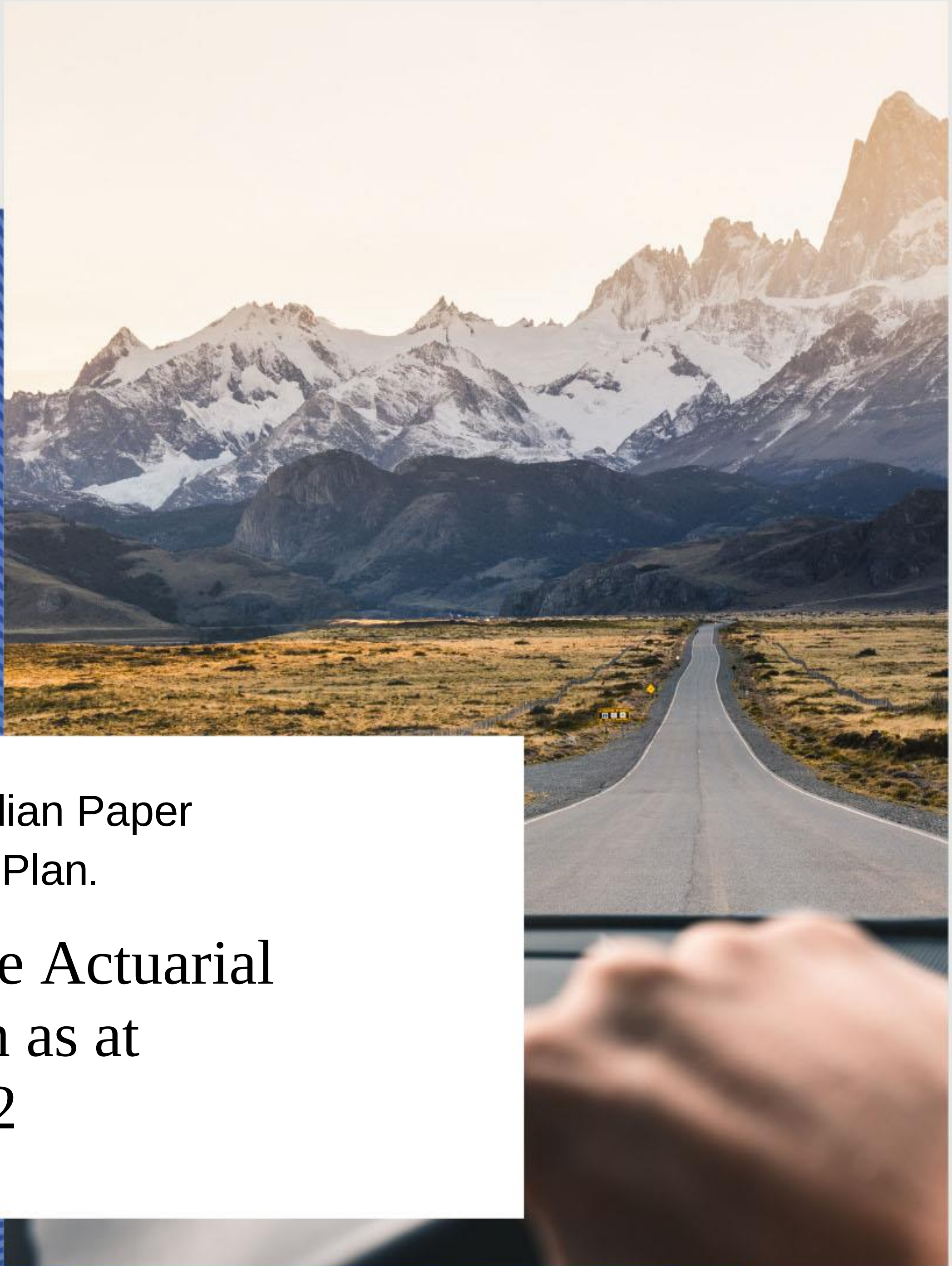


Opal and Australian Paper Superannuation Plan.

# Report on the Actuarial Investigation as at 30 June 2022

# Summary

I am pleased to present my report to the Trustee of the Opal and Australian Paper Superannuation Plan, NULIS Nominees (Australia) Ltd, on the actuarial investigation into the Opal and Australian Paper Superannuation Plan as at 30 June 2022. The Plan 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 Plan has improved over the inter-valuation period, as shown in the increased Vested Benefits Index from 127.8% as at 30 June 2019 to 146.1% as at 30 June 2022.

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

| Measures | 30 June 2019 | 30 June 2022 |
|---|---|---|
| VBI | 127.8% | 146.1% |
| PVABI | 131.7% | 150.7% |
| MRBI | 155.8% | 180.4% |

## Funding

The adjusted company contribution rate determined under the Attained Age funding method is calculated as 11.3% as at 30 June 2022, before allowance for expenses.

Taking into account the projected financial position of the Plan over the next three years, I recommend the Company continue the contribution holiday in respect of defined benefit members, until at least 30 June 2025.

I also recommend a contribution holiday in respect of the Plan's accumulation members for 14 months commencing 1 January 2023 (until 29 February 2024). These contributions are at least at the level required to meet any Superannuation Guarantee, contractual or any other obligations in respect of accumulation liabilities in the Plan.

# Contents

***Summary***

***Introduction***
Scope
Previous Actuarial Investigation
Limitations

***Solvency***
Solvency measures
Retrenchment Benefits
Termination Benefits
Ability to Pay Pensions

***Funding***
Long Term Funding Results
Sensitivity Analysis
Summary

***Other Matters***
Investments
Insurance

***Additional information***
Risks
Benefit summary
Summary of Data
Funding Method, Assumptions and Experience
Statutory Certificate

Throughout this report the following terms are used:

**Plan**
Opal and Australian Paper Superannuation Plan

**Trustee**
NULIS Nominees (Australia) Ltd

**Company**
Paper Australia Pty Ltd, Opal Packaging Australia Pty Ltd, Opal Commercial Services Pty Ltd, Speciality Packaging Group Pty Ltd or Rota Die International Pty Ltd

**Trust Deed or Rules**
The Plan's Participation Agreement and dated 28 March 2019

**The Investigation Date or Valuation Date**
30 June 2022

For both defined benefit and accumulation members, the Company should continue to contribute:

- deemed member contributions (i.e., compulsory member contributions that the Company has agreed to pay on the members' behalf, if any); plus
- salary sacrifice member contributions including any voluntary salary sacrifice contributions, where applicable

The appropriateness of the contribution holiday for accumulation members will be reviewed regularly (at least quarterly) and may be required to cease earlier, or continue for longer, than 29 February 2024 if warranted by Plan experience.

Following the end of the contribution holiday in respect of Accumulation members, the Company should contribute at the required amounts to meet any Superannuation Guarantee, contractual or any other obligations in respect of accumulation liabilities in the Plan.

## Other Matters involving Actuarial Oversight

I further recommend that:

- The Trustee and Company utilise the surplus within the defined benefit section of the Plan to meet future monthly Company contributions in respect of accumulation members from beginning 1 January 2023 to 29 February 2024;
- The Trustee retain the shortfall limit of 100% based on the current investment structure of the Plan and the continuing Company contribution holiday in respect of the defined benefit section;
- The Trustee monitor the financial position of the Plan at least quarterly throughout the following investigation period;
- Current external insurance arrangements for death and disablement benefits be retained.

In line with requirements under legislation and Trust Deed, the next actuarial investigation of the Plan should be conducted with an effective date no later than 30 June 2025. The recommended Company 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.

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

Andrew West

Andrew West
Fellow of the Institute of Actuaries of Australia

**ABN 45 002 415 349 AFSL 229921**

Level 4, 555 Bourke Street, Melbourne VIC 3000

**27 October 2022**

DO: MZ | TR: FB | ER,CR: AW

# Section 1: Introduction

## Scope

This investigation has been prepared effective 30 June 2022 for NULIS Nominees (Australia) Ltd, the Trustee of the Plan, by the actuary to the Plan, Andrew West, FIAA.

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

This investigation is primarily interested in the defined benefit liabilities of the Plan, and unless otherwise specified, this report relates only to such defined benefit liabilities. The Accumulation liabilities of the Plan, including those that relate to defined benefit members, are fully funded and do not impact upon the Defined Benefit liabilities. No investigation is required regarding the Accumulation liabilities, although in my recommendations I have recommended the Company commence a contribution holiday in respect of any Superannuation Guarantee, contractual or any other obligations in respect of such liabilities.

This report has been prepared in accordance with Professional Standards 400, 402, 404 and 410 and Practice Guideline 499.01issued by the Institute of Actuaries of Australia.

## Previous Actuarial Investigation

The previous actuarial investigation of the Plan was carried out by David McNeice, FIAA as at 30 June 2019, with the results of that investigation set out in a report dated 18 December 2019.

The report concluded that the Plan was not in an unsatisfactory financial position (as defined by SIS legislation) at that date, and recommended that the Company continue the contribution holiday in respect of defined benefit members..

The Company was to continue to make the following contributions:

- deemed member contributions (i.e., compulsory member contributions that the Company has agreed to pay on the members' behalf, if any); plus
- salary sacrifice member contributions where applicable.

We understand the Company has contributed amounts consistent with these rates.

## Experience since 30 June 2022

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

- The net return on the Plan's assets from the valuation date to 30 September 2022 was approximately -0.8%; and
- Three members have exited the Plan.

The actual experience since 30 June 2022 has only slightly weakened the financial position of the defined benefit section, reducing the Vested Benefits Index from 146.1% at 30 June 2022 to an estimated 145.7% at 30 September 2022. Because of this, no allowance has been made for experience since 30 June 2022 when carrying out the projection of the financial position of the Plan from that date.

## Limitations

This report is provided subject to the terms set out herein and in our engagement letter dated 1 February 2019 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 Company 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 Company or any third party in this regard. The Trustee should draw the provisions of this paragraph to the attention of its auditors and the Company 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 Plan 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.

# Section 2: Solvency

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, I 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 Plan 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 Plan's Benefit Certificate that relates to defined benefits.[2]

All three measures of liability value include the amount determined as the present value of a pension in payment, including an allowance for expected future administration and operational expenses associated with the Plan's pensioner. As at 30 June 2022, this value was $1.647m.

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

| | As at 30 June 2022 | | | As at 30 June 2019 | | |
|---|---|---|---|---|---|---|
| Measure | Value of Liability | Value of Assets | Index | Value of Liability | Value of Assets | Index |
| VBI | $24,233,000 | $35,400,000 | 146.1% | $42,915,000 | $54,843,000 | 127.8% |
| PVABI | $23,492,000 | $35,400,000 | 150.7% | $41,633,000 | $54,843,000 | 131.7% |
| MRBI | $19,626,000 | $35,400,000 | 180.4% | $35,200,000 | $54,843,000 | 155.8% |

Overall, the indices have increased from those at the previous investigation date. This is primarily a result of the higher than expected number of exits over the period, which was offset by the lower than expected investment returns.

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

## Retrenchment Benefits, Other Discretionary or Contingent Benefits

The benefit payable on retrenchment has been taken to be the member's Retrenchment Benefit (where applicable), subject to a minimum of the member's Vested Benefit. Where a Retrenchment Benefit does not apply, the Retrenchment Benefit was taken as the member's Vested Benefit.

[1] Benefits have been apportioned to past service by calculating the projected benefit payable using only service that is completed to the valuation date in the benefits formula.
[2] For employee members, the minimum benefits are as advised by the Plan's administrators.

The Plan's coverage of Retrenchment Benefits at 30 June 2022 is 145.9%.

## Termination Benefits

Under the Trust Deed, the Company may terminate contributions by giving notice in writing to the Trustee. The assets then available are allocated between the members by the Trustee, after obtaining the advice of the Actuary and having regard to regulatory requirements. It follows therefore that in accordance with the Plan rules, the termination benefits would be covered by the Plan's assets. In addition, the termination provisions do not require a minimum benefit to be paid but to apply assets in an order of priority.

## Ability to Pay Pensions

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

In making this certification, we have considered that in the case of a wind-up of the Plan, the assets, after allowing for other liabilities that rank ahead of pensioners such as expenses and other categories (if any), currently exceed the current Defined Benefit Pension Value by a large margin.

This section considers the long-term funding of the Plan 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 Attained Age funding method as described in the "Additional Information" section of this report.

# Section 3: Funding

## Long Term Funding results

The long-term Company contribution rate  is calculated in the table below.

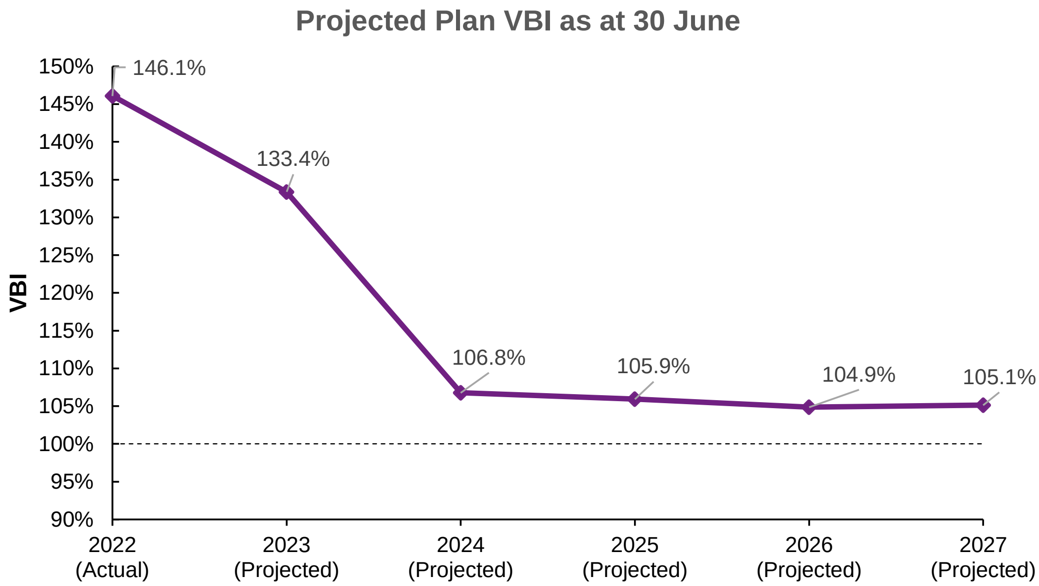
| Calculation of Company Contribution Rate | $'000 |
|---|---|
| Future Service Liability | 2,819 |
| Less Present Value of Member Contributions | (801) |
| Liability to be funded by Employer Contributions | 2,018 |
| Present Value of 1% of Salaries | 210 |
| **Liability to be funded as a % of salaries** | **9.6%** |
| **Long-term employer contribution rate (after tax, before expenses)** | **11.3%** |
| Fair Value of Assets | 35,400 |
| Less Present Value of Accrued Benefits | 23,492 |
| Equals Surplus/(Deficit) | 11,908 |

We have assumed that Plan expenses will be $140,000 p.a. (this equates to roughly 2.90% of defined benefit members' superannuation salaries at 30 June 2022). Therefore, allowing for expenses the long-term rate above is 14.2% of defined benefit members' salaries.

The equivalent long term Company contribution rate (after tax and expenses) at 30 June 2019 was 12.4%. The increase at this valuation is due to the higher expense assumption (as a percentage of salary) and the change in financial assumptions (namely, the increase in the salary inflation assumption that has reduced the gap between the expected investment return and salary increases going forward).

As can be seen above, a significant surplus remains in the Plan in relation to accrued benefits at 30 June 2022 which is greater than the future service liabilities of defined benefit members and therefore the Company is not expected to be required to make further contributions to meet future defined benefit accrual.  For this reason, we recommend using the surplus to meet the Company contributions of Opal and Australian Paper employees in the accumulation section of the Plan for 14 months from 1 January 2023 to 29 February 2024.

We have projected the Plan's Vested Benefits Index over the next five years based on the above contribution program and making allowance for Plan expenses of $140,000 p.a. indexed at 2.70% p.a.



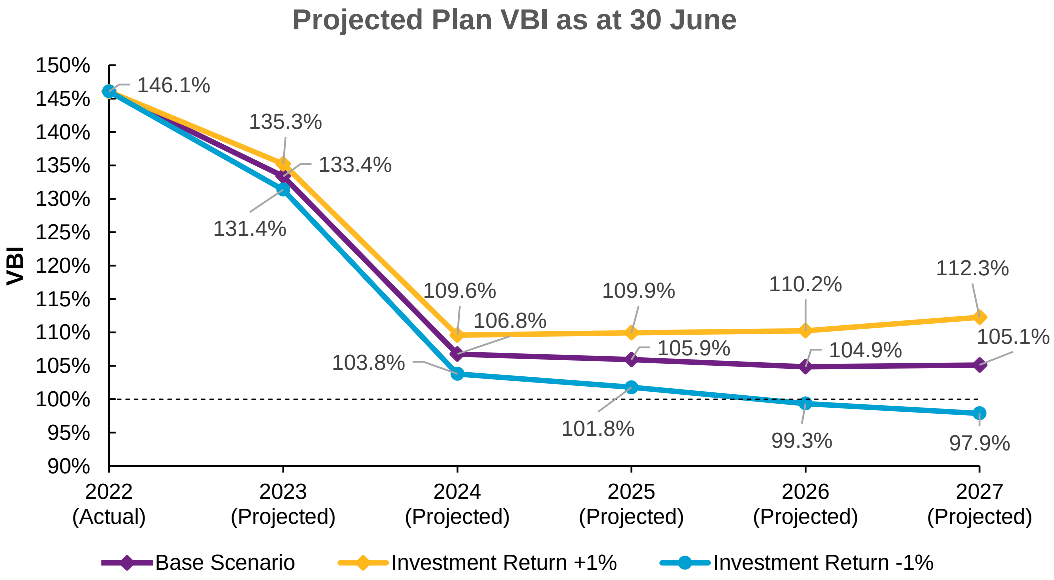

As can be seen from the graph, on the basis of the selected actuarial assumptions and recommended Company contribution program, the Plan is expected to comfortably maintain a VBI above 100%. It is prudent to target a buffer above vested benefits in the Plan for adverse experience and believe that a VBI target of 105% would be reasonable. The VBI is not expected to reduce to 105% until 30 June 2026 with the recommended contribution holidays. At that time, it may be prudent for the Company to recommence contributions in respect of defined benefit members. While the exact rate at which contributions will need to recommence will be determined at that time, our projections indicate that it may be around 10% of defined benefit members' salaries at the time, which is reflected in the above chart.

## Sensitivity Analysis

Before making a recommendation on the Company contribution program, it is useful to consider the sensitivity of the analysis above to reasonable variations in the valuation assumptions. The following table shows the long-term contribution rate calculated, if key assumptions had been varied as described below:

| | This Valuation Basis | Scenario 1 | Scenario 2 |
|---|---|---|---|
| **Description** | **Base Case** | **Investment Return +1%** | **Investment Return -1%** |
| Discount Rate | 4.25% | 5.25% | 3.25% |
| Price Inflation | N/A | N/A | N/A |
| Expected Salary Growth | 2.70% | 2.70% | 2.70% |
| Present Value of Accrued Benefits Index | 150.7% | 154.9% | 145.6% |
| Long Term Contribution Rate (after tax, before expenses and before any adjustment for surplus or deficit) | 11.3% | 10.4% | 12.2% |

Similarly, the Plan's projected VBI over the next five years under the varied assumptions and the previously recommended contribution program are shown in the graph below:




These results show that even with the contribution holiday in respect of defined benefit members continuing and the contribution holiday in respect of accumulation members from 1 January 2023 to 29 February 2024, the Plan's projected financial position is expected to remain satisfactory under the changes to long-term actuarial assumptions considered for at least the next 3 years.

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.

The above results show that the financial position is sensitive to long-term actuarial assumptions and, more importantly, investment experience.  It is possible that if the Plan's investment experience is poorer than assumed for this valuation then the contribution holiday in respect of Accumulation members may need to end sooner than recommended and also contributions in respect of defined benefit members may need to recommence sooner than anticipated (and perhaps at a higher rate). The converse can be said if Plan experience is more positive than expected.

Given the above projections, we recommend the Trustee and Company utilise the surplus within the defined benefit section of the Plan to meet future monthly Company contributions in respect of accumulation members for 14 months, between 1 January 2023 and 29 February 2024 (deemed member and salary sacrifice member contributions, including voluntary salary sacrifice contributions, should continue to be paid). The appropriateness of the contribution holiday for accumulation members will be reviewed regularly (at least quarterly) and may be required to cease earlier, or continue for longer, than 29 February 2024 if warranted by Plan experience.

## Summary

On the basis of the above results, and having regard to the Plan's shortfall limit, we believe that continuing the current Company contribution holiday in respect of defined benefit members would meet the funding requirements of the Plan. Based on the assumption adopted, we expect that this contribution holiday will last until around 30 June 2026, at which time company contributions would recommence at around 10% of salaries.

We also recommend a Company contribution holiday in respect of the Plan's accumulation members for 14 months commencing 1 January 2023 (until 29 February 2024). These contributions are at least at the level required to meet any Superannuation Guarantee, contractual or any other obligations in respect of accumulation liabilities in the Plan.

For both defined benefit and accumulation members, the Company should continue to contribute:

- deemed member contributions (i.e., compulsory member contributions that the Company has agreed to pay on the members' behalf, if any); plus
- salary sacrifice member contributions, including voluntary salary sacrifice contributions, where applicable

The appropriateness of the Company contribution holiday for accumulation members will be reviewed regularly (at least quarterly) and may be required to cease earlier, or continue for longer, than 29 February 2024 if warranted by Plan experience.

Following the end of the Company contribution holiday in respect of Accumulation members, the Company should contribute at the required amounts to meet any Superannuation Guarantee, contractual or any other obligations in respect of accumulation liabilities in the Plan.

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

# Section 4: Other Matters involving actuarial insight

## Investments

### *Investment Strategy*

The assets supporting the Plan's defined benefits are currently invested in two investment products with the following investment objectives:

- MLC Stable Fund[1]: return objective is to outperform inflation, measured by the Consumer Price Index, by 1.5% p.a., after investment fees and taxes, over rolling 5-year periods.
- MLC Moderate Fund: return objective is to outperform inflation, measured by the Consumer Price Index, by 3% p.a., after the investment fees and taxes, over rolling 10-year periods.

The target allocation to the MLC Stable Fund and MLC Moderate Fund is 55%/45% respectively.

The combined target asset allocation of the investments is:

| Asset Class | Target Allocation |
|---|---|
| Australian Equities | 16.75% |
| International Equities | 18.65% |
| Property | 4.90% |
| Infrastructure | 4.90% |
| Private Equity | 2.80% |
| **Total Growth Assets** | **48.00%** |
| Fixed Interest - Diversified | 24.50% |
| Fixed Interest - Credit | 12.65% |
| Defensive Alternatives | 2.90% |
| Cash | 11.95% |
| **Total Defensive Assets** | **52.00%** |

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

As at 30 June 2022 the actual allocation of the Plan's investments in the MLC Stable Fund and MLC Moderate Fund was 45%/55% respectively. The Trustee may wish to consider rebalancing the investments to the target split.

[1] These assets were previously invested in the MLC Conservative Fund, which was closed by MLC, and the Plan's assets in this investment were transferred to the MLC Stable Fund in July 2022. Both funds have the same strategic asset allocation, similar investment objectives and same standard risk measure.

### *Crediting Rate and Investment Reserving Policy*

The Plan's policy credits defined benefit member accounts with actual investment returns (net of fees and taxes) from the underlying assets. However, it should be noted that for some accounts, a smoothed crediting rate applies. The financing of this smoothed crediting aspect rests within the defined benefit section. In our view, this remains appropriate.

### *Liquidity*

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

## Shortfall Limit

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

Based on the Plan's benefit design and its target asset allocation described above, in our opinion the 100% shortfall limit remains reasonable for the Plan.

## Insurance

### *Death and Disablement Benefits*

The Plan is fully insured if the assets and the insurances are sufficient to cover the Death and Total and Permanent Disablement (TPD) benefits. Lump sum Death and TPD insurance is provided through MLC Limited and is calculated using the following formula:

Insurance = (Death/TPD Benefits – Vested Benefits)$(1+K_{SF})^{(NRA\text{-}age)}$

*where*

NRA = the member's age at normal retirement date

$K_{SF}$ = 0.0%

*When* $K_{SF}$ = 0%, the insurance formula simplifies to:

Insurance = Death/TPD Benefit – Vested Benefit

Based on the VBI at 30 June 2022, we recommend no change to $K_{SF}$.

The Plan provides children's pensions that are payable on the death or total and permanent disablement of certain defined benefit members who have eligible surviving children. Additional insurance for child pensions has not been effected and therefore, in the event of a claim, a strain on the Plan would emerge.

Based on the assumption that eligible members had a child at age 29 and a second child at age 32, we have estimated the exposure value of child pensions to be $186,000 at 30 June 2022. This is well in excess of the value of the Vested Benefits surplus of $11.2 million and while the Vested Benefits surplus will significantly reduce over 2023, so too will the estimated exposure value of the child pensions. Therefore, given the current strong financial position of the Plan and the membership profile, in our opinion this arrangement remains appropriate

# Section 5: Additional Information

## Risks

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

| 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 Plan Actuary on possible assumptions for future investment returns. In setting the future contributions, the Plan Actuary considers the effect on the future financial position if investment returns are less than expected.<br><br>The Trustee is able to agree further contributions with the Company 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 | Salary increases are generally linked to price inflation. 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.<br><br>The Plan does not currently hedge its exposure to inflation risk. |
| Falls in asset values might not be matched by similar falls in the value of the Plan's liabilities | The Trustee considers this risk when determining the Plan's investment strategy. It consults with the Company in order to understand the Company's appetite for bearing this risk and takes advice on the Company's ability to make good any shortfall that may arise.<br><br>To the extent that such falls in asset values result in deficits at future valuations, the Company would be required to agree a recovery plan with the Trustee to restore full funding over a period of time. |
| Plan members live longer than assumed | The Trustee adopted mortality assumptions that it regards as prudent estimates of the life expectancy of members so that higher reserves are targeted in respect of the risk than are expected to be necessary.<br><br>To the extent the projected VBI is expected to remain above 100% until the next valuation, this should not create a material risk. |
| Significant growth in the number of or salaries of Accumulation members leading to an increase in the amount of surplus required to fund the Company contribution holiday for Accumulation members, compared to the amount assumed. | Quarterly monitoring of the amount of surplus used to fund the Company contribution holiday for Accumulation members will detect significant growth in the number of or salaries of Accumulation members and result in an earlier than recommended cessation of the Company contribution holiday. |
| Legislative changes could lead to increases in the Plan's liabilities | The Trustee takes legal and actuarial advice on changes in legislation and consults with the Company, where relevant. |

Economic risk | Demographic risk | Legal risk

## Benefits summary

The Plan is a regulated complying superannuation fund under the Superannuation Industry (Supervision) Act and qualifies for concessional tax treatment. The defined benefit categories of the Plan are closed to new entrants. This summary contains the Plan's main defined benefit provisions. Minimum benefits that have been carried over from other funds and certain exceptions to the provisions below have not been addressed in this summary.

### Classifications

- AMCOR70 – Australian Paper members who were previously members of the Amcor 1970 Superannuation Fund.
- Ex-Spicers – Australian Paper members who were previously members of the Spicers Superannuation Fund.

### Additional Account Balances & Surcharge Offset Accounts

Additional Account Balances such as Rollover Accounts and Voluntary Member Accounts are payable in addition to the benefits set out below. Also the benefits below are reduced by any balance held in a member's Surcharge Account.

### Superannuation Guarantee Minimum Benefits

From 1 July 1992, the Federal Government introduced legislation requiring minimum levels of employer superannuation contributions as set out in the Superannuation Guarantee (Administration) Act. As a result, the benefits payable from this Plan are subject to a minimum benefit which is specified in the Plan's Benefit Certificate.

### Eligibility

Any person considered by the participating Employers of the Plan to be an Employee is eligible to join the Plan and become a member of the Plan.

## Definitions

**“Normal Retirement Date (NRD)”**

Generally means 65th birthday. (For some members it means 1st February or 1st August following the member’s 62nd birthday.)

**“Early Retirement Date”**

Generally means 55th birthday.

**“Final Average Salary (FAS) / Benefit Salary”**

Generally means the average of the member’s salaries over a period (in most cases 3 years) to the member’s date of resignation or retirement.

**“Membership”**

Relates to the period from the member’s Date Joined Fund for Benefit Purposes to the date of calculation.

**“Total Potential Membership”**

Relates to the period from the member’s Date Joined Fund for Benefit Purposes to the member’s normal retirement date.

**“Future Membership”**

Relates to the period from the date of calculation to the member’s normal retirement date.

**“Prospective Final Average Salary (FAS) / Prospective Benefit Salary”**

Relates to the member’s FAS or Benefit Salary calculated at the member’s normal retirement age assuming salary remains unchanged from the date of calculation.

**“Surcharge Account”**

Means the accumulated value of any amounts held in respect of the member under the Surcharge Act.

**“Salary”**

Generally means the base wage earned by an employee excluding shift allowances, sick pay, long service leave, holiday pay, commission and over-award payments, overtime, payments on termination of employment, and any other special payments.

## Summary of Benefits – Defined Benefit Members

**AMCOR70**

***Member Contributions & Accrual Rates***

| Member Contribution Rate | Accrual Rate |
|---|---|
| 0% | 10% |
| 5% | 15% or 17.5% |

***Normal Retirement, Early Retirement and Withdrawal Benefit***

*Benefit = Accrual Rate × Membership × Benefit Salary × Age Factor*

*Where Age Factor* is 1 from Early Retirement Date, but reduces by either 1.5% pa. or 2.5% pa. for the period that a member's date of exit precedes the Early Retirement Date.

***Death & Total and Permanent Disablement Benefit***

*Benefit = Accrual Rate × Total Potential Membership × Prospective Benefit Salary.*

**CHILDREN'S PENSION**

A children's pension is payable in the event of a member's death or TPD prior to the NRD.

*Amount of Children's Pension*

- 20% of Prospective Benefit Salary for the youngest child; and
- 15% of Prospective Benefit Salary for each other child.

**EX - SPICERS**

***Membership Contributions & Accrual Rates***

| Category | Member Contribution Rate | Member Accrual Rate |
|---|---|---|
| ALL: 0 | 0% | 0% |
| ALL: 1 | 1% | 1.2% |
| ALL: 2 | 2% | 2.4% |
| ALL: 3 | 3% | 3.6% |
| ALL: 4 | 4% | 4.8% |
| ALL: 5 | 5% | 6% |

For the above category of members, the Company Accrual rate is:

- 10% if employment commenced after 30 June 1988; or
- 11% if employment commenced on or before 30 June 1988.

**Normal & Early Retirement Benefit**

*Benefit = Company Accrual Rate × Membership × FAS + greater of:*

- Member Accrual Rate × Membership × FAS
- Member Contribution Account.

**Death & Total and Permanent Disablement Benefit**

Benefit = (Member Accrual Rate + Company Accrual Rate) × Membership × Prospective FAS + 15% × Future Membership × Prospective FAS

**Withdrawal Benefit**

*Benefit = Company Accrual Rate × Membership × FAS × Discount Factor + Member Account*

Where: Discount Factor = (1- 2.5% for each year and complete month by which the date of exit precedes age 55), subject to a minimum Discount Factor of 60%.

## 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.

## Changes to the benefits

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

# Summary of Data Used in this Investigation

## *Membership Data*

Plum Financial Services Ltd has responsibility for maintaining member records, payment of benefits and other administrative tasks of the Plan.

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

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

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

| | 30 June 2022 | | 30 June 2019 | |
|---|---|---|---|---|
| | **Active** | **Pensioners** | **Active** | **Pensioners** |
| Number of Members | 40 | 1 | 83 | 1 |
| Average Age | 58 | [redacted] | 58 | [redacted] |
| Average Past Company Membership | 32 | N/A | 28 | N/A |
| Average Superannuation Salary / Pension | $119,430 | [redacted] | $104,244 | [redacted] |

There was also 1 member at 30 June 2022 (4 at 30 June 2019) who had reached their Normal Retirement Date and had their defined benefits converted to accumulation benefits.

## *Assets Data*

As an employer plan of the MLC Super Fund, there are no audited financial accounts prepared for the Opal and Australian Paper Superannuation Plan. However, the Plan administrator has provided asset values and cashflows for the Plan as at 30 June 2022.

The net assets attributable to the Plan are in respect of active defined benefit members (including assets in respect of these members' additional accumulation accounts that are credited with smoothed investment earnings and late retirement accounts that do not have member investment choice) and non-account-based pensioners. The Plan's Operational Risk Financial Requirement (ORFR) reserve is held at the Master Trust level, accordingly all assets in this report exclude ORFR reserves. The resultant value of $35,400,000 was used in this valuation to determine contribution recommendations and Funding Status Measures, which includes an adjustment to the Plan's asset value for contributions tax payable.

While the asset information provided was unaudited, the asset information provided for the Plan is based on the 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.

## Revenue Account 30 June 2019 to 30 June 2022

| | Period 30 June 2019 to 30 June 2022 | |
|---|---|---|
| | $(000) | $(000) |
| Asset value as at 30 June 2019 | | 54,843 |
| ***Plus:*** | | |
| Member contributions | 256 | |
| Company contributions – regular | 67 | |
| Salary sacrifice contributions | 591 | |
| Insurance proceeds | 45 | |
| Investment rebates | 475 | |
| Net Investment return *(realised and unrealised)* | 3,858 | 5,292 |
| ***Less:*** | | |
| Benefit payments (including pensions) | 24,223 | |
| Expenses | 287 | |
| Insurance costs | 131 | |
| Income tax expense | 94 | (24,735) |
| **Asset value as at 30 June 2022:** | | 35,400 |

## Funding Method, Assumptions and Experience

### *Funding Method*

In this valuation, I have used the Attained Age method. Under this method, the company contributions are calculated as the cost of benefits accruing to members in respect of all future membership plus other relevant costs (such as administration expenses), with an adjustment to allow for the amortisation of surplus or deficit existing in the Plan in respect of benefits accrued at the valuation date. These contributions are expressed as a percentage of salaries, by comparing the amount against the expected present value of 1% of members' salaries.

This funding method is suitable for this valuation as it allows the surplus (or deficit) of the Plan to be used (or made up) by the Company over a shorter time period.

In the prior valuation, I also used the Attained Age method. In my view this method remains appropriate.

### *Assumptions*

In order to determine the value of expected future benefits and Plan 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 Plan 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 Plan.

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

## *Financial Assumptions*

Valuation assumptions can be broadly divided into demographic assumptions, which relate to characteristics of current and future members of the Plan, 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 Plan'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 | -1.2% |
| 30 June 2021 | 13.7% |
| 30 June 2022 | -2.2% |
| Overall | 3.2% p.a. |

Over the three-year period to 30 June 2022 the assets held in the Plan returned 3.2% p.a. which is lower than rate assumed in the previous investigation of 4.25% p.a. (net of tax). In isolation, this has had a negative impact on the financial position of the Plan.

While short-term differences between actual investment return experience and the actuarial assumption can affect the long-term financial position of the Plan 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 WTW, the current long term expectations of investment returns net of taxation and investment management expenses and current strategic asset allocation of the Plan is 4.25% p.a.. On this basis, I have retained a long-term investment earning rate of 4.25% p.a. for this investigation.

### Salary Increases

The average salary increases during the investigation period for the members remaining in the Plan as at 30 June 2022 was 1.7% p.a.. This is lower than the salary increases assumption adopted for the previous actuarial investigation of 2.0% pa. This has had a marginally positive impact on the financial position of the Plan.

The Company has advised that it expects short-term salary increases of around 2.1% pa to 2.3% pa and in the longer term it may trend towards 3.0% pa. Considering this and the current long-term expectations of price inflation of 2.70% p.a. based on modelling by WTW, I have adopted a salary increase assumption of 2.70% p.a. for the purpose of this investigation.

**Pension Increases**

The Plan pension currently in payment is not indexed and as such we assume future pension increases are nil.

**Administration Expenses and Insurance Costs**

For this investigation, we assumed annual expenses of $140,000 p.a., in line with the Plan's experience and expected expenses going forward. We have assumed this amount will increase with price inflation (expected to be 2.7% p.a.). This equates to approximately 2.9% of defined benefit members' superannuation salaries at 30 June 2022. The actual amount of expense is lower than that adopted for the previous investigation (of $160,000p.a.), although given the reduction in defined benefit membership over the investigation period it is higher as a percentage of salary (1.9% in the previous investigation).

The gross Normal Company contribution rate for defined benefit members includes a provision for contributions tax of 1.7% of members' superannuation salaries.

An allowance of $18,000 has been included in the value of pension liabilities at 30 June 2022 to reflect the expected future administration and operational expenses associated with the Plan's pension. This is the approximate present value of the member-based fee (of $90 per pensioner) and asset-based fee Plan management fee (of 0.08% of assets) charged by MLC.

**Accumulation contributions**

In order to assess the impact of the recommended Company contribution holiday in respect of Accumulation liabilities we have had to make an assumption on the amount of Company contributions made to Accumulation members each month (excluding deemed member and salary sacrifice contributions).

Based on monthly Company contribution amounts provided to us by Plum in respect of Accumulation members for the months of July and August 2022, we have assumed that the value of accumulation contributions met from defined benefit surplus will be $680,000 per month, indexed with salary inflation. We note that this figure is net of contributions tax since it is being allocated from within the Plan and therefore contributions tax will not be payable on it (the equivalent contribution gross of tax is $800,000 per month). We note that the administration of this allocation from surplus will need to be confirmed.

## *Demographic Assumptions*

The Plan is of insufficient size to reliably use its observed experience as an indication of the future. Because of the small number of employee members remaining in the Plan, I have retained the long-term assumptions from the previous valuation. We have based the rates of pre-retirement mortality and disability on the Plan's insurance premium rates at 30 June 2022, which include the insurer's estimates of the probability of a member dying or becoming totally and permanently disabled at each age. The insurer's rates differ by benefit category.

Sample exit rates (per 10,000 members) I have adopted are shown in the tables below:

*Rates of Resignation*

| Age Next Birthday | Number per year per 10,000 members |
|---|---|
| 20 | 2,400 |
| 25 | 1,700 |
| 30 | 1,000 |
| 35 | 580 |
| 40 | 380 |
| 45 | 200 |
| 50 | 60 |

*Rates of Retirement*

| Age Next Birthday | Number per year per 10,000 members |
|---|---|
| 55-60 | 1,000 |
| 61 | 2,000 |
| 62 | 1,500 |
| 63 | 1,500 |
| 64 | 1,500 |
| 65 | 3,300 |
| 66 | 3,300 |
| 67 | 3,300 |
| 68 | 9,500 |
| 69 | 9,500 |
| 70 | 9,500 |
| 71 | 9,500 |
| 72 | 9,500 |
| 73 | 9,500 |
| 74 | 9,500 |
| 75 | 9,500 |
| 76 | 10,000 |

*Rates of Mortality, Total and Permanent Disability (TPD)*

| Age Next Birthday | AMCOR70 | | EX-SPICERS | |
|---|---|---|---|---|
| | Male | Female | Male | Female |
| 25 | 6.3 | 2.3 | 6.9 | 2.6 |
| 30 | 6.3 | 3.8 | 6.7 | 4.1 |
| 35 | 7.7 | 6.0 | 8.4 | 6.5 |
| 40 | 11.1 | 10.0 | 12.0 | 10.9 |
| 45 | 17.9 | 17.7 | 19.4 | 19.1 |
| 50 | 31.0 | 31.6 | 33.6 | 34.2 |
| 55 | 58.2 | 48.7 | 63.3 | 52.9 |
| 60 | 98.7 | 69.6 | 107.4 | 75.7 |
| 65 | 164.1 | 100.4 | 178.4 | 109.2 |

*Rates of Pension Mortality*

In the last valuation, the assumed pension mortality rates were based on the most recent Australian Life Tables available at the time, ALT 2010-12. Since then, the Australian Government Actuary has released a new set of mortality tables, ALT 2015-17, and these have been used for this valuation.

# Statutory Statements Under SPS 160

## Opal and Australian Paper Superannuation Plan

## 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:

### *Plan Assets*

At 30 June 2022 the net market value of assets of the Plan, excluding any amount held to meet the Operational Risk Financial Requirement (ORFR), was $35,400,000.

### *Projection of Defined Benefit Vested Benefit Index*

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

| Date | Defined Benefit Vested Benefits Index |
|---|---|
| 30 June 2022 | 146.1% |
| 30 June 2023 | 133.4% |
| 30 June 2024 | 106.8% |
| 30 June 2025 | 105.9% |

### *Accrued Benefits*

The value of the accrued liabilities of all members as at 30 June 2022 was $23,492,000.

In my opinion, the value of the assets of the Plan at 30 June 2022 was adequate to meet the liabilities in respect of accrued benefits in the Plan (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 I regard as reasonable.

### *Vested Benefits*

The value of the vested benefits of all members as at 30 June 2022 was $24,233,000.

In my opinion, the financial position of the Plan 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 $19,626,000 which is less than the value of assets held at that date.

## *Funding and Solvency Certificates*

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

## *Company Contributions*

The report on the actuarial investigation of the Plan at 30 June 2022 recommends the following in respect of Company contributions:

- the Company continue the contribution holiday in respect of the Plan's defined benefit members, until at least 30 June 2025;
- the Company commence a contribution holiday in respect of the Plan's accumulation members for 14 months commencing 1 January 2023 (until 29 February 2024). These contributions are at least at the level required to meet any Superannuation Guarantee, contractual or any other obligations in respect of accumulation liabilities in the Plan.

For both defined benefit and accumulation members, the Company should continue to contribute:

- deemed member contributions (i.e., compulsory member contributions that the Company has agreed to pay on the members' behalf, if any); plus
- salary sacrifice member contributions (including voluntary salary sacrifice contributions), where applicable.

Following the end of the contribution holiday in respect of Accumulation members, the Company should contribute at the required amounts to meet any Superannuation Guarantee, contractual or any other obligations in respect of accumulation liabilities in the Plan.

## *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 Plan's governing rules.

## *Pre-July 1998 Funding Credit*

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

Andrew West

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**27 October 2022**