Deloitte.

The Hempel (Wattyl) Superannuation Plan

Actuarial Investigation as at 30 June 2023

Report date: 13 December 2023

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Attention: Nicky McLean

The Hempel (Wattyl) Superannuation Plan
Actuarial investigation as at 30 June 2023

We are pleased to present the actuarial investigation of The Hempel (Wattyl) Superannuation Plan ("the Plan"), 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.

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

Yours sincerely,

Diane Somerville
Fellow of the Institute of Actuaries of Australia

Andrew Boal
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1 Executive summary

1.1 Introduction

NULIS Nominees (Australia) Ltd has requested that Deloitte Actuaries & Consultants Limited ("Deloitte") conduct an actuarial investigation of The Hempel (Wattyl) Superannuation Plan ("the Plan"). The Plan was formerly known as the Valspar Superannuation Plan (from 1 December 2013), and prior to that it was known as the Wattyl Superannuation 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 purposes of this report are 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 (SPS 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 other 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 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 as at 30 June 2023 are shown in the table below:

Funding Measure	Defined Benefit Assets ($'000)	Defined Benefit Liabilities ($'000)	Funding Ratio
Vested Benefits	10,223	8,697	118%
Value of Accrued Benefits[1]	10,223	8,697	118%

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

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 Benefit Certificate for the period from 1 July 2022 to 30 June 2027 was issued on 19 September 2022.

The current Funding and Solvency Certificate (issued on 26 March 2021) is effective from 1 July 2020 to 30 June 2025. 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 are at least equal to the minimum Superannuation Guarantee benefits.

It is expected that a new Funding and Solvency certificate will be issued in the first half of 2024.

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 over the three years to 30 June 2026.

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.

Further, the Trustee has agreed the investment policy in respect of those assets which are designated to support the defined benefit liabilities.

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 Plan's current investment policy (allowing for the transfer to the MLC Balanced portfolio from 24 November 2023 based on the Trustee's simplification of the investment menu of the MLC Super Fund) remains appropriate, provided that the Employer recognises and accepts the potential variability in returns and the resulting impact on contribution requirements.

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 shortfall limit at a level of 100% for the Plan and we confirm that the VBI of the Plan was above the Trustee's shortfall limit as at 30 June 2023 and in the period since. We consider that this shortfall limit remains appropriate given the current and target asset allocation for the Plan and the nature of the liabilities.

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 disability benefits are adequate for the defined benefits section of the Plan.

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 of this report.

1.3 Recommendations

Previous investigation

The previous investigation of the Plan as at 30 June 2020 was prepared by Diane Somerville and Alan Merten of Deloitte and the results and recommendations were detailed in a report dated 18 December 2020.

Based on the approach and assumptions set out in that report, it was recommended that the Employer contributions in respect of defined benefit members of the Plan be at least nil until completion of the next triennial investigation (effective no later than 30 June 2023), and that the cost of member and plan management fees met by the Employer continue to be funded from the defined benefit reserve over that period.

It was also recommended that the Trustee allow the Employer to meet up to $250,000 p.a. (net of tax) of employer contributions in respect of accumulation members in the Plan and/or insurance premiums (for defined benefit members and/or accumulation members) from the Plan's surplus assets, for a period of up to three (3) years (or alternative contribution holiday arrangements as agreed between the Trustee and the Employer, subject to confirmation from the Plan actuary that they are broadly equivalent to the above recommendations).

In addition, the report recommended:

- Continuation of current quarterly vested benefit reviews; and
- The 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.

We understand that the Employer has contributed amounts consistent with these recommendations up to 30 June 2023, noting that the Employer funded approximately $271,000 of employer-financed insurance premiums (in respect of both defined benefit and accumulation members) in total from the Plan's surplus assets over the inter-valuation period.

Current investigation

Based on the approach and assumptions set out in this report, we recommend that the Employer contributions in respect of defined benefit members of the Plan be at least nil until completion of the next triennial investigation (effective no later than 30 June 2026), and that the cost of member and plan management fees met by the Employer continue to be funded from the defined benefit reserve over that period.

We also recommend that the Trustee allow the Employer to continue to meet the cost of employer-financed insurance premiums (for defined benefit members and accumulation members) from the Plan's surplus assets until completion of the next triennial investigation (effective no later than 30 June 2026).

In addition, we recommend:

- Continuation of current quarterly vested benefit reviews; 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.

Next valuation

The next valuation is required to be carried out 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.

2 Background

2.1 History

The Plan commenced as a sub-plan of the Plum Superannuation Fund, a predecessor fund of the MLC Super Fund, on 1 September 2002 following the decision to wind-up the Wattyl Australasian Superannuation Fund (the "Previous Fund"). The Plan was formerly known as the Valspar Superannuation Plan (from 1 December 2013), and prior to that it was known as the Wattyl Superannuation Plan. We understand all defined benefit members' benefit entitlements under the Previous Fund were transferred to the Plan.

The Employer has advised the defined benefit section of the Plan is closed to new employees 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 dated 30 August 2002 (as amended) between the Employer and PFS Nominees Pty Limited as the trustee of the Plum Superannuation Fund, which was novated across to the Trustee as part of the successor fund transfer.

A summary of the main benefit provisions 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 purposes of this investigation are 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 SPS 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 other 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.

  However, currently the accumulation-based withdrawal benefit is underpinning most members' benefits, and therefore the investment risk is predominantly borne by members. Lower investment returns would be reflected through the Plan's crediting rates in changes to members' withdrawal benefits (including Minimum Requisite Benefits) and this dampens the effect (for the Employer) of lower than expected returns.

  The Plan was invested in the Pre-Mixed Moderate Option at 30 June 2023, but the defined benefit assets were transferred to the MLC Balanced investment option effective from 24 November 2023 (which has a similar strategic asset allocation and the same investment objective), as a result of the Trustee's simplification of the investment menu of the MLC Super Fund.

  The Plan's defined benefit assets are exposed to investment volatility due mainly to the allocation to growth assets. The relatively low risk for the Plan described above can be seen by varying future investment return assumptions. For example, the sensitivity analysis shown in section 7 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 vested benefits would decrease by about $37,000 over the period to 30 June 2026 (and the Vested Benefits Index for the defined benefit members as at 30 June 2026 would remain relatively unchanged at 153% if future investment returns were 1% p.a. lower, which is only about 1% lower than the projected Vested Benefits Index of 154% at that date based on the 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% p.a. in the above sensitivity scenario.

- ***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 $5,000 (as shown in section 7 of this report), noting that accumulation-based withdrawal benefit minimums are applying for most members. However, if a minimum of vested benefits was applied on an individual member basis, the coverage of accrued benefits (subject to vested benefit minimums) as at 30 June 2023 would be unchanged.

- ***Liquidity risk***

  Liquidity risk is borne by the Employer. As the Plan is closed to new members and the defined benefit membership is ageing, it is likely that net cash flow of the defined benefit section of the Plan will be negative in some (perhaps most) years. That is, benefit payments to members leaving the Plan will exceed contributions made in respect of the current members. 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.

  We note that the Plan's assets are 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 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.

  Given that accumulation benefit underpins are currently applying for most members, this mitigates this risk to a large extent, although there remains a slight mismatch (due to the crediting rate policy) between interim crediting rates and actual investment earnings for the period since the last declared rate.

- ***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 June 2025, with the next increase occurring 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 was conducted as at 30 June 2020 by Diane Somerville and Alan Merten of Deloitte and the results and recommendations were detailed in a report dated 18 December 2020.

Based on the approach and assumptions set out in this report, it was recommended that the Employer contributions in respect of defined benefit members of the Plan be at least nil until completion of the next triennial investigation (effective no later than 30 June 2023), and that the cost of member and plan management fees met by the Employer continue to be funded from the defined benefit reserve over that period.

It was also recommended that the Trustee allow the Employer to meet up to $250,000 p.a. (net of tax) of employer contributions in respect of accumulation members in the Plan and/or insurance premiums (for defined benefit members and/or accumulation members) from the Plan's surplus assets, for a period of up to three (3) years (or alternative contribution holiday arrangements as agreed between the Trustee and the Employer, subject to confirmation from the Plan actuary that they are broadly equivalent to the above recommendations).

In addition, the report recommended:

- Continuation of current quarterly vested benefit reviews; and
- The 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.

We understand that the Employer has contributed amounts consistent with these recommendations up to 30 June 2023, noting that the Employer funded approximately $271,000 of employer-financed insurance premiums (in respect of both defined benefit and accumulation members) in total from the Plan's surplus assets over the inter-valuation period.

2.6 APRA Prudential Standards

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

SPS 160 requires a Registered Superannuation Entity ("RSE") licensee (that is, a 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 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.

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.

Given this investigation recommends a continuation of the employer contribution holiday, we recommend that the Trustee maintain the shortfall limit for the Plan at 100%.

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 11 active defined benefit members with total annual salaries of $1.215m.

Category	Number of active members	Average Age (years)	Average Service (years)	Total Annual Salaries ($)	Average Annual Salary ($)
WASFDB:15	11	63.6	35.1	1,214,981	110,453
Total	**11**	**63.6**	**35.1**	**1,214,981**	**110,453**

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
WASFDB:15	14	3	11
Total	**14**	**3**	**11**

Approximately 21% of members have exited the Plan since 30 June 2020.

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 investigation.

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 within 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 Pre-Mixed Moderate Portfolio at 30 June 2023. The value of the Plan's net assets was advised to be $10,222,925 as at 30 June 2023. We have therefore used this value in our valuation.

The Trustee has advised that the Plan's defined benefit assets were transferred to the MLC Balanced investment option effective from 24 November 2023, due to the Trustee's simplification of the investment menu of the MLC Super Fund.

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

4.3 Investment strategy

The general aim of the investment strategy of the Plan 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 Pre-Mixed Moderate option includes 74% 'growth' assets (equities and property) and 26% 'defensive' assets (fixed interest and cash). The benchmark asset allocation of the MLC Balanced investment option, which replaced the Pre-mixed Moderate portfolio for the Plan effective from 24 November 2023, includes 73% 'growth' assets and 27% 'defensive' assets. Both investment options have the same investment return objective of at least 3% p.a. above inflation (after fees and tax) over 10 years.

The benchmark asset allocations of both investment options are shown in the table below.

Asset Class	Benchmark Allocation (%) Pre-mixed Moderate (to 23 November 2023)	Benchmark Allocation (%) MLC Balanced (from 24 November 2023)
Equities	53%	53%
Property	6%	6%
Private Equity	5%	5%
Alternatives	4%	3%
Infrastructure	6%	6%
Fixed Interest	19%	18%
Cash	7%	9%
Total	**100%**	**100%**

Based on information received from the Administrator we understand that the Plan's actual allocation as at 30 June 2023 was reasonably close to the benchmark allocation.

This proportion of assets invested in "growth" assets is similar to other defined benefit superannuation funds of a similar size and membership profile. Notwithstanding the above, the Trustee and Employer should be aware adoption of such a "growth" strategy is accompanied by an increased level of risk compared to other less "aggressive" approaches. Continuation of the strategy in respect of the Plan's defined benefit members requires regular monitoring of future investment returns.

In our opinion, the current investment strategy (allowing for the transfer to the MLC Balanced portfolio from 24 November 2023) is appropriate at this time given the level of surplus assets presently held within the Plan.

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 (% p.a.)
2022/23	8.0%
2021/22	-2.0%
2020/21	19.4%
Average annual rate	**8.1%**

Over the 3 years to 30 June 2023, the Plan's actual earnings rate was 8.1% p.a..

4.5 Crediting rate policy

The Plan's approach to crediting interest rates to members' accounts is accordance with the 'standard' approach of the Trustee's policy. That is, subject to the Trustee's policy on exceptional crediting rate events, credited rates are based on the actual money weighted return of the defined benefit asset pool.

The interim rate is based on the government 10-year bond yield at the start of the relevant quarter.

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

4.6 Nature of liabilities

The defined benefit liabilities of the Plan primarily reflect a combination of salary growth, member service and movements, the ageing 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.

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. Currently, the accumulation-based withdrawal benefit (including Minimum Requisite Benefits) is underpinning most members' benefits, which means that members were generally bearing the investment risk in relation to their vested benefits at the valuation date.

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. 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.

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

We confirm that, in our opinion, the current investment strategy (allowing for the transfer to the MLC Balanced portfolio from 24 November 2023 based on the Trustee's simplification of the investment menu of the MLC Super Fund) is appropriate for the long term, provided that the Employer recognises the potential variability in returns and the resulting impact on contribution requirements.

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.

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 fund on their behalf.

This valuation has been carried out using the Target Funding method, which is the same method used for 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.

Given the size of the current (closed) membership and the funding position of the Plan, we believe it makes sense to retain the Target Funding method for this investigation.

5.1.2 Value of assets

For the purposes of this valuation, we have used an asset value of $10,222,925 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 period since the previous investigation, the Plan earned in the order of 8.1% p.a. (net of tax) compared to the assumption in the previous valuation of 6.0% p.a.. This has had a positive effect on the financial position of the Plan.

For this valuation we have retained an assumption for the long-term future investment return of 6.0% p.a. (net of tax and investment management fees). This assumption takes into account the investment strategy of the Trustee with respect to assets supporting the defined benefit liabilities. In particular, this rate reflects our current long-term earnings expectations of the major asset classes in which the defined benefit assets of the Plan are invested.

5.2.1.2 Salary increases

The previous actuarial investigation as at 30 June 2020 assumed future salary increases of 2.0% p.a. for the first three years following the investigation date (to 30 June 2023) and 2.5% p.a. thereafter.

Over the period covered by this report, overall salary increases have been approximately 3.8% p.a. for defined benefit members who were in the Plan at both 30 June 2020 and 30 June 2023. This is higher than the 2.0% p.a. short term assumption applied in the 30 June 2020 valuation and is also higher than the actual experience of 1.6% p.a. over the preceding 3-year period ended 30 June 2020. This has had a negative effect on the financial position of the Plan.

Taking these factors into account, and given the economy is no longer experiencing historically low inflation levels, we have increased the salary increase assumption to 4.0% p.a. for all future years for the purposes of this investigation.

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 4.3% per annum. The “gap” assumed in the 30 June 2020 valuation, using assumed short-term salary increase assumptions, was 4.0% per annum. Since this is slightly lower than the actual “gap”, and noting that the accumulation-based withdrawal benefits is underpinning most members’ benefits, the combined effect of the Plan’s investment and salary experience has had a slight positive effect on the financial position of the Plan.

The “gap” between the assumed rate of future investment earnings and the assumed rate of future salary increases, i.e. the real rate of return on invested assets, in this investigation is 2.0% p.a..

5.2.2 Non-financial assumptions

The size of the Plan membership is not large enough to conduct an analysis of the rates of death, disablement, resignation and retirement.

However, we have performed a high level analysis of the number of exits from the Plan over the 3 years to 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)
Withdrawal	0.0	0.0	0.0
Retirement	3.0	9.8	(6.8)
Death/TPD	0.0	0.4	(0.4)
Total	**3.0**	**10.2**	**(7.2)**

The actual experience above appears to be lower than that expected based on the assumptions used in the previous investigation. The largest difference is related to retirements. Therefore, we have decided to adjust the assumed retirement rates for this valuation to reflect that members are retiring later than previously assumed.

We have retained the same withdrawal, death and TPD decrement assumptions as those in the previous valuation, as we believe those rates remain appropriate. (All remaining members are above early retirement age, so the withdrawal decrements are not used in practice.)

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

Decrement type	Actual	Expected	Difference (A-E)
Withdrawal	0.0	0.0	0.0
Retirement	3.0	6.9	(3.9)
Death/TPD	0.0	0.5	(0.5)
Total	**3.0**	**7.4**	**(4.4)**

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

5.2.3 Expenses

Over the 3 years to 30 June 2023, actual expenses met from the defined benefit assets over the period have been approximately 4.3% p.a. of defined benefit members' salaries, plus about $36,000 per annum for plan and member fees in respect of accumulation members in the Plan.

This compares to the assumption of 4.0% of defined benefit members' salaries plus $40,000 p.a. assumed in the previous valuation which means that total actual expenses have been close to that expected. The recent experience is higher than the actual experience for the 3 years to 30 June 2020 (3.6% p.a. of salaries plus $38,000 p.a.).

In addition, employer-financed insurance premiums for accumulation members of about $68,000 per annum on average have been deducted from the defined benefit assets over the 2 years from 1 July 2021 to 30 June 2023. We note that in respect of the quarter ended 30 June 2023, the employer-financed insurance premiums for accumulation members were about $7,031 per month on average.

Based on the recent experience of the Plan, and given the continuing reduction in the numbers of active defined benefit members, we have adopted a revised assumption for expenses in this investigation of 3.0% p.a. of defined benefit members' salaries plus $62,500 per annum.

Given the strong financial position of the Plan, we have also allowed for the cost of employer-financed insurance premiums for defined benefit and accumulation members to continue to be deducted from the Plan’s defined benefit assets. We estimate that this would be equivalent to approximately $98,000 per annum.

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

5.2.4 Insurance

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

5.2.5 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 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 ($'000)	9,724	10,223
Defined Benefit Vested benefits ($'000)	7,959	8,697
Vested Benefits Index (VBI)	**122%**	**118%**

The Vested Benefits Index (VBI) is the ratio of the value of the Plan's net assets to the vested benefits. As shown above, the VBI was 118% as at 30 June 2023. In comparison, the VBI at 30 June 2020 was 122%. The slight reduction in the VBI over the inter-valuation period is largely due to a reduced surplus amount (primarily arising from the impact of the employer contribution holiday and the funding of employer-financed insurance premiums for defined benefit and accumulation members from the Plan's surplus during the inter-valuation period) which is spread over a reducing defined benefit membership base.

The assets and vested benefits at 30 June 2023 above exclude $1.748m of voluntary accumulation account balances for active 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 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 (ABI) 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 ($'000)	9,724	10,223
Defined benefit accrued benefits[1] ($'000)	7,959	8,697
Accrued Benefits Index (ABI)	**122%**	**118%**

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

The assets and accrued benefits at 30 June 2023 above exclude $1.748m of voluntary accumulation account balances for active defined benefit members.

The ABI is the ratio of the value of the Plan's net assets to the accrued benefits. As shown above, the ABI was 122% as at 30 June 2020. In comparison, the ABI at 30 June 2023 was 118%, representing a slight decrease in the accrued benefits coverage.

The slight reduction in the Accrued Benefits Index over the inter-valuation period is mainly due to a reduced amount of excess assets, arising from the impact of the employer contribution holiday and the funding of employer-financed insurance premiums for defined benefit and accumulation members from the Plan's surplus during the inter-valuation period, and that reduced surplus amount being spread over a lower accrued benefits total given the closed nature of the defined benefits membership in the Plan.

We note that the value of accrued benefits before application of the vested benefits minimum was $8.553 million as at 30 June 2023, which would have resulted in an Accrued Benefits Index (before vested benefits minimum) of 120%. This compares to an Accrued Benefits Index (before vested benefits minimum) as at 30 June 2020 of 125%. This means that the financial position of the Plan has slightly reduced over the inter-valuation period on a like-for-like comparison basis, which is primarily due to the reduced surplus amount as described above and the higher than expected salary growth over the period.

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. As the Minimum Requisite Benefits for each member is less than or equal to the member's vested benefit, it is clear that the assets comfortably cover the total Minimum Requisite Benefits.

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 ($'000)	9,724	10,223
Defined Benefit Minimum Requisite Benefits ($'000)	7,091	7,952
Minimum Requisite Benefits Index (MRBI)	**137%**	**129%**

The assets and Minimum Requisite Benefits at 30 June 2023 above exclude $1.748m of voluntary accumulation account balances for active defined benefit members.

At 30 June 2023, the ratio of defined benefit assets to defined benefit Minimum Requisite Benefits was 129%, compared to 137% as at 30 June 2020.

6.4 Retrenchment Benefits

The Plan's Participation Agreement sets out the benefits which would be paid to members in the event of retrenchment, being cessation of employment (as certified by the Employer) for any of the following reasons:

(a) the services provided by the Member are no longer needed or the position occupied by the Member has ceased to exist;

(b) the work for which the Member was engaged is finished;

(c) the quantity of work which the Employer requires to be done has diminished to such an extent that a reduction in the number of persons employed by the Employer is necessary or expedient;

other than due to the Member's inefficiency or inability to perform their duties.

The following table shows the coverage of Retrenchment Benefits (for defined benefits only) 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 ($'000)	9,724	10,223
Defined Benefit Retrenchment Benefits ($'000)	7,959	8,770
Retrenchment Benefits Index (MRBI)	**122%**	**117%**

The assets and Retrenchment Benefits at 30 June 2023 above exclude $1.748m of voluntary accumulation account balances for active 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.

On termination of the Plan, paragraph 3.9(b) of the Participation Agreement for the Plan in the MLC Super Fund applies, instead of Clause 7.5 of Schedule 2 (Plum Division) of the MLC Super Fund Trust Deed. Paragraph 3.9(b) of the Participation Agreement provides that on termination of the Plan, all moneys and assets of the Plan after payment or allowance for any liabilities or expenses of the Plan shall be applied to the extent that such moneys and assets will permit:

1) firstly, to set aside an amount equal to the Member's Plan Credit (i.e. total account balances for accumulation members under Part A of the Participation Agreement), or Member's Accrued Benefit as the case may be as at the Termination Date in respect of each Member for the purpose

of providing benefits equal to the Member's Plan Credit or Member's Accrued Benefit in respect of each Member;

2) secondly, any balance shall be set aside for the purpose of providing such additional benefits for some or all of the Members as the Principal Employer shall determine.

Thus, there is no prescribed benefit on Plan termination and there is no liability on the employer for additional amounts other than in respect of contributions unpaid or owing to the date of termination.

6.6 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 recommendation of this report.

Based on information provided by the Plan's administrator, the Vested Benefits Index of the Plan had slightly increased to 121% as at 30 September 2023, mainly due to the exit of 3 defined benefit members which resulted in the surplus amount being spread over a reduced number of remaining defined benefit members.

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	8,553	-	8,553
Defined contribution interests	1,748	30,776	32,524
Total interests	**10,301**	**30,776**	**41,077**
Vested benefits			
Defined benefit interests	8,697	-	8,697
Defined contribution interests	1,748	30,776	32,524
Total interests	**10,445**	**30,776**	**41,221**
Minimum benefits			
Defined benefit interests	7,952	-	7,952
Defined contribution interests	1,748	30,776	32,524
Total interests	**9,700**	**30,776**	**40,476**

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 rates

As well as the projections of the VBI position in the next section, 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. This reflects the cost to fund future accruals as well as associated taxes and expenses.

	($’000)
Past Service Liabilities (before vested benefits minimum)	8,553
Future Service Benefits	
- Defined Benefit Liabilities	371
- Future expenses (non-investment)	249
Total Service Liabilities	9,174
Assets	10,223
Total Service Liabilities – Assets	(1,049)
Future Member Contributions	82
Present value of 1% of future salaries	21
Total Service contribution rate (after 15% contributions tax and allowance for expenses)	**Nil**
Future service contribution rate (after 15% contributions tax and allowance for expenses)	**23.9%**

These results show that an employer contribution rate of nil 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 23.9% after tax and expenses.

In addition, the amount of employer-financed insurance premiums for defined benefit and accumulation members, which are currently equivalent to approximately $98,000 per annum, are currently being met from the Plan's defined benefit assets.

7.3 Recommended employer contribution rates

Based on the approach and assumptions set out in this report, we recommend that Employer contributions in respect of defined benefit members of the Plan can remain at least nil until completion of the next triennial investigation (effective no later than 30 June 2026), and that the cost of member and plan management fees met by the Employer continue to be funded from the defined benefit reserve over that period.

We also recommend that the Trustee allow the Employer to continue to meet the cost of employer-financed insurance premiums (for defined benefit members and accumulation members) from the Plan's surplus assets until completion of the next triennial investigation (effective no later than 30 June 2026).

In addition, we recommend:

- Continuation of current quarterly vested benefit reviews; and
- These recommendations be reviewed should the Plan undergo 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 similar financial position of the Plan to that at the last investigation, and the Plan remains well-funded.

A slight reduction in the surplus, when expressed as a percentage of the Plan's liabilities, over the last 3 years was due to the continuing employer contribution holiday and funding of employer-financed insurance premiums from surplus, offset to some extent by the higher than expected investment returns over the inter-valuation period. Although it is important to ensure security of member benefits, it is also important not to unnecessarily build up excessive amounts of surplus as the membership decreases.

The tables below shows the projected coverage of vested benefits on a number of scenarios assuming experience is in line with assumptions are as set out in this report, most notably assuming an investment return of 6.0% p.a.

Projection 1: DB employer contribution holiday and funding the cost of member and plan management fees from DB assets

Projected Date	Contribution rate	Projected DB Assets $000s	Projected DB Vested Benefits $000s	Projected DB VBI
30 June 2023 (actual)		10,223	8,697	118%
30 June 2024	0%	6,955	5,533	126%
30 June 2025	0%	4,182	2,781	150%
30 June 2026	0%	3,387	2,013	168%
30 June 2027	0%	3,259	1,921	170%
30 June 2028	0%	3,132	1,829	171%

The above table shows that for a contribution rate of 0%, the VBI is projected to increase over the next 5 years, as the remaining dollar value of surplus is spread over a reducing number of defined benefit members, assuming experience is in line with assumptions.

Also, the following table illustrates the progression of the VBI if the Employer continues to meet the cost of employer-financed insurance premiums (for defined benefit members and accumulation members) from the Plan's surplus assets for the next 5 years.

Projection 2: As per Projection 1, and funding employer-financed insurance premiums (DB and accumulation members) from surplus

Projected Date	Contribution rate	Est. insurance premiums paid from surplus $000s	Projected DB Assets $000s	Projected DB Vested Benefits $000s	Projected DB VBI
30 June 2023 (actual)			10,223	8,697	118%
30 June 2024	0%	98	6,867	5,533	124%
30 June 2025	0%	98	3,994	2,781	144%
30 June 2026	0%	98	3,091	2,013	154%
30 June 2027	0%	98	2,847	1,921	148%
30 June 2028	0%	98	2,598	1,829	142%

The table above shows that even if the Employer continues to meet the cost of employer-financed insurance premiums (for defined benefit members and accumulation members) from the Plan's surplus assets, the VBI for defined benefits is expected to remain comfortably above 100% over the next 5 years.

7.4.1 Sensitivity of projection results

To give an indication of the sensitivity of the results, the table below projects the VBI of the Plan with the same contribution levels as Projection 2 above (maintaining contributions at the 0% level and where the Employer continues to meet the cost of employer-financed insurance premiums from the Plan's surplus assets) but assuming the investment return on the Plan assets is 1% p.a. lower, that is 5.0% p.a..

Projection 3: As per Projection 2, but with investment return 1% p.a. lower

Projected Date	Contribution rate	Est. insurance premiums paid from surplus $000s	Projected DB Assets $000s	Projected DB Vested Benefits $000s	Projected DB VBI
30 June 2023 (actual)			10,223	8,697	118%
30 June 2024	0%	98	6,804	5,483	124%
30 June 2025	0%	98	3,920	2,734	143%
30 June 2026	0%	98	3,002	1,961	153%
30 June 2027	0%	98	2,734	1,854	147%
30 June 2028	0%	98	2,464	1,749	141%

We see that with a contribution rate of 0% and an assumed investment return of 5.0% p.a., the VBI is projected to comfortably remain in excess of 100% over the next 5 years, and the VBI projections are similar to the base scenario (Projection 2) which is due to the vested benefits of members being largely accumulation-based due to accumulation underpins applying.

The projections are somewhat sensitive to the assumptions for employees leaving service. However, given that the late retirement benefits for defined benefit members are purely accumulation-based once members attain age 65, and given the average age of defined benefit members was 63.6 years as at 30 June 2023, the impact of this is limited to some extent. To illustrate the sensitivity of the results to this assumption, the table below projects the VBI of the Plan with the same contribution levels as the base projections (Projection 2), but assuming 50% lower retirement rates to age 64, and 100% retirements at age 65.

Projection 4: As per Projection 2, but lower rates of employees leaving service

Projected Date	Contribution rate	Est. insurance premiums paid from surplus $000s	Projected DB Assets $000s	Projected DB Vested Benefits $000s	Projected DB VBI
30 June 2023 (actual)			10,223	8,697	118%
30 June 2024	0%	98	7,142	7,800	123%
30 June 2025	0%	98	4,263	6,810	140%
30 June 2026	0%	98	3,375	5,868	148%
30 June 2027	0%	98	3,239	4,949	140%
30 June 2028	0%	98	3,089	4,120	133%

This scenario shows that if members remain in service for longer periods than the base assumptions, the surplus in the Plan is slightly reduced in dollar terms and the growth in the VBI is slower as the surplus in the Plan is spread over a greater number of projected remaining members. Nonetheless, the Plan would remain well-funded.

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.

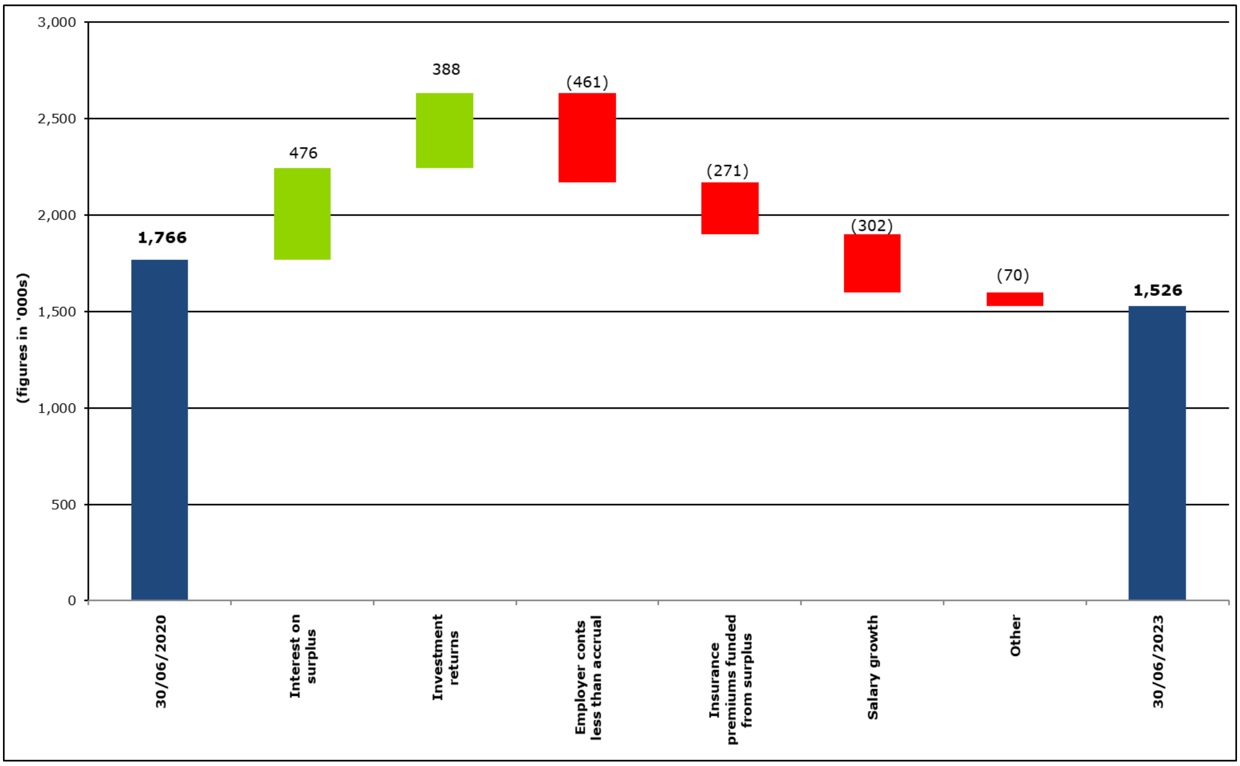
Sensitivities	30 June 2023 ($000s)	Increase /(Decrease) in Accrued Benefits Liability ($000s)
Base Case	8,553	
Discount Rate + 1%	8,548	(5)
Discount Rate - 1%	8,559	6
Salary Increase Rate + 1%	8,558	5
Salary Increase Rate - 1%	8,549	(4)

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 remains in a strong financial position, although the surplus in the Plan has slightly reduced from that revealed in the previous investigation. 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 in Financial Position



Positive Factors:

- Earnings on the previous surplus position at 30 June 2020
- Higher than expected investment returns

Negative Factors:

- Employer contributions less than the cost of accruing benefits due to contribution holiday
- Impact of employer-financed insurance premiums for defined benefit and accumulation members funded from surplus during the inter-valuation period
- Higher than expected salary growth

The change in financial and demographic assumptions had an immaterial impact on the change in financial position over the period, due to the application of a minimum of vested benefits at an individual member level.

8 Insurance arrangements

8.1 Death and Disability

Insurance cover in respect of the unfunded portion of death, total and permanent disablement (TPD) and total and temporary disablement (TTD) benefits is provided by MLC Life.

The purpose of insurance is to protect the Plan against adverse death and TPD and TTD experience. The "Amount at Risk" is the difference between the members' death or disablement benefit and the sum of insured amounts for all defined benefit members.

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	10,858
Less	
Additional accounts	1,748
Less	
Sum of insured amount	362
Equals	
Amount at risk	**8,748**
Plan Assets	10,223
Excess/(Shortfall)	**1,475**

On this basis the Amount at Risk is slightly lower than the value of the Plan's defined benefit assets of $10.223m which is appropriate given the small and reducing defined benefit membership of the Plan. We therefore consider the Plan's insurance arrangements are adequate to protect the Plan against adverse Death and TPD experience.

We also note that the Plan's current TTD insurance arrangements are fully insured with an external insurer and therefore the amount at risk is nil. We consider the Plan's current TTD insurance arrangements are suitable to protect the Plan against adverse experience.

Insurance premiums were previously separately invoiced to the Employer for payment. However, during the inter-valuation period, the Employer commenced funding the cost of employer-financed insurance premiums for both defined benefit and accumulation members from the Plan's surplus assets in line with the previous valuation recommendations, as noted in section 2.5 above. This investigation recommends that the Trustee allow the Employer to continue to meet the cost of employer-financed insurance premiums (for defined benefit members and accumulation members) from the Plan's surplus assets until completion of the next triennial investigation (effective no later than 30 June 2026).

Appendix A: Summary of benefits

At 30 June 2023, there were no remaining members in the WSS DB and WATTDIR benefit categories.

A brief summary of benefits for WASF DB members is set out below:

DEFINITIONS

Categories:	*WASF DB*: Members who converted to accumulation as at 30 June 1993 with a guaranteed minimum benefit
Salary:	Annual basic rate of salary excluding commission, overtime or any allowance of a special/ex-gratia nature
Final Average Salary (FAS):	Average of the member's salary during the 3-year period prior to retirement
Normal Retirement Age (NRA):	65
Early Retirement Age (ERA):	55
Compulsory Member Contributions:	4% of after tax salary or 4.7% of pre-tax salary
Employer Contributions:	The Employer contributes to the Plan on the basis of the rate(s) recommended by the Plan actuary as being required to provide for members' benefits.
Retirement Benefit Multiple (RBM):	Based on the member's category of membership and periods of membership of the Plan and the Former Fund
Member Compulsory Contributions Account:	The members' compulsory contributions accumulated with interest
Company Account:	The accumulation of Employer contributions to the Plan at the Superannuation Guarantee rate of salary (net of tax and expenses)
Surcharge Account:	Surcharge assessments (or other similar taxes) advised by the ATO accumulated with interest

Retirement Benefits

The benefit payable on retirement at age 65 is equal to:

- RBM x FAS

From 10 October 2003, early retirement is generally permitted from age 55. The benefit payable on early retirement is the Retirement Benefit accrued to the date of actual retirement and discounted for the period of early retirement before age 60.

(Note: Retirement Benefits for WASF DB members are subject to a minimum of their account balances as at the date of retirement)

Death or Total & Permanent Disablement ("TPD") Benefit

The benefit payable on Death/TPD is equal to the member's prospective retirement benefit at age 65 with minimum payments specified for certain members.

Total & Temporary Disablement Benefit

The benefit payable on becoming totally and temporarily disabled is equal to:

WASF DB Non-Award employees:

- 75% of salary payable after a 3-month waiting period for a maximum period of 2 years (or until age 65)

WASF DB Award employees:

- 75% of salary payable after a 4-month waiting period for a maximum period of 1 year (or until age 60)

Withdrawal Benefit

On withdrawal from the Plan a member receives their Account Balance.

Former Fund Benefits and Accumulation Benefits

Defined benefit members may be provided with additional benefits in respect of their membership of former funds. Details of these benefits were advised by the Plan Administrator and are set out in the Plan Summary.

In addition to the above defined benefits a member may be entitled to receive a further amount in respect of their voluntary/rollover account less an amount in respect of their surcharge and other offset accounts.

Minimum Benefits

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

Appendix B: Summary of assumptions

Interest Rate Earned on Assets 6.0% p.a. compound (net of tax and investment expenses)

Salary Increase Rate 4.0% p.a. compound

Rates of Decrement

Assumed rates at which members leave the Plan per year per 10,000 members at sample ages are as follows:

Age	Retirement	Death	TPD	Withdrawal
30	-	4	1	710
40	-	9	3	380
50	-	24	18	170
60	1,000	68	83	-
64	1,000	103	135	-
65	10,000	-	-	-

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Future Expenses

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

An allowance of 3.0% p.a. of defined benefit members' salaries plus $62,500 per annum was made for administration/general expenses deducted from defined benefit assets.

In addition, an allowance of $98,000 per annum has been made for the funding employer-financed insurance premiums for defined benefit and accumulation members 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: Statements required by SPS 160

The Hempel (Wattyl) 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 Hempel (Wattyl) 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 $10,222,925 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 $8,696,836. 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 $8,696,836 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. Given that this investigation recommends an employer contribution holiday, in accordance with the Trustee's policy for setting shortfall limits, we recommend that the Trustee maintains the shortfall limit of 100% for the Plan. 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 of the Plan remain at least nil until completion of the next triennial investigation (effective no later than 30 June 2026), and to continue to meet the cost of member and plan management fees met by the Employer from the defined benefit reserve over that period.

    We also recommend that the Trustee allow the Employer to continue to meet the cost of employer-financed insurance premiums (for defined benefit members and accumulation members) from the Plan's surplus assets until completion of the next triennial investigation (effective no later than 30 June 2026).

In addition, we recommend:

- Continuation of current quarterly vested benefit reviews; 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.

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 (including allowance for the funding of employer-financed insurance premiums from the Plan's surplus assets), is set out below.

Projected Date	Projected DB Assets ($'000)	Projected DB Vested Benefits ($'000)	Projected DB Vested Benefits Index
30 June 2023 (actual)	10,223	8,697	118%
30 June 2024	6,867	5,533	124%
30 June 2025	3,994	2,781	144%
30 June 2026	3,091	2,013	154%

7. 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 of the defined benefit members of the Plan of $7,952,290 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

13 December 2023

Appendix D: AASB 1056 Statement

The Hempel (Wattyl) 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 Practice Guidelines (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 $10,222,925. This represents assets for defined benefit members only and excludes $1.748m of voluntary accumulation account balances for these members. This figure is 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 $8,696,836. This includes only defined benefit members and excludes $1.748m of voluntary accumulation account balances for these members.

The ratio of the value of the Plan's net assets to total vested benefits was 118% 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 6.0% p.a.

- The rate of future long-term salary increases would be 4.0% p.a..

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 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 $8,552,996. This includes only defined benefit members and excludes $1.748m of voluntary accumulation account balances for these members.

The ratio of the assets to the value of the total accrued benefits was 120% 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) 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	8,553	
Discount Rate + 1%	8,548	(5)
Discount Rate - 1%	8,559	6
Salary Increase Rate + 1%	8,558	5
Salary Increase Rate - 1%	8,549	(4)

Recommended Employer Contributions

Based on the approach and assumptions set out in this report, we recommend that Employer contributions in respect of defined benefit members of the Plan remain at least nil until completion of the next triennial investigation (effective no later than 30 June 2026), and that the cost of member and plan management fees met by the Employer continue to be funded from the defined benefit reserve over that period.

We also recommend that the Trustee allow the Employer to continue to meet the cost of employer-financed insurance premiums (for defined benefit members and accumulation members) from the Plan's surplus assets until completion of the next triennial investigation (effective no later than 30 June 2026).

In addition, we recommend:

- Continuation of current quarterly vested benefit reviews; 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.

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, 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

13 December 2023