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# Report to the Trustee on the Actuarial Investigation as at 1 July 2024

## ITW Superannuation Plan

(A plan in the MLC Super Fund)

16 December 2024

A business of Marsh McLennan

# Contents

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# Key Results and Recommendations

I have prepared this report on the actuarial investigation of the ITW Superannuation Plan (the Plan), a plan in the Plum Division of the MLC Super Fund, as at 1 July 2024 for NULIS Nominees (Australia) Ltd, as Trustee of the Plan. The Plan is closed to new defined benefit members.

My report should not be relied upon for any other purpose or by any party other than the Plan's Trustee. Mercer is not responsible for the consequences of any other use. This report should be considered in its entirety and not distributed in parts. The Trustee should share this report with ITW Australia Pty Ltd (the Company) who contributes to the Plan. The Company may consider obtaining separate actuarial advice on the recommendations contained in the report.

## Change in Financial Position

I set out below a summary of the Plan's financial position, at both this and the previous actuarial investigation.

| | Position at 1 July 2024 | | Coverage at 1 July 2021 |
|---|---|---|---|
| **Defined Benefits Only*** | **$000** | **Asset Coverage** | |
| Assets | 2,871 | | |
| Liability for Vested Benefits | 2,493 | 115.2% | 126.7% |
| Liability for Actuarial Value of Accrued Benefits | 2,520 | 113.9% | 121.7% |
| Liability for SG Minimum Benefits | 2,168 | 132.4% | 149.9% |

* The above totals exclude accumulation liabilities of $37,199,000 and additional accumulation balances for defined benefit members of $820,000 as at 1 July 2024.

The coverage levels at 1 July 2024 were lower than the levels at the previous actuarial investigation primarily due to the following items of negative experience:

- Defined benefit assets being used to pay for accumulation members management and insurance expenses, rather than by way of additional Company contributions or deductions from members' accounts;
- Company contributions being less than the cost of benefit accrual (i.e the Company contribution holiday for Defined Benefit members), which aligns with the contribution recommendation at the last actuarial investigation; and
- Crediting rates of 4.9% p.a., which were higher than the investment returns of the assets backing them (4.1% p.a.).

Partially offset by the following items of positive experience:

- Earnings on surplus (i.e. surplus has increased by positive investment returns)
- A reduction in the membership from 9 to 4 members which has spread the remaining surplus over a smaller liability base.

## Recommended Contribution Rates and Projections

At 1 July 2024, the Plan was in a satisfactory financial position. The 115.2% coverage of the Defined Benefit Vested Benefits was above the financing objective of 105% coverage adopted for this investigation.

Based on the financial position as at 1 July 2024, the subsequent membership movements to 31 December 2024 (i.e. three of the remaining four Defined Benefit members leaving the Plan) and noting the Company is expecting [redacted], I recommend that the Company contribute to the Plan in accordance with the following contribution program:

**Prior to 30 June 2025**

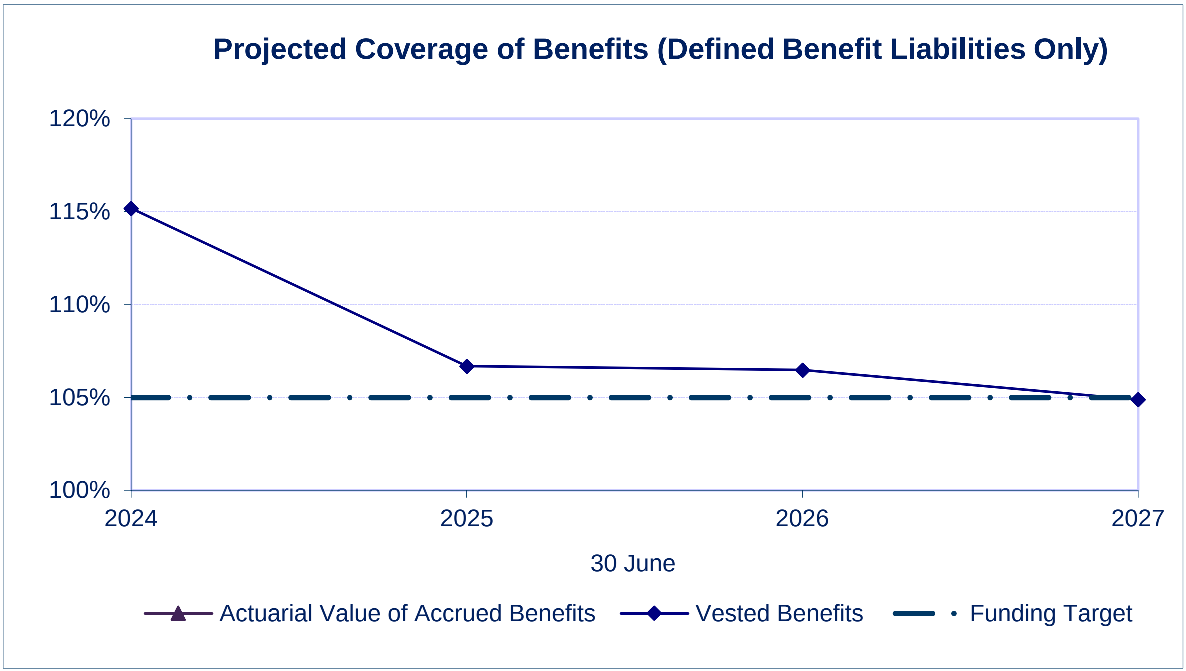
- Nil in respect of defined benefit members;
- A lump sum contribution of $50,000 in the quarter ending 31 December 2024, to meet the management and insurance expenses in respect of the Defined Benefit and accumulation members;
- A lump sum contribution of $50,000 in the half-year ending 30 June 2025, to meet the management and insurance expenses in respect of the Defined Benefit and accumulation members;
- Management and insurance expenses in respect of accumulation members, estimated to be about $20,000 per month, can continue to be met from the assets of the Plan, rather than by way of additional Company contributions or deductions from members' accounts;
- Amounts in respect of salary sacrifice and deemed member contributions; and
- Amounts allocated to accumulation members' accounts.

**From 1 July 2025** [redacted]

- Nil in respect of defined benefit members;
- Lump sum contributions of $50,000 per quarter payable at the end of each quarter, to meet the management and insurance expenses in respect of the Defined Benefit and accumulation members;
- Management and insurance expenses in respect of accumulation members, estimated to be about $20,000 per month, can continue to be met from the assets of the Plan, rather than by way of additional Company contributions or deductions from members' accounts;
- Amounts in respect of salary sacrifice and deemed member contributions; and
- Amounts allocated to accumulation members' accounts.

Note, the recommended Company contribution program will be monitored as part of the quarterly financial position updates and adjusted as required.

I have prepared the following projection of Plan assets and benefit liabilities based on the assumptions adopted for this investigation and the recommended contribution rate, and allowing for any material experience after the investigation date as detailed in this report:




The graph above shows that the recommended contributions are anticipated to result in assets of at least 105% of Defined Benefit Vested Benefits (which is the financing objective adopted in this investigation) until 1 July 2027.

## Risks

The above projection is based on the assumptions adopted, which represent a single scenario from a range of possibilities. The future is uncertain and the Plan's actual experience will differ from these assumptions; these differences may be minor in their overall effect, or they may be significant and material.

In addition, different sets of assumptions or scenarios may also be within the reasonable range and results based on those alternative assumptions would be different. Consequently, the Trustee should review coverage of Vested Benefits at least once every year and quarterly on an approximate basis.

The Trustee's monitoring of the experience specified in the Notifiable Events section of the Funding and Solvency Certificate will provide a further means of identifying adverse experience which warrants an immediate review of the Plan's financial position.

Sections 7 and 8 provide illustrations of the impact of investment volatility on the projected coverage of Vested Benefits and Actuarial Value of Accrued Benefits. These sections also discuss legislative risk and small plan risks.

## Other Findings and Recommendations

### Suitability of Policies

I am satisfied that the following current policies for the defined benefit section of the Plan are suitable:

- Investment policy;
- Crediting rate policy;
- Insurance arrangements;
- Shortfall Limit (for the purposes of SPS 160); and
- Trustee’s process for monitoring the Plan’s financial position.

## Actions Required by the Trustee

The Trustee should consider this report and confirm its agreement (or otherwise) to the contribution and other recommendations.

The Trustee should seek formal agreement from the Company to contribute in line with the recommendations.

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# Introduction

## Background of the Plan

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

Plan members receive lump sum defined benefits on retirement, death or disablement. I set out a high level summary of the benefits provided in Appendix A.

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

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

The governing rules of the Plan are set out in MLC Super Fund Trust Deed dated 20 December 2017 (as amended) and the Plan's Participation Agreement dated 1 February 2018 (as amended), which detail the benefits applying to members of the Plan.

## Purpose

I have prepared this report exclusively for the Trustee of the ITW Superannuation Plan for the following purposes:

- To present the results of an actuarial investigation of the Plan as at 1 July 2024;
- To review Plan experience for the period since the previous actuarial investigation as at 1 July 2021;
- To recommend contributions to be made by the Company intended to allow the Plan to meet its benefit obligations in an orderly manner, and to reach and maintain an appropriate level of security for members' accrued benefit entitlements;
- To satisfy the requirements of the Plan's Trust Deed for actuarial investigations of the Plan's financial position; and
- To meet legislative requirements under relevant Commonwealth superannuation legislation; these include the Superannuation Industry (Supervision) Act 1993 and associated regulations (SIS legislation) and SPS 160.

My report satisfies Professional Standard 400 issued by the Actuaries Institute setting out requirements for actuarial investigations of defined benefit superannuation funds.

The previous actuarial investigation was conducted as at 1 July 2021 by me on behalf of Mercer, and the results are contained in a report dated 22 December 2021.

## Significant Events since the Investigation Date

The Employer has confirmed that all Category B members (three out of four Plan members) have been retrenched and left the Plan since 1 July 2024. I have made allowance for these known exits to occur within the first projection year when projecting the Plan’s financial position.

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# Experience since the Last Investigation

## Data Provisions

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

I have also relied upon the documents, including amendments, governing the Plan as provided by the Trustee. The Trustee is ultimately responsible for the validity, accuracy and comprehensiveness of this information. If the data or Plan provisions are not accurate and complete, the investigation results may differ significantly from the results that would be obtained with accurate and complete information; this may require a revision of this report.

## Membership

The membership of the Plan's defined benefit section has changed since 1 July 2021 as follows:

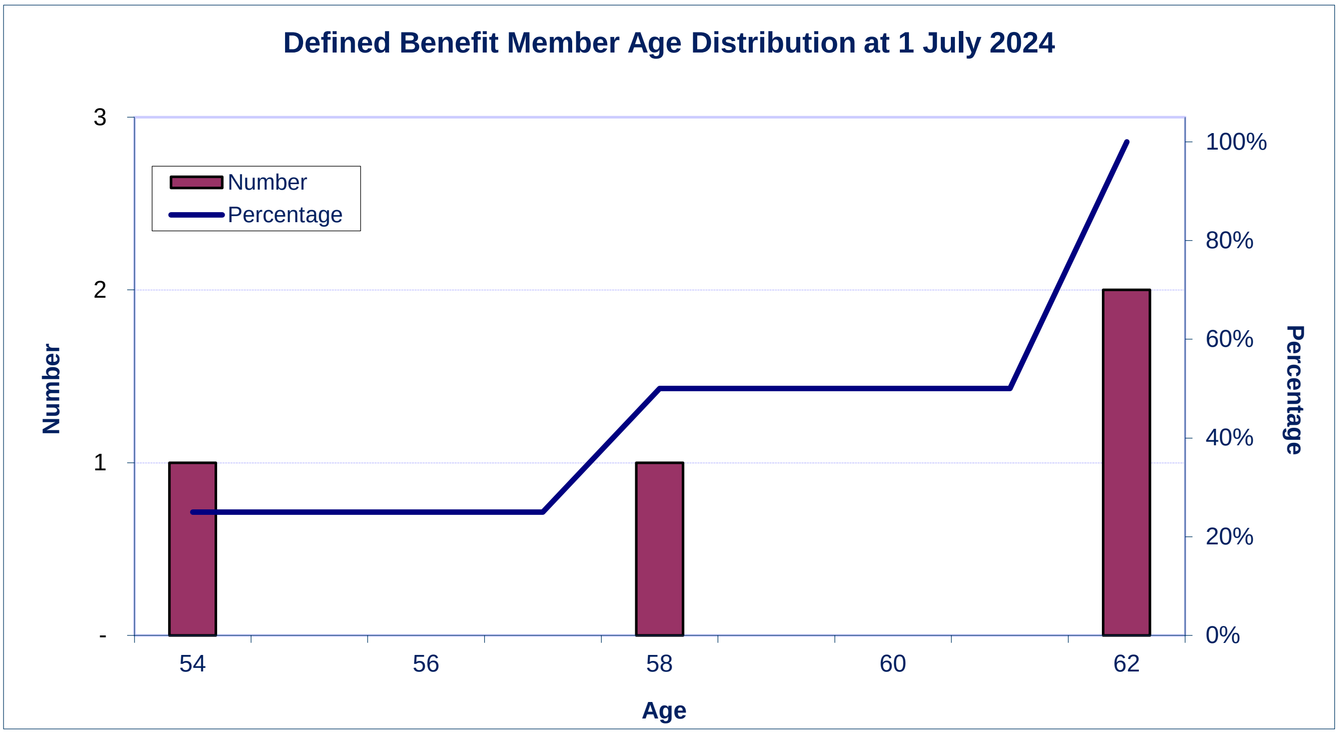
| | |
|---|---|
| Active members at 1 July 2021 | 9 |
| Exits | 5 |
| Active members at 1 July 2024 | 4 |

| | |
|---|---|
| Total salaries at 1 July 2024 | $563,000 |
| Average salaries at 1 July 2024 | $141,000 |
| Average age at 1 July 2024 | 59.6 years |

In addition, there were 210 members at 1 July 2024 with total salaries of $18.9m whose benefits are determined wholly on a defined contributions (or 'accumulation') basis.

During the period under review the number of defined benefit members within the Plan decreased from 9 to 4 members. This means that the surplus is spread over a smaller number of members so that the coverage of the benefit liabilities (when expressed as a percentage) has increased accordingly.

The defined benefit membership split by age as at the 1 July 2024 is shown in the following graph:




## Investment Returns and Crediting Rates

The table below shows the rates of investment earnings (after tax, investment fees and asset based administration fees) for the assets supporting the defined benefits and crediting rates applied to defined benefit members' accounts, over the period since the previous investigation.

| Year Ending | Investment Return (p.a.) | Crediting Rate (p.a.) |
|---|---|---|
| 1 July 2022 | -2.1% | -2.0% |
| 1 July 2023 | 6.8% | 8.1% |
| 1 July 2024 | 7.8% | 8.8% |
| **Compound Average** | **4.1%** | **4.9%** |

The average investment return for the three-year period to 1 July 2024 was 4.1% p.a. compared to the long term assumption at the last actuarial investigation of 3.5% p.a. The higher return than assumed investment return had a minor positive impact on the Plan's financial position. However, this impact was offset by the higher than assumed crediting rates, which had a negative impact on the Plan's financial position, see below.

The average crediting rate for the three year period to 1 July 2024 was 4.9% p.a. compared with an actual investment return of 4.1% p.a. The higher crediting rate had a negative impact on the Plan's financial position as the liabilities for these members grew more rapidly than the assets backing them.

## Salary Increases

Salaries for the current defined benefit members increased by an average of 6.2% p.a. over the period compared to the longer term assumption at the last actuarial investigation of 3.0% p.a. The higher salary increases than assumed had a minor negative impact on the Plan's financial position, as most of the Plan's liabilities were not salary related.

## Contributions

In accordance with the prior actuarial investigation recommendation, the Company contributions paid since the date of the previous actuarial investigation were nil.

The level of contributions paid over the three year period was lower than the long-term Company contribution rate (i.e. the estimated employer cost of future service benefits). As expected this had a negative impact on the Plan's financial position.

## Expenses

In accordance with the prior actuarial investigation, the Defined Benefit assets were used to pay management and insurance expenses in respect of accumulation members, which averaged around $230,000 per annum. As expected, this has had a negative impact on the Plan's financial position.

## Impact of Experience on the Financial Position

The main experience items affecting the Plan's financial position during the period from 1 July 2021 to 1 July 2024 were as follows:

| Item(s) | Assumptions at previous investigation | Plan experience | Comment on effect |
|---|---|---|---|
| Expenses | | Defined Benefits assets used to pay accumulation expenses | **Negative effect** – reduction in Defined Benefit surplus |
| Contributions vs benefit accrual | 10.4% of salaries | Nil | **Negative effect** – contributions lower than long-term Company contribution rate |
| Crediting rates vs investment returns | | 4.9% vs 4.1% | **Negative effect** – benefits grew at a higher rate than the assets backing them |
| Salary increases | 3.0% p.a. | 6.2% p.a. | **Minor negative effect** – benefits grew at a higher rate than assumed |
| Earnings on surplus | | | **Positive effect** – surplus has been increased by positive investment return |
| Investment returns | 3.5% p.a. | 4.1% p.a. | **Minor positive effect** – investments grew at a higher rate than assumed |
| Membership changes | | | **Positive effect** – reduction in membership has spread excess assets over significantly smaller membership base |

The overall impact of this experience was a reduction in the Plan's financial position of approximately $0.85 million as at 1 July 2024.

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# Actuarial Assumptions

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

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

less

- Members' contributions; and
- The return on investments.

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

The actuarial process includes projections of possible future Plan assets and benefit liabilities on the basis of actuarial assumptions about future experience.

These assumptions include investment returns, salary/wage increases, crediting rates, the rates at which members leave the Plan for various reasons, and other factors affecting the financial position of the Plan.

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

## Economic Assumptions

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

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

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

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

| | Assumption |
|---|---|
| Investment returns (after tax, investment and asset based administration fees) | 4.5% p.a. |
| Crediting rate (after tax and investment fees) | 4.75% p.a. |
| General salary increases | 3.0% p.a. |

The assumption for investment returns is based on the expected investment return over a period matching the future duration of the liabilities of the Plan, for the Plan's current benchmark investment mix, calculated using Mercer's assumptions of the means and standard deviations of returns from the various underlying asset classes and the correlations of returns between those asset classes.

The salary increase assumption is based on long term economic forecasts for future increases in average weekly earnings (AWOTE) and discussions with the Company.

## Demographic and Decrement Assumptions

The following information outlines the assumptions that have been made concerning the rates at which members will leave the Plan for a variety of reasons.

### Retrenchment

The Employer has confirmed that all Category B members (three out of four Plan members) have been retrenched and left the Plan since 1 July 2024. I have made allowance for these known exits to occur within the first projection year when projecting the Plan's financial position.

### Retirement, Resignation, Death and Disablement in Service

I have assumed the last remaining defined benefit member will leave the Plan [redacted] This assumption has been made to ensure the continued funding of the Plan should [redacted]

## Other Assumptions

### New Members

The Plan's defined benefit section is closed to new entrants and I have made no allowance for new members.

### Expenses

Administration and management expenses plus the cost of insurance for defined benefit and accumulation members are met from defined benefit assets. Based on recent experience, these are assumed to be $200,000 p.a.

The expense assumption from the previous actuarial investigation was that the administration and management expenses plus the cost of insurance for defined benefit and accumulation members would be $350,000 p.a. This has been updated to better reflect the recent experience of the Plan.

### Tax

I have assumed that the current tax rate of 15% continues to apply to the Plan's assessable income, along with current tax credits and deductions.

All future Company Contributions and member salary sacrifice contributions are assumed to be subject to 15% contribution tax, after deduction of any insurance premiums and administration and management costs. All contribution recommendations quoted in this report are gross of contributions tax.

I have made no allowance for:

- Excess contributions tax, as this is payable by the member.
- Additional tax on contributions (including defined benefit notional contributions) for those with incomes above the threshold (currently $250,000), which is also payable by the member.

## Impact of the Changes in Assumptions

I have summarised in the table below the changes in assumptions from those used in the previous investigation and the reasons for the changes:

| Assumption | Investigation at 1 July 2024 | Investigation at 1 July 2021 | Reason for change |
|---|---|---|---|
| Investment returns | 4.5% p.a. | 3.5% p.a. | Increased outlook for future investment returns |
| Crediting Rate | 4.75% p.a. | 4.0% p.a. | Increased outlook for future investment returns |
| Decrements | • Category B members: 100% retrenched in the first projection year<br>• Category A member: Leave the Plan at the age of 65 | All members will leave the Plan at the age of 65 | As notified by the Employer that all Category B members will be retrenched post 1 July 2024 |
| Expenses | $200,000 p.a. | $350,000 p.a. | Based on recent Plan experience |

The overall impact of the changes in assumptions was to decrease the Actuarial Value of Accrued Benefits at 1 July 2024 by $0.1 million and decrease the assessed long-term Company cost of future service benefits (excluding the explicit expenses) by 1.2% of salaries.

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# Assets

## Market Value

The net market value of the Plan’s assets as at 1 July 2024 was $40,890,000 (based on the data provided by the Plan’s administrator.

| Calculation of Defined Benefits Assets at 1 July 2024 | |
|---|---|
| **Net market value of the Plan’s assets as at 1 July 2024** | **$40,890,000** |
| *Less* accounts for accumulation members | $37,199,000 |
| *Less* accumulation accounts for defined benefit members | $820,000 |
| **Net assets to support the defined benefit liabilities of the Plan** | **$2,871,000** |

## Operational Risk Reserves

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

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

## Investment Policy

### Assets backing Defined Benefit Liabilities

The Plan’s investment strategy for assets supporting defined benefit liabilities is a combination of 28% in the MLC Stable option and 72% in the MLC Balanced within the MLC Super Fund, which currently involves a benchmark exposure of 55% to ‘growth’ assets such as shares and property and a benchmark exposure of 45% to ‘defensive’ assets such as cash and fixed interest. Please refer to the table below for the actual and benchmark investment allocations of these assets as at the investigation date. ‘Growth’ assets are expected to earn higher returns over the long term compared to ‘defensive’ assets, but at the same time to exhibit more variation in returns from year to year.

The strategic asset allocation for the assets supporting the defined benefit liabilities are as follows:

| Asset Class | Strategic Asset Allocation |
|---|---|
| Australian equities | 21% |
| Overseas equities | 24% |
| Property | 5% |
| Other Growth | 5% |
| **Total growth** | **55%** |
| Fixed interest | 26% |
| Other defensive | 6% |
| Cash | 13% |
| **Total defensive** | **45%** |
| **Total** | **100%** |

The final remaining defined benefit member is expected to receive a salary-related benefit on exit. Therefore, the volatility of the Plan's investment returns will have an effect on the financial position of the Plan and the required level of Company contributions.

I am satisfied that the current investment strategy is appropriate in view of the Plan's current and projected financial position and the financial support provided by the Company.

This conclusion takes into account my understanding that the Company understands the possible variability in future contributions associated with the current investment policy. If the Company has a different view, then this policy should be reviewed.

## Assets backing Accumulation Benefit Liabilities

The Plan provides members with a range of investment options for their accumulation benefits (including the additional account balances of defined benefit members). The assets supporting the Plan's accumulation benefit liabilities are invested according to members' selected investment options and the actual returns on those investments (whether positive or negative) are passed on to members via changes in the unit prices by which member account balances are determined. Thus the Plan's accumulation liabilities and related assets are fully matched.

I consider that the Plan's investment policy for assets relating to accumulation liabilities is suitable, having regard to the nature and term of these liabilities.

The Plan's investments are expected to provide a high level of liquidity in normal circumstances.

# Crediting Rate Policy

## Defined Benefits

The main features of the crediting rate policy in relation to defined benefits are summarised briefly below:

***For the period up to the date of leaving service***

Members' resignation benefits as well as their Superannuation Guarantee minimum benefits are based on the accumulation of member and notional Company contributions with investment earnings at the Crediting Rate.

The Crediting Rate is determined based on the actual earning rate of the MLC Balanced investment option, after allowance for tax and investment costs, asset-based administration fees and any applicable rebates. The crediting rate is declared monthly after the actual earning rate for the month becomes available. For benefit payments, interim crediting rates apply for the period up to the date of leaving service for which a declared rate is not yet available. The Interim Crediting Rate is determined based on gross Commonwealth Government 10-Year Bond Rate (i.e. with no allowance for tax), at the last business day of the previous quarter, which will apply for the following quarter.

If any exceptional experience occurs during the quarter (i.e. actual cumulative return since the previous quarter end is more than 5 percentage points different from the cumulative interim rate for the same period) the Trustee may declare a new crediting rate prior to the standard quarterly process.

Whilst the quarterly update of the interim rate theoretically allows some scope for anti-selection, taking into account the nature of the benefits and that termination of service (with associated notice periods) would generally be required to trigger a payment, I consider that the current frequency of review of interim rates is appropriate.

***For the period from the date of leaving service***

Members' benefits are crystallised at the date of leaving service. For the period from the date of leaving service to the date of payment of the benefit (or until transferred to an investment option nominated by the member), the benefit is credited with interest at the Interim Crediting Rate.

## Accumulation Benefits

The main features of the unit pricing and crediting rate policy in relation to accumulation member accounts and to the additional accumulation accounts of defined benefit members are summarised briefly below:

- Earnings credited to the accounts are based on the actual net earning rates (i.e. earnings net of investment costs, asset-based administration fees and provisions for tax) of the members' selected investment options. Net earnings are allocated via changes in unit prices. Unit prices are determined on a daily basis. Rules relating to the prices at which units are bought and sold are designed to prevent selection against the Plan by members.
- Termination of service does not result in any automatic change in a member's investment options. Member accounts remain invested in their selected investment options until paid.
- No investment reserves are held. Net investment earnings are fully passed on to member accounts via unit prices.

## Documentation

The Plan’s crediting and unit pricing policies and related procedures are set out in Trustee’s Product Management Standard Operating Procedures dated 17 July 2018, with separate documentation of non-standard approaches.

The standard approach is for crediting rates to be based on the investment return of the Plan’s defined benefit assets. However, following the change in investment strategy from February 2018, we understand the crediting rates for this Plan should be based on the investment return of the assets in the MLC Balanced investment option only. The documentation should be updated if it has not already been completed to reflect this revised approach.

## Conclusion

Based on a review of the main features, I consider that the unit pricing and crediting rate policy adopted for these benefits is generally suitable taking into consideration the principles of equity between different generations of members and any material risks which may have a significant impact on the Plan (i.e. a market shock or sudden downturn in investment markets).

A detailed review of the policy and related procedures is outside the scope of this investigation.

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# The Actuarial Approach

## Financing Objective

The financing objective adopted for this investigation is to maintain the value of the Plan's assets at least equal to:

- 100% of accumulation account balances plus
- 105% of Defined Benefit Vested Benefits

Accumulation account balances are matched by specific assets and do not require any additional margins. The final remaining member of the Plan is expected to receive a salary-related benefit on exit. Therefore, a margin in excess of 100% coverage of Defined Benefit Vested Benefits is desirable to provide some security against adverse experience. I consider that the target margin of 5% is suitable.

Based on the assumptions adopted for this investigation, achieving the financing objective of 105% of Vested Benefits for defined benefit members would also result in at least 100% coverage of the Actuarial Value of Accrued Benefits and a satisfactory margin of coverage over 100% of SG Minimum Benefits. Hence, I do not consider it necessary to adopt specific financing objectives in relation to these benefit liability measures.

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

### Professional Requirements

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

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

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

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

I have set the financing objective on the basis that members' reasonable expectations on termination would be to receive their vested benefit entitlement.

### Provisions of the Trust Deed

The rules of the MLC Super Fund require that:

- The Trustee ensures an actuarial investigation of the Plan is conducted when required by legislation. Accordingly actuarial investigations are carried out at three yearly intervals at a minimum; and
- The Company must contribute at the rate determined by the Trustee, after consulting the Company, on the advice of the actuary to the Plan, although other provisions of the rules enable the Company to notify the Trustee of its intention to reduce, suspend or terminate contributions to the Plan.

## Financing Method

There are various financing methods that could be followed in setting the Company contribution level. This investigation uses a "Target Funding" method, which was also used at the previous investigation.

Under this method, the Company contribution rate required to provide a target level of coverage of a particular benefit liability measure is determined.

The level of the Company contributions may vary from time to time to ensure that the Plan remains on course towards its financing objective (minimum 105% coverage of Vested Benefits).

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

### Changes in Financing Method

The Target Funding method was used at the previous investigation.

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# Financial Position of the Plan

## Funding Status

### Vested Benefits

Vested Benefits are the amounts payable as of right should all active members voluntarily resign or, if eligible, retire at the investigation date.

At 1 July 2024, the Plan assets represented 115.2% of the vested benefits and hence the Plan was considered to be in a “satisfactory financial position” under SIS legislation. The 115.2% coverage of the Defined Benefit Vested Benefits was above the financing objective of 105% coverage adopted for this investigation.

### SG Minimum Benefits

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

The Plan assets at 1 July 2024 were 132.4% of MRBs and hence the Plan was considered to be “solvent” under SIS legislation.

### Actuarial Value of Accrued Benefits

The Actuarial Value of Accrued Benefits is the expected value (as at the investigation date) of all future expected benefit payments, based on membership to date, discounted to the investigation date, taking into account the probability of payment. This value is calculated using the actuarial assumptions and method outlined in the previous sections. In determining the value, I have not applied a minimum of the vested benefits. Further details concerning the calculation of the Actuarial Value of Accrued Benefits are set out in Appendix B.

The Plan Assets as 1 July 2024 represented 113.9% of the Actuarial Value of Accrued Benefits.

This was above the financing objective of 105% coverage adopted for this investigation.

The following table shows these funding measures at both the previous and current investigation dates.

| Defined Benefits Only* | Position at 1 July 2024 $000 | Position at 1 July 2024 Asset Coverage | Coverage at 1 July 2021 |
|---|---|---|---|
| Assets | 2,871 | | |
| Liability for Vested Benefits | 2,493 | 115.2% | 126.7% |
| Liability for Actuarial Value of Accrued Benefits | 2,520 | 113.9% | 121.7% |
| Liability for SG Minimum Benefits | 2,168 | 132.4% | 149.9% |

* The above totals exclude accumulation liabilities of $37,199,000 and additional accumulation balances for defined benefit members of $820,000 as at 1 July 2024.

The coverage levels at 1 July 2024 were lower than the levels at the previous actuarial investigation due to the overall negative experience discussed in Section 3.

## Company Future Service Cost

Based on the assumptions adopted for this investigation, I estimate that the Company's long-term funding costs (i.e. the normal cost of funding future service defined benefit accruals for each category) are as follows:

| Defined Benefit Membership Group | Company long-term cost (of future benefit accrual) (% of Salary/Wage) |
|---|---|
| A:2 | 11.6% |
| B:1 | 7.1% |

An average rate for current members is 11.2% of salaries.

The Company's long-term funding cost above excludes the expected expenses (assumed to be $200,000 per annum) but includes allowance for the contributions tax.

The assessed long-term costs for future service increased by 0.8% of salaries since the last investigation due to a change in Plan's membership profile.

## Previous Recommendations

| Recommendations | Status |
|---|---|
| Contribution program | Company contributed in accordance with the recommendations |

## Recommended Contributions

Based on the financial position as at 1 July 2024, the subsequent membership movements to 31 December 2024 (i.e. three of the remaining four Defined Benefit members leaving the Plan) and [redacted], I recommend that the Company contribute to the Plan in accordance with the following contribution program:

**Prior to 30 June 2025**

- Nil in respect of defined benefit members;
- A lump sum contribution of $50,000 in the quarter ending 31 December 2024, to meet the management and insurance expenses in respect of the Defined Benefit and accumulation members;
- A lump sum contribution of $50,000 in the half-year ending 30 June 2025, to meet the management and insurance expenses in respect of the Defined Benefit and accumulation members;
- Management and insurance expenses in respect of accumulation members, estimated to be about $20,000 per month, can continue to be met from the assets of the Plan, rather than by way of additional Company contributions or deductions from members' accounts;
- Amounts in respect of salary sacrifice and deemed member contributions; and
- Amounts allocated to accumulation members' accounts.

**From 1 July 2025 [redacted]**

- Nil in respect of defined benefit members;
- Lump sum contributions of $50,000 per quarter payable at the end of each quarter, to meet the management and insurance expenses in respect of the Defined Benefit and accumulation members;
- Management and insurance expenses in respect of accumulation members, estimated to be about $20,000 per month, can continue to be met from the assets of the Plan, rather than by way of additional Company contributions or deductions from members' accounts;
- Amounts in respect of salary sacrifice and deemed member contributions; and
- Amounts allocated to accumulation members' accounts.

Note, the recommended Company contribution program will be monitored as part of the quarterly financial position updates and adjusted as required.

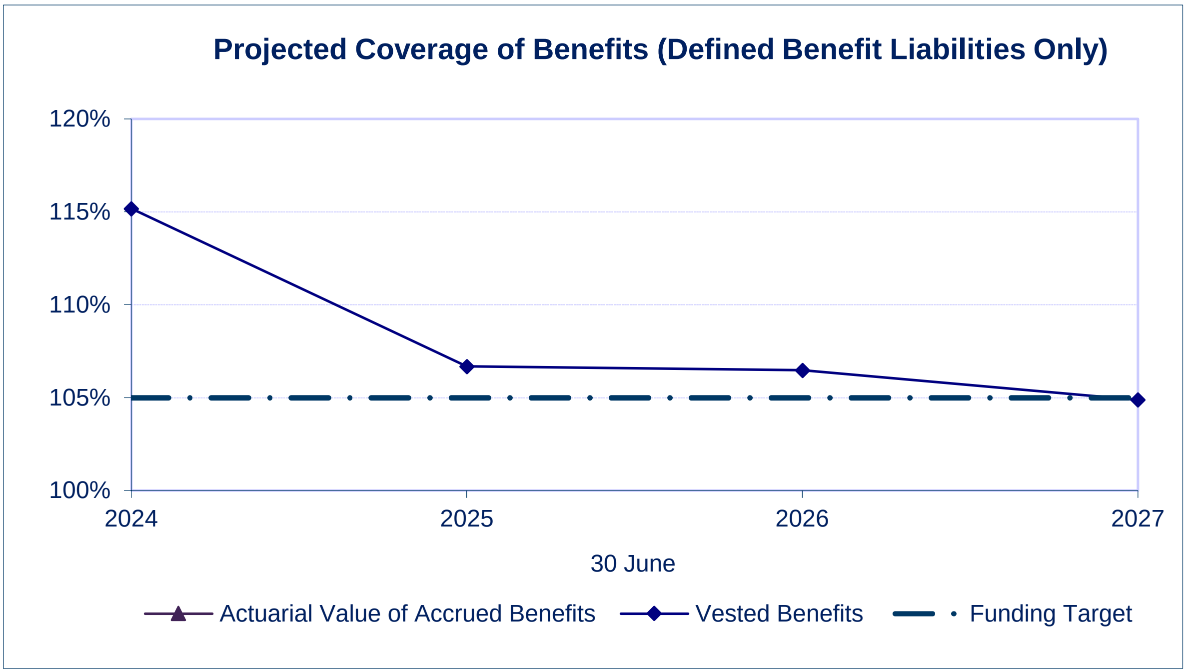
In practice, it is likely to be necessary to vary the Employer contributions at some point in the future to achieve the Trustee's financing objective.

## Projected Financial Position

I have prepared a projection of Plan assets and benefit liabilities based on:

- The actuarial assumptions adopted for this investigation;
- The recommended Company contributions.

The results of the projection are as follows:




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

The projection above shows that the recommended contributions are anticipated to result in assets of at least 105% of Defined Benefit Vested Benefits (which represents the financing objective adopted in this investigation) until 1 July 2027.

## Sensitivity Analysis

I have tested the effect of changes to the key assumptions on the value of liabilities and the Plan's financial position.

The liabilities shown in this report are calculated using my best estimate assumptions for investment return (4.5% p.a.) and salary growth (3.0% p.a.). As both future investment returns and future salary increases are unknown, it is almost certain that actual experience will differ from these assumptions.

It is the difference between the investment return rate and salary growth rate (commonly referred to as the 'gap') that is crucial rather than the individual assumptions, because the value of the assets move with investment returns while most of the Plan's defined benefit liabilities grow with salaries.

To quantify the sensitivity of the financial position to my assumptions, I have calculated the change in the Actuarial Value of Accrued Benefits based on the following scenarios:

- Decrease the long term investment return assumption by 1% p.a.;
- Increase the salary growth assumption by 1% p.a.;

All other assumptions, including the Company contribution rates, are assumed to remain the same.

The effects of these changes are shown below, with the impact of the change as a percentage of assets shown in brackets:

| Scenario | Surplus/(deficit) $m | Change in surplus/(deficit) $m |
|---|---|---|
| Base assumptions as shown previously | 0.351 | |
| Decrease investment return by 1% p.a. | 0.233 | -0.118 |
| Increase salary increase by 1% p.a. | 0.299 | -0.051 |

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# Key Risks

## Investment Volatility

The final remaining defined benefit member is expected to receive a salary-related benefit on exit. Therefore, the Plan's vested benefits coverage is sensitive to changes in investment returns.

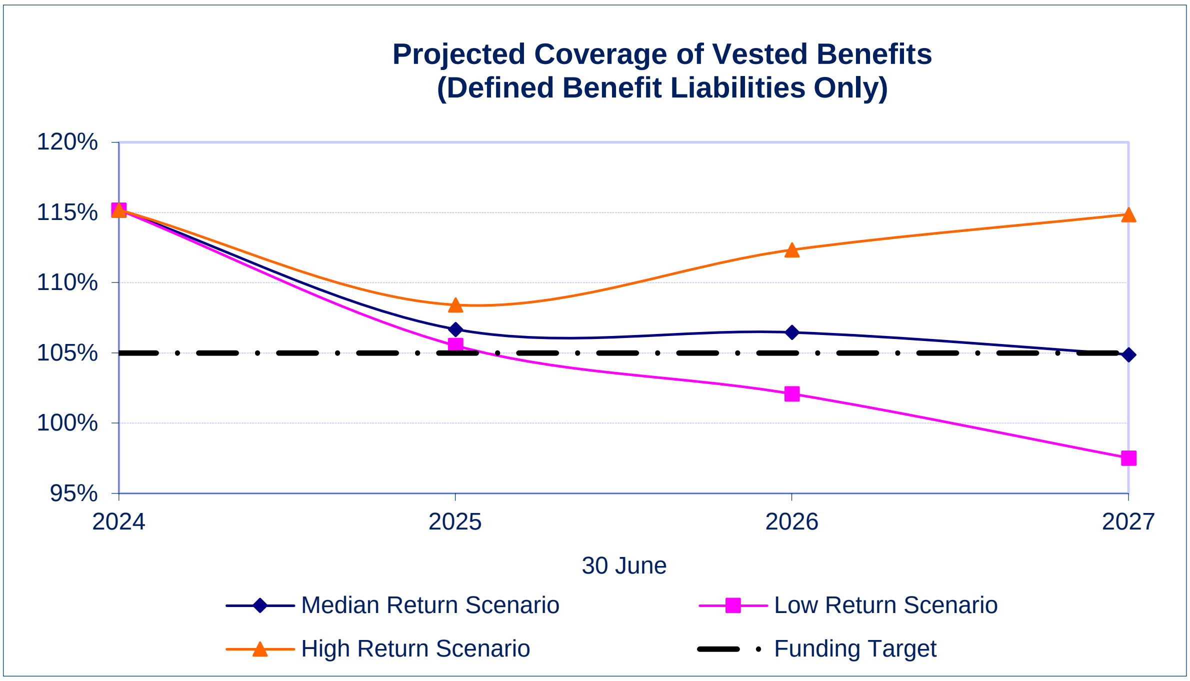
I have considered the impact of investment volatility on the Plan's financial position over the next few years using a "high return" and a "low return" scenario. The returns under both scenarios have been derived from assumptions about the likely risk attached to the Plan's defined benefit investment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

Using the investment return model and assumptions adopted, there is approximately a 10% chance of the Plan's cumulative investment return being less than the "low return" scenario over the next 5 years. Similarly, there is approximately only a 10% chance of the Plan's cumulative investment return being greater than the "high return" scenario over the next 5 years.

| 1 July 2024 to 1 July | Assumed Cumulative Investment Return (%) | | |
|---|---|---|---|
| | "Low Return" | Valuation | "High Return" |
| 2025 | 1.3% | 4.5% | 8.5% |
| 2026 | 2.6% | 9.2% | 17.8% |
| 2027 | 3.9% | 14.1% | 27.8% |
| 2028 | 5.2% | 19.3% | 38.7% |
| 2029 | 6.5% | 24.6% | 50.5% |

The cumulative investment return is the total return from up to 1 July in the year shown. The extent of variation allowed for in these projections reflects the Plan's asset mix and Mercer's views on potential variability in investment results in various investment sectors.

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




Based on fluctuations in investment returns only, and assuming other experience is in line with the assumptions adopted for this investigation, there is approximately an 80% chance that the coverage of assets over Vested Benefits at 1 July 2027 will fall in the range from 98% to 115%.

The "low return" scenario and the "high return" scenario shown above are illustrations only, and show what may occur under assumed future experiences that differ from my baseline assumptions. These scenarios do not constitute upper or lower bounds and the actual future coverage of Vested Benefits may differ significantly from the range shown above, depending on actual future experience. In fact, there is a 1 in 20 chance that the investment return could be less than minus 8% in any year based on the current Plan asset allocation.

In my view, the Trustee should be satisfied with the expected level of security over the next few years if the Company contributes at the recommended levels.

## Salary Growth Risk

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

For example, if the assumed future salary increase rate was increased by 1% p.a. with no change in other assumptions, then the Plan's financial position would deteriorate by $0.05 million as shown in the table in Section 7.

The actual rate of future salary increases may vary (positively or negatively) from the rate assumed at this investigation by much more than the (positive) 1% p.a. illustrated in the example above.

## Legislative Risk

This risk is that the Commonwealth Government could make legislative changes that increase the cost of providing the defined benefits – for example, an increase in the rate of tax on superannuation funds. This risk is borne by the Company and is a real risk with the current level of government debt and interest rates.

## Small Plan Risk

This risk relates to supporting a defined benefit plan where there are few remaining defined benefit members meaning the law of averages no longer applies and the time horizon of the defined benefit liabilities may have become short. Issues that may require consideration include:

(i) Funding may have previously been based on the Defined Benefit Plan continuing in the longer-term, which may no longer hold. Therefore, greater focus is required on the funding of benefits immediately payable to members (e.g. Defined Benefit Vested Benefits);

(ii) With few remaining members, the experience of a single member or event will have a proportionately larger impact on the financial position. Therefore, more frequent monitoring of the financial position will be required;

(iii) The investment strategy may have been set based on the Defined Benefit liabilities continuing in the longer-term, which may no longer hold. Therefore, the strategy may need to be revised to reflect the shorter term of the liabilities;

(iv) Fees in respect of the Plan, particularly relative to the number of defined benefit members and salary roll, can become significant. Most actuarial tasks are essentially the same whether there are one or 100 defined benefit members. As defined benefit funds reduce in membership, the actuarial fees may, in fact, increase because of additional monitoring being required. Industry changes such as the SG rate increase can also result in additional fees; and

(v) The expected wind-down of the remaining defined benefit members.

The Plan’s Risk Management Statement and Risk Management Plan should identify a full range of risks faced by the Trustee.

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# Insurance and Related Risks

## Insurance

The Plan is not permitted to self-insure.

For accumulation members, death and lump sum total and permanent disablement (TPD) benefits in excess of total account balances are fully insured, as are disability income benefits.

For defined benefit members, the group life sum insured formula currently in use for both death and TPD benefits is:

Sum insured = (Normal Retirement Multiple - Accrued Retirement Multiple) x Salary

The total amount insured should cover the excess of the death/TPD benefits over the Plan's assets. Based on the formula in use at the investigation date, the coverage of death/TPD risk as at 1 July 2024 for the Plan was as follows.

| | **Defined Benefit members** | **$000** |
|---|---|---|
| | Death/Disablement Benefits* | 3,233 |
| ***less*** | Sum Insured | 607 |
| ***less*** | Assets | 2,871 |
| | **Uncovered Death/Disablement Benefits** | **(245)** |

*excluding additional balances of the defined benefit members

The formula has resulted in insurance being more than sufficient to provide full protection due to the excess of assets over Accrued Retirement Benefits.

In theory, the Trustee could consider changing the sum insured formula with a view to reducing the degree of over-insurance and the associated premiums. However, there are a number of practical difficulties with such a change. These include:

- Navigating the regulatory environment relating to self-insurance and insurance management frameworks;
- Accommodating movement in the levels of surplus; and
- The cost of implementing the insurance changes, which could potentially outweigh the premium savings.

I therefore conclude that the sum insured formula remains appropriate and provides adequate protection for the Plan.

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

For disability income benefits, the benefit provisions are entirely matched by the insurance cover. As such, there is no funding gap and any claims or adverse experience has no immediate financial impact on the Plan.

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

### Documentation

The death and TPD insurance arrangements are underwritten by MLC Limited (“the insurer”) and outlined in a policy dated 1 December 2009 between the Trustee and the insurer (updated with an effective date of 1 February 2024). The purpose of the insurance policy is to protect the Plan against unexpectedly large payouts on the death or disablement of members.

The disability income benefits insurance arrangements are underwritten by MLC Limited (“the insurer”) and outlined in a policy dated 1 December 2009 between the Trustee and the insurer (updated with an effective date of 1 February 2024).

I consider that the Plan’s current self-insurance arrangements are suitable.

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# Prudential Standards

The prudential regulator (APRA) has issued a number of Prudential Standards for the superannuation industry, including SPS 160 relating to the financial management and funding of defined benefit plans. I comment below on several requirements arising from SPS 160.

## Shortfall Limit

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

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

I understand that the Plan's Shortfall Limit, determined by the Trustee on the basis of previous actuarial advice, is 100% as the Company was on a contribution holiday.

The Shortfall Limit is expressed as the coverage level of the Defined Benefit Vested Benefits by the defined benefit assets. It is appropriate to consider the following factors when determining if the Shortfall Limit remains appropriate:

- The guidance provided in the relevant Actuaries Institute Practice Guideline 499.08: Shortfall Limit Required under APRA Prudential Standard 160 dated March 2023;
- The investment strategy for defined benefit assets, particularly the benchmark exposure of 55% to "growth" assets;
- The results of this investigation regarding the extent to which the current and projected Vested Benefits are not linked to the investment return on defined benefit assets (i.e. salary-based benefits) and the current and projected relativity between Vested Benefits and Minimum Requisite Benefits.

Based on the above, I recommend the Trustee maintain the current Shortfall Limit, as although the Company is now contributing, it is expected that [redacted]

The projections also indicate that the level of Minimum Requisite Benefits is not expected to be a constraint in determining the Shortfall Limit. I will reassess the suitability of the adopted Shortfall Limit as part of the next regular actuarial investigation. The Shortfall Limit should be reviewed earlier if there is a significant change to the investment strategy for defined benefit assets or if the Trustee otherwise considers it appropriate to do so.

## Monitoring Process

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

- An “Interim Actuarial Investigation” may be required (depending on the timing of the next regular actuarial investigation); and
- A Restoration Plan is required to be put in place if an Interim Actuarial Investigation finds the plan has breached its Shortfall Limit. The Restoration Plan must be designed to return the plan to a “satisfactory financial position”, so that the Vested Benefits are fully covered, within a reasonable period that must not exceed 3 years and this must be submitted to APRA.

The Trustee should also continue to monitor the “Notifiable Events” specified in the Plan’s Funding and Solvency Certificate and advise the actuary should any actual or potential Notifiable Events occur.

## Requirements due to Unsatisfactory Financial Position

### Restoration Plan

Under SPS 160, a Restoration Plan is also required to be put in place if the actuary finds in a regular Actuarial Investigation that a plan:

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

The Restoration Plan must be designed to return the plan to a “satisfactory financial position”, so that Vested Benefits are fully covered, within a reasonable period that must not exceed 3 years from the investigation date.

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

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

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

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

## Actuary’s Reporting Requirements

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

These requirements do not currently apply as I am of the opinion that the Plan’s financial position is not unsatisfactory (or about to become unsatisfactory).

## Statements Required by SPS 160

*This section provides statements required to be made under APRA Prudential Standard SPS 160. Values cited relate to the Plan as a whole (inclusive of all accumulation members and accounts).*

(a) The value of the Plan's assets as at 1 July 2024 was $40,890,000. This value excludes assets held to meet the Operational Risk Financial Requirement.

(b) In my opinion, the value of the liabilities of the Plan in respect of accrued benefits as at 1 July 2024 was $40,539,000. Hence, I consider that the value of the assets at 1 July 2024 is adequate to meet the value of the accrued benefit liabilities of the Plan as at 1 July 2024. Taking into account the circumstances of the Plan, the details of the membership and the assets, the benefit structure of the Plan and the industry within which the Company operates, I consider that the assumptions and valuation methodology used are appropriate in relation to the determination of the accrued benefit liabilities for the purposes of this report. Further comments on the assumptions and valuation methodology are set out in Sections 4 and 6 of this report. Assuming that the Company contributes in accordance with my recommendations based on the assumptions used for this actuarial investigation, I expect that assets will remain sufficient to cover the value of accrued benefit liabilities over the period to 1 July 2027.

(c) In my opinion, the value of the liabilities of the Plan in respect of vested benefits as at 1 July 2024 was $40,512,000. Hence, I consider that the value of the assets at 1 July 2024 is adequate to meet the value of the vested benefit liabilities of the Plan as at 1 July 2024. Assuming that the Company contributes in accordance with my recommendations based on the assumptions made for this actuarial investigation, I expect that assets will remain sufficient to cover the value of vested benefit liabilities over the period to 1 July 2027. Hence, I consider that the financial position of the Plan should not be treated as unsatisfactory as defined in SPS 160.

(d) In my opinion, the value of the liabilities of the Plan in respect of the minimum benefits of the members of the Plan as at 1 July 2024 was $40,187,000. Hence the Plan was not technically insolvent at 1 July 2024.

(e) A projection of the likely future financial position of the Plan over the 3-year period following 1 July 2024, based on what I consider to be reasonable expectations for the Plan for the purpose of this projection, is set out in Section 7 of this report,

(f) Based on the results of this investigation, I consider that the Shortfall Limit does not require review. Comments are set out earlier in this section.

(g) In respect of the 3-year period following 1 July 2024, I recommend that the Company contribute to the Plan at least:

**Prior to 30 June 2025**

- Nil in respect of defined benefit members;
- A lump sum contribution of $50,000 in the quarter ending 31 December 2024, to meet the management and insurance expenses in respect of the Defined Benefit and accumulation members;
- A lump sum contribution of $50,000 in the half-year ending 30 June 2025, to meet the management and insurance expenses in respect of the Defined Benefit and accumulation members;

- Management and insurance expenses in respect of accumulation members, estimated to be about $20,000 per month, can continue to be met from the assets of the Plan, rather than by way of additional Company contributions or deductions from members' accounts;
- Amounts in respect of salary sacrifice and deemed member contributions; and
- Amounts allocated to accumulation members' accounts.

**From 1 July 2025** [redacted]

- Nil in respect of defined benefit members;
- Lump sum contributions of $50,000 per quarter payable at the end of each quarter, to meet the management and insurance expenses in respect of the Defined Benefit and accumulation members;
- Management and insurance expenses in respect of accumulation members, estimated to be about $20,000 per month, can continue to be met from the assets of the Plan, rather than by way of additional Company contributions or deductions from members' accounts;
- Amounts in respect of salary sacrifice and deemed member contributions; and
- Amounts allocated to accumulation members' accounts.

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

- All Funding and Solvency Certificates required under Division 9.3 of the SIS Regulations have been issued for the period from the date of the last investigation to 1 July 2024;
- I expect to be able to certify the solvency of the Plan in any Funding and Solvency Certificates that may be required in the three year period from 1 July 2024.

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# Actuarial Certification

## Actuary's Certifications

### Professional Standards and Scope

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

### Use of Report

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

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

### Actuarial Uncertainty and Assumptions

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

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

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

To prepare this report, assumptions are used to select a single scenario from the range of possibilities. The results of that single scenario are included in this report.

However, the future is uncertain and the Plan's actual experience will differ from those assumptions; these differences may be significant or material. In addition, different assumptions or scenarios may also be within the reasonable range and results based on those assumptions would be different. For this reason, this report shows the impact on the Plan's financial position if alternative assumptions were to be adopted.

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

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

## Additional Information

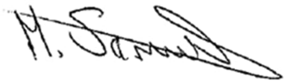
The next **actuarial investigation** is required at a date no later than 1 July 2027. At that time, the adequacy of the Company contribution levels will be reassessed. The monitoring process recommended may lead to an earlier reassessment ahead of the next full actuarial investigation.

The next **Funding and Solvency Certificate** is required at least 12 months before the expiry of the current Funding and Solvency Certificate (which expires on 30 June 2026).

The next **Benefit Certificate** is required following the expiry of the current Benefit Certificate (which expires 30 June 2028). The current Benefit Certificate is designed to accommodate changes to the legislated Superannuation Guarantee schedule.

## Further Information

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



........................................................................

**Mark Samuels**
**Fellow of the Institute of Actuaries of Australia**

**16 December 2024**

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

........................................................................

**Richard Raoul Codron**

**Fellow of the Institute of Actuaries of Australia**

# Appendix A

# Plan Design

## Summary of Benefits

A simplified summary of the main benefit provisions in respect of defined benefit members is set out below. Reference should be made to the formal governing documents for definitive statements.

| | |
|---|---|
| **Member Contributions (% of salary)** | Class A – 5% of salary (sub-category A:1 members are deemed to contribute)<br>Class B – 5% (sub-category B) |
| **Accrual Rate** | Class A – 20.5% pa (sub-category A:1) or 18% pa (sub-category A:2)<br>Class B – 12.5% pa (sub-category B) |
| **Final Average Salary (FAS)** | 3 year average |
| **Normal Retirement Age** | Age 65 |
| **Early Retirement Age** | Age 55 (Company consent required before age 60 for some members) |
| **Normal Retirement Benefit** | A lump sum equal to the accrued retirement multiple x FAS |
| **Death/Total and Permanent Disability Benefit** | A lump sum calculated as if the member had retired at age 65, but assuming salary remains unchanged |
| **Resignation Benefit** | A lump sum equal to the sum of the twice member (or deemed member) contributions with investment earnings |

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

The table below indicates the material discretions available to the Trustee and Company and the member options specified within the Plan's legal documents, to the extent that these affect benefits.

| Trustee and Company Discretions | |
|---|---|
| **Description and Deed Reference** | **Description** |
| Clause 4.2 of Trust Deed | The Trustee may adjust a member's benefits. |
| Clause 4.2(c) of Schedule 2 of Trust Deed | The Company may alter a member's category. |
| Clause 3.3 of Schedule 2, Part 1 of Participation Agreement | The Company may, with the Trustee consent, waive all or any contributions payable any member. |

## The Superannuation Guarantee (Administration) Act 1992

This Act requires Company to provide minimum superannuation benefits that are fully vested in their employees within a complying superannuation fund.

The contribution rates recommended in this report and the projected financial positions allow for benefits being augmented as necessary to meet the minimum Superannuation Guarantee (SG) benefit described in the Plan's current Benefit Certificate.

Under current legislation the SG rate is currently 11.5% and will increase to 12% on 1 July 2025.

# Appendix B

# Calculation of the Actuarial Value of Accrued Benefits

I have calculated the Actuarial Value of Accrued Benefits using a method of apportionment of benefits between past and future membership that satisfies the requirements of Professional Standard No. 402 of the Actuaries Institute and is acceptable for Australian Accounting Standard AASB 1056 purposes. The information required for AASB 1056 is in Appendix C.

## Defined Benefits

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

The past membership component for each type of benefit is:

| | |
|---|---|
| **Retirement:** | based on the member's accrued benefit multiple or relevant account balances at the investigation date |
| **Death and Disablement:** | calculated by adjusting the total expected benefit in proportion to the accrued benefit multiple at the investigation date divided by the accrued benefit multiple at the projected date of death or disablement |
| **Resignation:** | based on the member's accrued benefit multiple or relevant account balances at the investigation date, allowing, where applicable, for future vesting to the projected date of resignation |

The weighted average term of the accrued benefit liabilities is 4.7 years.

## Accumulation Benefits

The value of accumulation benefits is taken as the sum of the balances held in accumulation accounts at the date of the investigation.

## Methodology of Calculating the Actuarial Value of Accrued Benefits

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

# Appendix C

# Information for AASB 1056 Purposes

## ITW Superannuation Plan

I have prepared the following information for the purposes of Australian Accounting Standard AASB 1056 to enable the calculation of Member Liabilities at the specified reporting dates for inclusion in the relevant financial statements of the MLC Super Fund. The information is current as at the date specified below but is subject to change if circumstances change.

Based on the Adopted Assumptions specified, I confirm that in my opinion, a reasonable approximation of the value of Defined Benefit Member Liabilities (DB Member Liabilities) at 30 June 2025 can be calculated as:

DB Member Liabilities = K x DB Vested Benefits

where:

- K is the Adopted Assumptions K Factor specified below
- DB Vested Benefits is the total defined benefit component of vested benefits (i.e. excluding additional account balances, if any) for active DB members at the relevant date, as determined by the Plan Administrator

Total Member Liabilities would then be determined as

> DB Member Liabilities *plus* total additional account balances of DB Members *plus* total account balances of Defined Contribution Members, all calculated at the relevant date

In my opinion, a reasonable approximation of the defined benefit Member Liabilities at 30 June 2025 on other reasonably possible key assumptions can be calculated as:

DB Member Liabilities = K x DB Vested Benefits

where:

- K is the relevant K Factor specified in the table below for the relevant specified change in a key assumption

| | 30 June 2025 |
|---|---|
| **Adopted Assumptions** | |
| Investment return pa (active employees) | 4.5% |
| General salary increases pa | 3.0% |
| **Adopted Assumptions K factor** | 1.024 |
| **Sensitivity Factors** | |
| K factor 1% pa lower investment return | 1.129 |
| K factor 1% pa higher investment return | 0.930 |
| K factor 1% pa lower salary increases | 1.024 |
| K factor 1% pa higher salary increases | 1.077 |

I confirm that the investment return assumption is based on the plan's investment strategy.
I confirm that paragraph 26 of AASB 1056 is not relevant to the plan.

Prior to using the above factors for calculations at 30 June 2025, the Trustee should check with the Plan actuary whether there have been changes in economic conditions or other circumstances which have occurred since these factors were determined that, in the opinion of the actuary, would require a change in the Adopted Assumptions and/or a re-calculation of the factors.

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