Deloitte.

Sealed Air Superannuation Plan

Actuarial Investigation as at 31 December 2022

Report Date: 28 June 2023

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NULIS Nominees (Australia) Ltd
Level 8, 347 Kent Street
Sydney NSW 2000

Attention: Andrew Lucas

28 June 2023

Our Ref: MLC00057

Dear Trustee,

Sealed Air Superannuation Plan - Actuarial Investigation as at 31 December 2022

We are pleased to present the actuarial investigation of Sealed Air Superannuation Plan ("the Plan"), a sub-plan in the Plum Division of the MLC Super Fund ("the Fund"), as at 31 December 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

cc: Philip O'Hoy

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 Sealed Air 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 31 December 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 ("SPS") 160; and
- Comment on any other matter considered relevant or as required under relevant Professional Standards of the Institute of Actuaries of Australia or as otherwise deemed appropriate.

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.

For reporting purposes these measures are calculated for the Plan as a whole. However, where there are different provisions applying in respect of sections of the Plan, it is also appropriate to advise on the measures as they apply to these separate sections.

Vested benefits

Vested benefits are the total of the benefits that would be payable to members if they all voluntarily left the Plan on the balance date. At the valuation date, the net market value of the assets of the Plan exceeded the vested benefits. The ratio of the net market value of the Plan's assets to vested benefits ("the Vested Benefits Index") was 144% as at 31 December 2022. This includes both the defined benefits and accumulation benefits as at the valuation date.

Present value of accrued benefits

The present value of accrued benefits is the actuarial present value (using the assumptions and methodology detailed in this report) of the expected future benefits payable from the Plan to the current members and their dependants attributable to Plan membership completed up to the date of the actuarial investigation. A minimum of total vested benefits is applied to the present value of accrued benefits.

The ratio of the net market value of the assets of the Plan to the present value of the accrued benefits ("the Accrued Benefits Index") was 144% as at 31 December 2022. This includes both the defined benefits and accumulation benefits as at the valuation date.

Funding levels for defined benefits

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, when considering the financial position, it is appropriate to assess the level of funding of the defined benefits only.

The ratio of the net market value of the assets of the Plan in respect of the defined benefit members to the defined benefit liabilities (including pension liabilities) as at 31 December 2022 is shown in the following table. This excludes the value of any additional voluntary contributions made by defined benefit members.

Benefits	Defined benefit assets ($'000)	Defined benefit liabilities ($'000)	Funding ratio
Vested Benefits	27,125	11,612	234%
Value of Accrued Benefits	27,125	11,612*	234%

**After a minimum of total vested benefits has been applied.*

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.

We have also estimated the funding position in respect of CE and non-CE defined benefit members at the valuation date as follows:

Benefits	Defined benefit assets ($'000)	Defined benefit liabilities ($'000)	Funding ratio
CE members:			
Vested Benefits	16,332	3,135[1]	521%
Value of Accrued Benefits	16,332	3,135	521%
Non-CE members:			
Vested Benefits	10,793	8,477	127%
Value of Accrued Benefits	10,793	8,477*	127%

**After a minimum of total vested benefits has been applied.*

As shown in the tables above, the Plan was in a sound financial position at the valuation date at both an aggregate level as well as for the different sections of the Plan.

The financial position of the defined benefits is sensitive both to financial experience and changes in the Plan's demographics over time. Therefore, we recommend that the Trustee continue quarterly reviews of the vested benefit coverage.

Events since 31 December 2022

In the period since 31 December 2022, investment markets have been volatile with increases in markets over January 2023 followed by fluctuations up and down over the following months. Based on information provided by the Plan's administrator, the Plan's funding ratio for vested benefits (the VBI) for the defined benefit section of the Plan increased to 238% for defined benefit members (541% for CE members and 132% for non-CE members) as at 31 March 2023.

We have considered the impacts of investment market movements since 31 December 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 30 March 2023 with effect from 1 January 2023 for a period of 5 years.

The current Funding and Solvency Certificate (issued on 30 March 2023) is effective from 1 January 2023 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 31 December 2022, the Plan was solvent on this basis, and based on the assumptions in relation to minimum requisite benefits, we expect that an actuary will be able to certify the solvency of the Plan at all times during the three years to 31 December 2025.

Investments

The Trustee has developed formal objectives and a policy for the investment of 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 of the Plan.

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 consider that this shortfall limit remains appropriate given the current and target asset allocation for the Plan and the nature of the liabilities of the Plan, given that this report recommends a continuation of the current employer contribution holiday in respect of defined benefit members. We confirm that the VBI was in excess of the shortfall limit as at 31 December 2022 and in the period since.

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

Therefore, we recommend that the current death insurance basis for non-CE members be retained. (There are no active CE members and hence no insurance for the CE section.)

Alternatively, the Trustee could consider simplifying the calculation of the insured amount for non-CE members to part (a) of the formula only; i.e. Death Insurance = 17.5% times Prospective FAS times Future Service adjusted for Fraction Worked. On this basis, the total sum insured would still be comfortably above the difference between total death benefits for non-CE members and associated assets.

The death and total and permanent disablement ("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.

The salary continuance benefits in respect of categories CEM and CM 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

Recommended Employer Contributions

Based on the approach and assumptions set out in this report, we recommend that the Employer continues the current contribution rates. That is, we recommend that the Employer contributes to the Plan at least at the following rates:

- Nil contributions be paid in respect of CE defined benefit members, given the strong financial position of this sub-section;
- Nil contributions be paid in respect of non-CE defined benefit members, given the robust financial position of this sub-section;
- Member contributions paid by the Employer under "salary sacrifice" or "deemed" arrangements should still be paid to the Plan; and
- Employer contributions continue at the Superannuation Guarantee rate of Ordinary Time Earnings ("OTE") for accumulation members.

In addition, we recommend that:

- the Trustee continue to allow the Employer to fund the cost of employer-financed administration expenses and insurance premiums in relation to accumulation members and group life members in the Plan from the defined benefit assets until the completion of the next actuarial investigation as at 31 December 2025;
- the Plan's financial position continue to be monitored on a quarterly basis to ensure the continued appropriateness of the Plan contribution rate to maintain the VBI 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 some funding projections in section 7 to illustrate the sensitivity of the Vested Benefits Index (VBI) to investment markets.

Next valuation

The next valuation is required to be held no later than 31 December 2025, given that the Trustee has obtained an exemption for the Plan from APRA from the requirements of paragraph 14(d) of SPS 160 in relation to the frequency of actuarial investigations for funds paying pensions.

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 the 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

28 June 2023

2 Background

2.1 History

The Plan commenced as a sub-plan within the Plum Superannuation Fund effective 1 June 2006 following the successor fund transfer from the Sealed Air Superannuation Fund. 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 defined benefits sections of the Plan are closed to new employees and all new employees joining the Plan are provided with accumulation benefits.

As a sub-plan in the Plum Division of the MLC Super Fund, the Plan is a resident regulated fund and a complying fund for the purposes of the Superannuation Industry (Supervision) Act 1993, as amended ("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 (referred to as a Participation Agreement in the MLC Super Fund) dated May 2006 (as amended) between the Employer and PFS Nominees Pty Limited as the trustee of the Plum Superannuation Fund, which was novated across to the Trustee as part of the successor fund transfer.

A summary of the main benefit provisions is included in Appendix A to this report.

Clause 3.2.2 of the Participation Agreement states that each Employer agrees to make all contributions:

a. in a timely manner to enable the proper administration of the Sub-plan in accordance with the Relevant Law;
b. in respect of Accumulation Members, as agreed between the Trustee and each Employer; and
c. in respect of Defined Benefit Members, at the rate determined by the Trustee on the advice of the Actuary.

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 (such as the Plan) 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 the present value of 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 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 defined benefits section of the Plan are:

- Investment risk

  Investment risk is borne by the Employer. The risk is that investment returns will be less than assumed and the Employer will need to increase contributions to offset this shortfall.

  For example, the sensitivity analysis shown in section 7.4 of this report estimated that if the assumed future investment return was reduced by 1% p.a. with no change to other assumptions, then the Plan's net surplus for CE members would fall by about $250,000 and the net surplus for non-CE members remains unchanged when a minimum of total vested benefits is applied (although this latter amount would be a fall in surplus by about $250,000 if the accrued benefit liabilities were not subject to a minimum of the total vested benefits for these members).

  We note that the actual investment return achieved by the Plan in the future may vary (positively or negatively) from the rate assumed in this investigation by much more than the negative 1% p.a. in the above sensitivity scenario.

- Salary growth risk

  Salary growth risk is borne by the Employer. This is the risk 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 a reduction in the Plan's net surplus for non-CE members of approximately $208,000 (before vested benefit minimums are applied), although the net surplus would be unchanged after a minimum of total vested benefits has been applied. Refer to section 7.4 of this report.

  As there are no remaining CE active members, the financial position of the CE section of the Plan is not exposed to salary growth risk.

- Liquidity risk

  Liquidity risk is borne by the Employer. The expected average term of the defined benefit liabilities is approximately 5 years. There are no active members remaining who are eligible to receive pension benefits, and we note that there are only 10 current pensions in payment. Therefore, the majority of benefit payments over the next 5 years will be paid in lump sum form.

  Given the recommended continuation of the employer contribution holiday in relation to defined benefit members, it is anticipated 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 assets of the Plan are invested in an investment option together with the assets of many other funds and members, both of an accumulation and defined benefit nature. We expect that the current investment policy will provide an adequate level of liquidity for the Plan.

- Pensioner longevity risk

  Pensioner longevity risk is borne by the Employer. This is the risk that the pensioners will live longer than expected and consequently a greater number of pension payments will be made. An increase in longevity would lead to an increase in the pension liability for the Plan.

  Given that there are only 10 pensions in payment and the current strong surplus in the CE section of the Plan, this is not expected to be a material risk for the Plan in practice, and is unlikely to require additional contributions from the Employer.

- Impact of valuing pensions at 'market value'

  The assumptions used to value the present value of accrued benefits in respect of lifetime pensions in payment in the Plan for the purposes of this investigation are considered suitable taking into account the Plan's current circumstances, including the current investment policy. In particular, the assumptions have been set on the basis that pensioners' reasonable expectations on termination of the Plan would be for a continuation of their existing pension entitlements through a complying superannuation fund with ongoing support of the employer.

  If instead the pension liabilities were to be valued on a 'market value' basis – that is, the amount which would be required to be paid to a third party (such as a life insurer) to take on the liability – a significantly higher pension liability would be obtained. It is likely that a life insurance company would base its pricing on a lower 'risk-free' discount rate and adopt more conservative mortality assumptions. Under this basis, we estimate that the surplus of assets over the present value of accrued benefits in the Plan would be likely to fall by roughly $3 million.

- 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 12% 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 benefit members, and therefore increase the cost of providing the defined benefits. We have allowed for the legislated SG rates in determining future funding requirements for the Plan.

We note that there is no longer a benefit selection risk (pension vs lump sum) in the Plan given there are no active CE members as at 31 December 2022.

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 31 December 2019 and was undertaken by Diane Somerville, FIAA, and Geoff McRae, FIAA, of Deloitte Actuaries & Consultants Limited, and the results set out in a report dated 29 June 2020.

The Plan was in a sound financial condition as at 31 December 2019 with the ratio of the market value of defined benefit assets to the vested benefits of the defined benefit members being 188%, and the ratio of the market value of defined benefit assets to the present value of accrued benefits of the defined benefit members was 188%.

The report made the following contribution recommendations:

- Nil contributions be paid in respect of CE members, given the strong financial position of this sub-section.
- Nil contributions be paid in respect of non-CE members, given the robust financial position of this sub-section;
- Member contributions paid by the Employer under "salary sacrifice" or "deemed" arrangements should still be paid to the Plan; and
- Employer contributions continue at the Superannuation Guarantee rate of OTE for accumulation members.

In addition, it recommended that:

- the Plan's financial position continue to be 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) ("SPS 160") deals with a range of matters affecting defined benefit funds.

SPS 160 requires a Registered Superannuation Entity ("RSE") licensee (that is, a trustee) of a defined benefit fund to set a shortfall limit, and to determine and implement a monitoring process to detect when the fund has, or may have, breached the shortfall 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.

As at 31 December 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 31 December 2025. Further details regarding future projections of the Plan's financial position are shown in Section 7 of this report.

The Trustee has set the shortfall limit at a level of 100% for the Plan. We confirm that the VBI was in excess of the shortfall limit as at 31 December 2022 for the Plan as a whole and for each defined benefit section of the Plan, and in the period since.

Given that this investigation recommends continuation of the employer contribution holiday (see Section 7.7), 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 31 December 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. We are satisfied that the data provided is reasonable for the purposes of this investigation.

There were 9 active defined benefit members with total annual salaries of $1.4 million as at 31 December 2022. The details are summarised below.

Membership category	Number of members	Average service (years)	Average age (years)	Total annual salaries ($)	Average Annual Salary ($)
CE	0	0	0	0	0
CM	7	30.2	59.2	1,154,087	164,870
CEM	2	39.0	64.1	233,695	116,848
Total defined benefit section	**9**	**32.2**	**60.3**	**1,387,782**	**154,198**
ACC	79	12.5	51.7	11,105,266	140,573
GL	214	15.0	51.4	20,049,983	93,692
Total Plan	**302**	**14.9**	**51.7**	**32,543,031**	**107,758**

In addition to the number of active members shown above, there were 10 pensioners (with total annual pensions of $270,012) as at 31 December 2022.

The defined benefit section of the Plan is closed to new members.

We have reconciled the movements in the defined benefit membership (including pensioners) between 31 December 2019 and 31 December 2022 as follows:

Membership category	31 December 2019	Exits during the period	Transfers to pension	31 December 2022
CE	2	(2)	-	0
CM	13	(6)	-	7
CEM (& CLR)	2	-	-	2
Pensioners	10	-	-	10
Total	**27**	**(8)**	-	**19**

3.2 Changes since the previous investigation

The number of active defined benefit members has reduced from 17 as at 31 December 2019 to 9 as at 31 December 2022. This is due to 8 members exiting the Plan over this period and neither of the exited CE members took a pension on ceasing employment. Over this period, the average age of the active defined benefit members has increased from 58.1 years to 60.3 years.

The average salary increases over the 3-year period in respect of members who were active as at 31 December 2019 and 31 December 2022 was 2.9% per annum.

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.

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. Therefore, the asset information for the Plan is therefore not separately audited.

For the defined benefit members, we were provided with the value of assets held as at 31 December 2022 and a reconciliation of the cash flows from the previous investigation date (31 December 2019) up to 31 December 2022. This data has not been adjusted for unpaid contributions or tax benefits as we do not believe these will have a material effect on the financial position of the Plan.

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

4.2 Net market value

The total net market value of Plan assets was advised to be $50,680,096 as at 31 December 2022.

The total assets in respect of accumulation members were $23,453,760 as at 31 December 2022.

The assets backing the liabilities in respect of the defined benefit members are invested in the Pre-mixed Moderate investment option. Members may choose their own investment strategy in respect of their voluntary contributions and rollover accounts.

The net assets in respect of the defined benefit section of the Plan were $27,125,185 as at 31 December 2022. This excludes $101,151 which relates to additional accumulation accounts subject to member investment choice for defined benefit members as at 31 December 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.

We note that the above values of assets do not include any amounts in relation to Operational Risk Financial Requirement (ORFR) reserves as these are held by the Trustee, not within the Fund.

4.3 CE assets

The Plan contains a set of specific and unique provisions relating to “CEBF surplus”, a legacy from a previous scheme (the Cryovac Employee Benefit Fund).

As specified by Rule 18 of the former Fund Trust Deed, part of the assets must be quarantined for the benefit of CE Category members only. This category contains members who transferred from the former Cryovac Employee Benefit Fund and who have not elected to transfer to Category CM or ACC.

The Participation Agreement requires the Actuary to report the value of the CE assets at each actuarial investigation date. There is no physical separation of the CE assets, rather a notional amount is calculated based on the amount at the previous valuation, increased by investment earnings and contributions and reduced by benefit payments. We have also reported these assets on a quarterly basis as part of the regular monitoring of the funding position of the Plan.

The table below shows the allocation as at 31 December 2022 of Plan assets between those attributable to different sections of the Plan:

Section	Amount ($)
Assets attributable to CE members	$16,332,523
Assets attributable to other defined benefit members (non-CE)	$10,893,813
Assets supporting accumulation members	$23,453,760
Net assets at 31 December 2022	**$50,680,096**

4.3.1 Potential closure of CE section

The Trustee advised us in April 2019 that Sealed Air, as the Employer sponsor of the Plan, intends to wind-up the CE section of the Plan. However, we note that this has not yet occurred, but we understand that this remains the Employer's intention.

We understand that the Trustee has obtained legal advice that it is possible for the Employer to withdraw support for the CE section of the Plan without doing so for the remainder of the Plan membership and thus to wind-up the CE benefit arrangements. More detail on the CE termination basis is described in section 6.4.1 of this report.

We provided advice to the Trustee in our letters dated 7 August 2019 and 18 March 2020 regarding an appropriate basis of conversion of the lifetime pension and defined benefit entitlements of members in the CE section of the Plan. Our letter dated 18 March 2020 estimated that the total amount payable from the CE assets in the Plan (using a calculation date of 31 December 2019 for convenience) based on the recommended conversion basis was $8,034,000 and noted that the available assets in the CE section were more than sufficient to cover these payments.

Applying a consistent approach, based on the membership of the CE section as at 31 December 2022 (i.e. 10 pensioners and no active members), we have roughly estimated that the total amount which would be payable from the CE assets under the recommended conversion basis would be approximately $6 million. In particular, we note that the available assets in the CE section remain more than sufficient to cover these payments.

4.4 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 of the Plan. 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 strategic 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	Strategic allocation
Australian shares	25%
International shares	28%
Private equity	5%
Property	6%
Infrastructure	6%
Alternatives	4%
Fixed income	19%
Cash	7%
Total	**100%**

Based on information received from the administrator we understand that the Plan's actual allocation was very close to the strategic allocation as at 31 December 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 Plan's current investment strategy remains appropriate, 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.

Given the strong financial position of the defined benefits section of the Plan, and of each of the CE and non-CE sections of the Plan, the Trustee may wish to discuss with the Employer whether it would be appropriate to consider derisking the Plan's investment strategy, i.e. to reduce the allocation to growth-type assets. This would lower the risk of future investment losses on the Plan's defined benefit assets, particularly as the defined benefits section becomes more pension-based over time. We note that this would have potential adverse impacts on the crediting rates applies to active defined benefit members' account balance, but this could be managed by continuing to refer to returns for a similar investment portfolio to the current portfolio for the purpose of determining crediting rates, separate from the actual investment strategy of the Plan.

We have taken account of the investment objectives of the Plan and the investment guidelines in setting our actuarial assumptions in Section 5 of this report and framing our contribution recommendations in Section 7.7.

4.5 Investment performance

During the period to 31 December 2022, the rate of return earned on the Plan's assets net of tax and investment management fees was estimated to be:

Year	Earning rate (% p.a.)
2020	2.5%
2021	15.1%
2022	(3.7%)
Average annual rate	**4.3%**

Over the 3 years to 31 December 2022, the Plan's actual earnings rate was 4.3% p.a.

In the period from 1 January 2023 to 31 March 2023, the Plan earned 2.8% for the period.

We consider the impacts of investment performance in the period since 31 December 2022 on our contribution recommendations later in this report.

4.6 Crediting rate policy

Although the assets are unitised, reserves are used for the smoothing of year to year returns for most defined benefit members' basic accounts.

We have been provided with a copy of the Trustee's Product Management Standard Operating Procedures (approved 28 November 2019). The Plan's approach to crediting interest rates to members' accounts is in accordance with the following non-standard approach, as advised by the Trustee's Pricing & Actuarial Services team:

"*For the Sealed Air Superannuation Plan, two Crediting Rates are declared. Crediting Rates are determined for the six months to 30 June and 31 December. For member accounts and supplementary accounts (categories CM and CEM only), the Crediting Rate is the three-year average rate of return (net of investment tax and fees) earned on assets (subject to a minimum of zero). Negative rates will be recouped as soon as possible from future periods where positive 3-year averages arise under the returns formula. For rollover accounts, the Crediting Rate is the actual investment return and this rate is not subject to smoothing.*"

The interim rates are currently calculated on a six-monthly basis in line with the declared rate calculations.

During the period to 31 December 2022 the crediting rates applied to defined benefit members' accounts were as follows:

Year	Crediting rate (% p.a.)
2020	4.4%
2021	9.6%
2022	4.9%
Average annual rate	**6.3%**

Over the 3 years to 31 December 2022, the Plan's crediting rate was 6.3% p.a. on average. Therefore, over the inter-valuation period, the rate of actual investment earnings was lower than the rate of interest credited to defined benefit members' accounts, due to the operation of the crediting rate policy. The smoothing method adopted will eventually see average crediting rates falling into line with actual Plan earning rates over the long term.

We have reviewed the Trustee's policy for crediting and interim rates for the Plan in light of the nature of the Plan's liabilities, and in our opinion this remains appropriate.

4.7 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 SG 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, other than due to the use of smoothing of returns for most defined benefit members' basic 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 Plan.

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. 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

This valuation has been carried out using the Target Funding method. This is the same method as used in the previous investigation.

Under the Target Funding method, the Employer contribution rate is set with the objective of reaching a position where the Plan's assets equal the Plan's liabilities (or possibly the liabilities plus a margin). For this valuation we have adopted a target of 100% of the non-CE members' vested benefits.

If a fund is in a strong financial position (assets exceed the target level of funding) the contribution rate can be reduced below the theoretical long term rate for a period of time. Conversely, if the fund is in a poor financial position, the contribution may need to be higher than the theoretical long term rate for a period.

Note that the funding method does not affect the cost of the benefits. The true cost of benefits provided by the Plan will be determined by the experience of the Plan. The funding method is simply a systematic approach to meeting the ultimate cost of benefits.

We consider that the Target Funding method is suitable in the current circumstances of the Plan as the defined benefits section is closed to new members and this method targets full coverage of members' benefits on leaving service.

5.1.2 Value of assets

For the purposes of this valuation, we have used an asset value of $50,680,096 as at 31 December 2022. We are satisfied that this value is appropriate. The asset value can then be split between defined benefit CE members, defined benefit non-CE members and accumulation members as follows:

Section	Amount ($)
Defined benefit CE members	$16,332,523
Defined benefit non-CE members	$10,893,813
Accumulation members	$23,453,760
Net assets at 31 December 2022	**$50,680,096**

The defined benefit assets above include $101,151 which relates to additional accumulation accounts subject to member investment choice for defined benefit members.

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 Investment return

Over the three year period to 31 December 2022 the assets of the Plan earned an investment return of approximately 4.3% per annum. This was lower than the long term investment return of 6.0% per annum (net of tax) assumed at the previous valuation date and has had a negative effect on the financial position of the Plan.

Taking into account the current long term earnings expectations of the major asset classes in which the defined benefit assets of the Plan are invested, we have assumed long term investment returns of 6.0% per annum (net of investment fees and taxes), and 6.5% per annum (gross of taxes, net of investment fees) for assets backing pensions in payment, for this valuation. This assumption takes into account the investment strategy of the Trustee with respect to assets supporting the defined benefit liabilities.

5.2.2 Salary increases

The average salary increases (including promotional increases) for defined benefit members who were active in the Plan as at both 31 December 2019 and 31 December 2022 were 2.9% per annum. This was in line with the 3.0% per annum salary increases assumed at the previous valuation date. This has had a minimal impact on the financial position of the Plan.

Given the average age of defined benefit members of about 60 years and noting increased inflationary pressures currently applying in the economy, and taking into account the experience over the inter-valuation period, we have retained the salary increase assumption of 3.0% per annum for this valuation.

5.2.3 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 earned and the rate of salary growth (the “gap”) has been in the order of 1.4% per annum. The “gap” assumed in the 31 December 2019 valuation was 3.0% 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.

The “gap” between the assumed rate of future investment earnings and the rate of future salary increases in the long-term, i.e. the real rate of return on invested assets, in this investigation is 3.0% per annum.

5.2.4 Pension increase rate

Noting that no increases have historically been granted to lifetime pensioners in the Plan, we have assumed that future pension increases will be nil for the purposes of this investigation. We consider this assumption to be reasonable as the Trustee does not have a track record of exercising its discretion under the Plan rules to increase pension benefits.

5.2.5 Rates at which members left service

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 not undertaken a detailed analysis of decrement experience over the period from 1 January 2020 to 31 December 2022. We have instead conducted a simplified experience analysis by count, looking at the actual numbers of exits that occurred during the three years ending on 31 December 2022 compared to the numbers expected under the actuarial basis adopted for the 31 December 2019 valuation, for each decrement type.

The following table shows a comparison of actual exits versus those expected under the valuation basis over the three years ended 31 December 2022:

Decrement type	Actual	Expected	Difference (actual - expected)
Withdrawal	0	0.2	(0.2)
Retirement	8	7.0	1.0
Death / TPD	0	0.9	(0.9)
Total	**8**	**8.1**	**(0.1)**

The above table shows that actual experience over the inter-valuation period has not been significantly different to that expected based on the demographic assumptions in the 2019 valuation.

Therefore, we have retained the same demographic assumptions as those used in the previous valuation, as they remain our best estimate of likely future demographic experience.

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

5.2.6 Pension mortality

The number of lifetime pensioners is not sufficient to undertake a reliable analysis of experience. Therefore, we have adopted a pensioner mortality table based on the latest Australian Life Tables 2015/17, with a 2-year age reduction to account for expected lighter mortality than the Australian population. The decrements also allow for mortality improvement in the future based on the 25-year mortality improvement factors developed by the Australian Government Actuary as part of preparation of Australian Life Tables 2015/17 up to 2041, reverting to 100-year mortality improvement factors thereafter.

5.2.7 Crediting rates

For some categories, the Trustee has adopted a policy whereby the crediting interest rate is set equal to the average of the actual earning rate over the previous three years, net of investment expenses and tax, subject to a minimum of nil. Any over-credited rates due to the application of the nil minimum rate are recouped from calculations of future credited interest rates before a positive credited rate is declared. This is referred to as the “smoothing” policy. The smoothed crediting rate applies to defined benefit member accounts, except for their rollover accounts which are credited with actual returns achieved.

Operation of the smoothing policy over the three-year period to 31 December 2022 resulted in interest credited to members’ accounts for CEM and CM members being 6.3% p.a.. This is higher than the Plan’s average investment return over the same period of 4.3% p.a. The Plan has therefore credited more than it has earned over the inter-valuation period due to the smoothing of interest rates.

The smoothing method adopted will eventually see average crediting rates falling into line with actual Plan earning rates over time. However, variations in the level of member balances over time may mean that the mismatch in crediting and earning rates which has occurred may have a real, albeit small, financial effect on the Plan.

5.2.8 Expenses

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

Administration fees comprise $78 p.a. per member for defined benefit and accumulation members and $35 per annum for group life members, and these have been allowed for in the calculations of future liabilities to be funded by Employer contributions. In addition, an asset-based fee of 0.10% p.a. of assets plus a 0.02% p.a. Trustee Levy (introduced from 1 December 2020) apply.

At the previous investigation, expenses in line with the above member and asset-based fees plus other defined benefit expenses of $40,000 a year were assumed, which was roughly equivalent to about 4.2% p.a. of defined benefit salaries on average. Over the 3 years to 31 December 2022, the cost of actual expenses were about 3.1% p.a. of defined benefit members' salaries.

Taking into account actual expenses over the inter-valuation period and that the Plan is closed to new defined benefit members, we have revised the expense assumption for this valuation to the member and asset-based fees above plus $23,000 per annum in relation to the defined benefit arrangements.

In addition, the Employer meets the cost of member and asset-based administration fees in respect of accumulation members from the defined benefit plan assets. Over the 3 years to 31 December 2022, the cost of these expenses for accumulation members was approximately $38,000 per annum.

We have allowed for the above expenses in our funding projections in section 7.6.

Insurance expenses are discussed below.

5.2.9 Insurance

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

Based on current premium rates, we have maintained the allowance for the cost of salary continuance insurance of 1.0% p.a. of salaries of eligible defined benefit members which is used in determining the recommended Employer contribution rate.

In addition, the Employer meets the cost of insurance premiums in respect of accumulation members from the defined benefit plan assets. Over the 3 years to 31 December 2022, the cost of the insurance premiums relating to accumulation members was approximately $140,000 per annum on average.

Therefore, in our funding projections in section 7.6, we have also allowed for employer-paid insurance premiums for Accumulation members of $140,000 per annum.

6 Solvency and funding measures

6.1 Vested benefits

The initial stage in our valuation is to check the coverage of vested benefits by the market value of the assets.

Vested benefits are benefits that would be paid if all members voluntarily left service. The following table shows the value of vested benefits as at 31 December 2022 with the value as at 31 December 2019 shown for comparison. This is shown for the whole Plan, including both defined benefit members and accumulation members.

Plan	31 December 2019 $'000	31 December 2022 $'000
Value of assets	55,067	50,680
Vested benefits	40,437[1]	35,167
Vested Benefit Index (VBI)	**136%**	**144%**

Given that the value of accumulation members' accounts is directly related to the value of underlying assets, there is no need to retain investment reserves in respect of these accounts. A similar case applies to those additional accounts of defined benefit members which are subject to member investment choice. Therefore, the table below shows the coverage of vested benefits for defined benefit members only (excluding additional accounts subject to member investment choice).

Defined benefit members only	31 December 2019 $'000	31 December 2022 $'000
Value of assets	31,217	27,125
Vested benefits	16,587[1]	11,612
Vested Benefit Index (VBI)	**188%**	**234%**

The assets and vested benefits at 31 December 2022 in the above table exclude $101,151 of additional accumulation account balances in respect of defined benefit members.

The Vested Benefits Index (VBI) for defined benefit members has increased from 188% to 234% over the three year period to 31 December 2022. The improvement in the VBI (when expressed as a percentage) over the inter-valuation period is largely due to surplus assets being spread over a lower vested benefits total given the closed nature of the Plan.

The following table shows the VBI as at 31 December 2022, split between the CE section and the non-CE section.

Defined benefit members only 31 December 2022	CE members $'000	Non-CE members $'000
Value of assets	16,332	10,793
Vested benefits	3,135	8,477
Vested Benefit Index (VBI)	**521%**	**127%**

[1] The value of vested benefits at 31 December 2019 included the value of pension for active CE members assuming all elect to take their benefit in pension form.

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 (this is subject to a minimum of total members' leaving service benefits, 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 for the defined benefit section of the Plan 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.

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 the assets would be expected to be sufficient to meet all future benefit payments if the actuarial assumptions were borne out in practice.

The following table shows the progression of the Accrued Benefits Index of the Plan as at 31 December 2022 with the figures as at 31 December 2019 shown for comparison.

	31 December 2019 $'000	31 December 2022 $'000
Value of assets	55,067	50,680
Accrued benefits*	40,469	35,167
Accrued Benefits Index	**136%**	**144%**

* *After a minimum of total vested benefits has been applied.*

The following table shows the Accrued Benefits Index of the defined benefit section of the Plan (excluding additional accounts subject to member investment choice).

Defined benefit members only	31 December 2019 $'000	31 December 2022 $'000
Value of assets	31,217	27,125
Accrued benefits*	16,619	11,612
Accrued Benefits Index	**188%**	**234%**

* *After a minimum of total vested benefits has been applied.*

The assets and accrued benefits at 31 December 2022 in the above table exclude $101,151 of additional accumulation account balances in respect of defined benefit members.

The Plan is in a sound financial position as at 31 December 2022. The Accrued Benefits Index for defined benefit members has increased from 188% to 234% over the three years ended 31 December 2022. As mentioned above, this is largely due to the surplus assets being spread over a lower accrued benefits total given the closed nature of the Plan.

The split of the accrued benefits index calculation (applying a minimum of vested benefits, and excluding additional accounts subject to member investment choice) between the CE section and the non-CE section is shown below.

Defined benefit members only 31 December 2022	CE members $'000	Non-CE members $'000
Value of assets	16,332	10,793
Accrued benefits *	3,135	8,477
Accrued Benefits Index	**521%**	**127%**

* *After a minimum of total vested benefits has been applied.*

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 ("MRBs") and are defined in the Plan's Benefit Certificate. As the MRB for each member is less than or equal to the member's vested benefit, it is clear that the assets comfortably cover the total Minimum Requisite Benefits.

The following table shows the value of MRBs as at 31 December 2022 with the value as at 31 December 2019 shown for comparison. This is shown for the whole Plan, including both defined benefit members and accumulation members.

Plan	31 December 2019 $'000	31 December 2022 $'000
Value of assets	55,067	50,680
Minimum requisite benefits (MRB)	39,073	34,889
MRB index	**141%**	**145%**

The following table shows the coverage of Minimum Requisite Benefits for defined benefit members only (excluding additional accounts subject to member investment choice) as at 31 December 2022, split between the CE section and the non-CE section.

Defined benefit members only 31 December 2022	Defined benefit members $'000	CE members $'000	Non-CE members $'000
Value of assets	27,125	16,332	10,793
Minimum requisite benefits (MRB)	11,334	3,135	8,199
MRB index	**239%**	**521%**	**132%**

The assets and Minimum Requisite Benefits at 31 December 2022 in the above table exclude $101,151 of additional accumulation account balances in respect of defined benefit members.

The Minimum Requisite Benefits Index in respect of defined benefit members has increased over the inter-valuation period from 205% as at 31 December 2019 to 239% as at 31 December 2022.

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. Subject to any Participation Agreement, 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 the termination of the Plan 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.

6.4.1 Potential closure of CE section

We note that the Trustee has previously sought legal advice in relation to the interpretation of the termination clause as regards treatment of CE and non-CE members, particularly in the context of the old rules applying to the Cryovac Employees Benefits Fund and the CE surplus. The legal advice obtained by the Trustee supports the view that the CE surplus cannot be used for purposes of reducing employer contributions in respect of the other members of the Plan until there are no members remaining in the CE section of the Plan.

The Trustee advised us in April 2019 that Sealed Air, as the Employer sponsor of the Plan, intends to wind-up the CE section of the Plan. However, we note that this has not yet occurred, but we understand that this remains the Employer's intention.

We understand that the Trustee has obtained legal advice that it is possible for the Employer to withdraw support for the CE section of the Plan without doing so for the remainder of the Plan membership and thus to wind-up the CE benefit arrangements. This is set out in the letter addressed to John Newman of Sealed Air from Philip Donaghey of Plum dated 9 December 2016, which included two emails from Landers and Rogers Lawyers dated 26 September 2016 and 18 October 2016 as appendices. We have relied on that legal advice for the purposes of our advice to the Trustee in relation to this.

We provided advice to the Trustee in our letters dated 7 August 2019 and 18 March 2020 regarding an appropriate basis of conversion of the lifetime pension and defined benefit entitlements of members in the CE section of the Plan. Subsequent to this, we provided further advice to the Trustee in respect of four pensioners, which the Trustee advised were commenced without company consent, in our letters dated 2 December 2021, 5 April 2022 and 23 November 2022. These letters included advice on the top-up of Plan assets required to place the Plan in an equivalent financial position to what it would have been in if the four pensions had not been commenced.

In our letter dated 7 August 2019, given the strong financial position of the CE section of the Plan, we recommended the following basis on termination of the CE section:

(i) Apply assets to provide continuation of pension benefits to current pensioners. This could be achieved by either a 'buy-in' or 'buy-out' arrangement. This approach is recommended as it ensures that the pensioners will continue to receive benefits for the remainder of their lifetime.

(ii) Determine a lump sum benefit in respect of the remaining two active CE members at the time, calculated as the estimated amount required for the member to purchase an annuity from a life insurer to replace the pension benefit which would have been payable from the Plan based on accrued service up to the termination date, plus the balance of their Additional Accounts at the termination date. (We note that there are no active CE members remaining in the Plan as at 31 December 2022.)

Our letter dated 18 March 2020 estimated that the total amount payable from the CE assets in the Plan (using a calculation date of 31 December 2019 for convenience) based on the recommended conversion basis was $8,034,000, and noted that the available assets in the CE section were more than sufficient to cover these payments. Of that amount, $5,958,000 related to the estimated total amount in respect of the 10 pensioners in the Plan at that time.

Applying a consistent approach, based on the membership of the CE section as at 31 December 2022 (i.e. 10 pensioners and no active members), we have roughly estimated that the total amount which would be payable from the CE assets under the recommended conversion basis would be approximately $6 million. In particular, we note that the available assets in the CE section remain more than sufficient to cover these payments.

6.5 Events since 31 December 2022

In the period since 31 December 2022, investment markets have been volatile with increases in markets over January 2023 followed by fluctuations up and down over the following months. Over the period from 1 January 2023 to 31 March 2023, the Plan's assets in the Pre-mixed Moderate investment portfolio earned approximately 2.8%.

Based on information provided by the Plan's administrator, the Plan's funding ratio for Vested Benefits (the Vested Benefits Index or VBI) increased up to 31 March 2023, as follows:

	Vested Benefits Index 31 March 2023
CE members	541%
Non-CE members	132%
Total Defined Benefits	**238%**

Although it is important not to overreact to short-term market movements, we have allowed for an estimate of recent market movements based on available information in the funding projections in the following section.

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 31 December 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	10,935	-	**10,935**
Defined contribution interests	595	23,454	**24,049**
Total interest	**11,530**	**23,454**	**34,984**
Vested benefits			
Defined benefit interests	11,118	-	**11,118**
Defined contribution interests	595	23,454	**24,049**
Total interest	**11,713**	**23,454**	**35,167**
Minimum benefits			
Defined benefit interests	10,840	-	**10,840**
Defined contribution interests	595	23,454	**24,049**
Total interest	**11,435**	**23,454**	**34,889**

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.

For completeness, we have shown in the table below a summary of the total defined benefit member liabilities in the Plan, split between non-CE members and CE members, as at 31 December 2022.

	CE members	Non-CE members	Total defined benefit members
Accrued benefits [1]			
Defined benefit interests	3,135	7,800	**10,935**
Defined contribution interests	-	595	**595**
Total interest	**3,135**	**8,395**	**11,530**
Vested benefits			
Defined benefit interests	3,135	7,983	**11,118**
Defined contribution interests	-	595	**595**
Total interest	**3,135**	**8,578**	**11,713**
Minimum benefits			
Defined benefit interests	3,135	7,705	**10,840**
Defined contribution interests	-	595	**595**
Total interest	**3,135**	**8,300**	**11,435**

1. For consistency with AASB 1056, the accrued benefits in this table have not been subject to a minimum of vested benefits. This approach is in accordance with Practice Guideline 499.06 issued by the Actuaries Institute.

7 Valuation results

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 actuarial assumptions described in Appendix B.

In determining the value of accrued benefits, a minimum of the value of vested benefits has been applied.

7.1 Valuation results – CE members

The following table shows the results of the valuation as at 31 December 2022 in respect of CE members.

	$'000
Accrued liabilities	
Active defined benefit members	0
Pensioners	3,135
Deferred pensioners	0
Total present value of accrued benefits (before a minimum of vested benefits)	3.135
Minimum of vested benefits applied	3,135
Total present value of accrued benefits (a)	**3,135**
Less Assets (net market value of notional "quarantined" assets) (b)	16,332
Actuarial "surplus" on present value of accrued benefits (b – a)	**13,197**
Future service liabilities and expenses:	
Defined benefit liabilities	0
Plus Future administration expenses and salary continuance premiums	274
Present value of future liabilities (c)	**274**
Less: Value of future member contributions (d)	0
Net value of future liabilities (c – d)	**274**
Actuarial surplus on present value of accrued benefits (from above)	13,197
Net surplus/(deficit)	**12,923**
Employer contributions required	**Nil**

It is clear that the assets quarantined for CE members are more than sufficient to meet not only accrued liabilities but also all future benefits for these members. It is unlikely that the Employer will ever have to contribute in future in respect of CE members. In fact, we expect that approximately $12.9 million of surplus (in today's dollars) will fall into general reserves within the Plan after the last CE member has left the Plan.

Alternatively, on a basis where the CE section is wound up and pensions are replaced with annuities issued by a life insurance company on a buy-out basis, we expect that at least $5 million of surplus (as at 31 December 2022) would remain in the Plan after all CE member benefits have been paid.

7.2 Valuation results – all other members

The following table shows the results of the valuation as at 31 December 2022 in respect of all other members (excluding CE members).

	$'000
Accrued liabilities	
Active defined benefit members	8,294
Accumulation accounts for defined benefit members	101
Accumulation accounts in respect of accumulation members	23,454
Total present value of accrued benefits (before a minimum of vested benefits)	**31,849**
Minimum of vested benefits applied	32,031
Total present value of accrued benefits (a)	**32,031**
Less Assets (net market value) (b)	34,348
Actuarial "surplus"/("deficit") on present value of accrued benefits (b – a)	**2,317**
Future service liabilities and expenses:	
Defined benefit liabilities	432
Plus Future administration expenses and salary continuance premiums	582
Present value of future liabilities (c)	**1,014**
Less: Value of future member contributions (d)	287
Net value of future liabilities (c – d)	**727**
Present value 1% future salaries (defined benefit members)	56
Future service contribution rate before allowance for surplus (allowing for contributions tax and salary continuance insurance expenses)	**15.3%**
Actuarial surplus on present value of accrued benefits (from above)	2,317
Net surplus/(deficit) to be met by future employer contributions	**1,591**
Required employer contribution rate (allowing for contributions tax and salary continuance insurance expenses)	**Nil**

The surplus as at 31 December 2022 is sufficient to fund the cost of future liabilities for non-CE defined benefit members, after allowing for 15% contributions tax and assumed expenses in relation to defined benefit members.

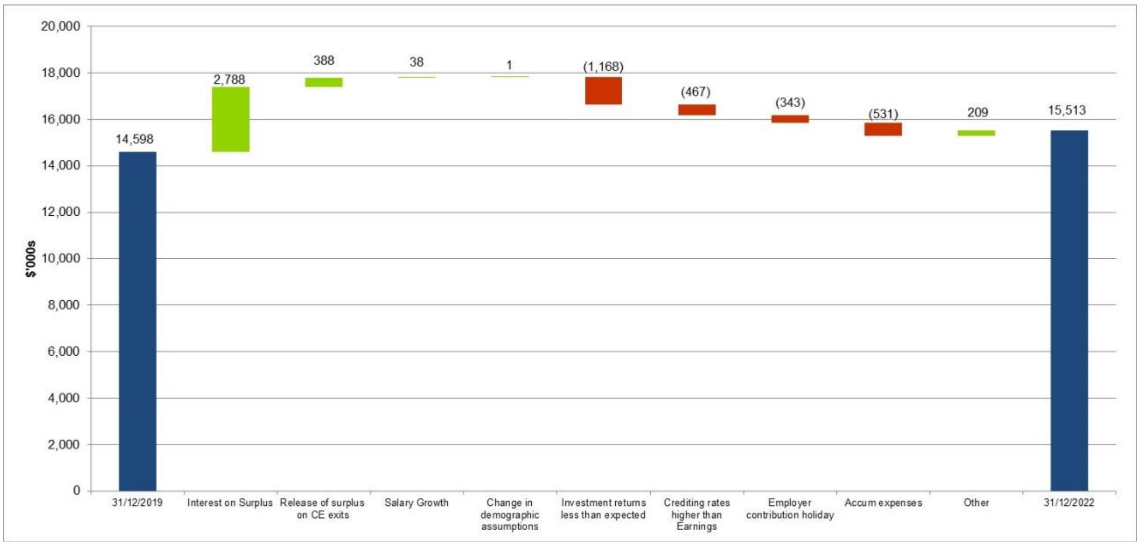
Employer contributions will be required in respect of accumulation and insurance-only members. However, we have estimated that the surplus in the non-CE section of the Plan is sufficient to support continued funding of expenses and insurance premiums in respect of accumulation and group life members from the defined benefit assets for at least the next 5 years. This will be discussed in section 7.7 below.

The funded status is sensitive to both financial experience and changes in the composition of the Plan's defined benefit membership over the period. Therefore, we recommend the continuation of the quarterly reviews of the vested benefits coverage.

7.3 Analysis of change in financial position

The financial position of the Plan has improved from that revealed in the previous investigation. The following chart summarises our analysis of the change in surplus/deficit of assets over past service liabilities between 31 December 2019 to 31 December 2022.

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 31 December 2019;
- Release of surplus on CE exits, due to fewer members taking pensions than expected; and
- Slightly lower than expected salary growth over the period.

Negative Factors:

- Lower than expected investment returns over the period;
- Crediting rates being higher than actual investment earnings over the period;
- Strain due to employer contribution holiday compared to the cost of accruing benefits; and
- Strain due to funding administration expenses and insurance premiums in respect of accumulation members.

Other small factors may also have contributed to changes in the financial position (both positively and negatively).

7.4 Sensitivity analysis

In order to indicate the Plan's sensitivity to a change in future investment returns, we have calculated the actuarial surplus of the Plan assuming future investment returns of 5% per annum instead of 6% per annum with other assumptions unchanged.

On this basis, the Plan's net surplus for CE members falls by approximately $250,000 and the net surplus for non-CE members remains unchanged when a minimum of total vested benefits is applied (this latter amount would be a fall in surplus by about $250,000 if the accrued benefit liabilities were not subject to a minimum of the total vested benefits for these members).

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	31 December 2022 ($000s)	Increase/)Decrease) in Accrued Benefits Liability ($000s)
Base Case	10,935	-
Discount Rate +1%	10,490	(445)
Discount Rate -1%	11,435	500
Salary Increase Rate +1%	11,143	208
Salary Increase Rate -1%	10,749	(186)
Pensioner Mortality 10% lower rates	10,981	46

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

7.5 Events since 31 December 2022

In the period since 31 December 2022, investment markets have been volatile with increases in markets over January 2023 followed by fluctuations up and down over the following months. Based on information provided by the Plan's administrator, the Plan's funding ratio for vested benefits (the VBI) for the defined benefit section of the Plan increased to 238% for defined benefit members (541% for CE members and 132% for non CE members) as at 31 March 2023.

We consider below the contributions required to maintain the VBI at or above 100% over the next three years, while continuing to fund the cost of future accrual of benefits over the long term.

7.6 Funding projections

SPS 160 ensures that the contribution recommendation focusses on maintaining the VBI at or above 100%, and in the event that the VBI falls below 100%, getting the VBI back to at least 100% in a period of no greater than three years.

7.6.1 Defined benefit section

We have projected the progression of the VBI for the defined benefits section of the Plan as a whole over the next five years.

Projected Date	Contribution rate	Projected defined benefit assets ($'000)	Projected defined benefit vested benefits ($'000)	Projected defined benefit VBI
31 December 2022 (actual)		27,125	11,612	234%
31 March 2023 (actual)		28,368	11,900	238%
31 December 2023	0%	25,965	9,030	288%
31 December 2024	0%	26,363	8,792	300%
31 December 2025	0%	26,245	7,917	332%
31 December 2026	0%	26,023	6,749	386%
31 December 2027	0%	26,852	6,773	396%

Based on the VBI of 234% as at 31 December 2022 and 238% as at 31 March 2023, our projections show that a nil contribution rate is projected to keep the VBI above 100% over the next three years. This is primarily due to the earnings on the surplus exceeding the cost of accruing defined benefit entitlements.

In addition, due to the ageing of the membership and expected benefits to be paid over the next 5 years, the surplus is being 'spread' across fewer members and it grows as a percentage of assets as the membership reduces.

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% per annum lower at 5.0% per annum (net of tax).

Projected Date	Contribution rate	Projected defined benefit assets ($'000)	Projected defined benefit vested benefits ($'000)	Projected defined benefit VBI
31 December 2022 (actual*)		27,125	11,862	229%
31 March 2023 (actual*)		28,368	12,147	234%
31 December 2023	0%	25,767	9,246	279%
31 December 2024	0%	25,902	8,974	289%
31 December 2025	0%	25,511	8,069	316%
31 December 2026	0%	25,005	6,874	364%
31 December 2027	0%	25,528	6,870	372%

* Pension vested benefits have been revised to reflect the alternative investment return on assets of 5.5% p.a. (gross of tax)

The table above shows that the VBI is expected to remain at or above 100% beyond 2027 based on the above scenario of 1% p.a. lower investment returns.

7.6.2 Non-CE defined benefit section

As the surplus in respect of CE members cannot be used for the purposes of reducing Employer contributions in respect of other members of the Plan, we have projected the progression of the VBI for the non-CE members defined benefits section of the Plan over the next five years.

Projected Date	Contribution rate	Projected non-CE defined benefit assets ($'000)	Projected non-CE defined benefit vested benefits ($'000)	Projected non-CE defined benefit VBI
31 December 2022 (actual)		10,793	8,477	127%
31 March 2023 (actual)		11,653	8,810	132%
31 December 2023	0%	8,732	6,000	146%
31 December 2024	0%	8,415	5,777	146%
31 December 2025	0%	7,542	4,992	151%
31 December 2026	0%	6,516	3,994	163%
31 December 2027	0%	6,492	4,013	162%

Based on the VBI of 127% as at 31 December 2022 and 132% as at 31 March 2023, our projections show that a nil contribution rate is projected to keep the VBI above 100% over the next three years. This is partly due to the earnings on the surplus funding the Employer contributions. A surplus of 32% in respect of the non-CE defined benefit members represents approximately 205% of the respective members' salaries, and therefore is expected to meet approximately 13 years of the accruing cost of benefits based on the results in section 7.2, or approximately 7 years allowing for continued funding of administration expenses and insurance premiums for accumulation members from the defined benefit Plan assets.

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% per annum lower at 5.0% per annum.

Projected Date	Contribution rate	Projected non-CE defined benefit assets ($'000)	Projected non-CE defined benefit vested benefits ($'000)	Projected non-CE defined benefit VBI
31 December 2022 (actual)		10,793	8,477	127%
31 March 2023 (actual)		11,653	8,810	132%
31 December 2023	0%	8,658	5,969	145%
31 December 2024	0%	8,255	5,715	144%
31 December 2025	0%	7,302	4,904	149%
31 December 2026	0%	6,202	3,884	160%
31 December 2027	0%	6,100	3,881	157%

The table above shows that the VBI is expected to remain at or above 100% beyond 2027 based on the above sensitivity scenario.

7.7 Recommended Employer contribution rates

Overall, the Plan is in a sound financial position. Nevertheless, the requirement to quarantine assets for CE members has implications for Employer contribution rates.

The surplus for CE members is more than sufficient to fund all future benefits for these members. When the last CE member has left the Plan, approximately $12.9 million of surplus (in today's dollars) is expected to fall into general reserves and can then be used to fund benefits for other members. Until then, any "excess" surplus remains "quarantined" from the remainder of the Plan.

Consistent with the results of the previous investigation, the VBI for non-CE members is also greater than 100%. The Employer should be aware that given the allocation to growth assets and the continuing volatility in investment markets, the increase in VBI to the current position can just as quickly be eroded again. Nonetheless, the projections of the VBI on reasonable assumptions show that the current contribution holiday can continue.

Based on the approach and assumptions adopted for this report, we recommend the following:

- Nil contributions be paid in respect of CE members, given the strong financial position of this sub-section;
- Nil contributions be paid in respect of non-CE members, given the robust financial position of this sub-section;
- Member contributions paid by the Employer under "salary sacrifice" or "deemed" arrangements should still be paid to the Plan; and
- Employer contributions continue at the Superannuation Guarantee rate of OTE for accumulation members.

In addition we recommend that:

- the Trustee continue to allow the Employer to fund the cost of employer-financed administration expenses and insurance premiums in relation to accumulation members and group life members in the Plan from the defined benefit assets until the completion of the next actuarial investigation as at 31 December 2025;
- the Plan's financial position continue to be 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.

The recommended Employer contributions will be next reviewed as part of the actuarial investigation of the Plan as at 31 December 2025 (given the Trustee has obtained an exemption for the Plan from APRA from the requirements of paragraph 14(d) of SPS 160 in relation to the frequency of actuarial investigations for funds paying pensions).

7.8 Surplus within defined benefit section

As matters stand, and as all parties are aware, we have developed our recommendations on the basis that each of the CE and non-CE sections must stand financially sound in isolation from each other.

The legal advice obtained by the Trustee supports the above approach that the CE surplus cannot be used for purposes of reducing Employer contributions in respect of the other members of the Plan until there are no longer any Category CE Members, including pensioners.

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 primary objective of the insurance cover is to provide funding for the difference between the total benefit payable and the amount deemed to have accrued in the Plan on behalf of the member. Insurance cover also protects the Plan from adverse mortality and disability experience.

8.1.1 Defined benefit members

The only defined benefit category which has a total and permanent disablement entitlement is Category CE2. There were no members remaining in Category CE2 at 31 December 2022. Therefore, all defined benefit members at the investigation date had death cover only.

We understand that the formula being used for insurance purposes for non-CE defined benefit members is:

The greater of

a. 17.5% times Prospective FAS times Future Service adjusted for Fraction Worked; and
b. (7 minus Normal Retirement Multiple) times Salary at date of calculation times 0.8.

The table below shows the overall death and TPD benefits and insurance levels as at 31 December 2022 for defined benefit members. For simplicity, the amounts in the table exclude additional accounts subject to member investment choice.

Defined benefit members	Death benefit ($'000)
Total benefits	10,028
Insurance amount	1,861
Amount at risk	**8,167**
Plan assets *	23,990
Excess/(Shortfall)	**15,823**

* *Excluding assets supporting current and deferred pensioners.*

The amounts at risk for death benefits are significantly less than the available assets.

However, it must be noted that quarantined CE assets are not available to meet the benefits of non-CE members. The position for non-CE defined benefit members (ignoring CE defined benefit assets) is shown separately as follows.

Death benefit	Non-CE defined benefit members (ignoring CE defined benefit assets) ($'000)
Total benefits	10,028
Insurance amount	1,861
Amount at risk	**8,167**
Plan assets	10,793
Excess/(Shortfall)	**2,626**

* *Excluding assets supporting current and deferred pensioners.*

The table above shows an excess of assets to cover amounts at risk for non-CE members as at 31 December 2022.

There are no active CE defined benefit members remaining, and hence no insurance in the CE section of the Plan at 31 December 2022.

8.1.2 Insurance recommendations

8.1.2.1 Non-CE members

Taking into account the formula for calculation of non-CE death benefits, including maximums on the level of benefits, we recommend that the current insurance formulae for non-CE members continue going forward.

Alternatively, the Trustee could consider simplifying the calculation of the insured amount to part (a) of the formula only; i.e. Death Insurance = 17.5% times Prospective FAS times Future Service adjusted for Fraction Worked. On this basis, the total sum insured would reduce from $1,861,000 to $1,682,000 which is still comfortably above the difference between total death benefits for non-CE members and associated assets.

8.1.3 Accumulation and insurance-only members

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 appropriately covered by insurance.

8.2 Salary continuance

Categories CEM, CM and CE1 do not have a lump sum total and permanent disablement benefit. Instead members receive a salary continuance benefit payable until age 65 if they become disabled.

Their monthly salary continuance benefit is equal to 75% of monthly income up to $20,000 per month, plus 50% of monthly income thereafter up to a total maximum benefit of the Maximum Benefit Limit (currently $30,000 per month).

These benefits are fully insured in the Plan. This is appropriate as the Plan does not accrue reserves in respect of this benefit.

No change is recommended to this arrangement.

Appendix A: Summary of benefits

A summary of the benefit provisions is set out below.

Category CM and CEM members

Member contributions

Members can choose to pay between 0% and 5% from either their pre-tax (salary sacrifice) or post-tax salary. (Note: the member's contribution rate may be increased up to 7% in certain circumstances).

Benefit on Normal Retirement ("NRB")

A lump sum benefit equal to the sum of:

- Accrued Benefit Multiple times Final Average Salary ("FAS"); plus
- Additional accumulation accounts.

The Accrued Benefit Multiple depends upon the member's contribution rate and years of membership during which the member contributed at that rate:

Member Contribution Rate	Benefit Accrual Rate
Nil	10.0%
1%	11.5%
2%	13.0%
3%	14.5%
4%	16.0%
5%	17.5%
6%	19.0%
7%	20.5%

Previous members of the CEBF – i.e. CEM members – or previous members of other funds deemed acceptable by the Employer, who transfer to the Plan, will be provided with an additional multiple in respect of their membership of the former fund, up to the date of transfer.

The maximum defined benefit payable on retirement from the Plan is seven times FAS.

Benefit on Late Retirement ("LRB")

The member's retirement benefit, as at their Normal Retirement Age ("NRA"), is increased to reflect their additional period of Plan membership to the actual date of retirement.

Benefit on Early Retirement

Upon retiring from the Plan before the NRA the member will receive a lump sum calculated in the same manner as the member's NRB using only completed membership to the date of retirement.

Benefit on Death

The benefit payable on death is a lump sum benefit equal to the sum of:

- Accrued Benefit Multiple times FAS; plus
- Prospective Plan Membership to NRA times FAS times accrual rate; plus
- Additional accumulation accounts.

CEM members are also subject to a minimum death benefit as determined at the date of transfer to the Cryovac Management Fund.

Benefit on Total and Temporary Disablement

75% of the member's salary at the date of disablement up to $20,000 per month, plus 50% of salary thereafter up to a total maximum benefit of the Maximum Benefit Limit (currently $30,000 per month), payable in monthly instalments after completion of a 180 day deferment period, for a maximum period to age 65.

There is no specified benefit in the event that the member becomes Totally and Permanently Disabled.

Benefit on Leaving Service ("LSB")

On leaving the Plan where no other benefit is payable, the member is entitled to the sum of:

- Member Account; plus
- Salary Sacrifice Account; plus
- Additional accumulation accounts; plus
- 10% times Plan Membership times FAS times Vesting Factor where:

Plan Membership (years)	Vesting Factor
Nil	90%
1	91%
2	92%
3	93%
4	94%
5	95%
6	96%
7	97%
8	98%
9	99%
10	100%

Transition for CEM members

There is a 10 year transition period for CEM members on transferring from the CE category. On this basis, the LSB is calculated as:

A + (B – A) x Vesting Factor

where:

- A is the LSB calculated in accordance with the provisions for a CE member, being the sum of:
    - their Member Account; plus
    - their Superannuation Guarantee Account; plus
    - their Notional Employer Account x CE Vesting Factor (as below):

Credited Service (Years)	CE Vesting Factor
Nil	50%
1	55%
2	60%
3	65%
4	70%
5	75%
6	80%
7	85%
8	90%
9	95%
10 or more	100%

- B is the LSB calculated in accordance with the provisions for a CM member; and
- Vesting Factor is 0.8333% for each complete month of Plan membership as a CEM member (i.e. 10% for each year), subject to a maximum of 100%.

Minimum Benefit

Upon leaving the Plan for any reason each member is to receive a benefit calculated in the manner set out above. However, the amount of such benefit is to be not less than their Minimum Requisite Benefit as defined in the Plan's current Superannuation Guarantee Benefit Certificate.

Pension Benefits – Current and Deferred Pensioners (Category CE)

Current Pensioners

An ex-member who has elected to receive a pension from the Plan will receive annual payments equal to the amount of pension determined under the Participation Agreement. The pension may be adjusted, at the Trustee's discretion to allow for the effects of changes in the "cost of living".

Deferred Pensioners

An ex-member who has elected to receive a deferred pension from the Plan will receive an annual pension payable after age 65 (or at any time after age 55 with the Trustee's consent), subject to the same reduction as would apply in respect of the payment of an ERB as if they were eligible.

Accumulation members

These members are entitled to an accumulation benefit on leaving the Plan for any reason. In the case of a member who previously transferred from a defined benefit category, this benefit will include the vested portion of the amount transferred, where the vesting factor is 2.7778% for each complete month the member is in the accumulation category, subject to a maximum of 100% after 36 months.

Category GL members

These members are entitled to receive a Death/Total and Permanent Disablement Benefit equal to a lump sum benefit of one (1) times their salary at their date of death or Total and Permanent Disablement. There is no specified benefit in the event that the member leaves the Plan in any other circumstance. The cost of the insurance cover is met from the Plan's assets.

Appendix B: Summary of Assumptions

Interest rate earned on assets	6.0% per annum compound (net of investment expenses and taxes) for assets in respect of active and deferred members 6.5% per annum compound (net of investment expenses, gross of taxes) for assets backing pensions in payment
Salary increase rate	3.0% per annum compound (long-term)
Promotional salary increase rate	Assumed to be included in the Salary Increase Rate above
Pension increase rate	Nil

Rates of mortality and leaving service

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

Age	Death	Resignations
20	11	1,600
25	11	1,425
30	10	1,250
35	12	1,000
40	17	750
45	28	500
50	49	250
55	86	0
60	148	0

Rates of retirement

Assumed rates at which members retire from the Plan per year per 10,000 members are as follows:

Age	Retirement
55	2,500
56	500
57	500
58	500
59	500
60	2,500
61	1,000
62	1,000
63	1,000
64	5,000
65	10,000

Rates of pensioner mortality

Australian Life Table 2015 – 17, with a 2 year age reduction, and allowing for 25-year mortality improvement factors developed by the Australian Government Actuary up to 2041, and 100-year mortality improvement factors thereafter.

Expenses and premiums

Investment: See *"Interest Rate Earned on Plan Assets"* above.

Expenses: Administration fee of $78 per annum per member for defined benefit and accumulation members and $35 per annum for group life members; in addition, an asset-based fee of 0.10% p.a. of assets and 0.02% p.a. of Trustee Levy apply.

In addition, other defined benefit expenses of $23,000 per annum have been allowed for.

Salary Continuance Insurance:
1.0% of eligible defined benefit members' salaries.

Employer-paid expenses and premiums in relation to Accumulation members (funded from defined benefit assets):

$178,000 per annum.

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

Sealed Air Superannuation Plan, a sub-plan in the Plum Division of the MLC Super Fund

Summary of Information included in 31 December 2022 Actuarial Report pursuant to Paragraph 23 of Superannuation Prudential Standard (SPS) 160

We have carried out a valuation of the Sealed Air Superannuation Plan effective 31 December 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 Plan have been valued at $50,680,096 at 31 December 2022. This includes $101,151 of defined benefit members' additional accumulation accounts and $23,453,760 of accumulation member vested benefits which are fully covered by assets. At 31 December 2022 the net assets of the defined benefit section of the Plan were reported as $27,125,185.

2. Pursuant to SPS 160, the *"liabilities in respect of the accrued benefits of the members of the fund"* is the present value of the expected future benefits payable from the Plan to current members and their dependents in respect of membership completed to date. In our opinion, the assets valued at 31 December 2022 were sufficient to meet the liabilities of the Plan in respect of accrued benefits for defined benefit members of $11,612,000. We consider that the assumptions and valuation methods set out in this report are appropriate for determining the accrued benefit liabilities.

3. The Plan's assets are adequate to meet the liabilities of the Plan in respect of Vested Benefits for defined benefit members of $11,612,000 as at 31 December 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 31 December 2022. In our opinion, the shortfall limit of 100% does not need to be revised. 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 31 December 2022; and
   - The future experience of the Plan for the period from 1 April 2023 is in accordance with the actuarial assumptions set out in the report on the actuarial valuation of the Plan at 31 December 2022, and allowing for known investment returns and cash flows to 31 March 2023,

   …then we certify that the Plan will maintain a satisfactory financial position in the period to 31 December 2025.

4. In our opinion, as at 31 December 2022, there was a high degree of probability (i.e. at least 70% as indicated by APRA as being the required probability) that the Plan will be able to pay the current pensioners as required under the Trust Deed and Rules. I expect this position will continue to be able to be certified during the period to 31 December 2025.

5. The report on the actuarial valuation of the Plan at 31 December 2022 recommends that the Employer contribute to the Plan as follows:
   - Nil contributions be paid in respect of CE members, given the strong financial position of this sub-section;
   - Nil contributions be paid in respect of non-CE members, given the robust financial position of this sub-section;
   - Member contributions paid by the Employer under "salary sacrifice" or "deemed" arrangements should still be paid to the Plan; and
   - Employer contributions continue at Superannuation Guarantee rate of OTE for accumulation members.

   In addition we recommend that:
   - the Trustee continue to allow the Employer to fund the cost of employer-financed administration expenses and insurance premiums in relation to accumulation members and group life members in the Plan from the defined benefit assets until the completion of the next actuarial investigation as at 31 December 2025;
   - 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.

   In recommending these rates, due consideration has been given to the expected financial position of the Plan over the three years to 31 December 2025.
6. 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 January 2023 to 31 December 2025 will provide adequately for the expected liability during the period. 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.
7. The projected likely future financial position of the Plan during the three years following the valuation date, based on our best estimate assumption used in the actuarial investigation of the Plan as at 31 December 2022 and the recommended Employer contributions above, is set out below.

Projected Date	Contribution rate	Projected defined benefit assets ($'000)	Projected defined benefit vested benefits ($'000)	Projected defined benefit VBI
31 December 2022 (actual)		27,125	11,612	234%
31 March 2023 (actual)		28,368	11,900	238%
31 December 2023	0%	25,965	9,030	288%
31 December 2024	0%	26,363	8,792	300%
31 December 2025	0%	26,245	7,917	332%

8. The Plan has not been granted a Pre-1 July 1988 funding credit, nor has it obtained such a credit by transfer.
9. A plan is "*solvent*" if the value of its assets exceeds the total of the Superannuation Guarantee component of each member's benefit. The Plan's assets are sufficient to meet the minimum benefits of the defined benefit members of the Plan of $11,334,596 as at 31 December 2022. Funding and Solvency Certificates for the Plan covering the period from 1 January 2020 to 31 December 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 31 December 2025, based on the assumptions used in the actuarial investigation of the Plan as at 31 December 2022.

Diane Somerville, FIAA

Andrew Boal, FIAA

28 June 2023

Appendix D: AASB 1056 Statement

Sealed Air 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 31 December 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 Practice Guidelines (in particular PS402 and PG499.06) issued by the Institute of Actuaries of Australia.

Assets

The net asset value available to support the liabilities of defined benefit members at 31 December 2022 was $50,680,096. This includes $101,151 of defined benefit members' additional accumulation accounts subject to member investment choice and $23,453,760 of accumulation member vested benefits which are fully covered by assets.

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 $35,167,000 comprising the following components:

Value of Vested Benefits for active defined benefit members	$8,477,000
Value of member investment choice balances for DB members	$101,000
Value of liabilities for accumulation members	$23,454,000
Value of current pensions in payment and deferred pensions	$3,135,000
Total	$35,167,000

The ratio of the net market value of the Plan's assets to total vested benefits was 144% as at 31 December 2022, which indicates a satisfactory coverage of vested benefits as at the date of the actuarial investigation. In respect of the defined benefit liabilities (including pension liabilities) only, the ratio of the assets backing defined benefits to the total vested benefit liabilities for defined benefit members was 234% as at 31 December 2022.

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 benefits is determined to be the same proportion of the death benefit as the accrued retirement benefit bears to the retirement benefit at normal retirement date.

Leaving service benefits are partly based on the accumulation of contributions with interest. Accrued leaving service benefits are based on contributions credited up to the date of the actuarial investigation, but with interest and vesting projected to the expected payment 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 as at 31 December 2022 were:

- The future rate of investment return (net of investment management fees) earned on the Plan's assets would be 6.0% per annum (net of investment tax) and 6.5% per annum (gross of investment tax).
- The future rate of long-term salary increases would be 3.0% per annum. This includes an allowance for the effect of future promotional salary increases.

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 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 as at 31 December 2022 was $34,984,000. (This also includes the amounts shown above for member investment choice balances for defined benefit members, liabilities for accumulation members and pension liabilities.)

The ratio of the assets to the value of the total accrued benefits (for AASB 1056 purposes) was 145% as at 31 December 2022. In respect of the defined benefit liabilities (including pension liabilities), the ratio of the assets backing defined benefits to the total accrued benefit liabilities for defined benefit members for AASB 1056 purposes was 237% as at 31 December 2022. The assets were therefore sufficient to meet the value of the liabilities of the Plan in respect of accrued benefits.

The Plan's funding policy is intended to fully cover benefits by the time that they become payable. The method of funding benefits adopted is the Target Funding method. This funding method aims to spread the cost of future benefits for current members evenly over their future working lifetimes. Under this funding method the Employer contribution rate is set with the objective of reaching a position where the Plan's assets equal the Plan's liabilities (or possibly the liabilities plus a margin). For the valuation as at 31 December 2022, a target of 100% of the non-CE members' vested benefits was adopted.

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	31 December 2022 ($000s)	Increase/)Decrease) in Accrued Benefits Liability ($000s)
Base Case	10,935	-
Discount Rate +1%	10,490	(445)
Discount Rate -1%	11,435	500
Salary Increase Rate +1%/ Pension Increase Rate +1%	11,143	208
Salary Increase Rate -1%/ Pension Increase Rate -1%	10,749	(186)
Pensioner Mortality 10% lower rates	10,981	46

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 January 2023 until completion of the next actuarial investigation (effective no later than 31 December 2025) are at least:

- Nil contributions be paid in respect of CE members, given the strong financial position of this sub-section;
- Nil contributions be paid in respect of non-CE members, given the robust financial position of this sub-section;
- Member contributions paid by the Employer under "salary sacrifice" or "deemed" arrangements should still be paid to the Plan; and
- Employer contributions continue at Superannuation Guarantee rate of OTE for accumulation members.

In addition we recommend that:

- the Trustee continue to allow the Employer to fund the cost of employer-financed administration expenses and insurance premiums in relation to accumulation members and group life members in the Plan from the defined benefit assets until the completion of the next actuarial investigation as at 31 December 2025;
- 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 taking into account actual experience to 31 March 2023; 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 as a whole throughout the three years following the date of the investigation.

Diane Somerville, FIAA

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28 June 2023