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PepsiCo Australia Superannuation Plan

Actuarial Investigation as at 30 June 2022

Report date: 13 December 2022

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13 December 2022

NULIS Nominees (Australia) Ltd
Level 8, 347 Kent St
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Attention: Anna Ilic

PepsiCo Australia Superannuation Plan - Actuarial investigation as at 30 June 2022

We are pleased to present the actuarial investigation of PepsiCo Australia Superannuation Plan ("the Plan"), a sub-plan in the Plum Division of the MLC Super Fund ("the Fund"), as at 30 June 2022 to NULIS Nominees (Australia) Ltd ("the Trustee").

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

Yours sincerely,

Diane Somerville
Fellow of the Institute of Actuaries of Australia

Andrew Boal
Fellow of the Institute of Actuaries of Australia

Contents

1 Executive summary

1.1 Introduction

NULIS Nominees (Australia) Ltd has requested that Deloitte Actuaries & Consultants Limited ("Deloitte") conduct an actuarial investigation of the PepsiCo Australia Superannuation Plan ("the Plan"). The Plan is a sub-plan in the Plum Division of the MLC Super Fund ("the Fund"). This report presents the results of the actuarial investigation of the Plan as at 30 June 2022.

The purpose of this report is to:

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

This report should not be used for any other purpose without the consent of the actuary.

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

1.2 Financial position

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

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

Funding levels for defined benefits

In considering the financial position, it is therefore appropriate to look at the funding levels for the defined benefits alone. In respect of the defined benefit liabilities, the funding ratios at 30 June 2022 are shown in the table below:

Funding Measure	Defined Benefit Assets ($'000)	Defined Benefit Liabilities ($'000)	Funding Ratio
Vested Benefits	10,601	6,922	153%
Value of Accrued Benefits	10,601	6,955	152%

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

The financial assumptions adopted for the purposes of this investigation are long term future investment returns of 6.0% p.a. (net of tax and investment fees) and assumed salary increases of 3.0% p.a..

Events since 30 June 2022

In the period since 30 June 2022, investment markets have been volatile with falls in markets over the September 2022 quarter before a recovery in October 2022 (although it is unknown whether this will be sustained over the coming months). Based on information provided by the Plan's administrator, the Plan's funding ratio for Vested Benefits (the Vested Benefits Index or VBI) had fallen to 151% as at 30 September 2022.

We have considered the impacts of investment market movements since 30 June 2022 to the extent possible when considering our contribution recommendations. This is discussed further later in the report.

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

Superannuation guarantee and technical solvency

The Employer's Superannuation Guarantee obligation is met in full for all members by the minimum benefits provided under the Plan. The required Benefit Certificate was issued on 12 February 2020 with effect from 1 January 2020 for a period of 5 years.

The current Funding and Solvency Certificate (issued on 12 February 2020) is effective from 1 January 2020 for a period of 5 years. The purpose of the Funding and Solvency Certificate is to specify the required Employer contributions needed to fund the Minimum Requisite Benefits used to offset the Superannuation Guarantee Charge. Pursuant to the Superannuation Industry (Supervision) Act ("the SIS Act"), a superannuation plan is "technically solvent" if the net value of its assets exceeds the minimum Superannuation Guarantee benefits.

At 30 June 2022, the Plan was solvent on this basis and, based on the assumptions in relation to vested benefits, we expect that an actuary will be able to certify the solvency of the Plan at all times during the three years to 30 June 2025.

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

Investments

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

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

We have reviewed the Plan's investment policy in light of the funding method adopted and the nature of the Plan's liabilities. In our opinion the Plan's current investment policy remains appropriate, provided that the Employer recognises and accepts the potential variability in returns and the resulting impact on contribution requirements.

Regulatory requirements

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

The Trustee has set the shortfall limit at a level of 100% for the Plan. We confirm that the VBI of the Plan was in excess of the shortfall limit as at 30 June 2022 and in the period since. Given that this investigation recommends an employer contribution holiday, in accordance with the Trustee's policy for setting shortfall limits, we recommend that the Trustee maintains the shortfall limit at 100% for the Plan.

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

Insurance

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

The total and temporary disablement benefits are fully insured in the Plan. This is appropriate in our opinion as the Plan does not accrue reserves in respect of this benefit.

1.3 Recommendations

Previous investigation

The previous actuarial investigation of the Plan was effective 30 June 2019 and was undertaken by Diane Somerville and Geoff McRae of Deloitte Actuaries & Consultants Limited. The report recommended the following:

- the recommended Employer contribution rates for defined benefit members over the period from 1 July 2019 until completion of the next actuarial investigation are at least:
    - nil for defined benefit members; plus
    - 5.88% of defined benefit members' salaries where the employer meets members' contributions for SMITH2:5 members on their behalf; plus
    - 2.94% of defined benefit members' salaries where the employer meets members' contributions for SMITH2:2.5 members on their behalf; plus
    - 3.0% Award contribution for applicable defined benefit members may be paid from the Plan's surplus assets over the period until completion of the next actuarial investigation.

It was also recommended that the Trustee allow the employer to meet up to $450,000 p.a. (net of tax) of employer contributions in respect of accumulation members in the Plan from the Plan's surplus assets (or alternative contribution holiday arrangements as agreed between the Trustee and the employer, subject to confirmation from the Plan actuary that they are broadly equivalent to the above recommendation), subject to confirmation from the actuary that this will not cause any adverse funding issues for the defined benefit section of the Plan.

In addition, it was recommended that:

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

Current investigation

Based on the approach and assumptions set out in this report, the recommended Employer contribution rates for defined benefit members over the period from 1 July 2022 until completion of the next actuarial investigation (effective no later than 30 June 2025) are at least:

  - nil for defined benefit members; plus
  - 5.88% of defined benefit members' salaries where the employer meets members' contributions for SMITH2:5 members on their behalf; plus
  - 2.94% of defined benefit members' salaries where the employer meets members' contributions for SMITH2:2.5 members on their behalf; plus
  - 3.0% Award contribution for applicable defined benefit members may be paid from the Plan's surplus assets over the period until completion of the next actuarial investigation.

We also recommend that the Trustee allow the employer to meet up to 3 months' Superannuation Guarantee (SG) contributions in respect of accumulation members in the Plan during the 2022/23 financial year only from the Plan's surplus assets (or alternative contribution holiday arrangements as agreed between the Trustee and the employer, subject to confirmation from the Plan actuary that they are broadly equivalent to the above recommendation). We further recommend that the Trustee consider an actuarial review of the recommended employer contributions in 12 to 18 months' time to determine if a further temporary contribution holiday in relation to accumulation members would be possible based on the financial position of the defined benefit section of the Plan at that time.

In addition, we recommend that:

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

We have also completed a number of VBI projections in section 7 to illustrate the sensitivity of the VBI to investment markets and salary increases.

Next valuation

The next valuation is required to be conducted at an effective date no later than 30 June 2025.

Reliances and Limitations

We have relied on the accuracy and completeness of all data and other information (qualitative, quantitative, written and verbal) provided to us for the purpose of this report. We have not independently verified or audited the data but we have reviewed it for general reasonableness and consistency. It should be noted that if any data or other information is inaccurate or incomplete, our advice may need to be revised.

This report has been prepared for the sole use of the Trustee and Employer for the purpose stated earlier. No other use of, or reference to, this report should be made without prior written consent from Deloitte, nor should the whole or part of this report be disclosed to any other person. The report should be considered as a whole. Members of Deloitte staff are available to answer any queries, and the reader should seek that advice before drawing conclusions on any issue in doubt.

Diane Somerville
Fellow of the Institute of Actuaries of Australia

Andrew Boal
Fellow of the Institute of Actuaries of Australia

13 December 2022

2 Background

2.1 History

The Plan commenced as a sub-plan of the Plum Superannuation Fund, a predecessor fund of the MLC Super Fund, on 5 November 2001 following the termination of the Smith's Snackfood Company Superannuation Plan and the Smith's Snackfood Company Group Retirement Fund (the "Previous Plans"). With effect from 14 September 2007, the Plan is now known as PepsiCo Australia Superannuation Plan.

Subsequently the Plum Superannuation Fund was transferred to the MLC Super Fund on a successor fund basis on 1 July 2016, and the Plan became a sub-plan in the Plum Division of the MLC Super Fund ("the Fund").

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

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

2.2 Governing Documents

The MLC Super Fund was established under a Trust Deed dated 9 May 2016 (as amended from time to time). The members and assets of the Plum Superannuation Fund were transferred into the MLC Super Fund on a successor fund basis from 1 July 2016. The operation of the Plan is governed by the Trust Deed as subsequently amended and by the Participation Schedule dated 9 August 2002 (as amended) between the Employer and PFS Nominees Pty Limited as the trustee of the Plum Superannuation Fund, which was novated across to the Trustee as part of the successor fund transfer.

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

2.3 Purpose of the Investigation

Current legislation requires that an actuarial investigation be undertaken at least every three years. Where a defined benefit fund is paying defined benefit pensions, legislation requires an actuarial investigation to be undertaken annually, unless APRA determines that less frequent investigations (at intervals determined by APRA, between 1 year and 3 years) are permitted for that fund.

The purpose of this investigation is to:

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

- Comment and advise on any matter considered relevant.

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

This report is provided to the Trustee of the Plan and the Employer.

2.4 Key Risks

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

- Investment risk

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

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

  For example, if the assumed future investment return was reduced by 1% p.a. with no change to other assumptions, then the Plan's net surplus would remain relatively unchanged.

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

- Salary growth risk

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

  For example, the impact of a 1% p.a. salary increase would be expected to be similar to a 1% p.a. reduction in the investment returns (given that the defined benefit liabilities are mainly driven by the 'gap' between investment returns and salary increases and accumulation-based withdrawal benefit minimums are applying for most members). This is reflected in the sensitivity analysis in Section 7.3 of this report.

- Liquidity risk

  Liquidity risk is borne by the Employer. The expected average term of the defined benefit liabilities is approximately 5.5 years. Benefit payments are paid in lump sum form. Accordingly, it is expected that benefit payments in coming years will exceed net contributions to the Plan. This means that there is a need for the Trustee to ensure that the Plan's defined benefit investments provide a suitable level of liquidity to meet projected benefit payments.

  We note that the Plan's assets are invested in an investment option together with the assets of many other funds and members, both accumulation and defined benefit based. Therefore, we expect that the current investment policy will provide an adequate level of liquidity for the Plan.

- Legislative risk

  Legislative risk is borne by the Employer. The risk is that legislative changes could be made which increase the cost of providing the defined benefits – for example, an increase in the rate of taxation on superannuation funds or an increase in the Superannuation Guarantee (SG) rate.

Legislation has been passed to increase the SG rate from 10.5% to 11.5% progressively over the period from July 2022 to July 2025, with the next increase occurring with effect from July 2023. The benefits provided to active defined benefit members are subject to a minimum of the Minimum Requisite Benefits defined in the Plan's Benefit Certificate. This may increase the benefits payable to some defined members, and therefore increase the cost of providing the defined benefits.

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

2.5 Previous Valuation

The previous actuarial investigation of the Plan was effective 30 June 2019 and was undertaken by Diane Somerville and Geoff McRae of Deloitte Actuaries & Consultants Limited, and the results set out in a report dated 11 December 2019. The report recommended the following:

- the recommended Employer contribution rates for defined benefit members over the period from 1 July 2019 until completion of the next actuarial investigation are at least:
  - nil for defined benefit members; plus
  - 5.88% of defined benefit members' salaries where the employer meets members' contributions for SMITH2:5 members on their behalf; plus
  - 2.94% of defined benefit members' salaries where the employer meets members' contributions for SMITH2:2.5 members on their behalf; plus
  - 3.0% Award contribution for applicable defined benefit members may be paid from the Plan's surplus assets over the period until completion of the next actuarial investigation.

It was also recommended that the Trustee allow the employer to meet up to $450,000 p.a. (net of tax) of employer contributions in respect of accumulation members in the Plan from the Plan's surplus assets (or alternative contribution holiday arrangements as agreed between the Trustee and the employer, subject to confirmation from the Plan actuary that they are broadly equivalent to the above recommendation), subject to confirmation from the actuary that this will not cause any adverse funding issues for the defined benefit section of the Plan.

In addition, it was recommended that:

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

2.6 APRA Prudential Standards

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

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

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

As at 30 June 2022, the Plan was in a satisfactory financial position. It is expected that the Plan will maintain a satisfactory financial position over the period to 30 June 2025. Further details regarding future projections of the Plan's financial position are shown in Section 7 of this report.

Given that this investigation recommends continuation of the employer contribution holiday (see Section 7.6), in accordance with the Trustee's policy for setting shortfall limits, we recommend that the Trustee maintains the shortfall limit for the Plan at 100%.

3 Data

3.1 Current data

We have obtained details of the membership of the Plan at 30 June 2022 from the administrator of the Plan, MLC Wealth Limited ("the Administrator"). We placed checks on the data to ensure that all dates, salaries and other amounts were reasonable.

At the valuation date there were 25 active defined benefit members with total annual salaries of $2,310,399. The details are summarised below.

Category	Number of active members	Average age (years)	Average service (years)	Total annual salaries ($)	Average annual salary ($)
SMITH2:0	7	59.2	26.0	462,469	66,067
SMITH2:2.5	7	58.2	27.3	489,887	69,984
SMITH2:5	7	59.0	26.5	565,234	80,748
SMITH3:0	4	58.8	25.6	792,808	198,202
Total	**25**	**58.8**	**26.4**	**2,310,399**	**92,416**

We have reconciled the movements in the defined benefit membership between 30 June 2019 and 30 June 2022 as follows:

Category	Number of members at 30 June 2019	Exits during period	Number of members at 30 June 2022
SMITH2:0	10	(3)	7
SMITH2:2.5	8	(1)	7
SMITH2:5	11	(4)	7
SMITH3:0	5	(1)	4
Total	**34**	**(9)**	**25**

9 members have exited the Plan between 1 July 2019 and 30 June 2022, representing a decrease in membership of 26%.

4 Assets

4.1 Asset information

Assets and cash flow information was provided to us by the administrator, MLC Wealth Limited, for the purposes of this valuation.

We were provided with the value of assets held as at 30 June 2022 and a reconciliation of cash flows from the previous investigation date (30 June 2019) up to 30 June 2022.

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

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

4.2 Net market value

The net market value of Plan assets was advised to be $10,601,051 as at 30 June 2022.

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

The net assets exclude $3,038,295 which relates to the value of additional accumulation accounts subject to member investment choice for defined benefit members as at 30 June 2022.

4.3 Investment strategy

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

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

The general aim of the investment strategy of the Plan is to achieve capital and income growth, while minimising the risk that members’ benefits will not be adequately covered, through asset diversification and the use of professional fund managers.

The assets backing defined benefit members are invested in the Pre-mixed Moderate portfolio.

The benchmark asset allocation of the Pre-mixed Moderate portfolio includes 72% 'growth' assets (equities, private equities, property, infrastructure and growth alternatives) and 28% 'defensive' assets (fixed interest, cash and defensive alternatives). It is shown in the table below.

Asset class	Benchmark allocation (%)
Equities	53%
Private equities	5%
Property	6%
Infrastructure	6%
Growth alternatives	2%
Fixed interest	19%
Cash	7%
Defensive Alternatives	2%

Based on information received from the administrator we understand that the Plan's actual allocation was reasonably close to the benchmark allocation as at 30 June 2022.

We have reviewed the Plan's investment policy in light of the funding method adopted and the nature of the Plan's liabilities.

The overall proportion of assets invested in "growth" assets (approximately 72%) is similar to other superannuation funds of a similar size. Therefore, in our opinion, the current investment strategy is appropriate at this time, provided that the Employer recognises and accepts the potential variability in returns and the resulting impact on contribution requirements.

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

4.4 Investment performance

During the period to 30 June 2022 the rate of return earned on the Plan's assets net of tax and investment management fees were estimated to be:

Year	Earning rate (% pa)
2019/20	(1.7%)
2020/21	19.3%
2021/22	(2.0%)
Average annual rate	**4.8%**

Over the 3 years to 30 June 2022, the Plan's actual earnings rate was 4.8% p.a. on average.

In the period from 1 July 2022 to 31 October 2022, the Plan earned 2.1% for the period.

4.5 Crediting rate policy

The Trustee has previously approved the use of a simplified basis for the calculation of the relevant rates of interest. This basis provides that the Crediting Rate of Interest is calculated as the actual rate of interest earned on the defined benefit members' assets for each three (3) month period.

During the period to 30 June 2022 the crediting rates applied to defined benefit members' accounts were as follows:

Year	Crediting rate (% pa)
2019/20	(1.7%)
2020/21	19.3%
2021/22	(2.0%)
Average annual rate	**4.8%**

Over the 3 years to 30 June 2022, the Plan's crediting rate was 4.8% p.a. on average. Therefore, over the inter-valuation period, the rate of actual investment earnings matched the rate of interest credited to defined benefit members' accounts, due to the operation of the crediting rate policy.

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

4.6 Nature of liabilities

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

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

Most critical is the fact that the defined benefit liabilities are not directly linked to the investment returns.

In this case it is the employer who bears the net effect of investment risk. The level of employer contributions depends in part on the level of investment returns achieved.

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

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

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

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

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

The concern about the volatility in asset values has led some companies to adopt more conservative investment policies. While this may reduce short term fluctuations in asset values, it is also likely to reduce long term returns and hence result in increased employer contributions in the long term.

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

The valuation report assumes the current investment strategy will be retained by the Trustee in respect of defined benefit liabilities. We confirm that, in our opinion, the current investment strategy is appropriate for the long term.

5 Valuation method and assumptions

5.1 The valuation process

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

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

5.1.1 Funding method

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

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

This valuation has been conducted using the "Attained Age Normal" funding method. The previous valuation was also conducted using this method.

This method separately identifies the Employer contribution rate required to meet the cost of providing current members with benefits in respect of:

- future membership of the Plan (the "Employer normal contribution rate"); and
- past membership of the Plan that is not fully funded as at the valuation date (the "Employer additional contribution rate")

Where a deficit exists as at the valuation date – i.e. the value of the Plan's past membership liabilities exceeds the value of the Plan's assets – the additional contribution rate will be positive and will increase the total employer contribution rate. Conversely, where a surplus exists as at valuation date, the additional contribution rate will be negative and will reduce the total employer contribution rate required.

In addition, for this valuation we have adopted a target of 100% of the members' vested benefits, consistent with the requirements of SPS 160.

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

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

5.1.2 Value of assets

For the purposes of this valuation, we have used an asset value of $10,601,051 as at 30 June 2022. We are satisfied that this value is appropriate.

5.2 Plan experience

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

5.2.1 Financial assumptions

5.2.1.1 Investment return

Over the inter-valuation period, the Plan earned 4.8% p.a. on average compared to the assumption in the previous valuation of 6.25% per annum. This has had a negative effect on the financial position of the Plan.

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

5.2.1.2 Salary increases

Over the period covered by this report, overall salary increases have been approximately 2.3% p.a. for defined benefit members who were in the Plan at both 30 June 2019 and 30 June 2022. This is lower than the assumed 3.0% p.a. rate used in the 30 June 2019 valuation and therefore has had a slight positive effect on the financial position of the Plan (to the extent that it impacts on defined benefits, although this is not relevant where accumulation benefit underpins are applying).

Given the average age of defined benefit members of about 59 years and noting increased inflationary economic pressures currently applying in the economy, we have retained the salary increase assumption of 3.0% p.a. for this valuation.

5.2.1.3 Net real return

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

Over the investigation period, the difference between the actual investment return and the rate of salary growth has been in the order of 2.5% per annum. The “gap” assumed in the 30 June 2019 valuation was 3.25% per annum. Since this is higher than the actual “gap”, the combined effect of the Plan’s investment and salary experience has had a negative effect on the financial position of the Plan.

For this valuation, the gap between the assumed rate of future investment earnings and the assumed rate of future salary increases is 3.0% p.a..

5.2.2 Non-financial assumptions

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

For the purpose of this valuation we have therefore not undertaken a detailed analysis of decrement experience over the period from 1 July 2019 to 30 June 2022. However, we have instead conducted a simplified experience analysis by count, looking at the actual numbers of exits occurred in the three years ended 30 June 2022 compared to the numbers expected under the actuarial basis adopted for the 30 June 2019 valuation, for each decrement type.

The following table shows a comparison of actual exits versus those expected under the previous valuation basis over the three years ended 30 June 2022:

Decrement type	Actual	Expected	Difference (A-E)
Withdrawal	2	1.5	0.5
Retirement	7	12.4	(5.4)
Death/TPD	0	0.5	(0.5)
Total	**9**	**14.4**	**(5.4)**

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

We have retained the same withdrawal, death and TPD decrement assumptions as those in the previous valuation, as we believe those rates remain appropriate.

The following table shows a comparison of actual exits versus those which would have been expected using the revised valuation basis over the three years ended 30 June 2022:

Decrement type	Actual	Expected	Difference (A-E)
Withdrawal	2	1.5	0.5
Retirement	7	9.8	(2.8)
Death/TPD	0	0.5	(0.5)
Total	**9**	**11.8**	**(2.8)**

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

5.2.3 Crediting Rates

The Plan's approach to crediting interest rates to member's accounts is in accordance with the 'standard' approach in the Trustee's Product Management Standard Operating Procedures (approved 28 November 2019). That is, subject to the Trustee's policy on exceptional crediting rate events, crediting rates are based on the actual money weighted return of the defined asset pool.

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

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

5.2.4 Expenses

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

At the previous investigation, an administration expense assumption of $55,000 per annum (indexed) was used. The average administration expenses over the last three years have been approximately $41,000 per annum. However, defined benefit administration fees in the Plan were revised effective from 1 September 2021 to replace the 0.20% plan management fee with a fixed dollar fee of $15,000 p.a. (indexed). This resulted in an overall reduction in fees deducted from the Plan's defined benefit assets. Therefore, we have altered the expense assumption to $40,000 per annum (indexed) for the purpose of the investigation.

Insurance expenses are discussed below.

5.2.5 Insurance

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

At the previous investigation, an allowance of 1.0% p.a. of salaries was made to cover the cost of insurance premiums. The actual insurance premiums over the inter-valuation period were on average 0.9% p.a. of defined benefit members' salaries. Therefore, we have maintained the allowance of 1.0% p.a. of defined benefit salaries for this investigation.

5.2.6 Taxation

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

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

In addition, we have assumed that any additional taxation attributable to contributions in respect of high income earners (Division 293 taxation) and/or excess concessional contributions will be deducted from the total benefits of the affected members by means of an offset account.

6 Solvency and funding measures

SPS 160 requires statements to be made in respect of two measures of the financial position of the Plan, these measures being related to the current and projected (i.e. in three years' time) "vested benefits" and the present value of "accrued benefits" of members.

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

6.1 Vested Benefits

"Vested benefits" are benefits that would be paid if all members voluntarily left service. The following table shows the progression of the vested benefits position of the defined benefits section of the Plan as at 30 June 2022 compared to that at the previous valuation date (30 June 2019):

	30 June 2019	30 June 2022
Value of defined benefit assets ($'000)	12,558	10,601
Defined Benefit Vested benefits ($'000)	8,918	6,922
Vested Benefits Index	141%	153%

The Vested Benefits Index (VBI) is the ratio of the market value of the Plan's assets to the vested benefits. As shown above, at 30 June 2022 the Vested Benefits Index was 153%. In comparison, the Vested Benefits Index at 30 June 2019 was 141%. The improvement in the Vested Benefits Index over the inter-valuation period is largely due to the surplus of defined benefit assets over vested benefits remaining relatively unchanged in dollar terms over the inter-valuation period but the excess assets being spread over a lower vested benefits total (corresponding to fewer remaining defined benefit members) given the closed nature of the Plan.

The assets and vested benefits at 30 June 2022 above exclude $3,038,295 of voluntary accumulation account balances in respect of defined benefit members.

6.2 Accrued Benefits Index

An indication of the funding status of the Plan is also given by the ratio of the value of the Plan's assets to the present value of all benefits accrued at the investigation date (subject to a minimum of the member's leaving service benefit, otherwise known as vested benefits). The term "Accrued Benefits" is used in Australian Accounting Standard AASB 1056, and is alternatively referred to as the past service liability or the actuarial value of benefits.

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

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

The following table shows the progression of the Accrued Benefits Index of the defined benefit section of the Plan as at 30 June 2022 compared to that at 30 June 2019:

	30 June 2019	30 June 2022
Value of defined benefit assets ($'000)	12,558	10,601
Defined Benefit Accrued benefits [1] ($'000)	8,952	6,955
Accrued Benefits Index	140%	152%

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

The assets and accrued benefits at 30 June 2022 above exclude $3,038,295 of voluntary accumulation account balances in respect of defined benefit members.

The increase in the Accrued Benefits Index over the inter-valuation period is mainly due to the surplus of defined benefit assets over accrued benefits remaining relatively unchanged in dollar terms over the inter-valuation period but the excess assets being spread over a lower accrued benefits total (corresponding to fewer remaining defined benefit members) given the closed nature of the Plan.

We note that the value of accrued benefits before application of the vested benefits minimum was $6,312,000 as at 30 June 2022, which would have resulted in an Accrued Benefits Index (before vested benefits minimum) of 168%.

6.3 Minimum Requisite Benefits

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

The following table shows the progression of the Minimum Requisite Benefits Index of the defined benefit section of the Plan as at 30 June 2022 compared to that at 30 June 2019:

	30 June 2019	30 June 2022
Value of defined benefit assets ($'000)	12,558	10,601
Defined Benefit Minimum Requisite Benefits ($'000)	5,604	4,917
Minimum Requisite Benefits Index	224%	216%

The assets and Minimum Requisite Benefits at 30 June 2022 above exclude $2,971,198 of voluntary accumulation account balances in respect of defined benefit members.

6.4 Plan termination

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

Clause 7.5 of Schedule 2 (Plum Division) of the MLC Super Fund Trust Deed provides that on termination of the Plan the Trustee must apply the Plan assets in the following order of priority:

1. Meet all costs, expenses and liabilities which have occurred or are likely to occur (other than benefits),

2. Meet Plan benefits (including pensions) which have commenced payment or become payable before the termination date,

3. Pay to each accumulation member the Member's Account Balances and to each defined benefit member the amount which the Actuary determines has accrued in respect of the member. If the assets are insufficient to meet these amounts then all benefits are reduced proportionately.

4. Pay any remaining balance to the participating employers in the proportions determined by the Trustee unless otherwise requested by the employer.

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

6.5 Events since 30 June 2022

Investment markets have been volatile since 30 June 2022 with falls in markets over the September 2022 quarter before a recovery in October 2022 (although it is unknown whether this will be sustained over the coming months).

We have been provided with 30 September 2022 vested benefits and assets information and we note that the Plan's defined benefit Vested Benefit Index had fallen to 151% as at 30 September 2022. Also, for the period from 1 October 2022 to 31 October 2022, the Plan's assets in the Pre-Mixed Moderate investment portfolio earned approximately 3.0%.

Although it is important not to over-react to short-term market movements, we have allowed for an estimate of recent market movements based on available information in determining the employer contribution recommendations set out in section 7.6 of this report.

6.6 Summary of total liabilities

The following table provides a summary of the total liabilities in the Plan, for both defined benefit members and accumulation members, as at 30 June 2022. This information has been included to assist the Trustee in its reporting under SRF 160.0.

	Defined benefit members $'000	Accumulation members $'000	Total $'000
Accrued benefits [1]			
Defined benefit interests	6,312	-	6,312
Defined contribution interests	3,038	62,234	65,272
Total interest	**9,350**	**62,234**	**71,584**
Vested benefits			
Defined benefit interests	6,922	-	6,922
Defined contribution interests	3,038	62,234	65,272
Total interest	**9,960**	**62,234**	**72,194**
Minimum benefits			
Defined benefit interests	4,917	-	4,917
Defined contribution interests	2,971[2]	62,234	65,205
Total interest	**7,888**	**62,234**	**70,122**

1. For consistency with AASB 1056, the accrued benefits in this table have not been subject to a minimum of vested benefits. This approach is in accordance with Practice Guideline 499.06 issued by the Actuaries Institute.
2. Nil for one member due to large offset account.

7 Valuation results

7.1 Introduction

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

A minimum of vested benefits at an individual member level has been applied when determining accrued benefits.

As mentioned in section 6.5, the Plan's Vested Benefits Index (VBI) has fallen slightly since 30 June 2022. We have completed a number of projections below that incorporate the funding position at 30 September 2022, the last quarterly review of the Plan.

A key objective of our contribution recommendations is to maintain the VBI of at least 100%. We have chosen a level of 100% as the 'target' in our funding approach.

The sections below consider the projection of the Plan's VBI over the next 5 years. The projections below show that if the Employer contributes as recommended, the financial position of the Plan is expected to remain in a satisfactory financial position over the next 3 years.

7.2 Long term funding rate

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

Specifically, we show:

- The Employer Additional Contribution Rate which represents the contribution rate required to fully amortise any current deficit (or surplus), arising from past service, over members' future periods of Plan membership
- The Employer Normal Contribution Rate which represents the cost of future accruing benefits, factoring in future member contributions and administration/other expenses.

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

	($'000)
Future Service Liabilities	1,501
Future insurance and admin expenses	342
Less Future Member Contributions	(228)
Total Future Net Liabilities	1,615
Present value of 1% of future salaries	125
Employer normal contribution rate – future service (after 15% contributions tax)	**15.1%**
Past Service Liabilities	6,955
Assets	10,601
Past Service Liabilities – Assets	(3,646)
Present value of 1% of future salaries	125
Employer additional contribution rate (after 15% contributions tax)	**-34%**
Required employer contribution rate (after 15% contributions tax and after rounding)	**Nil**

The future service contribution rate (which does not allow for any surplus/deficit in respect of past service benefits) is 15.1% after tax and expenses. However, as at 30 June 2022, available assets were $3,646,000 greater than the value of accrued defined benefit liabilities (after applying a minimum of the vested benefit). This surplus is sufficient to cover the estimated future service liability in respect of defined benefit members.

Therefore, the average long-term Employer contribution rate required to ensure sufficient assets are accumulated in the Plan to meet the cost of members' defined benefits in respect of future years of Plan membership based on the assumptions in this report is nil.

In addition to this longer term view of the cost of funding benefits, the focus of SPS 160 is to maintain coverage of the VBI whenever possible.

To provide some further context to the variability of underlying financial assumptions and the resulting impacts on the VBI over time, we set out in section 7.4 below a number of VBI projections over the next 5 years.

7.2.1 Use of surplus assets

We note that the surplus of the Plan's assets over accrued benefit liabilities for defined benefit members has been relatively stable in dollar terms over the inter-valuation period, moving from $3.60 million at 30 June 2019 to $3.65 million at 30 June 2022. The drivers of this movement in surplus are analysed further in section 7.5 below.

The results above indicate that the Plan's surplus assets at 30 June 2022 were about $2.0 million higher than the amount expected to be required to fully cover future service liabilities for defined benefit members.

Under paragraph 2.18.1(c) of both the Participation Schedule No.1 and Participation Schedule No.2 for the Plan, the employer may direct that employer contributions that would be payable to the Plan can instead be paid from the "Employer Special Account" (i.e. from Plan assets) and such amounts are deemed to be employer contributions. Further, paragraph 2.18.1(d) allows for the amounts credited to member accounts under sub-paragraph (c) to be reduced by notional contributions tax – so the overall impact of a contribution holiday in this manner is the net of tax amount which is credited to member accounts.

Given the size of the surplus in the defined benefits section of the Plan at 30 June 2022, we have recommended that 3% Award contributions which would otherwise be payable in respect of defined benefit members may be met from the Plan's surplus assets until completion of the next actuarial investigation. The impact of this is estimated to be no more than $190,000 (net of tax) in total over the next three years.

In addition, we have also recommended that the Trustee allow the employer to meet up to 3 months' SG contributions in respect of accumulation members in the Plan during the 2022/23 financial year only from the Plan's surplus assets (or alternative contribution holiday arrangements as agreed between the Trustee and the employer, subject to confirmation from the Plan actuary that they are broadly equivalent to the above recommendation). We estimate that this would equate to up to $1,282,000 (net of tax) of the Plan's surplus being used for a possible temporary SG contribution holiday in respect of accumulation members. We further recommend that the Trustee consider an actuarial review of the recommended employer contributions in 12 to 18 months' time to determine if a further temporary contribution holiday in relation to accumulation members would be possible based on the financial position of the defined benefit section of the Plan at that time.

7.3 Sensitivity Analysis

We have calculated the actuarial surplus of the Plan, assuming future investment returns of 6.0% p.a. (net of tax) and salary assumption of 4.0% p.a. instead of 3.0% p.a. with other assumptions unchanged.

	Value of assets ($'000)	Accrued benefits ($'000)	Accrued Benefits Index (ABI)
6.0% discount rate and 4.0% salary increase	10,601	6,956	152%

It can be seen from this table that a 1% increase in assumed salary has negligible impact on the Accrued Benefit Index (ABI) (after application of minimum of vested benefits on the value of accrued benefits).

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

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

Sensitivities	30 June 2022 ($000s)	Increase/(Decrease) in Accrued Benefits Liability ($000s)
Base Case	6,312	-
Discount Rate +1%	6,176	(136)
Discount Rate -1%	6,474	162
Salary Increase Rate +1%	6,455	143
Salary Increase Rate -1%	6,185	(127)

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

7.4 Funding projections

We have projected the build-up of the defined benefit assets over the next five years and compared the assets to the projected levels of the vested benefits on a number of scenarios.

These projections have been performed using the actuarial assumptions contained in section 5.

The first projection shows the estimated VBI progression over the next 5 years assuming the starting VBI of 153% and nil employer contributions for the next 5 years.

Projection 1: 153% starting VBI, 0.0% contributions and investment return of 6.0% pa

Projected Date	Contribution rate	Projected DB Assets $000s	Projected DB Vested Benefits $000s	Projected DB VBI
30 June 2022 (actual)		10,601	6,922	153%
30 September 2022 (actual)		10,510	6,978	151%
30 June 2023	0.0%	9,850	6,618	149%
30 June 2024	0.0%	9,489	6,417	148%
30 June 2025	0.0%	9,241	6,322	146%
30 June 2026	0.0%	8,830	6,056	146%
30 June 2027	0.0%	8,054	5,398	149%

The above table shows that a nil contribution rate is projected to be adequate to maintain a VBI of at least 100% over the next 5 years assuming experience is in line with assumptions.

To give an indication of the sensitivity of the VBI to investment returns, we also considered the progression of the VBI if investment returns were 1% lower at 5.0% p.a.

Projection 2: 153% starting VBI, 0.0% contributions and investment return of 5.0% pa

Projected Date	Contribution rate	Projected DB Assets $000s	Projected DB Vested Benefits $000s	Projected DB VBI
30 June 2022 (actual)		10,601	6,922	153%
30 September 2022 (actual)		10,510	6,978	151%
30 June 2023	0.0%	9,807	6,579	149%
30 June 2024	0.0%	9,377	6,338	148%
30 June 2025	0.0%	9,058	6,198	146%
30 June 2026	0.0%	8,587	5,898	146%
30 June 2027	0.0%	7,751	5,206	149%

The table above shows that with a 1% p.a. lower investment return, the VBI for all defined benefits is expected to remain above 100% over the next 5 years assuming the same contribution pattern as assumed above.

To give an indication of the sensitivity of the VBI to salary increases, we also considered the progression of the VBI if future salary increases were 1% higher at 4.0% p.a.

Projection 3: 153% starting VBI, 0.0% contributions and salary increase rate of 4.0% pa

Projected Date	Contribution rate	Projected DB Assets $000s	Projected DB Vested Benefits $000s	Projected DB VBI
30 June 2022 (actual)		10,601	6,922	153%
30 September 2022 (actual)		10,510	6,978	151%
30 June 2023	0.0%	9,873	6,639	149%
30 June 2024	0.0%	9,528	6,456	148%
30 June 2025	0.0%	9,292	6,375	146%
30 June 2026	0.0%	8,891	6,124	145%
30 June 2027	0.0%	8,105	5,461	148%

The table above shows that with a 1% p.a. higher salary increase rate, the VBI for all defined benefits is expected to remain above 100% over the next 5 years.

Also, to illustrate the impact if a contribution holiday in relation to accumulation members is taken up, we have considered the progression of the VBI based on $450,000 p.a. (net of tax) worth of contributions in relation to accumulation members for each of the 2022/23 to 2024/25 financial years are met from the Plan's surplus assets.

Projection 4: 153% starting VBI, 0.0% contributions and accumulation contribution holiday of $450k p.a. for three years

Projected Date	Contribution rate	Accumulation cont'n holiday $000s	Projected DB Assets $000s	Projected DB Vested Benefits $000s	Projected DB VBI
30 June 2022 (actual)			10,601	6,922	153%
30 September 2022 (actual)			10,510	6,978	151%
30 June 2023	0.0%	450	9,391	6,618	142%
30 June 2024	0.0%	450	8,538	6,417	133%
30 June 2025	0.0%	450	7,770	6,322	123%
30 June 2026	0.0%	-	7,271	6,056	120%
30 June 2027	0.0%	-	6,401	5,398	119%

Alternatively, we have considered the progression of the VBI if an accumulation contribution holiday is taken during the 2022/23 financial year only whereby 3 months' worth of SG contributions for accumulation members are met from the Plan's surplus assets.

Projection 5: 153% starting VBI, 0.0% contributions and accumulation contribution holiday of 3 months of SG contributions for accumulation members

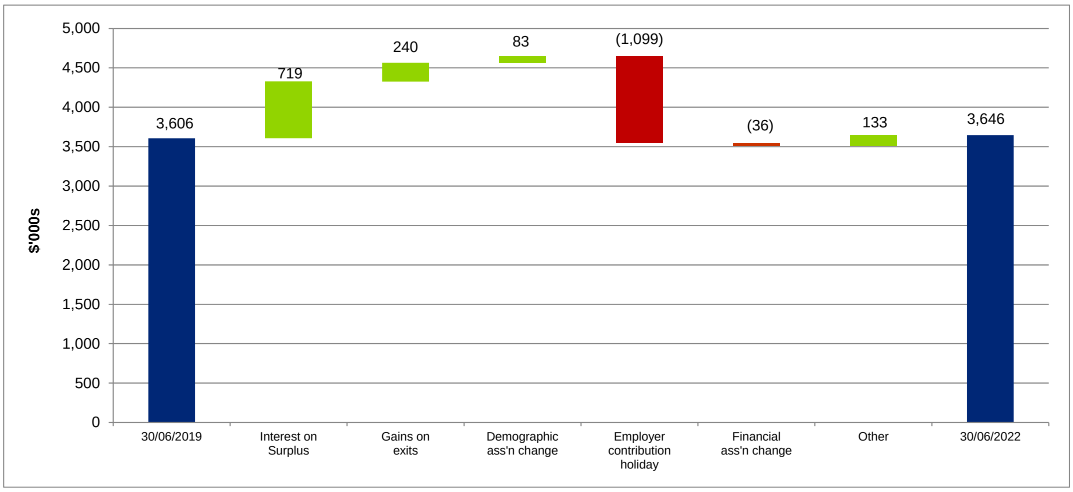
Projected Date	Contribution rate	Accumulation cont'n holiday $000s	Projected DB Assets $000s	Projected DB Vested Benefits $000s	Projected DB VBI
30 June 2022 (actual)			10,601	6,922	153%
30 September 2022 (actual)			10,510	6,978	151%
30 June 2023	0.0%	1,282	8,540	6,618	129%
30 June 2024	0.0%	-	8,099	6,417	126%
30 June 2025	0.0%	-	7,768	6,322	123%
30 June 2026	0.0%	-	7,269	6,056	120%
30 June 2027	0.0%	-	6,399	5,398	119%

The tables above (Projections 4 and 5) show that even with an accumulation contribution holiday over the 2022/23 year of up to 3 months' SG contributions for accumulation members (or $450,000 p.a. (net of tax) over three years), the VBI for defined benefits is expected to remain above 100% over the next 5 years.

7.5 Analysis of change in financial position

The following chart summarises our analysis of the change in excess of assets over past service liabilities between 30 June 2019 and 30 June 2022. Brief commentary is included underneath.

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



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

Positive Factors:

- Earnings on the previous surplus position at 30 June 2019
- Gains on exits due to vested benefits being lower than past service liability
- Effect of changes in demographic assumptions

Negative Factors:

- Impact of employer contribution holiday over the period
- Effect of changes in financial assumptions

7.6 Recommended employer contribution rates

The requirements of SPS 160 very squarely ensure that the contributions of a defined benefit plan focus on retaining the VBI above 100%, or if it falls below 100%, then return it to 100% as soon as possible and, at the very least, within a period of no more than 3 years.

Given the surplus position of the Plan as at 30 June 2022, and based on the approach and assumptions set out in this report, the recommended Employer contribution rates for defined benefit members over the period from 1 July 2022 until completion of the net actuarial investigation (effective no later than 30 June 2025) are at least:

- nil for defined benefit members; plus
- 5.88% of defined benefit members' salaries where the employer meets members' contributions for SMITH2:5 members on their behalf; plus
- 2.94% of defined benefit members' salaries where the employer meets members' contributions for SMITH2:2.5 members on their behalf; plus

- 3.0% Award contribution for applicable defined benefit members may be paid from the Plan's surplus assets over the period until completion of the next actuarial investigation.

In addition, we also recommend that the Trustee allow the employer to meet up to 3 months' SG contributions in respect of accumulation members in the Plan during the 2022/23 financial year only from the Plan's surplus assets (or alternative contribution holiday arrangements as agreed between the Trustee and the employer, subject to confirmation from the Plan actuary that they are broadly equivalent to the above recommendation). We further recommend that the Trustee consider an actuarial review of the recommended employer contributions in 12 to 18 months' time to determine if a further temporary contribution holiday in relation to accumulation members would be possible based on the financial position of the defined benefit section of the Plan at that time.

In addition, we recommend that:

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

Next valuation

- The next valuation is required to be conducted no later than 30 June 2025.

8 Insurance arrangements

8.1 Death and TPD

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

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

The sum insured for each member is calculated as follows:

- *Death Benefit less Vested Benefits*

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

The table below shows the overall death and TPD benefits and insurance levels as at 30 June 2022 for defined benefit members. For simplicity, the amounts in the table exclude additional accounts subject to member investment choice.

Defined Benefit Members ($'000)	Death	TPD
Total death/TPD benefits	11,460	11,460
Less		
Accumulation benefits (for DB members)	3,038	3,038
Less		
Insurance amount	1,845	1,845
Amount at risk	**6,577**	**6,577**
Less		
Plan Assets	10,601	10,601
Excess/(Shortfall)	**4,024**	**4,024**

This shows that the current insurance arrangements in respect of death and TPD benefits were adequate for the defined benefit section of the Plan at 30 June 2022, given that the Amount at Risk was less than the Plan's assets.

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

Therefore, we believe the current insurance arrangements to be appropriate.

8.2 Total and Temporary Disablement ("TTD") Benefits

TTD benefits are also provided under a separate insurance policy with MLC. This benefit is fully insured and is adequately covered by the existing insurance arrangements.

8.3 Comments

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

Appendix A: Summary of benefits

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

A brief summary of benefits is set out below.

Schedule 1

(Former members of the Smith's Snackfood Company Superannuation Plan)

Retirement

A member who retires on or after their Normal Retirement Age (65) but not later than the Maximum Accrual Date (70th birthday or as advised) is entitled to a benefit equal to the sum of:

a) Accrued Retirement Multiple (ARM) times Final Average Salary (FAS) at Normal Retirement Date; and

b) additional accounts.

where

- ARM is the Benefit Accrual Rate times Years and complete months of Plan Membership times Fraction Worked plus Additional Multiple;
- the Benefit Accrual Rate is 2.0% for SMITH2:0, 7.5% for SMITH2:2.5 and 15% for SMITH2:5 members;
- FAS is defined as the average of the member's salary over the 36 month period prior to retirement; and
- membership includes membership of the Previous Plan.

A member who retires within 10 years of their Normal Retirement Age is entitled to a benefit equal to an amount calculated in the manner set out above based on the date the member actually retires.

Death/Total & Permanent Disablement

On the death or total and permanent disablement of a member the benefit payable is:

a) for a SMITH2:0 member an amount equal to the sum of:
   i. a benefit calculated according to the Leaving Service provisions; and
   ii. the Insured Benefit amount (as defined in the Participation Schedule).

b) for a SMITH2:2.5 member an amount equal to:
   i. The greater of:
      - 1.25 times their FAS; or
      - Normal Retirement Multiple (NRM) times Prospective FAS (as defined in the Participation Schedule);

   plus
   ii. additional accounts

c) For a SMITH2:5 member an amount equal to:
   i. The greater of:
      - 2.5 times their FAS; or

- Normal Retirement Multiple (NRM) times Prospective FAS (as defined in the Participation Schedule);

plus

iii. additional accounts

Leaving Service

On leaving service the benefit payable is equal to the sum of:

a) Vesting Factor times (Full Member Reserve less member compulsory contribution account);
b) member compulsory contribution account; and
c) additional accounts;

where

- Vesting Factor is calculated using the following table:

Years of Participation	*Vesting Factor*
Less than 1	Nil
1	0.1
2	0.2
3	0.3
4	0.4
5	0.5
6	0.6
7	0.7
8	0.8
9	0.9
10 or more	1.0

However, the Employer and the Trustee may agree on any higher percentage (not exceeding 100%);

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

Accumulation Benefits

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

Minimum Benefit

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

Contribution Rates
The rates of Member contributions to the Plan for each Category are:

Category	% of Salary*
SMITH2:5	5.0%
SMITH2:2.5	2.5%
SMITH2:0	Nil

**as defined in the Participation Schedule (generally this is "post-tax" earnings)*

Schedule 2

(Former members of the Smith's Snackfood Company Group Retirement Fund) Category SMITH3:0

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

Accrued Retirement Multiple x Highest Average Salary + Additional Accounts

where

- Accrued Retirement Multiple is Benefit Accrual Rate times Years and days of Plan Membership times Fraction Worked;
- the Benefit Accrual Rate is 22.5% for Category A, 20.0% for Category B, 17.5% for Category C and 13.0% for Category D members;
- Highest Average Salary means the greater of FAS (as defined below) and the average of any three (3) consecutive Annual Review Date salaries within the previous ten (10) years; and
- FAS is defined as the average of the member's salary over the 36 month period prior to retirement.

Retirement at Employer's Request
At the Employer's request, a member who retires within 10 years of the Normal Retirement Age and is not entitled to any other benefit under the Participation Schedule is entitled to receive a lump sum benefit calculated as the sum of:

Benefit Accrual Rate x Highest Average Salary x Adjusted Plan Membership + Additional Accounts

as if

i. the member had remained in service for such period not exceeding one-half of the period remaining to the member's Normal Retirement Age, as the Trustee may determine with the consent of the Employer; and
ii. the member's salary and category at retirement remained unchanged.

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

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

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

Total & Temporary Disablement
On the total and temporary disablement of a member the benefit payable is equal to 75% of the member's salary at the date of disablement times fraction worked. The benefit is payable in monthly instalments for a maximum period of two (2) years after completion of a 30 days waiting period.

Ill-Health Disablement
On the ill-health disablement of a member the benefit payable is:

Benefit Accrual Rate x Highest Average Salary x Plan Membership for Ill Health + Additional Accounts

Leaving Service
On leaving service the benefit payable is equal to the sum of:

Accrued Retirement Multiple x Highest Average Salary x Discount Factor x Vesting Factor + Additional Accounts

where

- Discount Factor is defined as 1.0 at age 55, reduced by a discount of 1.5% per annum for each year and complete month from the date of calculation to the member's 55th birthday; and
- Vesting Factor is 1 for all members.

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

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

Contribution Rates
Members are not required to contribute to the Plan.

Appendix B: Summary of assumptions

Interest Rate Earned on Assets 6.0% p.a. net of investment expenses and taxes

Salary Increase Rate 3.0% p.a.

Rates of Mortality, TPD and Leaving Service

Examples of rates at which members leave the Plan per year per 10,000 members:

Age	Death	Disablement	Retirement	Withdrawal
25	5	5	Nil	1,000
35	6	6	Nil	1,000
45	18	18	Nil	600
55	53	53	500	Nil
65	Nil	Nil	5,000	Nil
70	Nil	Nil	10,000	Nil

Future Expenses

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

Allowance for administration expenses of $40,000 p.a. (indexed)

An allowance of 1.0% pa of all defined benefit members' salaries was made for insurance costs met by the employer.

Surcharge/Division 293

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

Appendix C: Statement required by SPS 160

PepsiCo Australia Superannuation Plan, a sub-plan in the Plum Division of the MLC Super Fund

Summary of Information included in 30 June 2022 Actuarial Report pursuant to Paragraph 23 of SPS 160

We have carried out a valuation of the PepsiCo Australia Superannuation Plan (the Plan) effective 30 June 2022. Paragraph 23 of SPS 160 prescribes the following matters to be contained in actuarial reports for private sector defined benefit superannuation plans:

1. For the purposes of comparison with vested benefits and accrued benefits and in the calculation of the long term Employer contribution rate, the net assets of the defined benefit section of the Plan have been valued at $10,601,051 at 30 June 2022.

2. Pursuant to SPS 160, the *"liabilities in respect of the accrued benefits of the members of the fund"* is the present value of the expected future benefits payable from the Plan to current members and their dependents in respect of membership completed to date. In our opinion, the assets of the defined benefit section valued at 30 June 2022 were sufficient to meet the liabilities of the Plan in respect of defined benefit accrued benefits of $6,955,158. We consider that the assumptions and valuation methods set out in this report are appropriate for determining the accrued benefit liabilities.

3. The Plan's defined benefit assets are sufficient to meet the liabilities of the Plan in respect of defined benefit Vested Benefits of $6,921,923 as at 30 June 2022. A plan is in an *"unsatisfactory"* financial position if the value of its assets is less than the value of the benefits payable if every member voluntarily left the Plan. Therefore, in our opinion, the Plan was in a satisfactory financial position at 30 June 2022. Given that this investigation recommends an employer contribution holiday, in accordance with the Trustee's policy for setting shortfall limits, we recommend that the Trustee maintains the shortfall limit of 100% for the Plan. Furthermore, assuming that:

   - There are no significant improvements to the benefits described;
   - Employer contributions are paid in accordance with the recommendations set out in the report on the actuarial valuation of the Plan at 30 June 2022; and
   - The future experience of the Plan is in accordance with the actuarial assumptions made at 30 June 2022;

   then we certify that the Plan will maintain a satisfactory financial position in the period to 30 June 2025.

4. Based on the results of this investigation, the recommended Employer contribution rates for defined benefit members in respect of the period from 1 July 2022 until completion of the next actuarial investigation are at least:

    a. nil for defined benefit members; plus

    b. 5.88% of defined benefit members' salaries where the employer meets members' contributions for SMITH2:5 members on their behalf; plus

    c. 2.94% of defined benefit members' salaries where the employer meets members' contributions for SMITH2:2.5 members on their behalf; plus

    d. 3.0% Award contribution for applicable defined benefit members may be paid from the Plan's surplus assets over the period until completion of the next actuarial investigation.

    We also recommend that the Trustee allow the employer to meet up to 3 months' SG contributions in respect of accumulation members in the Plan during the 2022/23 financial year only from the Plan's surplus assets (or alternative contribution holiday arrangements as agreed between the Trustee and the employer, subject to confirmation from the Plan actuary that they are broadly equivalent to the above recommendation) . We further recommend that the Trustee consider an actuarial review of the recommended employer contributions in 12 to 18 months' time to determine if a further temporary contribution holiday in relation to accumulation members would be possible based on the financial position of the defined benefit section of the Plan at that time.

    In addition, we recommend that:

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

    - these recommendations be reviewed where the Plan undergoes significant changes to its membership or benefit basis, or there is a substantial reduction in the value of the Plan's investment portfolio.

5. Payment of Employer contributions as above, together with the assets of the Plan and the expected earnings of the Plan over the period from 1 July 2022 to 30 June 2025 are expected to provide adequately for the expected liability during the period to 30 June 2025. They are also expected to fully provide for the liability at the end of that period in respect of both vested benefits and accrued benefits.

6. The projected likely future financial position of the Plan during the three years following the valuation date, based on our best estimate assumptions used in the actuarial investigation of the Plan as at 30 June 2022 and the recommended Employer contributions above (but ignoring any accumulation contributions holiday), is set out below.

Projected Date	Projected DB Assets ($'000)	Projected DB Vested Benefits ($'000)	Projected DB Vested Benefits Index
30 June 2022 (actual)	10,601	6,922	153%
30 June 2023	9,850	6,618	149%
30 June 2024	9,489	6,417	148%
30 June 2025	9,241	6,322	146%

If the recommended contribution holiday in relation to accumulation members is fully taken up (i.e. 3 months' SG contributions in respect of accumulation members during the 2022/23 financial year only), the projected likely future financial position of the Plan during the three years following the valuation date, based on our best estimate assumptions used in the actuarial investigation of the Plan as at 30 June 2022 and the recommended Employer contributions above, would be as follows:

Projected Date	Projected DB Assets ($'000)	Projected DB Vested Benefits ($'000)	Projected DB Vested Benefits Index
30 June 2022 (actual)	10,601	6,922	153%
30 June 2023	8,540	6,618	129%
30 June 2024	8,099	6,417	126%
30 June 2025	7,768	6,322	123%

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

8. A plan is "*solvent*" if the value of its assets exceeds the total of the Superannuation Guarantee component of each member's benefit. The Plan's assets are sufficient to meet the minimum benefits of $4,917,301 in respect of defined benefit members as at 30 June 2022. Funding and Solvency Certificates for the Plan covering the period from 1 July 2019 to 30 June 2022 required by the Superannuation Industry (Supervision) Act have been provided. In our opinion, the solvency of the Plan will be able to be certified in any Funding and Solvency Certificate required under the Superannuation Industry (Supervision) Regulations during the three year period to 30 June 2025, based on the assumptions used in the actuarial investigation of the Plan as at 30 June 2022.

Diane Somerville, FIAA
13 December 2022

Andrew Boal, FIAA

Appendix D: AASB 1056 Statement

PepsiCo Australia Superannuation Plan, a sub-plan in the Plum Division of the MLC Super Fund

Actuarial Statement pursuant to Australian Accounting Standard AASB 1056

The purpose of this statement is to provide the summary of the information contained in the Actuarial Report on the investigation of the Plan as at 30 June 2022, as required by AASB 1056. This statement has been prepared at the request of the Trustee of the Plan and is in accordance with the Professional Standards and Guidance Notes (in particular PS402 and PG499.06) issued by the Institute of Actuaries of Australia.

Assets

The net asset value used for this valuation at 30 June 2022 was $10,601,051. This represents assets backing defined benefit members only and excludes $3,038,295 of voluntary accumulation account balances for these members. These figures are not audited.

Vested Benefits

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

At the date of the actuarial investigation, the vested benefits were $6,921,923. This includes only defined benefit members and excludes $3,038,295 of voluntary accumulation account balances for these members.

The ratio of the net market value of the Plan's assets to total defined benefit vested benefits was 153% at 30 June 2022, which indicates a satisfactory coverage of vested benefits as at the date of the actuarial investigation.

Accrued Benefits

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

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

To determine the actuarial value of accrued benefits, assumptions are required concerning the potential experience of the Plan over the long term. The main assumptions used to determine the actuarial value of the accrued benefits at 30 June 2022 were:

- The future rate of investment return (net of investment taxes and net of investment management fees) earned on the Plan's assets would be 6.0% per annum.
- The future rate of long-term salary increases would be 3.0% per annum.

The future rate of investment return used to determine the accrued benefits is the anticipated rate of return on the Plan's assets over the average expected term of the benefit liabilities, calculated to be approximately 5.5 years.

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

The total value of accrued benefits for AASB 1056 purposes at 30 June 2022 was $6,312,262. This includes only defined benefit members and excludes $3,038,295 of voluntary accumulation account balances for these members.

The ratio of the assets to the value of the total accrued benefits (for AASB 1056 purposes) was 168% at 30 June 2022 in respect of the defined benefit liabilities. The assets were therefore sufficient to meet the value of the liabilities of the Plan in respect of accrued benefits.

The Plan's funding policy is intended to fully cover benefits by the time that they become payable. The method of funding benefits adopted is the Attained Age Normal method. This funding method aims to spread the cost of future benefits for current members evenly over their future working lifetimes. Under this funding method the employer contribution rate is determined as the rate required to meet benefits in respect of future membership of the Plan, adjusted for any deficit (or surplus) of assets compared to accrued benefit liabilities at the valuation date. In addition, for the valuation at 30 June 2022, a target of 100% of the members' vested benefits was maintained.

Sensitivities

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

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

Sensitivities	30 June 2022 ($000s)	Increase/(Decrease) in Accrued Benefits Liability ($000s)
Base Case	6,312	-
Discount Rate +1%	6,176	(136)
Discount Rate -1%	6,474	162
Salary Increase Rate +1%	6,455	143
Salary Increase Rate -1%	6,185	(127)

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

Recommended Employer Contributions

The recommended Employer contribution rates for defined benefit members in respect of the period from 1 July 2022 until completion of the next actuarial investigation (effective no later than 30 June 2025) are at least:

a. nil for defined benefit members; plus
b. 5.88% of defined benefit members' salaries where the employer meets members' contributions for SMITH2:5 members on their behalf; plus
c. 2.94% of defined benefit members' salaries where the employer meets members' contributions for SMITH2:2.5 members on their behalf; plus
d. 3.0% Award contribution for applicable defined benefit members may be paid from the Plan's surplus assets over the period until completion of the next actuarial investigation.

We also recommend that the Trustee allow the employer to meet up to 3 months' SG contributions in respect of accumulation members in the Plan during the 2022/23 financial year only from the Plan's surplus assets (or alternative contribution holiday arrangements as agreed between the Trustee and the employer, subject to confirmation from the Plan actuary that they are broadly equivalent to the above recommendation). We further recommend that the Trustee consider an actuarial review of the recommended employer contributions in 12 to 18 months' time to determine if a further temporary contribution holiday in relation to accumulation members would be possible based on the financial position of the defined benefit section of the Plan at that time.

In addition, we recommend that:

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

Financial Condition

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

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

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

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

Diane Somerville, FIAA
13 December 2022

Andrew Boal, FIAA