced by the Trustee in respect of the Fund as a whole and also in respect of its sub-plans including the Plan.

2.5 Previous Valuation

The previous actuarial investigation of the Plan was effective 30 June 2020 and was undertaken by Diane Somerville and Alan Merten of Deloitte Actuaries & Consultants Limited (report dated 22 December 2020). The report recommended the employer contribute from 1 July 2020 as follows:

- Nil contributions in respect of defined benefit members' salaries; and
- Pre-tax defined benefit member contributions where applicable; and
- The Employer continue to pay contributions in respect of accumulation members where the member is receiving Superannuation Guarantee contributions into the Plan, except that an accumulation contribution holiday (covering employer contributions and salary sacrifice member contributions) of up to three (3) months may be taken at any time up to completion of the next actuarial investigation.

Also, the report recommended that the Employer continue to meet employer-paid expenses and insurance premiums from the Plan's defined benefit assets for the period from 1 July 2020 until completion of the next actuarial investigation (effective no later than 30 June 2023).

The contribution holiday in respect of accumulation members was subject to reconfirmation by the Plan's actuary if the total of employer contributions (including salary sacrifice contributions) for accumulation members exceeded $50,000 per month and/or if the Plan's Vested Benefits Index for defined benefit members fell below 110%.

In addition, the report recommended that the Trustee seek clarity from the Employer regarding its plans to wind-up the Plan and the expected timeframe, and in that event the Trustee also seek actuarial advice on the implications of the proposed termination basis.

We understand that the Employer has contributed amounts consistent with these recommendations to 30 June 2023, with the exception of the accumulation contribution holiday which was not taken up.

In addition, the report recommended that:

- the Plan's financial position is monitored on a quarterly basis to ensure the continued appropriateness of the Plan contribution rate to maintain the Vested Benefits Index of at least 100%;

- these recommendations be reviewed where the Plan undergoes significant changes to its membership or benefit basis, or there is a substantial reduction in the value of the Plan's investment portfolio; and
- the Trustee seek clarity from the Employer regarding its plans to wind-up the Plan and the expected timeframe, and in that event the Trustee also seek our advice as Plan actuary on the implications of the proposed termination basis.

2.6 APRA Prudential Standards

Superannuation Prudential Standard 160 (Defined Benefit Matters) ("SPS160") deals with a range of matters affecting defined benefit funds.

SPS 160 requires a Registered Superannuation Entity ("RSE") licensee (that is, trustee) of a defined benefit fund to set a shortfall limit, and to determine and implement a monitoring process to detect when the fund has, or may have, breached the shortfall limit and/or moved into an unsatisfactory financial position. If the shortfall limit is, or may be, breached, SPS 160 outlines a range of actions that will need to be performed, which may include conducting an actuarial investigation.

The Trustee has set the current shortfall limit at a level of 100% for the Plan.

As at 30 June 2023, the Plan was in a satisfactory financial position. It is expected that the Plan will maintain a satisfactory financial position over the period to 30 June 2026. Further details regarding future projections of the Plan's financial position are shown in Section 7 of this report.

We recommend that the Trustee change the shortfall limit for the Plan to 98%, as we believe that a shortfall limit of 98% would be appropriate given the recommended change in investment strategy for the Plan and the nature of the liabilities, and in light of the recommendation to recommence employer contributions.

3 Data

3.1 Current data

We have obtained details of the membership of the Plan at 30 June 2023 from the administrator of the Plan, MLC Wealth Limited ("the Administrator"). The details are summarised below.

At the valuation date there were 18 active defined benefit members with total annual salaries of $2,554,152 .

Category	Number of active members	Average age (years)	Average service (years)	Total annual salaries ($)	Average annual salary ($)
CUB_2	16	59.4	32.5	2,355,940	147,246
CUB_7	2	63.6	29.3	198,213	99,106
Total	**18**	**59.9**	**32.1**	**2,554,152**	**141,897**

We have reconciled the movements in the defined benefit membership between 30 June 2020 and 30 June 2023 as follows:

Category	Number of members at 30 June 2020	Exits during period	Number of members at 30 June 2023
CUB_2	24	(8)	16
CUB_7	5	(3)	2
Total	**29**	**(11)**	**18**

11 members have exited the Plan between 1 July 2020 and 30 June 2023, representing a decrease in membership of 38%.

The defined benefit section of the Plan is closed to new members.

While we performed high level checks of the data for internal consistency, we have not completed an audit of the data and are relying on the Administrator for the quality and accuracy of the data. We believe that the data is suitable for the purposes of this report.

4 Assets

4.1 Asset information

Assets and cash flow information was provided to us by the Administrator, for the purposes of this valuation.

We were provided with the value of assets held as at 30 June 2023 and a reconciliation of cash flows from the previous investigation date (30 June 2020) up to 30 June 2023.

As the Plan is a sub-plan in the Plum Division of the MLC Super Fund, a separate set of financial statements is not prepared for the Plan. The asset information for the Plan is therefore not separately audited.

We are satisfied that the information provided appears to be correct based on our knowledge of the Plan.

4.2 Net asset value

The assets backing defined benefit members were invested in the JANA Cash portfolio at 30 June 2023 (although we have recommended a change in investment strategy as part of this actuarial investigation). The value of the Plan's net assets was advised to be $13,701,521 as at 30 June 2023. We have therefore used this value in our valuation.

We have reviewed the asset and transaction details provided by the Administrator and we are satisfied they are appropriate for use in this investigation.

4.3 Investment strategy

The Trustee has developed formal objectives and a policy for the investment of the Fund's assets. These objectives and policy are summarised in the Product Disclosure Statement and other information available to employers and members.

Further, the Trustee has agreed the investment policy in respect of those assets which are designated to support the defined benefit liabilities. Up to 30 September 2019, the Plan assets were invested in the Pre-mixed Cautious investment portfolio, which had a benchmark asset allocation of approximately 50% 'growth' assets (equities, private markets, growth alternatives and property) and 50% 'defensive' assets (fixed interest, cash and defensive alternatives).

Following a request in August 2019 from Carlton & United Breweries (CUB), as the employer sponsor of the Plan, the Trustee changed the investment strategy for the defined benefits section of the Plan to the JANA Cash portfolio from 1 October 2019 in order to de-risk given the expected wind-up of the Plan in the near term. However, this did not eventuate and is no longer anticipated.

We noted in our report dated 22 December 2020 on the previous actuarial investigation that the investment strategy in respect of the Plan's defined benefit members should be reviewed if the Trustee becomes aware that the Plan is unlikely to be wound up before the next triennial actuarial investigation (i.e. this investigation).

Therefore, we have reviewed the Plan's investment policy in light of the funding method adopted and the nature of the Plan's liabilities. In our opinion, the current investment strategy (JANA Cash) is not appropriate at this time. We recommend that the Trustee change the investment strategy for the Plan's defined benefit assets to the MLC Conservative Balanced option, provided that the Employer recognises and accepts the potential variability in investment returns and the resulting impact on surplus and contribution requirements. The MLC Conservative Balanced option is the equivalent investment portfolio to the former Pre-Mixed Cautious investment option (in which the Plan's assets were previously invested before they were moved to Cash four years ago) as that investment option has since been closed (in mid-2022).

The general aim of an investment strategy based on the MLC Conservative Balanced portfolio is to achieve capital and income growth, while minimising the risk that members' benefits will not be adequately covered, through asset diversification and the use of professional fund managers.

The benchmark asset allocation of the MLC Conservative Balanced portfolio includes approximately 54% 'growth' assets (equities, private equities, property, infrastructure and growth alternatives) and 46% 'defensive' assets (fixed interest, cash and defensive alternatives). It is shown in the table below.

Asset Class	Benchmark Allocation (%)
Cash	14%
Fixed Income – Diversified	22%
Fixed Income – Credit	10%
Alternatives and other	3%
Infrastructure	6%
Property	5%
Global Shares	19%
Australian Shares	17%
Private Equity	4%
Total	**100%**

Notwithstanding the above, the Trustee and Employer should be aware that adoption of a "conservative" strategy is accompanied by an increased level of risk compared to the current "cash" strategy in relation to volatility of investment returns, but will mitigate the current risk that credited interest applied to defined benefit members' accounts outweighs the actual investment returns earned on defined benefit assets.

Given the current financial position of the Plan, the investment strategy in respect of the Plan's defined benefit members requires regular monitoring of future investment returns.

We have taken into account the recommended revision in the Plan's investment strategy in setting our actuarial assumptions in Section 5 of this report and framing our contribution recommendations in Section 7.3.

4.4 Investment performance

During the period to 30 June 2023 the rate of return earned on the Plan's assets net of tax and investment management fees were estimated to be:

Year	Earning rate (% pa)
2022/23	2.7%
2021/22	-0.3%
2020/21	0.2%
Average annual rate	**0.9%**

The actual returns above reflect the actual returns on the Plan assets invested in the JANA Cash investment portfolio.

Over the 3 years to 30 June 2023, the Plan's actual earnings rate was 0.9% p.a. on average.

In the period from 1 July 2023 to 31 October 2023, the Plan earned 1.57% for the period.

4.5 Crediting rate policy

The Trustee has previously approved the use of a simplified basis for the calculation of the relevant rates of interest. This basis provides that the Crediting Rate of Interest is calculated as the actual rate of interest earned on the defined benefit members' assets for each month.

As recommended in our letter dated 2 September 2019 and approved by the Trustee (by delegation) on 30 September 2019, the crediting rates for the Plan for the period since 1 October 2019 have been determined by reference to changes in unit prices for the Pre-Mixed Cautious portfolio, rather than the actual rate of interest earned on the Plan assets (which have been invested in the JANA Cash investment portfolio). From 20 June 2022, the Pre-Mixed Cautious investment option was closed and replaced by the MLC Conservative Balanced investment option. Accordingly, the Plan's crediting rates have been determined by reference to change in unit prices for the MLC Conservative Balanced portfolio with effect from 1 June 2022.

During the period to 30 June 2023 the crediting rates applied to defined benefit members' accounts were as follows:

Year	Crediting rate (% pa)
2022/23	5.5%
2021/22	-2.5%
2020/21	13.3%
Average annual rate	**5.2%**

Over the 3 years to 30 June 2023, the Plan's crediting rate was 5.2% p.a. on average. Therefore, over the inter-valuation period, the rate of actual investment earnings was significantly less than the rate of interest credited to defined benefit members' accounts, due to the operation of the crediting rate policy.

We would usually expect that the crediting rate for the Plan would be higher than actual earnings, as the expected returns on a MLC Conservative Balanced (previously Pre-mixed Cautious) investment portfolio are higher over the long term than the expected returns on a Cash portfolio.

In the period from 1 July 2023 to 31 October 2023, the credited interest rate for defined benefit members was -0.89% overall, which was lower than the actual returns earned on Plan assets of 1.57% for that period.

We have reviewed the current approach to crediting interest to defined benefit member's account balances in the Plan in light of the nature of the Plan's liabilities, and in our opinion this remains appropriate.

If the Trustee implements our recommendation in this report to revise the Plan's investment strategy to the MLC Conservative Balanced investment option, this will align the future crediting rates with the actual rate of investment earnings for the Plan.

4.6 Nature of liabilities

The defined benefit liabilities of the Plan primarily reflect a combination of salary growth, member service and movements, the aging of the defined benefit members, and the declared crediting rates. Also important is the level of the minimum Superannuation Guarantee accounts of members. The supporting assets however depend on:

- The amount of employer and member contributions; and
- The level of investment returns over time.

Most critical is the fact that the defined benefit liabilities are not directly linked to the investment returns. In this case it is the employer who bears the net effect of investment risk. The level of employer contributions depends in part on the level of investment returns achieved.

The employer also has been bearing the investment mismatching risk as the crediting rate applied to defined benefit member accounts is based on MLC Conservative Balanced (previously Pre-mixed Cautious) investment performance but the Plan assets earn actual returns based on the JANA Cash investment option. Given the current financial position of the Plan, with a defined benefit Vested Benefits Index of 103% as at 30 June 2023 (and 102% as at 30 September 2023), we have recommended a change in the investment strategy for defined benefit assets as part of this investigation, which, if implemented by the Trustee, would eliminate the investment mismatching risk going forward.

Based on the benefit definitions for CUB_2 members in the Plan, in practice the retirement or resignation benefits (before application of Minimum Requisite Benefit minimums) do not depend on crediting rates, other than for the members' surcharge offset accounts. However, for CUB_7 members in the Plan, the resignation benefit is defined in relation to a multiple of member contribution accounts, and therefore this benefit will be affected by the declared crediting rates (although in practice all of the remaining CUB_7 members are now eligible for retirement rather than withdrawal benefits). As for CUB_2 members, the surcharge offset accounts for CUB_7 members change in line with crediting rates.

Note that in the case of member accumulation accounts, there is a direct link between the investment return and the value of the member account, and hence the employer does not carry investment risk in respect of those accounts.

An investment strategy that is framed to take a long-term view will often adopt relatively high levels of growth assets (property and equity investments) in order to:

- Secure attractive long term investment returns; and
- Provide an opportunity for capital appreciation and dividend growth, which gives some protection against inflation (as benefits are linked to salary growth which is also influenced by inflation).

Historically, growth assets have provided higher investment returns over medium to longer time periods than defensive assets (bonds and cash). However, these returns have also been more volatile exposing the Plan to a greater risk of a fall in the value of assets, as was experienced during the Global Financial Crisis.

Some funds hold a reserve as a buffer against the likely fluctuation in asset values. The size of the required reserve will depend on the degree to which the employer is willing and able to accept short term variations in contributions as part of underwriting the defined benefits of the fund.

The concern about the volatility in asset values has led some companies to adopt more conservative investment policies (similar to what CUB had done in late 2019 when a wind-up of the Plan was anticipated in the near term). While this may reduce short term fluctuations in asset values, it is also likely to reduce long term returns and hence result in increased employer contributions in the long term. This impact is also illustrated in the last sensitivity scenario modelled in the projections in section 7.5 of this report.

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

We advise that, in our opinion, the current investment strategy of JANA Cash is no longer appropriate, given the wind-up of the Plan anticipated in the previous investigation did not eventuate. This valuation report assumes the recommended change in the investment strategy (from JANA Cash to MLC Conservative Balanced investment option) will be adopted and implemented by the Trustee in respect of defined benefit liabilities upon receipt of this report. Therefore, we advise that the recommended new investment strategy of MLC Conservative Balanced for the Plan's defined benefit assets would be appropriate, in our opinion, for the long term.

5 Valuation method and assumptions

5.1 The valuation process

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

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

It should be noted that although these assumptions are required to complete an investigation, the long-term cost of benefits does not depend directly on the assumptions, but on the Plan's actual experience in future.

5.1.1 Funding method

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

- a member's benefit entitlements should be funded as uniformly as possible over his or her working lifetime; and
- the assets of the Plan should cover the total benefits which members would reasonably expect if they left the plan.

Given the size of the current (closed) membership and the funding position of the Plan, this valuation has been conducted using the Target Funding method. This is the same method as used in the previous investigation.

Under the Target Funding method, the employer contribution rate is set with the objective of reaching and/or maintaining a position where the Plan's assets equal the Plan's liabilities (or possibly the liabilities plus a margin). For this valuation we have adopted a target of 100% of the members' vested benefits, consistent with the requirements of SPS 160.

The choice of method does not directly affect the cost of benefits provided by the Plan, which depends upon the Plan's actual experience in future years. All funding methods are expected to produce the same total cost of benefits with the choice of method determining the "pace" at which such costs are met by the Employer.

The important point is that there is a direct and transparent link between employer contributions and the security afforded to member benefits by the accumulated assets held in the Plan on their behalf. From the employer's perspective there is greater clarity about the logical underpinning behind the contribution recommendation, the Plan's current financial position, and the Plan's financial objectives.

5.1.2 Value of assets

For the purposes of this valuation, we have used an asset value of $13,701,521 as at 30 June 2023. We are satisfied that this value is appropriate.

5.2 Plan experience

It is important when setting the valuation assumptions to examine the past experience of the Plan to see whether the previous assumptions have been borne out in practice. A summary of the major items of experience over the period to the investigation date is given in the following paragraphs.

5.2.1 Financial assumptions

5.2.1.1 Investment return

Over the inter-valuation period, the Plan earned 0.9% p.a. on average compared to the assumption in the previous valuation of 2.0% per annum. This has had a negative effect on the financial position of the Plan.

For this valuation we have assumed a long term future investment return at 5.25% p.a. (net of tax and investment fees), to reflect the recommended change in investment strategy in respect to assets supporting the defined benefit liabilities, from JANA Cash to the MLC Conservative Balanced investment portfolio. This assumed rate reflects the current long-term earnings expectations of the major asset classes in which the defined benefit assets of the Plan will be invested following the recommended change in investment strategy to the MLC Conservative Balanced portfolio.

5.2.1.2 Salary increases

Over the period covered by this report, overall salary increases have been approximately 3.7% p.a. for defined benefit members who were in the Plan at both 30 June 2020 and 30 June 2023.

The actual salary increases have been slightly higher than the assumed 3.5% p.a. rate used in the 30 June 2020 valuation and therefore this has had a small negative effect on the financial position of the Plan.

Taking into account the historical salary increases and the current high inflationary environment which has an impact of expected future salary increases, we have increased the salary increase assumption to 4.0% p.a. for this valuation.

5.2.1.3 Net real return

The difference between the level of investment returns and salary increases is important as it links the growth in assets to the growth in salary-related liabilities.

Over the investigation period, the difference between the actual investment return and the rate of salary growth has been in the order of -2.8% per annum. The “gap” assumed in the 30 June 2020 valuation was -1.5% per annum. Since this is higher than the actual “gap”, the combined effect of the Plan’s investment and salary experience has had a negative effect on the financial position of the Plan.

For this valuation, the gap between the assumed rate of future investment earnings and the assumed rate of future salary increases is 1.25% p.a. in this investigation.

5.2.2 Crediting Rates

As noted in the previous valuation as at 30 June 2020, the Trustee approved the use of a “non-standard” crediting rate applied to defined benefit member account balances in the Plan, determined by reference to changes in the unit price of the Pre-mixed Cautious (replaced by the MLC Conservative Balanced in 2022) investment portfolio in order to avoid an adverse impact on member benefits as a result of the Cash investment strategy for the Plan’s assets. Crediting rates are declared on a monthly basis.

We confirm the Plan's current approach to crediting interest to defined benefit members' account balances is appropriate for the Plan at this time.

If the investment strategy for the Plan's defined benefit assets is revised to the MLC Conservative Balanced portfolio as recommended in this valuation, then the Plan's approach to crediting interest rates to member's accounts will revert to the 'standard' approach in the Trustee's Product Management Standard Operating Procedures. That is, subject to the Trustee's policy on exceptional crediting rate events, future crediting rates would be based on the actual money weighted return of the defined asset pool. We confirm that the "standard" approach to crediting interest to defined benefit members' account balances would be appropriate for the Plan on and from the time when the Plan's investments are transferred to the MLC Conservative Balanced option as we have recommended in this valuation.

Therefore, for this valuation we have assumed a long term future crediting rate of 5.25% p.a. based on our long-term expected return (net of tax and investment fees) for the MLC Conservative Balanced investment portfolio, i.e. aligned to the expected investment return. In particular, this rate reflects our current long term earnings expectations of the major asset classes in which the MLC Conservative Balanced investment portfolio is invested.

The interim rate is based on the Commonwealth Government 10 year bond rate at the start of the relevant month.

5.2.3 Non-financial assumptions

Considering the size of the membership, a full analysis of the experience in respect of the rates at which members left service due to retirement, resignation, death or total and permanent disablement (TPD) would not produce statistically credible results.

For the purpose of this valuation we have therefore not undertaken a detailed analysis of decrement experience over the period from 1 July 2020 to 30 June 2023. However, we have instead conducted a simplified experience analysis by count, looking at the actual numbers of exits occurred in the three years ended 30 June 2023 compared to the numbers expected under the actuarial basis adopted for the 30 June 2020 valuation, for each decrement type.

The following table shows a comparison of actual exits versus those expected under the previous valuation basis over the three years ended 30 June 2023:

Decrement type	Actual	Expected	Difference (A-E)
Voluntary exit (resignation/retirement)	11	11.1	(0.1)
Death/TPD	-	0.8	(0.8)
Total	**11**	**11.9**	**(0.9)**

The actual experience above appears to be close to that expected based on the assumptions used in the previous investigation. We do not believe that this difference is material given the small number of remaining defined benefit members and given the closed nature of the Plan.

Accordingly, we have retained the same voluntary exit (resignation/retirement), death and TPD decrement assumptions as those in the previous valuation, as we believe those rates remain appropriate.

Details of the demographic assumptions used are set out in Appendix B.

5.2.4 Expenses

The investment earnings rate is assumed to be net of investment expenses. However, an allowance for the cost of administration and insurance expenses is required.

At the previous investigation, a total allowance of $115,000 p.a. was used, based on an assumed:

- $75,000 per annum for expenses and insurance premiums in respect of defined benefit members; and
- $40,000 per annum for meeting the expenses and insurance premiums in respect of accumulation members.

The above assumption did not include any additional legal fees which may be paid from the Plan, as they could not be reliably estimated.

Over the last three years, the average expenses and insurance premiums for defined benefit members have been approximately $56,500 per annum. This excludes sizeable legal expenses (totalling about $118,000) which were incurred during the first year of the inter-valuation period (2020/21 year).

In addition, total administration expenses and insurance premiums in respect of accumulation members have been in the order of $31,000 per annum.

Therefore, total expenses including insurance premiums over the inter-valuation period have been about $82,000 lower than the total expected based on the assumptions in the previous investigation. However, after allowing for the ad-hoc legal expenses occurring during the 2020/21 year, total expenses including legal expenses were higher than expected over the inter-valuation period.

The average actual expenses (including insurance premiums) over the most recent year (2022/23) were about $39,000 per annum for defined benefit members. For accumulation members, the actual expenses and insurance premiums paid from the Plan's surplus were approximately $24,500 per annum over the 2022/23 year.

Therefore, for the purposes of this investigation, we have assumed $60,000 per annum for expenses and insurance premiums in respect of defined benefit members and $30,000 per annum for meeting the expenses and premiums in respect of accumulation members.

Given the current financial position of the Plan (with a much lower defined benefit surplus remaining), we have recommended (as summarised in section 7.3 below) that the current employer contribution holiday cease, and that the Employer pay additional contributions to the Plan to cover the cost of meeting employer-paid expenses and insurance premiums in relation to defined benefit and accumulation members from the Plan's defined benefit assets from no later than 1 March 2024.

5.2.5 Insurance

Details of the Plan's group insurance arrangements in respect of death and disablement benefits are included in section 8.

Insurance expenses have been discussed above.

5.2.6 Taxation

The Plan is a “regulated superannuation fund” and is governed by the regulations of the Superannuation Industry (Supervision) Act 1993.

We have assumed that the current tax regime will continue and that the tax rate presently applying to the Fund will be maintained in future i.e. that the Fund will remain a regulated and complying fund under SIS and the Tax Act respectively and that a concessional tax rate of 15% will apply to net deductible contributions and investment earnings.

In addition, we have assumed that any additional taxation attributable to contributions in respect of high income earners (Division 293 taxation) and/or excess concessional contributions will be deducted from the total benefits of the affected members by means of an offset account, if not paid separately by the individual member. Similarly, we have assumed that any Division 296 tax applying to members with large superannuation balances (i.e. over $3 million), if this is paid by the Plan at the individual member’s request, will be deducted from the total benefits of the affected members by means of an offset account.

6 Solvency and funding measures

SPS 160 requires statements to be made in respect of two measures of the financial position of the Plan, these measures being related to the current “vested benefits” and the present value of “accrued benefits” of members.

This investigation is concerned primarily with the valuation of the Plan’s assets and liabilities in respect of members’ defined benefits only. The value of accumulation member liabilities is directly related to the value of the underlying assets and is not exposed to the same funding risks as defined benefit liabilities. Therefore the value of accumulation members’ assets and liabilities, and the accumulation benefits of defined benefit members where the members have an option to select how such monies are invested, are excluded from this investigation.

6.1 Vested Benefits

“Vested benefits” are benefits that would be paid if all members voluntarily left service. The following table shows the progression of the vested benefits position of the defined benefits section of the Plan as at 30 June 2023 compared to that at the previous valuation date (30 June 2020):

	30 June 2020	30 June 2023
Value of defined benefit assets ($’000)	20,622	13,702
Defined Benefit Vested benefits ($’000)	17,774	13,367
Vested Benefits Index	**116%**	**103%**

The Vested Benefits Index (VBI) is the ratio of the value of the Plan’s net assets to the vested benefits. As shown above, at 30 June 2023 the Vested Benefits Index was 103%. In comparison, the Vested Benefits Index at 30 June 2020 was 116%. The reduction in the Vested Benefits Index over the inter-valuation period is largely due to the employer contribution holiday, actual investment returns earned on assets being lower than expected, and actual salary increases being significantly higher than investment returns over the inter-valuation period.

The assets and vested benefits at 30 June 2023 above exclude $1,817,896 of voluntary accumulation account balances in respect of defined benefit members.

6.2 Accrued Benefits Index

An indication of the funding status of the Plan is also given by the ratio of the value of the Plan’s assets to the present value of all benefits accrued at the investigation date. The term “Accrued Benefits” is used in Australian Accounting Standard AASB 1056, and is alternatively referred to as the past service liability or the actuarial value of benefits.

The value placed on the Accrued Benefits is calculated using the actuarial assumptions set out in Appendix B. It represents the value in today’s dollars of future benefits based on membership completed to the investigation date, allowing for future salary increases, investment earnings, crediting rates and expected incidence of benefit payments. For this valuation, each member’s accrued benefit has been made subject to a minimum of the member’s vested benefit.

A fully secured position is represented by a ratio of 100%. At this level, if the Plan were closed to new entrants and no further benefits were allowed to accrue to current members then assets would be expected to be sufficient to meet all future benefit payments as and when they fall due if the actuarial assumptions were borne out in practice.

The following table shows the progression of the Accrued Benefits Index of the defined benefit section of the Plan as at 30 June 2023 compared to that at 30 June 2020:

	30 June 2020	30 June 2023
Value of defined benefit assets ($'000)	20,622	13,702
Defined Benefit Accrued benefits ($'000)[1]	19,217	13,427
Accrued Benefits Index (ABI)	**107%**	**102%**

1. Minimum of vested benefits at an individual member level has been applied.

The ABI is the ratio of the value of the Plan's net assets to the accrued benefits. At 30 June 2023 the ABI was 102%, compared to 107% at 30 June 2020.

The decrease in the Accrued Benefits Index over the inter-valuation period is mainly due to the employer contribution holiday, actual investment returns earned on assets being lower than expected, and actual salary increases being significantly higher than investment returns over the inter-valuation period; offset to a slight extent by the higher discount rate corresponding to higher assumed returns on assets based on the recommended revised investment strategy of the MLC Conservative Balanced portfolio.

We note that the value of accrued benefits before application of the vested benefits minimum was $13,252,000 as at 30 June 2023, which would have resulted in an Accrued Benefits Index (before vested benefits minimum) of 103%. This compares to an Accrued Benefits Index (before vested benefits minimum) as at 30 June 2020 of 107%. This means that the financial position of the Plan has reduced over the inter-valuation period on a like-for-like comparison basis, for the same reasons as above.

The assets and accrued benefits at 30 June 2023 above exclude $1,817,896 of voluntary accumulation account balances in respect of defined benefit members.

6.3 Minimum Requisite Benefits

Another test of the adequacy of the Plan's assets relates to the benefits which the Plan must provide in order to satisfy the Superannuation Guarantee requirements. These benefits are termed Minimum Requisite Benefits and are defined in the Plan's Benefit Certificate. The Minimum Requisite Benefit for each member is less than or equal to the member's vested benefit.

The following table shows the progression of the Minimum Requisite Benefits Index of the defined benefit section of the Plan as at 30 June 2023 compared to that at the previous valuation date (30 June 2020):

	30 June 2020	30 June 2023
Value of defined benefit assets ($'000)	20,622	13,702
Defined Benefit Minimum Requisite Benefits ($'000)	11,750	8,636
Minimum Requisite Benefits Index (MRBI)	**176%**	**159%**

The assets and Minimum Requisite Benefits at 30 June 2023 above exclude $1,817,896 of voluntary accumulation account balances in respect of defined benefit members.

At 30 June 2023, the ratio of defined benefit assets to defined benefit Minimum Requisite Benefits was 159%, compared to 176% at 30 June 2020.

6.4 Retrenchment Benefits

The Plan's Participation Agreement sets out that, in the event of retrenchment for Division 7 defined benefit members, "the Principal Employer may in its absolute discretion direct the Trustee to increase the Benefit payable … up to an amount not exceeding the reserve held in the Sub-Plan in respect of the DB Division 7 Member as advised by the Actuary". There is no specific retrenchment benefit defined for Division 2 defined benefit members, and accordingly the standard leaving service (resignation or retirement as applicable) benefit would apply for those members.

Therefore, to illustrate the coverage of potential retrenchment benefits, for the purposes of this investigation we have taken the accrued benefit for each CUB_7 member (subject to the member's vested benefit) as the amount corresponding to "the reserve held … in respect of the DB Division 7 Member" at 30 June 2023, and the vested benefits for CUB_2 members, to be the estimated retrenchment benefits as at 30 June 2023.

The following table shows the coverage of estimated Retrenchment Benefits (for defined benefits only) as at 30 June 2023 for the Plan compared to that at the previous valuation date (30 June 2020):

	30 June 2020	30 June 2023
Value of defined benefit assets ($'000)	20,622	13,702
Estimated Defined Benefit Retrenchment Benefits ($'000)	17,856	13,368
Retrenchment Benefits Index	**115%**	**102%**

The assets and Retrenchment Benefits at 30 June 2023 above exclude $1,817,896 of voluntary accumulation account balances in respect of defined benefit members.

The table above shows the Plan's assets were sufficient to pay the benefits payable if all members had been retrenched as at 30 June 2023. It would be reasonably expected that the Employer would make top-up contributions to the Plan in the event of a significant retrenchment exercise in order to cover any shortfall of assets over benefits. We are not aware of any planned retrenchments by the Employer.

6.5 Plan termination

The next stage in our valuation is to calculate if there would have been any additional liabilities arising had the Plan terminated on the valuation date. It is obviously critical to be able to meet all of the Plan's obligations in that circumstance.

Clause 1.11.2 of the Plan's Participation Agreement states that, on termination of Employer contributions, the Trustee shall appropriate, in respect of each member who was an employee of the Employer ("the Ex-Member"), that portion of the Plan assets which the Trustee, after obtaining the Actuary's advice, determines to be held in the Plan in respect of that Ex-Member.

This means that on termination of the Plan, each member is entitled to no more than their actuarial share of the Plan assets. Accordingly, the termination benefits of the Plan are automatically covered by the Plan assets and there is no liability on the employer for additional amounts other than in respect of contributions paid or owing to the date of termination.

Accordingly, by the nature of its very definition, the Plan's Termination Benefits Index (being the ratio of the Plan's net defined benefit assets to the total termination benefits for defined benefit members) is limited to 100%.

6.6 Events since 30 June 2023

In the period from 1 July 2023 to 31 October 2023, the credited interest rate for defined benefit members was -0.89% overall, which was lower than the actual returns earned on Plan assets of 1.57% for that period.

Based on information provided by the Plan's administrator, the Vested Benefits Index of the Plan reduced slightly to 102% as at 30 September 2023.

Although it is important not to over-react to short term market movements, we have allowed for an estimate of recent market movements based on available information in determining the contribution recommendations in the following section.

6.7 Summary of total liabilities

The following table provides a summary of the total liabilities in the Plan, for both defined benefit members and accumulation members, as at 30 June 2023. These figures have been determined in accordance with our interpretation of the requirements of Australian Accounting Standard AASB 1056.

	Defined benefit members $'000	Accumulation members $'000	Total $'000
Accrued benefits [1]			
Defined benefit interests	13,252	-	13,252
Defined contribution interests	1,818	29,748	31,566
Total interest	**15,070**	**29,748**	**44,818**
Vested benefits			
Defined benefit interests	13,367	-	13,367
Defined contribution interests	1,818	29,748	31,566
Total interest	**15,185**	**29,748**	**44,933**
Minimum benefits			
Defined benefit interests	8,636	-	8,636
Defined contribution interests	1,818	29,748	31,566
Total interest	**10,454**	**29,748**	**40,202**

1. For consistency with AASB 1056, the accrued benefits in this table have not been subject to a minimum of vested benefits. This approach is in accordance with Practice Guideline 499.06 issued by the Actuaries Institute.

7 Valuation results

7.1 Introduction

When setting contribution rates as part of an actuarial investigation, we make reference to the long term cost of funding future benefits as well as some shorter term projections of the VBI.

The key objective of our contribution recommendations is to maintain the VBI at above 100%, hence the chosen level of 100% as the 'target' in our funding approach. This aligns with the intention of SPS 160 in terms of maintaining the VBI above 100%.

However, we also show the longer term funding measures in the next section.

7.2 Long term funding rate

As well as the projections of the VBI position in section 7.4, we also show the calculation of the longer term funding rates in the table below.

The results of the valuation of the Plan on a "going concern" basis are set out below. For this purpose, the value of all future benefit payments is determined using the assumptions described in Appendix B of this report.

Specifically, we show:

- The Total Service Contribution Rate which takes into account the current assets and therefore allows for any current surplus/deficit over the value of accrued benefits
- The Future Service Contribution Rate which represents the cost of future accruing benefits and does not factor in any current surplus/deficit position.

The following table shows the long term funding rate calculation of the Plan:

	($'000)
Past Service Liabilities (before vested benefits minimum)	13,252
Future Service Benefits	
- Defined Benefit Liabilities	1,418
- Future Defined Benefit expenses (non-investment)	325
Total Service Liabilities	14,995
Assets	13,702
Total Service Liabilities – Assets	1,293
Future Member Contributions	483
Present value of 1% of future salaries	97
Total Service contribution rate (after 15% contributions tax and allowance for expenses)	**10.0%**
Future service contribution rate (after 15% contributions tax and allowance for expenses)	**16.2%**

These results show that a long-term employer contribution rate of 10.0% is required as at 30 June 2023 to fund the total service liabilities over the future projected working lives of the defined benefit members. This rate takes into account the current surplus in respect of past service benefits. The future service contribution rate (which does not allow for any surplus in respect of past service benefits) is 16.2% after tax and expenses.

Note that the above calculations do not allow for the cost of administration expenses and insurance premiums for accumulation members also being met from the Plan's defined benefit assets, which is estimated to be an additional $30,000 per annum.

However, this calculation does not take into account that the current vested benefits of defined benefit members are higher than the past service liabilities. In addition to this longer term view of the cost of funding benefits, the focus of SPS 160 is to maintain coverage of the VBI whenever possible.

Given that there is a current small surplus in the Plan and that there are no known plans for the Employer to wind-up the Plan, we have also considered the contribution rates required for the period until completion of the next triennial actuarial investigation of the Plan based on maintaining the Plan in a satisfactory financial position as per the requirements of SPS 160, i.e. maintaining a Vested Benefits Index of the Plan of at least 100%.

On this basis, it is recommended that the current employer contribution holiday in respect of the defined benefit members cease, and that employer contributions to the Plan re-commence effective from no later than 1 March 2024, together with a change in the Plan's investment strategy to the MLC Conservative Balanced option as soon as possible. Also, we recommend that the Employer also pay additional contributions to the Plan to cover the cost of meeting employer-paid expenses and insurance premiums in respect of accumulation members from the Plan's defined benefit assets from no later than 1 March 2024.

We have considered the VBI projections shown in section 7.4 below in setting the recommended employer contribution rates set out in the next section.

7.3 Recommended employer contribution rates

Given the small surplus position of the Plan as at 30 June 2023, and based on the approach and assumptions set out in this report, the recommended Employer contribution rates for defined benefit members are at least:

- From 1 July 2023 to 29 February 2024:
  - nil employer contributions for defined benefit members; plus
  - pre-tax defined benefit member contributions where applicable.
- From 1 March 2024 until 30 June 2024:
  - 14.0% p.a. of defined benefit members' salaries; plus
  - $28,000 per month to cover the impact of administration expenses and insurance premiums in relation to defined benefit and accumulation members being met from the defined benefit assets; plus
  - pre-tax defined benefit member contributions where applicable;

  (or an alternative contribution basis which the actuary advises is broadly equivalent to this contribution recommendation, having consideration of SPS 160 requirements)

- From 1 July 2024 until completion of the next actuarial investigation (effective no later than 30 June 2026):
    - 14.0% p.a. of defined benefit members' salaries; plus
    - $7,500 per month to cover the administration expenses and insurance premiums in relation to defined benefit and accumulation members; plus
    - pre-tax defined benefit member contributions where applicable.

  (or an alternative contribution basis which the actuary advises is broadly equivalent to this contribution recommendation, having consideration of SPS 160 requirements)

In addition, we recommend that the Employer continue to pay contributions in respect of accumulation members where the member is receiving Superannuation Guarantee contributions into the Plan.

In addition, we recommend that:

- the Plan's financial position is monitored on a quarterly basis to ensure the continued appropriateness of the Plan contribution rate to maintain the Vested Benefits Index of at least 100%; and
- these recommendations be reviewed where the Plan undergoes significant changes to its membership or benefit basis, or there is a substantial reduction in the value of the Plan's investment portfolio.

In the next section we have projected the VBI of the Plan over the next 5 years.

7.4 Funding projections

The results in section 6 above show a deterioration in the financial position of the Plan compared to that at the previous investigation, largely due to the employer contribution holiday and actual investment earnings being significantly lower than actual salary increases over the period.

SPS 160 ensures that the contribution recommendation focusses on maintaining the VBI at or above 100%, and in the event that the VBI falls below 100% getting the VBI back to at least 100% in a period of no greater than three years.

The table below shows the projected coverage of vested benefits assuming employer contributions as recommended in this report, and all other assumptions are as set out in this report.

Baseline Projection (Projection 1): Employer contributions of 14.0% p.a. of defined benefit members' salaries plus $112k from 1 March to 30 June 2024, and 14.0% p.a. of defined benefit members' salaries plus $90k per annum thereafter

Projected Date	DB Contribution rate	Projected DB Assets $000s	Projected DB Vested Benefits $000s	Projected DB VBI
30 June 2023 (actual)		13,702	13,367	103%
30 June 2024	0% to 29/2/24; 14.0% p.a. from 1/3/24 plus $112k	11,750	11,694	100%
30 June 2025	14.0% + $90k	9,969	9,870	101%
30 June 2026	14.0% + $90k	8,666	8,536	102%
30 June 2027	14.0% + $90k	7,828	7,695	102%
30 June 2028	14.0% + $90k	6,160	6,001	103%

The above table shows that contributions of 14.0% p.a. contributions for defined benefit members plus $28,000 per month for the period from 1 March 2024 to 30 June 2024; and 14.0% p.a. contributions for defined benefit members plus $90,000 p.a. thereafter are projected to be adequate to maintain a VBI of at least 100% over the next 5 years assuming experience is in line with assumptions.

7.4.1 Sensitivity of projection results

To give an indication of the sensitivity of the VBI to investment returns, we also considered the progression of the VBI if investment returns were 1% lower at 4.25% p.a..

Projection 2: As per Projection 1, and investment return of 4.25% pa

Projected Date	DB Contribution rate	Projected DB Assets $000s	Projected DB Vested Benefits $000s	Projected DB VBI
30 June 2023 (actual)		13,702	13,366	103%
30 June 2024	0% to 29/2/24; 14.0% p.a. from 1/3/24 plus $112k	11,695	11,694	100%
30 June 2025	14.0% + $90k	9,820	9,870	99%
30 June 2026	14.0% + $90k	8,433	8,536	99%
30 June 2027	14.0% + $90k	7,515	7,695	98%
30 June 2028	14.0% + $90k	5,784	6,001	96%

The table above shows that with a 1% p.a. lower investment return, the VBI for all defined benefits is expected to fall below 100% over the next year assuming the same contribution pattern as assumed under the baseline projection above (i.e. 14.0% p.a. contributions for defined benefit members plus $28,000 per month for the period from 1 March 2024 to 30 June 2024; and 14.0% p.a. contributions for defined benefit members plus $90,000 p.a. thereafter). This shows that if investment returns are less than expected, it is likely that employer contributions to the Plan would need to increase from July 2024.

We note that the employer contribution rate would need to increase to at least 18.0% p.a. of defined benefit members' salaries plus $28,000 per month for the period from 1 March 2024 to 30 June 2024; and thereafter at least 18.0% p.a. of defined benefit members' salaries plus $90,000 p.a., in order for the Plan to be expected to remain in a satisfactory financial position in 5 years' time under this scenario.

We will continue to monitor the financial position of the Plan on a quarterly basis which will allow us to identify early if and when employer contributions will need to increase before completion of the next actuarial investigation.

To give an indication of the sensitivity of the VBI to salary increase rates, we also considered the progression of the VBI if future salary increases were 1% higher at 5.0% p.a..

Projection 3: As per Projection 1, and salary increase rate of 5.0% p.a.

Projected Date	DB Contribution rate	Projected DB Assets $000s	Projected DB Vested Benefits $000s	Projected DB VBI
30 June 2023 (actual)		13,702	13,367	103%
30 June 2024	0% to 29/2/24; 14.0% p.a. from 1/3/24 plus $112k	11,762	11,772	100%
30 June 2025	14.0% + $90k	9,976	10,010	100%
30 June 2026	14.0% + $90k	8,652	8,715	99%
30 June 2027	14.0% + $90k	7,785	7,898	99%
30 June 2028	14.0% + $90k	6,056	6,209	98%

The table above shows that with a 1% p.a. higher salary increase rate, the VBI for all defined benefits is expected to fall below 100% over the next year assuming the same contribution pattern as assumed under the baseline projection above (i.e. 14.0% p.a. contributions for defined benefit members plus $28,000 per month for the period from 1 March 2024 to 30 June 2024; and 14.0% p.a. contributions for defined benefit members plus $90,000 p.a. thereafter), given that the majority of the benefits for defined benefit members in the Plan are dependent on salary increases. This shows that if salary increases are higher than expected, it is likely that employer contributions to the Plan would need to increase from July 2024.

We note that the employer contribution rate would need to increase to at least 18.0% p.a. of defined benefit members' salaries plus $28,000 per month for the period from 1 March 2024 to 30 June 2024; and thereafter at least 18.0% p.a. of defined benefit members' salaries plus $90,000 p.a., in order for the Plan to be expected to remain in a satisfactory financial position in 5 years' time under this scenario. We will continue to monitor the financial position of the Plan on a quarterly basis which will allow us to identify early if and when employer contributions will need to increase before completion of the next actuarial investigation.

To give an indication of the sensitivity of the VBI to crediting rates, we also considered the progression of the VBI if the investment strategy of the Plan is not changed as recommended, i.e. if a Cash investment strategy is continued.

Projection 4: As per Projection 1, but where Cash investment strategy remains

Projected Date	DB Contribution rate	Projected DB Assets $000s	Projected DB Vested Benefits $000s	Projected DB VBI
30 June 2023 (actual)		13,702	13,367	103%
30 June 2024	0% to 29/2/24; 14.0% p.a. from 1/3/24 plus $112k	11,570	11,694	99%
30 June 2025	14.0% + $90k	9,484	9,870	96%
30 June 2026	14.0% + $90k	7,908	8,536	93%
30 June 2027	14.0% + $90k	6,816	7,695	89%
30 June 2028	14.0% + $90k	4,941	6,001	82%

The table above shows that if the Trustee does not change the investment strategy of the Plan's defined benefit assets as we have recommended, the Plan is at risk of falling into an unsatisfactory financial position by mid-2024, even with the re-commencement of employer contributions from 1 March 2024 as recommended.

We note that the employer contribution rate would need to increase to at least 30.0% p.a. of defined benefit members' salaries plus $36,000 per month for the period from 1 March 2024 to 30 June 2024; and thereafter at least 30.0% p.a. of defined benefit members' salaries plus $90,000 p.a., in order for the Plan to be expected to remain in a satisfactory financial position in 5 years' time if the Plan's defined benefit assets remain invested in a Cash investment portfolio.

7.5 Sensitivities

AASB 1056 requires the Trustee to show sensitivities for accrued benefits (defined benefit member liabilities) in the financial statement notes.

Accordingly, we have shown the value of accrued benefits (before vested benefit minimums) for defined benefit members based on changes in the key assumptions in the following table.

Sensitivities	30 June 2023 ($000s)	Increase /(Decrease) in Accrued Benefits Liability ($000s)
Base Case	13,252	
Discount Rate + 1%	12,858	(394)
Discount Rate – 1%	13,674	422
Salary Increase Rate + 1%	13,567	315
Salary Increase Rate – 1%	12,952	(300)

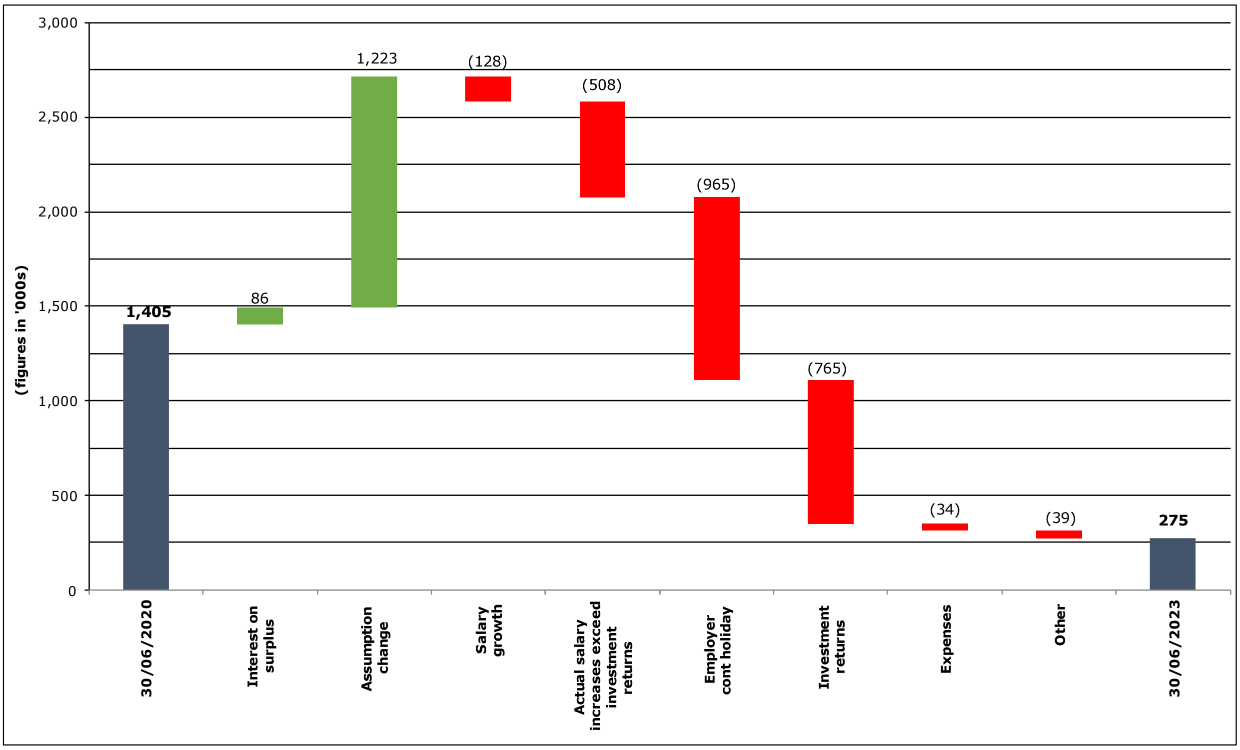
The variations selected in the above sensitivity analyses do not indicate upper or lower bounds of all possible outcomes.

7.6 Analysis of change in financial position

The financial position of the Plan has weakened over the past three years, largely due to employer contribution holiday over the period and actual experience being worse than expected.

The following chart summarises our analysis of the change in excess of assets over past service liabilities between 30 June 2020 and 30 June 2023. Brief commentary is included below the chart.

Analysis of change of Surplus of Assets over Past Service Liabilities ($'000)



From the analysis above, this result has been mainly due to the following:

Positive Factors:

- Earnings on the previous surplus position at 30 June 2020
- Effect of changes in financial assumptions (primarily due to recommended change in investment portfolio to the MLC Conservative Balanced investment option, resulting in significantly higher discount rate, offset by increase in assumed salary increase rate)

Negative Factors:

- Salary growth being slightly higher than expected
- Actual salary increases exceeding investment returns (i.e. liabilities grew faster than assets)
- Impact of employer contribution holiday in respect of defined benefit members over the period
- Investment return being lower than expected
- Expenses over the inter-valuation period (including sizeable legal costs incurred during 2020/21 year) being slightly higher than expected

8 Insurance arrangements

8.1 Death and TPD

Insurance cover in respect of the unfunded portion of death and total and permanent disablement (TPD) benefits is provided by Zurich Australia Limited. The purpose of insurance is to protect the Plan against adverse death and TPD experience.

The "Amount at Risk" is the difference between the members' death or disablement benefits and the sum of insured amounts for all defined benefit members.

The sum insured for each member is calculated as follows:

- *Death Benefit less Vested Benefits*

Therefore, if the VBI is below 100%, there are insufficient assets in the Plan to meet all benefits payments in the unlikely event that all members were to die or become disabled at the same time. Further, the payment of any death or disablement of a defined benefit member whilst the VBI is less than 100% will reduce the VBI further (although the net shortfall amount would remain unchanged).

The table below shows the overall death and TPD benefits and insurance levels as at 30 June 2023 for defined benefit members.

Defined Benefit Members ($'000)	Death	TPD
Total death/TPD benefits	17,891	17,891
Less		
Accumulation benefits (for DB members)	1,818	1,818
Less		
Insurance amount	2,706	2,706
Amount at risk	**13,367**	**13,367**
Less		
Plan Assets	13,702	13,702
Excess/(Shortfall)	**335**	**335**

This shows that the current insurance arrangements in respect of death and TPD benefits were adequate for the defined benefit section of the Plan at 30 June 2023, given that the Amount at Risk was less than the Plan's assets.

The death and TPD benefits for accumulation members are equal to their account balances (including notional death only account, if any) plus the amount covered under the group life policy. Therefore, by definition, these benefits are fully covered by insurance.

Therefore, we believe the current insurance arrangements to be appropriate, in view of the small and reducing defined benefit membership in the Plan.

8.2 Salary Continuance Insurance ("SCI")

SCI benefits are also provided under a separate insurance policy with Zurich Australia Limited. This benefit is fully insured and is adequately covered by the existing insurance arrangements.

8.3 Comments

We consider the Plan's insurance arrangements are adequate to protect the Plan against adverse death or disablement experience.

Appendix A: Summary of benefits

Defined benefit members receive benefits in accordance with the provisions of the Plan Summary.

A brief summary of benefits is set out below.

Division 2

Retirement

A member who retires on or after their Early Retirement Age (55) but not later than the Normal Latest Contribution Age (75) is entitled to a benefit equal to the sum of:

a) Accrued Retirement Multiple (ARM) times Final Average Salary (FAS) at retirement date; and
b) additional accounts.

where

- ARM is the Benefit Accrual Rate times Years and complete months of Plan Membership times Fraction Worked, subject to maximum multiple of 7;
- the Benefit Accrual Rate is 17.75% for CUB_2 members; and
- FAS is defined as the average of the member's salary over the 36 month period prior to retirement.

A member who retires after the Normal Latest Contribution Age (75) is entitled to a late retirement benefit equal to the retirement benefit had the member retired at age 75, plus any employer mandated contributions and member contributions since age 75, together with investment earnings since that date at the DB Earning Rate as declared by the Trustee.

Death/Total & Permanent Disablement

On the death or total and permanent disablement of a member on or before age 65, the benefit payable is an amount equal to:

- Normal Retirement Multiple (NRM, counting membership to age 65) times Prospective FAS assuming salary continues unaltered until age 65 (as defined in the Participation Agreement); plus
- optional insurance cover (if any) plus
- additional accounts

Resignation
The lump sum benefit payable on resignation before age 55 is equal to the sum of:

a) Member's Reserve; and
b) additional accounts;

where

- Member Reserve is equal to the Member's ARM (based on membership to date) multiplied by FAS, multiplied by Discount Factor; and

- Discount Factor is defined as 1.0 at age 55, reduced by a discount of 1.5% p.a. for each year and complete month from the date of calculation to the member's 55th birthday. Minimum Discount Factor is 0.775.

Accumulation Benefits
A member is also entitled to receive a further amount in respect of any accumulation benefits held within the Plan less an amount in respect of their surcharge account.

Minimum Benefit
The member's benefit is subject to their Minimum Requisite Benefit as defined in the current Superannuation Guarantee Benefit Certificate.

Contribution Rates
Members generally make contributions to the Plan at the rate of 5% of salaries.

Division 7

Retirement
A member who retires at their Normal Retirement Age (65), or within 10 years before that date, is entitled to a benefit equal to:

Accrued Retirement Multiple x Highest Average Salary + Additional Accounts

Subject to a minimum of the Resignation Benefit

where

- Accrued Retirement Multiple is Benefit Accrual Rate times Years and days of Plan Membership times Fraction Worked, subject to a maximum multiple of 6;
- the Benefit Accrual Rate is 13.0%;
- Highest Average Salary means the highest average of the member's salary over three consecutive years within the previous ten (10) years.

On reaching normal retirement age of 65 years, a member's benefit is transferred to an accumulation basis where Member Investment Choice will apply to the member's entire benefit at Normal Retirement Date, plus any employer mandated contributions and member contributions since age 65, together with investment earnings since that date at the actual earnings rate of the Member Investment Choice option(s).

Death/Total & Permanent Disablement
On the death or total and permanent disablement of a member on or before age 65, the benefit payable is:

Normal Retirement Multiple (NRM) x Prospective Highest Average Salary + Additional Accounts

as if the member remained in service until their Normal Retirement Age and their salary remained unchanged.

Leaving Service
On leaving service the benefit payable is equal to two (2) times the accumulated member contributions with interest plus Additional Accounts, subject to a minimum of the Minimum Requisite Benefit.

Accumulation Benefits
A member is also entitled to receive a further amount in respect of any accumulation benefits held within the Plan less an amount in respect of their surcharge account. These amounts were excluded from this investigation.

Minimum Benefit
The member's benefit is subject to their Minimum Requisite Benefit as defined in the current Superannuation Guarantee Benefit Certificate.

Contribution Rates
Members generally make contributions to the Plan at the rate of 5% of salaries.

Other Benefits

Different benefit and/or contribution provisions may apply to some existing members including members who transferred from other funds.

Appendix B: Summary of assumptions

Interest Rate Earned on Assets 5.25% p.a. net of investment expenses and taxes

Crediting Rate of Interest on Member Accounts
5.25% p.a. net of investment expenses and taxes

Salary Increase Rate 4.0% p.a.

Rates of Decrement

Assumed rates at which members leave the Plan per year per 1,000 members at a sample set of ages are as follows:

Age	Death	Disablement	Voluntary exit
40	1	1	60
45	2	2	40
50	2	3	25
55	4	6	150
60	7	10	150
65	Nil	Nil	1,000

Future Expenses

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

Allowance for administration expenses and insurance premiums of $60,000 p.a. for defined benefit members

Administration expenses and insurance premiums of $30,000 p.a. for accumulation members are assumed to be deducted from the Plan's defined benefit assets.

Surcharge/Division 293/Division 296

All liability for surcharge is assumed to be met by an appropriate reduction in the benefits of affected members. Likewise, where Division 293 taxes and/or Division 296 taxes are not paid separately by individuals, the liability for Division 293 and Division 296 taxation is assumed to be met by reducing the benefits of affected members.

Appendix C: Statement required by SPS 160

Carlton & United Breweries Superannuation Plan, a sub-plan in the Plum Division of the MLC Super Fund

Summary of Information included in 30 June 2023 Actuarial Report pursuant to Paragraph 23 of SPS 160

We have carried out a valuation of the Carlton & United Breweries Superannuation Plan (the Plan) effective 30 June 2023. Paragraph 23 of SPS 160 prescribes the following matters to be contained in actuarial reports for private sector defined benefit superannuation plans:

1. For the purposes of comparison with vested benefits and accrued benefits and in the calculation of the long term Employer contribution rate, the net assets of the defined benefit section of the Plan have been valued at $13,701,521 at 30 June 2023.

2. Pursuant to SPS 160, the *"liabilities in respect of the accrued benefits of the members of the fund"* is the present value of the expected future benefits payable from the Plan to current members and their dependents in respect of membership completed to date. In our opinion, the assets valued at 30 June 2023 were sufficient to meet the liabilities of the Plan in respect of defined benefit accrued benefits of $13,426,740. We consider that the assumptions and valuation methods set out in this report are appropriate for determining the accrued benefit liabilities.

3. The Plan's assets are sufficient to meet the liabilities of the Plan in respect of defined benefit Vested Benefits of $13,366,993 as at 30 June 2023. A plan is in an *"unsatisfactory"* financial position if the value of its assets is less than the value of the benefits payable if every member voluntarily left the Plan. Therefore, in our opinion, the Plan was in a satisfactory financial position at 30 June 2023.

   The Trustee has set the current shortfall limit at a level of 100% for the Plan. We recommend that the Trustee change the shortfall limit for the Plan to 98%, as we believe that a shortfall limit of 98% would be appropriate given the recommended change in investment strategy for the Plan and the recommended recommencement of employer contributions.

   Furthermore, assuming that:

   - There are no significant improvements to the benefits described;
   - Employer contributions are paid in accordance with the recommendations set out in the report on the actuarial valuation of the Plan at 30 June 2023; and
   - The future experience of the Plan is in accordance with the actuarial assumptions made at 30 June 2023;

   then we certify that the Plan will maintain a satisfactory financial position in the period to 30 June 2026.

4. Based on the results of this investigation, the recommended Employer contribution rates for defined benefit members are at least:

   - From 1 July 2023 to 29 February 2024:
     - nil employer contributions for defined benefit members; plus
     - pre-tax defined benefit member contributions where applicable.

- From 1 March 2024 until 30 June 2024:
    - 14.0% p.a. of defined benefit members' salaries; plus
    - $28,000 per month to cover the impact of administration expenses and insurance premiums in relation to defined benefit and accumulation members being met from the defined benefit assets; plus
    - pre-tax defined benefit member contributions where applicable;

  (or an alternative contribution basis which the actuary advises is broadly equivalent to this contribution recommendation, having consideration of SPS 160 requirements)
- From 1 July 2024 until completion of the next actuarial investigation (effective no later than 30 June 2026):
    - 14.0% p.a. of defined benefit members' salaries; plus
    - $7,500 per month to cover the administration expenses and insurance premiums in relation to defined benefit and accumulation members; plus
    - pre-tax defined benefit member contributions where applicable;

  (or an alternative contribution basis which the actuary advises is broadly equivalent to this contribution recommendation, having consideration of SPS 160 requirements).

In addition, we recommend that the Employer continue to pay contributions in respect of accumulation members where the member is receiving Superannuation Guarantee contributions into the Plan.

We also recommend that:

- the Plan's financial position is monitored on a quarterly basis to ensure the continued appropriateness of the Plan contribution rate to maintain the Vested Benefits Index of at least 100%;
- these recommendations be reviewed where the Plan undergoes significant changes to its membership or benefit basis, or there is a substantial reduction in the value of the Plan's investment portfolio; and
- the Trustee revise the Plan's investment policy to reflect the ongoing nature of the Plan, and accordingly move the Plan's defined benefit assets to the MLC Conservative Balanced investment option.

5. Payment of Employer contributions as above, together with the assets of the Plan and the expected earnings of the Plan over the period from 1 July 2023 to 30 June 2026 are expected to provide adequately for the expected liability during the period to 30 June 2026. They are also expected to fully provide for the liability at the end of that period in respect of both vested benefits and accrued benefits.

6. The projected likely future financial position of the Plan during the three years following the valuation date, based on our best estimate assumptions used in the actuarial investigation of the Plan as at 30 June 2023 and the recommended Employer contributions above, is set out below.

Projected Date	Projected DB Assets ($'000)	Projected DB Vested Benefits ($'000)	Projected DB Vested Benefits Index
30 June 2023 (actual)	13,702	13,367	103%
30 June 2024	11,750	11,694	100%
30 June 2025	9,969	9,870	101%
30 June 2026	8,666	8,536	102%

7. We understand the Plan has not been granted a Pre-1 July 1988 funding credit, nor has it obtained such a credit by way of transfer.

8. A plan is "*solvent*" if the value of its assets exceeds the total of the Superannuation Guarantee component of each member's benefit. The Plan's assets are sufficient to meet the minimum benefits in respect of defined benefit members of $8,636,210 as at 30 June 2023. Funding and Solvency Certificates for the Plan covering the period from 1 July 2020 to 30 June 2023 required by the Superannuation Industry (Supervision) Act have been provided. In our opinion, the solvency of the Plan will be able to be certified in any Funding and Solvency Certificate required under the Superannuation Industry (Supervision) Regulations during the three year period to 30 June 2026, based on the assumptions used in the actuarial investigation of the Plan as at 30 June 2023.

Diane Somerville, FIAA

Andrew Boal, FIAA

20 December 2023

Appendix D: AASB 1056 Statement

Carlton & United Breweries Superannuation Plan, a sub-plan in the Plum Division of the MLC Super Fund

Actuarial Statement pursuant to Australian Accounting Standard AASB 1056

The purpose of this statement is to provide the summary of the information contained in the Actuarial Report on the investigation of the Plan as at 30 June 2023, for the purposes of AASB 1056. This statement has been prepared at the request of the Trustee of the Plan and is in accordance with the Professional Standards and Guidance (in particular PS402 and PG499.06) issued by the Actuaries Institute.

Assets

The net asset value used for this valuation at 30 June 2023 was $13,701,521. This represents assets backing defined benefit members only and excludes $1,817,896 of voluntary accumulation account balances for these members. These figures are not audited.

Vested Benefits

Vested benefits are the benefits to which members would be entitled if they voluntarily left service.

At the date of the actuarial investigation, the vested benefits were $13,366,993. This includes only defined benefit members and excludes $1,817,896 of voluntary accumulation account balances for these members.

The ratio of the value of the Plan's net assets to total defined benefit vested benefits was 103% at 30 June 2023, which indicates a satisfactory coverage of vested benefits as at the date of the actuarial investigation.

Accrued Benefits

The value of the accrued benefits is the present value of the expected future benefits payable from the Plan to current members, but only in respect of Plan membership completed up to the date of the actuarial investigation. Calculation of future retirement benefits use the normal retirement benefit formula, taking into account membership to the date of the actuarial investigation and using salary projected to the date of expected payment. We have not applied a minimum of vested benefits (at individual or total level) in the calculation of accrued benefits for the purposes of AASB 1056.

The value of the accrued death and total and permanent disablement benefits is determined to be the same proportion of the death (or disablement) benefit as the accrued retirement benefit bears to the retirement benefit at normal retirement date.

To determine the actuarial value of accrued benefits, assumptions are required concerning the potential experience of the Plan over the long term. The main assumptions used to determine the actuarial value of the accrued benefits at 30 June 2023 were:

- The rate of future investment return (net of investment taxes and net of investment management fees) earned on the Plan's assets would be 5.25% per annum.
- The rate of future crediting rates (net of investment taxes and net of investment management fees) applied to defined benefit member accounts would be 5.25% per annum.
- The rate of future long-term salary increases would be 4.0% per annum.

The future rate of investment return used to determine the accrued benefits is the anticipated rate of return on the Plan's assets over the average expected term of the benefit liabilities, calculated to be approximately 3.5 years.

All other assumptions used, including demographic assumptions, are considered to be best estimate assumptions, with no allowance for conservatism.

The total value of accrued benefits for AASB 1056 purposes at 30 June 2023 was $13,252,288. This includes only defined benefit members and excludes $1,817,896 of voluntary accumulation account balances for these members.

The ratio of the assets to the value of the total accrued benefits (for AASB 1056 purposes) was 103% at 30 June 2023 in respect of the defined benefit liabilities. The assets were therefore sufficient to meet the value of the liabilities of the Plan in respect of accrued benefits.

The Plan's funding policy is intended to fully cover benefits by the time that they become payable. The method of funding benefits adopted is the Target Funding method. This funding method aims to fund sufficient assets to maintain coverage of members' entitlements (defined as vested benefits for the purposes of this investigation) or to return to that position over a reasonable period if assets fall below members' benefit entitlements.

Sensitivities

AASB 1056 requires the Trustee to show sensitivities for accrued benefits (defined benefit member liabilities) in the financial statement notes.

Accordingly, we have shown the value of accrued benefits (before vested benefit minimums) for defined benefit members based on changes in the key assumptions in the following table.

Sensitivities	30 June 2023 ($000s)	Increase/)Decrease) in Accrued Benefits Liability ($000s)
Base Case	13,252	
Discount Rate +1%	12,858	(394)
Discount Rate -1%	13,674	422
Salary Increase Rate +1%	13,567	315
Salary Increase Rate -1%	12,952	(300)

The variations selected in the above sensitivity analyses do not indicate upper or lower bounds of all possible outcomes.

Recommended Employer Contributions

The recommended Employer contribution rates for defined benefit members in respect of the period from 1 July 2023 until completion of the next actuarial investigation (effective no later than 30 June 2026) are at least:

- From 1 July 2023 to 29 February 2024:
  - nil employer contributions for defined benefit members; plus
  - pre-tax defined benefit member contributions where applicable.
- From 1 March 2024 until 30 June 2024:
  - 14.0% p.a. of defined benefit members' salaries; plus
  - $28,000 per month to cover the impact of administration expenses and insurance premiums in relation to defined benefit and accumulation members being met from the defined benefit assets; plus
  - pre-tax defined benefit member contributions where applicable;

  (or an alternative contribution basis which the actuary advises is broadly equivalent to this contribution recommendation, having consideration of SPS 160 requirements)
- From 1 July 2024 until completion of the next actuarial investigation (effective no later than 30 June 2026):
  - 14.0% p.a. of defined benefit members' salaries; plus
  - $7,500 per month to cover the administration expenses and insurance premiums in relation to defined benefit and accumulation members; plus
  - pre-tax defined benefit member contributions where applicable;

  (or an alternative contribution basis which the actuary advises is broadly equivalent to this contribution recommendation, having consideration of SPS 160 requirements).

In addition, we recommend that the Employer continue to pay contributions in respect of accumulation members where the member is receiving Superannuation Guarantee contributions into the Plan.

We also recommend that:

- the Plan's financial position is monitored on a quarterly basis to ensure the continued appropriateness of the Plan contribution rate to maintain the Vested Benefits Index of at least 100%.
- these recommendations be reviewed where the Plan undergoes significant changes to its membership or benefit basis, or there is a substantial reduction in the value of the Plan's investment portfolio; and
- the Trustee revise the Plan's investment policy to reflect the ongoing nature of the Plan, and accordingly move the Plan's defined benefit assets to the MLC Conservative Balanced investment option.

Financial Condition

In our opinion, the Plan was in a satisfactory financial condition at the date of the actuarial investigation.

In addition to the position reported above, the actuary projected the Plan's ongoing ability to meet both Vested Benefits and Accrued Benefits over the three years following the date of the investigation. This was undertaken on the basis that:

- the actuarial assumptions as to investment returns, crediting rates, salary inflation and membership turnover would apply over the next three years; and
- the Employer will contribute to the Plan at the recommended rates over the next three years.

In the light of the projections, it is anticipated that both Vested Benefits and Accrued Benefits will remain covered by Plan assets throughout the three years following the date of the investigation.

Diane Somerville, FIAA

Andrew Boal, FIAA

20 December 2023