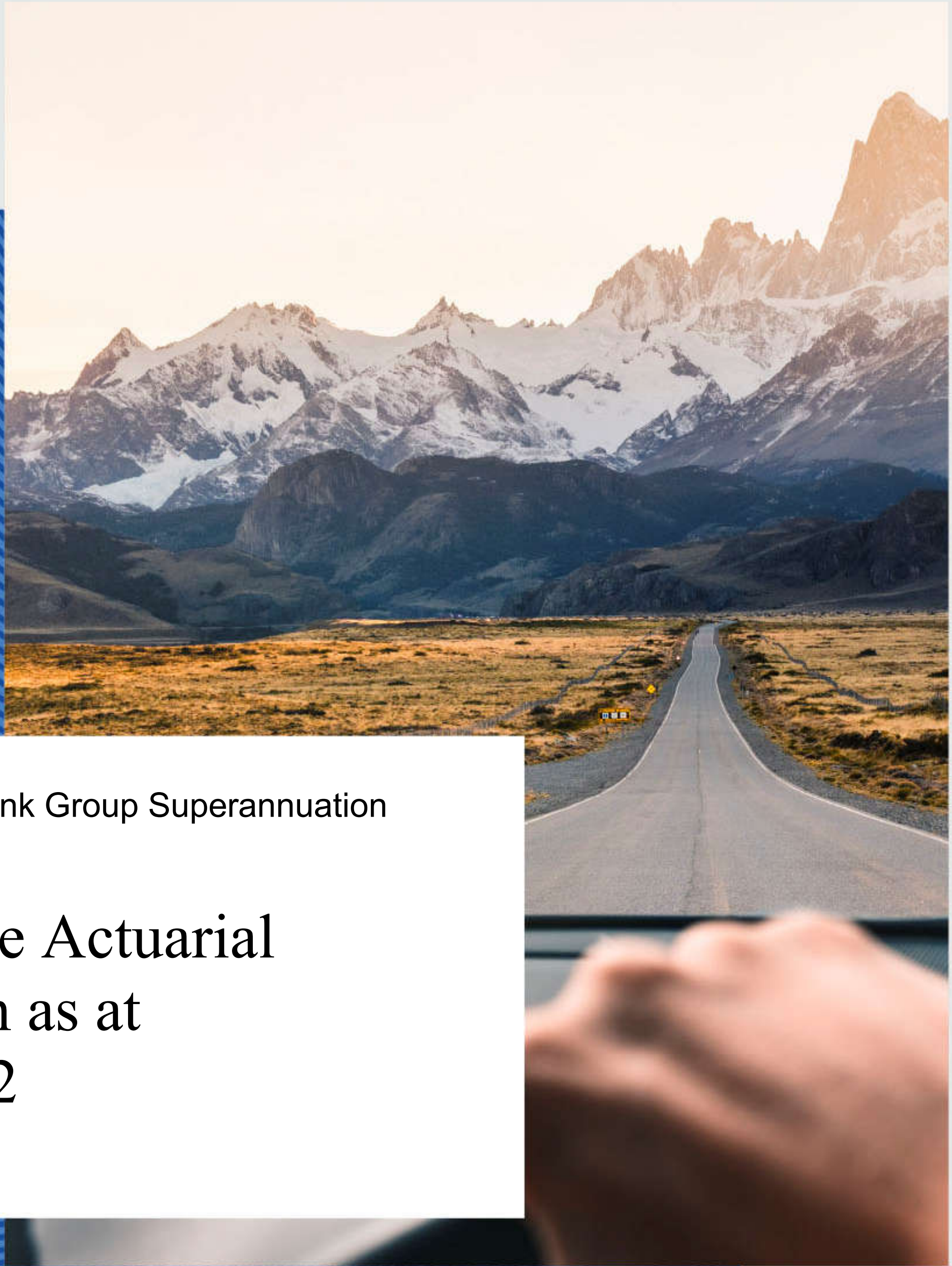

National Australia Bank Group Superannuation Fund A

Report on the Actuarial Investigation as at 30 June 2022

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23 December 2022

Summary

We are pleased to present my report to the Trustee of the National Australia Bank Group Superannuation Fund A, NULIS Nominees (Australia) Limited, on the actuarial investigation into the National Australia Bank Group Superannuation Fund A as at 30 June 2022. The Fund is a sub-fund of the MLC Super Fund.

This Summary sets out the key results and recommendations contained in this report.

Solvency

The financial position of the Fund has improved over the intervaluation period, as shown in the increased Vested Benefits Index from 683% as at 30 June 2019 to 833% as at 30 June 2022.

The solvency measures as at 30 June 2019 and 30 June 2022 are also shown below:

Measure	30 June 2019	30 June 2022
VBI	683%	833%
PVABI	617%	691%
MRBI	706%	860%

Funding

The Bank contribution rate determined under the Projection funding method is calculated as nil as at 30 June 2022.

Taking into account the projected financial position of the Fund over the next three years, we recommend the Bank make nil employer contributions with respect to defined benefit liabilities until at least 30 June 2025.

In addition, we continue to recommend that the Bank contribute at the required amounts to meet any Superannuation Guarantee, contractual or any other obligations (including any agreements the Bank has with the Trustee) in respect of accumulation liabilities in the Fund. This includes the payment of any deemed member contributions in respect of Category 1 members as required.

Contents

Throughout this report the following terms are used:

Fund
National Australia Bank Group Superannuation Fund A

Trustee
NULIS Nominees (Australia) Limited

Bank
National Australia Bank Limited

Trust Deed
MLC Super Trust Deed dated 9 May 2016 (as amended)

Participation Agreement
MLC Super Fund – Plum Division Participation Agreement between the Trustee and Bank dated 27 June 2016

Fund Rules
Trust Deed and Participation Agreement

The Investigation Date or Valuation Date
30 June 2022

Other Matters involving Actuarial Oversight

We further recommend that:

- The Trustee consult with the Bank on whether the Fund's surplus can be used in ways other than to manage adverse experience in defined benefit liabilities, and to seek legal and actuarial advice on this;
- The Trustee to retain the shortfall limit to 100% based on the current investment structure of the Fund;
- The Trustee monitor the financial position of the Fund quarterly throughout the following investigation period; and
- Current external insurance arrangements for death and disablement benefits be retained.

In line with requirements under legislation and Fund Rules, the next actuarial investigation of the Fund should be conducted with an effective date no later than 30 June 2025. The recommended Bank contribution rates will be reviewed at that time or at an earlier date if considered appropriate as a consequence of the regular review of the VBI or as required by legislation.

We are not aware of any event since 30 June 2022 that warrants review of the recommendations in this report.

Anthony Chan
Fellow of the Institute of Actuaries of Australia

23 December 2022

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Section 1: Introduction

1.1 Scope

This investigation has been prepared effective 30 June 2022 for NULIS Nominees (Australia) Limited, the Trustee of the Fund, by the actuary to the Fund, Anthony Chan, FIAA.

Current legislation and Fund Rules require an actuarial investigation and report to be undertaken at least every three years, or annually for funds paying defined benefit pensions unless an exemption is granted by APRA. We understand that the Fund, which pays defined benefit pensions, has obtained the necessary exemption.

The main aims of the investigation are to examine the current financial position of the Fund and the long-term funding of the Fund's benefits, and to provide advice to the Trustee on the contribution rate at which the Bank should contribute and on any other matters the actuary considers relevant.

This investigation is primarily interested in the defined benefit liabilities of the Fund, and unless otherwise specified, this report relates only to such defined benefit liabilities. The Defined Contribution liabilities of the Fund, including those that relate to defined benefit members (such as account balances for Category 1 members that may be subject to the Fund N guarantee if applicable, or any other additional voluntary accumulation balances), are fully funded and do not impact upon the financial position of the Fund in relation to the Defined Benefit liabilities. No investigation is required regarding the Defined Contribution liabilities, although in my recommendations we have continued to recommend that the Bank contribute to meet any Superannuation Guarantee, contractual or any other obligations in respect of such liabilities.

This report has been prepared in accordance with Professional Standard 400, dated March 2020, issued by the Institute of Actuaries of Australia.

1.2 Previous Actuarial Investigation

The previous actuarial investigation of the Fund was carried out by Kate Maartensz, FIAA as at 30 June 2019, with the results of that investigation set out in a report dated 19 December 2019.

The report concluded that the Fund was not in an unsatisfactory financial position (as defined by SIS legislation) at that date, and recommended that the Bank continue to make no contributions with respect to the defined benefit liabilities. In addition, it was recommended that the Bank contribute at the required amounts to meet any Superannuation Guarantee, contractual or any other obligations (including any agreements the Bank has with the Trustee) in respect of accumulation liabilities in the Fund, including the payment of any deemed member contributions in respect of Category 1 members as required.

We understand that the Bank has contributed amounts consistent with these rates.

The report also recommended the Trustee consult with the Bank on whether the Fund's surplus can be used in ways other than to manage adverse experience in defined benefit liabilities, and to seek legal and actuarial advice on this. While we understand that the Trustee has concluded that no further action is necessary during the intervaluation period, we continue to be of the opinion that this is a suitable course of action for the Trustee to consider with the Bank.

1.3 Experience since 30 June 2022

Since 30 June 2022 the experience of the Fund has been as follows:

- The net return on the Fund's assets from the valuation date to 30 September 2022 was approximately -0.8%; and
- One defined benefit employee member, as well as one defined benefit pensioner member have exited the Fund.

The actual experience since 30 June 2022 has had a material impact on the Fund. Because of this, in this valuation we have taken into account this experience since 30 June 2022 when carrying out the projection of the financial position of the Fund from that date.

1.4 Limitations

This report is provided subject to the terms set out herein and in our engagement letter dated 30 August 2022 and the accompanying Terms and Conditions of Engagement. This report is provided solely for the Trustee's use and for the specific purposes indicated above. It may not be suitable for use in any other context or for any other purpose.

Except where we expressly agree in writing, this report should not be disclosed or provided to any third party, other than as provided below. In the absence of such consent and an express assumption of responsibility, no responsibility whatsoever is accepted by us for any consequences arising from any third party relying on this report or any advice relating to its contents.

We consent to the Trustee making a copy of this report available on the Plan's website where required in accordance with the relevant legislation.

The Trustee may make a copy of this report available to its auditors, the Bank and to any person to whom the Trustee may be required to provide a copy under relevant legislation, but we make no representation as to the suitability of this report for any purpose other than that for which it was originally provided and accept no responsibility or liability to the Trustee's auditors the Bank or any third party in this regard. The Trustee should draw the provisions of this paragraph to the attention of its auditors and the Bank when passing this report to them.

In preparing this valuation, we have relied upon information and data provided to us orally and in writing by the Trustee and other persons or organisations designated by the Trustee. We have relied on all the data and information provided, including Fund provisions, membership data and asset information, as being complete and accurate. We have not independently verified the accuracy or completeness of the data or information provided, but we have performed limited checks for consistency. The data and information we have relied upon is shown in the *Additional Information* section of this report.

In our opinion, all calculations are in accordance with requirements of applicable legislative requirements, and the procedures followed and the results presented conform to applicable actuarial standards of practice.

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Section 2: Solvency

2.1 Solvency Measures

When assessing the adequacy of the assets and future contribution rates, both the long-term and short-term solvency positions should be considered. To assess the solvency position, we have considered the following funding solvency measures:

- Vested Benefits Index (VBI), the ratio of assets to the vested benefits, which represent the total amount which the Fund would be required to pay if all members were to voluntarily leave service (or are payable for benefits in the form of lifetime pension or deferred benefits) on the investigation date;
- The Present Value of Accrued Benefits Index (PVABI), the ratio of assets to the present value of accrued benefits, which represents the value in today's dollars, of expected future benefits payable based on membership completed to the valuation date,[1] and
- The MRBI, the ratio of assets to the portion of the Minimum Requisite Benefits as defined in the Fund's Benefit Certificate that relates to defined benefits.[2]

The following table shows the above indices as at the valuation date, as well as the prior valuation date.

Measure	As at 30 June 2022			As at 30 June 2019		
	Value of Liability	Value of Assets	Index	Value of Liability	Value of Assets	Index
VBI	$4,018,000	$33,451,000	833%	$4,498,000	$30,737,000	683%
PVABI	$4,841,000	$33,451,000	691%	$4,983,000	$30,737,000	617%
MRBI	$3,891,000	$33,451,000	860%	$4,354,000	$30,737,000	706%

Overall, the indices have increased from those at the previous investigation date. This is primarily due to the investment earnings on the surplus in the Fund, as well as members leaving resulting in the surplus being spread over a smaller pool of members and liabilities (resulting in higher percentages). The increase is partially offset by the lower gap used in the valuation of pensioner liabilities and higher than expected salary increases over the period, although to a much lesser extent.

The higher gap between the expected level of future investment returns and salary has reduced the level of the present value of accrued benefits, which in isolation, resulted in an improvement of the PVABI. The increase in PVABI is partially offset by the decrease in the gap between the expected level of future investment returns and pension increases used to value pensioners. However, the impact of any reductions is smaller than that of the positive experience outlined above, which resulted in an overall increase in the PVABI and VBI.

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[1] Benefits have been apportioned to past service by proportioning the projected benefit payable by the proportion of total projected service that is completed to the valuation date.

[2] For the purposes of determining the MRBI and assessing the Fund's Technical Solvency, the minimum benefits in respect of pensioners or deferred members have been taken to be equal to as their vested benefits. For employee members, the minimum benefits have been estimated using the following basis:

- For category 1N members, minimum benefits used with respect to defined benefit liability is nil;
- For category 3 members, minimum benefits with respect to defined benefit liability is estimated as their vested benefits.

The VBI is above 100% as at the valuation date, and as such, the Fund is to be treated as being in a satisfactory financial position as at that date.

2.2 Retrenchment Benefits, Other Discretionary or Contingent Benefits

On retrenchment, the retirement benefit becomes payable for Category 1 members with a Fund N guarantee, subject to the approval of the Actuary. Therefore, higher than expected retrenchments will have a negative impact on the funding position. Presently, based on membership data as at 30 June 2022 and the surplus as at that date, the Fund has a large enough surplus to take on such a strain in the extreme event that retrenchment benefits become payable to all such members.

However, the Bank should be aware that if the funding position deteriorates and the Bank conducts a material retrenchment program, additional contributions may be required to offset the strain such a program may cause on the financial position of the Fund with respect to defined benefit liabilities. We expect that the deterioration would need to be extreme for this to occur – we have stress tested the impact of a -20% immediate reduction in the defined benefit assets and the accumulation balances of these members, and note that the Fund would still have asset coverage of well above 100% of retrenchment benefits.

The Fund has not historically paid any material discretionary benefits so we have not analysed the impact such discretionary benefits. There are no other material contingent benefits offered by the Fund.

2.3 Termination Benefits

Under the Fund Rules, the benefits required to be paid on the termination of the Fund are amounts determined by the Trustee with the advice of the actuary. In any case, the amounts to be paid would be limited by the amount of assets available in the Fund.

Clause 6.5 of the Participation Agreement also requires the Trustee to prioritise the allocation of assets in respect of benefits which have become payable, which include defined benefit pension payments, ahead of any other members. In the event of the termination of the Fund, the Trustee must determine if it is obliged to secure pensions by purchasing annuities from a life insurance company or by some other arrangement.

To broadly illustrate the Fund's ability to pay benefits upon termination, I have estimated the cost of purchasing an annuity to secure the pension liability by valuing the pension liability using a discount rate that reflects the yield available on high quality long term fixed interest investments, plus a 10% loading on the liability value to make broad allowance for any administration expenses and profit margins included in the premiums charged by an insurer. Please note that this is a very broad estimate only, and is intended to illustrate the Fund's ability to secure pensions on termination, rather than to provide the indicative cost of an arrangement to transfer the pension liabilities.

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The following table shows the estimated remaining assets available to other members in this scenario, and the ratio of remaining assets to active members to their Vested benefits and MRBs would be 1256% and 1324% under this scenario:

	Coverage for Vested Benefits	Coverage for MRBs
Net Assets at 30 June 2022 in respect of DB members	$33,451,000	$33,451,000
Less: Assets required to secure pension liabilities	($2,070,000)	($2,070,000)
Assets available to Active Members	$31,381,000	$31,381,000
Vested Benefits / Minimum Requisite Benefits for Active Members	$2,499,000	$2,371,000
Coverage for Vested Benefits / Minimum Requisite Benefits	**1256%**	**1324%**

Because these percentages are over 100%, we expect the Fund to be able to pay the benefits required under the Trust Deed in the event that the Fund is terminated.

If the Fund was ever terminated, the Trustee would need to seek both actuarial and legal advice at that time to consider the method of determining and payment form of benefits from the Fund. We note that it is also likely that legal advice would be required to determine how the remaining assets in the Fund would be utilised or distributed between members and the Bank on Fund termination.

2.4 Ability to Pay Pensions

SPS 160 requires the Fund's actuary to certify whether there is a high degree of probability to pay pensions as required by the Fund Rules.

In making this certification, we have considered that in the case of a wind-up of the Fund, defined benefit pension payments would rank ahead of any other members. Further, the assets currently exceed the current Defined Benefit Pension Value by a large margin.

Allowing for the above, we consider that there is a high degree of probability that the Fund will be able to pay pensions as required under the Fund's rules. The formal certification is set out in the *Additional Information* section of this report.

Section 3: Funding

This section considers the long-term funding of the Fund and assesses the contributions required in order to fund benefits payable in future years. To determine the long-term contribution rates, we have used the Projection funding method as described in the *Additional Information* section of this report.

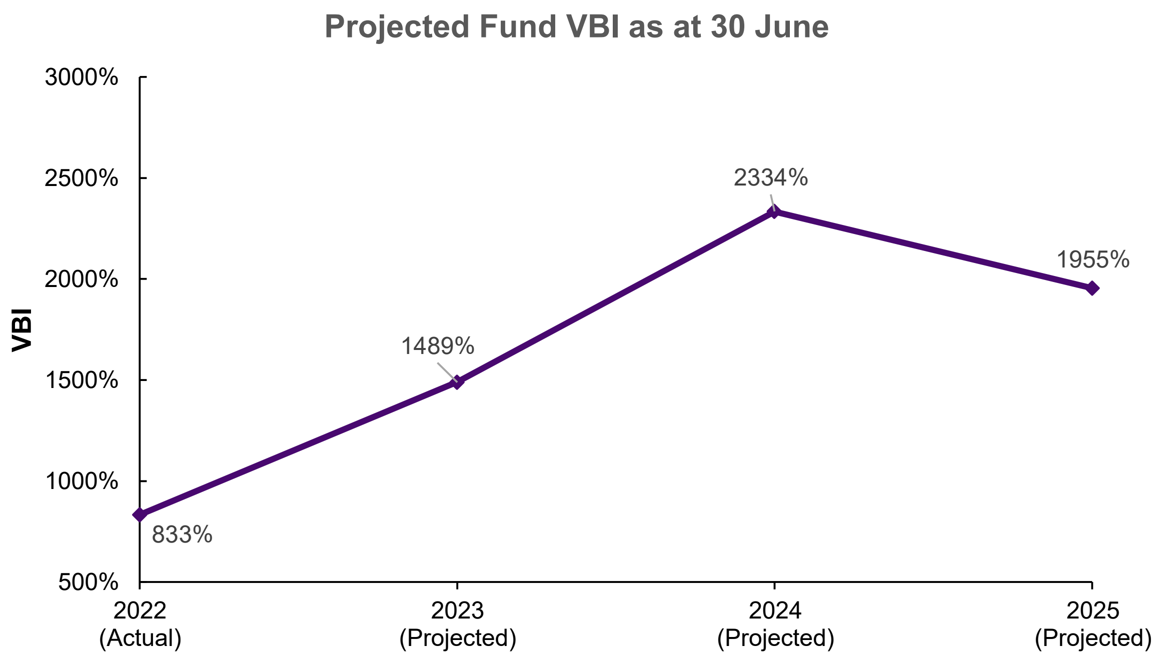
3.1 Long Term Funding results

The long-term funding calculations are shown in the table below.

	$'000
Defined Benefit Assets	33,451
Less: Present Value of Total Service Liability, plus Expenses	(5,503)
Surplus/(Deficit) of Assets over Total Service Liability of Benefits and Expenses	27,948

The above table shows that the value of assets exceeds the expected present value of future benefits and expenses to be paid. Because the defined benefits are fully funded on this basis, no employer contributions are required by the Bank and the Bank is currently not making employer contributions to the Fund with respect to defined benefit liabilities.

In order to assess whether this continues to be appropriate, we have projected the Fund's Vested Benefits Index over the next three years assuming that the Bank continues to make nil employer contributions with respect to defined benefit liabilities.



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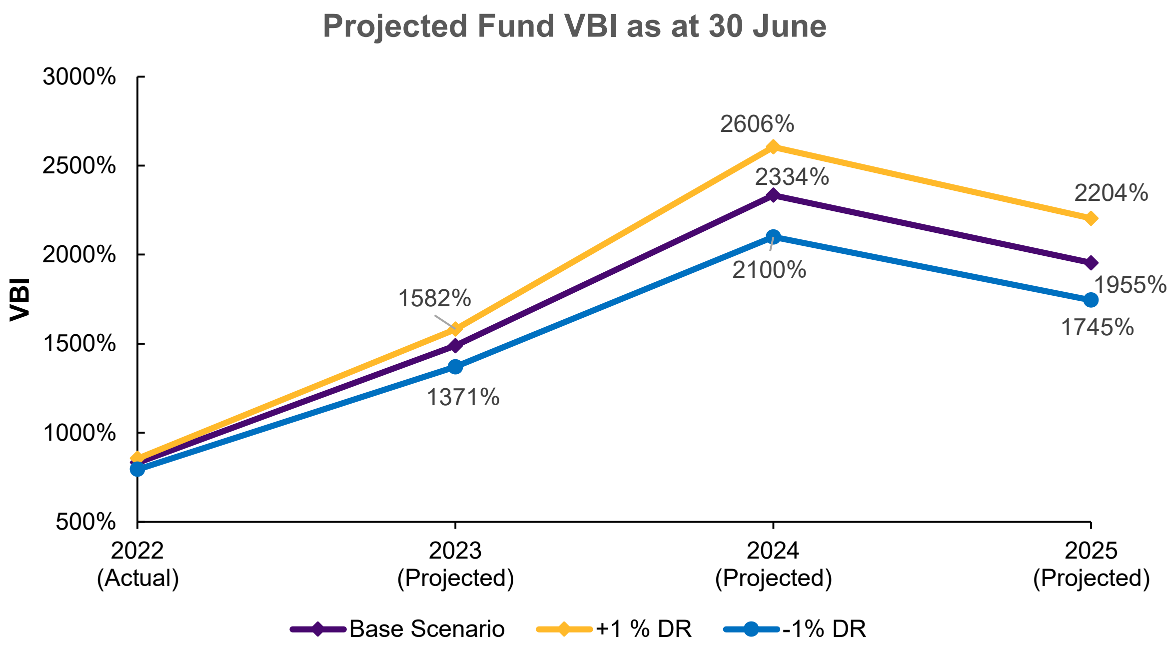
As can be seen from the graph, on the basis of the selected actuarial assumptions, the calculated long-term Bank contribution rate of nil is sufficient to maintain the Fund in a satisfactory financial position. The VBI is expected to increase during the first two years of the projection period, before a reduction in the third year due to the demographic profile of the defined benefit membership. While the reduction appears significant in percentage terms, it is not large in dollar terms and the Fund is expected to continue to be in a strong financial position.

3.2 Sensitivity Analysis

Before making a recommendation on the level of contributions that the Bank should make to the Fund, it is useful to consider the sensitivity of the analysis above to reasonable variations in the valuation assumptions. The following table shows valuation results, including short-term measures of solvency as well as the surplus (excess of assets over Total Service Liabilities) if key assumptions had been varied as described below:

	This Valuation Basis	Scenario 1	Scenario 2
Description	Base Case	Higher Gap / Net Investment Return	Lower Gap / Net Investment Return
Discount Rate (p.a.)	6.4% (gross) p.a. or 5.7% (net)	7.4% (gross) p.a. or 6.7% (net)	5.4% (gross) p.a. or 4.7% (net)
Price Inflation (p.a.)	3.4%	3.4%	3.4%
Expected Salary Growth	4.0%	4.0%	4.0%
Vested Benefits Index	833%	856%	795%
Present Value of Accrued Benefits Index	691%	743%	622%
Surplus ($'000)	27,948	28,309	27,348

Similarly, the Fund's projected VBI over the next three years under the varied assumptions are shown in the graph below:



These results show that reasonable variations in the assumptions adopted is not expected to materially impact the fund's projected financial position.

While the sensitivities have been selected to be illustrative of reasonable changes in the valuation assumptions, they do not represent the upper or lower bounds of possible outcomes and more extreme outcomes are possible.

3.3 Use of surplus

As noted in the Funding and Solvency results above, the Fund currently has a significant surplus with respect to its expected defined benefit liabilities. We also note that the defined benefit liabilities of this Fund are very mature, and that they are expected to be settled within the next five years.

We have also considered the funding position under more adverse situations, such as:

- a 1% p.a. lower investment return; and
- material retrenchments following a 20% fall in asset values.

In both these cases a surplus of defined benefit assets is still expected, with the expected coverage of vested benefits for remaining defined benefit members to be well above 100%. It is appropriate that sufficient assets be maintained to secure the defined benefits (noting the continued Bank contribution holiday) and provide a buffer to help manage the impact of potentially adverse experience. Nonetheless, our analysis suggests some of the surplus may be available for other purposes.

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Given this, we continue to recommend that the Trustee consider whether the Fund's defined benefit surplus can be used in ways other than to manage adverse experience in defined benefit liabilities. Some examples of this would include:

- Meeting future Bank contributions in respect of accumulation members partially or fully from this surplus;
- Using a portion of the excess assets to reduce investment and other risks (e.g., by reducing the proportion of defined benefit assets invested in growth asset classes, or by transferring the defined benefit pension liabilities to an annuity provider); and
- Distributing any excess assets to the defined benefit members of the Fund.

In considering the above the Trustee should discuss with the Company and have regard to their preferences, including its attitude with respect to the nature of the risks that could be reduced, and the associated costs in doing so. Before such discussions, the Trustee should also seek appropriate legal and actuarial advice.

Legal advice should be sought as to the viability of each of these approaches, including whether it is possible under legislative requirements and the Fund Rules. Actuarial advice should also be sought before any approach is taken to ensure sufficient assets are retained and that the Trustee and Bank are aware of the risks and possible consequences of reducing the defined benefit assets.

Ultimately, if the defined benefit assets are reduced for other purposes and then an adverse event occurs, the Bank may be required to recommence contributions.

3.4 Summary

On the basis of the above results, we believe that the Bank making nil employer contributions with respect to defined benefit liabilities would continue to meet the funding requirements of the Fund.

Accordingly, we recommend that the Bank make nil employer contributions until at least 30 June 2025 in respect of defined benefit members.

We continue to recommend that the Bank contribute at the required amounts to meet any Superannuation Guarantee, contractual or any other obligations (including any agreements the Bank has with the Trustee) in respect of accumulation liabilities in the Fund. This includes the payment of any deemed member contributions in respect of Category 1 members as required

We also recommend that the Trustee consider and consult with the Bank on whether the Fund's surplus can be used in ways other than to manage adverse experience in defined benefit liabilities, and to seek legal and actuarial advice on this.

We further recommend that the VBI position (and other measures of solvency) continue to be monitored quarterly throughout the following investigation period, to ensure that these contribution recommendations remain appropriate.

Section 4: Other Matters involving actuarial insight

4.1 Investments

4.1.1 Investment Strategy

The return objective of the Fund's Investment Strategy for assets supporting defined benefits is to outperform inflation, measured against CPI, by 3% p.a. after investment fees and taxes, over rolling 10-year periods. To meet this objective, the assets supporting defined benefits are invested in the Growth investment option, which invests in a mix of growth and defensive assets with a benchmark allocation of 76% to 24%.

The actual and target asset allocation as 30 June 2022 of such assets is shown in the below table:

Asset Class	Actual	Benchmark
Australian Equities	24%	25%
International Equities	26%	28%
Property and Infrastructure	16%	12%
Private assets	7%	5%
Growth Alternative Assets	6%	6%
Total Growth Assets	**79%**	**76%**
Fixed Interest	7%	8%
Cash	3%	7%
Defensive Alternative Assets	11%	9%
Total Defensive Assets	**21%**	**24%**

In my opinion an investment strategy as described above is suitable for a Fund of this type having regard to its financial position, the underlying liabilities and the capacity of the respective employers to meet any funding shortfall.

While in my opinion the investment strategy is one that is within a range of suitable strategies, as noted earlier in this report, given the current surplus level, we also recommend that the Trustee consider whether the Fund's defined benefit surplus can be used to reduce the proportion of defined benefit assets invested in growth asset classes.

4.1.2 Unit Pricing and Crediting Rate Policies

The Trustee has a unit pricing policy that allocates investment earnings to the Fund's defined benefit assets. The policy sets out a method for valuing the assets, and aims to allocate investment earnings based on movements in the net asset value after allowing for fees, taxes and any fee rebates. Taxes are calculated provisionally each day, and actualised periodically.

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The Fund's crediting rate policy credits defined benefit member accounts, where relevant, with unit price movement of the Growth investment portfolio each month retrospectively. An interim rate, based on the 10-year Commonwealth Government Bond Rate, is used to calculate benefits for periods where a monthly crediting rate has not yet been calculated.

In our view, the Trustee's Unit Pricing and Crediting Rate Policies that apply to the Fund remain appropriate.

4.1.3 Liquidity

Taking into account the ready sale of the Fund's assets from time to time, in our opinion the Fund has sufficient liquidity to meet payments from regular cashflows.

4.2 Shortfall Limit

The Trustee currently has an approved shortfall limit of 100%.

Based on the Fund's benefit design and its target asset allocation described above, in our opinion the 100% shortfall limit remains reasonable for the Fund and we recommend that the Trustee retain this shortfall limit.

4.3 Insurance

4.3.1 Death and Disablement Benefits

At the investigation date, the Fund has death, total and permanent disablement and temporary incapacity/income protection insurance with MLC in respect of the future service portion of their death and disablement benefits.

The formula used to calculate the level of death insurance is:

- 17.5% of Salary x Future Service to age 60;
- 15% of Salary x Future Service to age 62 (Category 3 members only); and
- 100% of Salary.

The formula used to calculate the level of salary continuance insurance is:

- Monthly benefit of 70% of Fund Salary up to two years.

In my opinion, the sums insured appropriately reflect the future service portion of the death and disablement benefit. We consider the current insurance arrangements adequate and recommend that the current insurance formula be maintained

Section 5: Additional Information

5.1 Risks

The table below summarises the main risks to the financial position of the Fund.

Risk	Approach taken to risk
Investment returns on the existing assets could be insufficient to meet the Trustee's funding objectives	The Trustee takes advice from the Fund Actuary on possible assumptions for future investment returns. In setting the future contributions, the Fund Actuary considers the effect on the future financial position if investment returns are less than expected. The Trustee is able to agree further contributions with the Bank at subsequent valuations if future returns prove insufficient.
Price inflation or salary increases could be different from that assumed which could result in higher liabilities	The Trustee invests in assets that are expected to be correlated to future inflation in the longer term (sometimes referred to as "real" assets). This means that, over the longer term, such assets are expected to keep pace with inflation. Such assets include equities, property and index-linked bonds.
Falls in asset values might not be matched by similar falls in the value of the Fund's liabilities	The Trustee considers this risk when determining the Fund's investment strategy. It consults with the Bank in order to understand the Bank's appetite for bearing this risk and takes advice on the Bank's ability to make good any shortfall that may arise. To the extent that such falls in asset values result in deficits at future valuations, the Bank would be required to agree a recovery plan with the Trustee to restore full funding over a period of time.
Fund members live longer than assumed	The Trustee adopted mortality assumptions that it regards as prudent estimates of the life expectancy of members.
Options exercised by members could lead to increases in the Fund's liabilities	The Trustee sets the terms for converting benefits in respect of member options on the basis of actuarial advice with the view to avoiding strains on the Fund's finances as far as is reasonably possible without disadvantaging members. Under the Fund Rules, actuarial advice is required to be sought when setting such terms.
Legislative changes could lead to increases in the Fund's liabilities	The Trustee takes legal and actuarial advice on changes in legislation and consults with the Bank, where relevant.

Economic risk | Demographic risk | Legal risk

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5.2 Fund Structure and Benefits Summary

5.2.1 Fund Structure

As at 30 June 2022, the operations of the Fund were governed by the Trust Deed and a Participation Agreement between the Trustee and the Bank. The Principal Employer of the Fund, as defined in the Participation Agreement, is National Australia Bank Limited.

The Fund includes several categories of Members which may be summarised as follows:

- Accumulation category, i.e. MySuper and Category 1, provides benefits to employee members that are defined predominantly in terms of the accumulation of contributions with interest. In combination these represent the biggest portion of the membership and new members may only join the accumulation category.
- A relatively small number of Category 1 members have defined benefit guarantees (ex-Fund N members);
- Category 3 provides benefits largely defined in terms of the final average salary of members. Its members were previously members of the CBC Women's Provident Fund;
- Category 4 no longer has any active members but includes former Bank employees in receipt of pension benefits. Its members were previously members of National Australia Bank Group Superannuation Fund B;
- Category CBCOPF provides pension benefits to former employees of the CBC Bank who previously received their pension benefits from the CBC Officers' Provident Fund;
- Additional pensioners, representing a small number of former NAB pensioners transferred into the Fund in 2014, and
- Retained benefit members (also known as Ex-Employee members), spouse members and allocated pensioners, who are entitled to accumulation based benefits.

The Fund is a regulated complying superannuation fund under the Superannuation Industry (Supervision) Act and qualifies for concessional tax treatment.

5.2.2 Benefits Summary

The main provisions of the Fund for **Category 1N** members are summarised as follows:

Normal Retirement Age (NRA)	Age 60
Fund Salary	Actual annual salary excluding special allowances, or as specified under terms and conditions of employment where relevant
Annual Fund N Normal Retirement Pension	1% of Average Fund Salary times Membership
Fund N Death and Disablement Benefit	10% of Fund Salary times total prospective membership to NRA, subject to a minimum of 3.5 and maximum of 4 times Fund Salary
Retirement Benefit	Total Accounts, subject to minimum of 10.5 times Annual Fund N Normal Retirement Pension plus member and other contributions deemed not to be Employer-Financed
Withdrawal Benefit	Total Accounts
Death and Disablement Benefit	Member Accounts plus 17.5% of future Fund Salary to NRA, subject to a minimum of the Fund N Death and Disablement Benefit

The main provisions of the Fund for **Category 3** Members are summarised as follows:

Normal Retirement Age (NRA)	Age 60
Fund Salary	Actual annual salary excluding special allowances, or as specified under terms and conditions of employment where relevant
Service	Any period during which the Member contributed or was deemed to contribute to the CBC Women's Provident Fund
Payment on Termination	One or two times the member's contributions with interest. If Service is greater than 10 years, a minimum lump sum equal to a multiple of Member's average annual rate of Fund Salary during the last five years of service applies. A further minimum, equal to an amount certified by the Actuary, applies for members with 30 or more years of service and aged 55 or above. The transfer account is also paid on termination in addition to the benefit above
Death or Total Permanent Disablement Benefit	In addition to the Payment on Termination, a lump sum of 17.5% of Fund Salary for each year from the date of death or disablement to NRA is also paid to the Member. The total benefit paid is subject to a minimum of 3.5 and a maximum of 7 times Fund Salary

All defined benefit pensions of the Fund are payable monthly for life and are increased annually or twice annually at a rate approved by the Bank or in line with CPI. Some pensions have a minimum term, and with a reversionary pension paid to surviving spouses and dependent children on the pensioner's death.

The defined benefit categories of the Fund are closed to new entrants.

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5.2.3 Discretionary and contingent benefits

No future discretionary benefits or discretionary increases in benefit have been allowed for in the calculation of the technical provisions and statutory estimate of solvency, other than our understanding of established practices in benefit calculations.

5.2.4 Changes to the benefits

Since the valuation as at 30 June 2019 no changes have been made to the Fund's benefits.

5.3 Summary of Data Used in this Investigation

5.3.1 Membership Data

Insignia Financial Ltd has responsibility for maintaining member records, payment of benefits and other administrative tasks of the Fund.

Insignia Financial Ltd provided data in respect of members of the Fund as at 30 June 2022, including members who had left the Fund since the last investigation date.

We have checked the membership data for internal consistency and are satisfied as to the accuracy of this sample.

The following table shows a summary of the active membership as at 30 June 2019 and 30 June 2022:

	30 June 2019		30 June 2022	
	Category 1N	Category 3	Category 1N	Category 3
Number of Members	272	4	177	2
Average Age	52.5	61.3	54.7	60.5
Average Past Bank Membership	30.2	41.5	33.2	41.8
Average Superannuation Salary / Pension	72,793	79,993	85,532	100,833

The following table shows a summary of the pensioner-in-payment membership as at 30 June 2019 and 30 June 2022:

	30 June 2019	30 June 2022
Number of Members	14	9
Average Age	90.1	89.9
Average Pension p.a	15,203	16,765

5.3.2 Assets Data

The assets of the Fund are split into various components, including the:

- Assets supporting the accumulation balances, being the balance of the accumulation accounts for accumulation employee members, retained members, spouse members and allocated pensioners;
- Defined Benefit (DB) Reserve, being the assets supporting the defined benefit liabilities of Category 3 members, Category 4, CBCOPF, and former NAB pensioners and the Fund N Guarantee (though not the accumulation benefits for those members entitled to the Fund N Guarantee); and
- Administration Reserve (including the Activity Reserve), to assist with the administration of the Fund.

The asset structure of the Fund isolates the assets funding the defined benefit liabilities within the DB Reserve. Therefore, for the purpose of assessing the financial position of the Fund in relation to the defined benefit liabilities only, the net market value of the assets of the DB Reserve is used. This amount excludes the amount of any other reserves held. It also excludes amounts required to meet any Operational Risk Financial Requirement, which we understand is met by MLC Super Fund externally to the Fund

The Fund Administrator provided unaudited asset information for the Fund as at 30 June 2022. The value of assets supporting defined benefit liabilities of $33,451,000 was used in this valuation to determine contribution recommendations and Funding Status Measures. While the asset information provided was unaudited, we understand that the asset information provided for the Fund is determined consistently with the audited financial statements of the MLC Super Fund for the year ended 30 June 2022.

We are satisfied that there are no material data discrepancies and that the data provided is suitable for the purpose of this investigation. We have relied on the information provided for the purposes of this investigation. Although we have no reason to doubt the quality of asset information provided, the results of this investigation are dependent on the quality of the asset information. Any changes to the asset values above will have an impact on the outcome of the investigation and any resulting recommendations.

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5.4 Funding Method, Assumptions and Experience

5.4.1 Funding Method

In this valuation, I have determined the level of Bank contributions required by projecting members' expected future benefits, and the expected level of future value of assets on the basis of selected assumptions, and compared its levels against relevant funding objectives. If the funding objectives are not expected to be achieved, alternative Bank contributions were determined in order to achieve the funding objectives.

This funding method is suitable for this valuation as it takes into account the expected growth of the Fund's assets and liability profile in the short-term in determining the Bank contributions.

In producing my recommendations, we have also taken into account the pace of funding required to maintain certain short term solvency measures, in particular, that legislation requires the VBI to be above 100%.

In the previous actuarial investigation, the Projected Benefit Funding Method was used to determine the level of contributions. In my view this method remains appropriate having regard to the maturity of the liabilities.

5.4.2 Assumptions

In order to determine the value of expected future benefits and Fund assets, it is necessary to make assumptions regarding the timing and amount of future benefit payments, expenses and contributions. In doing so it is important to examine the experience of the Fund since the last valuation to see whether the previous assumptions have been borne out in practice.

While each of the assumptions used is normally the actuary's best estimate of future experience, in practice, the actual experience in any (short) period can always be expected to differ from the assumptions to some extent. However, it is intended that over longer periods, they will provide a reasonable estimate of the likely future experience and financial position of the Fund.

In the short-term, as the actual experience emerges differently to the experience implied by the assumptions, the financial position of the Fund will also vary from that expected. However, adjustments to Bank contribution rates, if any, can be made to reflect these differences in the following actuarial investigation.

5.4.3 Financial Assumptions

Valuation assumptions can be broadly divided into demographic assumptions, which relate to characteristics of current and future members of the Fund, and financial assumptions, which are assumptions other than demographic assumptions. The following sections first consider the financial assumptions that are to be adopted for this valuation.

Investment Returns

The rate of return on the Fund's Assets (net of tax and investment expenses that are deducted from the investment return) from 30 June 2019 to 30 June 2022 are set out in the table below:

Year Ending	Net Investment Return
30 June 2020	-2.8%
30 June 2021	19.9%
30 June 2022	-1.7%
Overall	**4.6% p.a.**

Over the three-year period to 30 June 2022 the assets held in the Fund returned 4.6% p.a. which is in line with the rate assumed in the previous investigation of 4.6% p.a. (net of tax). In isolation, this has had a broadly neutral impact on the financial position of the Fund.

While short-term differences between actual investment return experience and the actuarial assumption can affect the long term financial position of the Fund as measured by the actuarial investigation, the assumption used in the investigation must be based on long-term expectations since the investigation involves valuing payments in the future.

Based on models of future investment returns developed by Willis Towers Watson and having regard to the investment objective for the Growth option, the current long term expectations of investment returns net of taxation and investment management expenses and current strategic asset allocation of the Fund, we have adopted a long-term investment earning rate of 6.4% (gross) p.a. or 5.7% (net) p.a. for this investigation, which is higher than the assumed long term earning rate used for the previous investigation of 5.2% (gross) p.a. or 4.6% (net) p.a..

Salary Increases

The average salary increases during the investigation period for the members remaining in the Fund as at 30 June 2022 was 4.1% p.a.. This is higher than the salary increases assumption adopted for the previous actuarial investigation of 3.0% p.a.. In isolation this has had a negative impact on the financial position of the Fund.

Based on Willis Towers Watson's current modelling of current long-term expectations of price increases, together with the Bank's input, we have adopted an expected salary increase rate of 4.0% p.a.. This is based on expected price increases of 3.4% p.a., plus a small margin for salary growth in excess of price increases.

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Pension Increases

The average pension increases during the investigation period for the pensioners that was in the Fund was 1.8% p.a.. This is lower than the pension increases assumption adopted for the previous actuarial investigation of 2.0% p.a.. This has had a small positive impact on the financial position of the Fund.

Under the Participation Agreement, pension increases are determined by the Trustee with the approval of the Bank, having obtained actuarial advice. Past practice has been to increase pensions based on increases in the CPI. In addition, the Participation Agreement allows the Trustee to apply discretionary pension increases, although historically this discretion has not been exercised. Based on our long-term expected price increases in Australia and historical levels of discretionary increases, I have assumed pension increases of 3.4% p.a. would apply in this investigation (other than otherwise specified).

Administration Expenses and Insurance Costs

For this investigation, we assumed:

- A long-term rate of expenses and insurance premiums of 1.0% of members' superannuation salaries, in line with the Fund's experience and expected expenses going forward. In addition, charges of 0.03% p.a. of defined benefit assets are also assumed to be deducted from the defined benefit assets of the Fund.
- No separate allowance for insurance premiums with respect to defined benefit members have been made, having regard to its materiality on the financial position.

While the assumed level of administration expenses is slightly higher than the actual level incurred during the three years to 30 June 2022, we have retained this assumption as we expect that the level of superannuation salaries to decline over time faster than the level of administration expenses associated with the defined benefits.

These allowances are the same as those allowed for in the previous actuarial investigation.

5.4.4 Demographic Assumptions

Rates at which Employee Members Cease Service

Because of the small number of employee members remaining in the Fund, we have not conducted a full analysis of the assumed exit rates against actual experience, and retained the same assumed rates as the ones used in the previous investigation.

Sample exit rates we have adopted, shown as assumed number of exits for every 10,000 members, are set out in the table below:

Age	Retirement	Resignation	Deaths and Disablements
45	-	300	17
50	-	200	32
55	1250	-	64
60	10,000	-	129

Category 3 members are assumed to remain in service until retirement at Normal Retirement Age.

Pensioner Mortality Assumptions

Due to the number of pensioners remaining in the Fund and the lack of pensioner mortality experience from which to reliably derive demographic assumptions from, in previous actuarial investigations where we review such assumptions we have retained pensioner mortality assumptions which were based on historical pensioner mortality experience of the Commonwealth Public Sector a number of years ago.

With the release of more up to date mortality statistics based on the Australian general population, we have updated the pensioner mortality assumptions to be 90% of the rates in the Australian Life Table 2015-17, incorporating mortality improvements of 1% p.a. since 2016 for this investigation. In our opinion, this would more closely align with the expected mortality experience of the Fund's lifetime pensioners. In isolation, the use of more up to date mortality tables has increased the value of the lump sum to reflect current life expectancies.

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5.5 Statutory Statements Under SPS 160

National Australia Bank Group Superannuation Fund A

Actuarial Investigation as at 30 June 2022

The statements required under paragraphs 23(a) to (i) of SPS 160 for interim and regular investigations are set out below:

Fund Assets

At 30 June 2022 the net market value of assets of the Fund, excluding any amount held to meet the Operational Risk Financial Requirement (ORFR), was $33,451,000.

Projection of Defined Benefit Vested Benefit Index

Based on the actuarial assumptions we project that the likely future financial position of the Fund over the three years following the investigation date will be as follows:

Date	Defined Benefit Vested Benefits Index
30 June 2022	833%
30 June 2023	1489%
30 June 2024	2334%
30 June 2025	1955%

Accrued Benefits

The value of the accrued liabilities of all members as at 30 June 2022 was $4,841,000.

In my opinion, the value of the assets of the Fund at 30 June 2022 was adequate to meet the liabilities in respect of accrued benefits in the Fund (measured as the present value of members' accrued entitlements using the actuarial assumptions).

This assessment has been made using assumptions and a valuation method which we regard as reasonable.

Vested Benefits

The value of the vested benefits of all members as at 30 June 2022 was $4,018,000.

In my opinion, the financial position of the Fund is not unsatisfactory and the shortfall limit does not need to be reviewed at this time.

Minimum benefits

The value of the liabilities in respect of the minimum benefits of members as at 30 June 2022 was $3,891,000 which is less than the value of assets held at that date.

Funding and Solvency Certificates

Funding and Solvency Certificates for the Fund covering the period from 30 June 2019 to 30 June 2022 required by the Superannuation Industry (Supervision) Act have been provided. In my opinion, we are likely to be able to provide Funding and Solvency Certificates for the Fund covering the period from 30 June 2022 to 30 June 2025.

Bank Contributions

The report on the actuarial investigation of the Fund at 30 June 2022 recommends the Bank to make nil contributions until at least 30 June 2025.

Payment of Pensions

In my opinion, at the valuation date, there is a high degree of probability that the fund will be able to pay the pensions as required under the Fund's governing rules.

Pre-July 1998 Funding Credit

No pre-July 1998 funding credits have been granted to the Fund.

Anthony Chan
Fellow of the Institute of Actuaries of Australia

23 December 2022

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