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Report to the Trustee on the Actuarial Investigation as at 30 June 2024

Shell Australia Superannuation Plan

(an employer plan in the Plum Division of the MLC Super Fund)

18 December 2024

A business of Marsh McLennan

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Key Results and Recommendations

I have prepared this report on the actuarial investigation of the Shell Australia Superannuation Plan (the Plan), an employer plan in the Plum Division of the MLC Super Fund, as at 30 June 2024 for NULIS Nominees (Australia) Ltd, as Trustee of the Plan. The Plan is closed to new defined benefit members.

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

Change in Financial Position

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

	Position at 30 June 2024		Coverage at 30 June 2023
Defined Benefits Only*	**$000**	**Asset Coverage**	
Assets	174,498		
Vested Benefits	147,413	118.4%	110.7%
Actuarial Value of Accrued Benefits	146,752	118.9%	110.9%
SG Minimum Benefits	118,165	147.7%	135.9%
Retrenchment Benefits	147,802	118.1%	110.4%

The above totals exclude accumulation liabilities of $313,046,000 and additional accumulation balances for defined benefit members of $1,225,000 as at 30 June 2024, but include the actuarial value of the deferred and current pension liabilities of $102,456,000 at 30 June 2024.

The coverage levels at 30 June 2024 were higher than the levels at the previous actuarial investigation, due to the following factors.

Financial experience

Investment earnings of 9.5% on assets backing active membership liabilities and 10.7% on assets backing pension liabilities for the year were higher than the assumed returns (4.5% for active assets and 5.0% for pension assets).

The change in the Consumer Price Index between 30 September 2023 and 30 June 2024 of 2.6% was lower than the assumed increase of 5% pa used to value pension liabilities.

These factors were partially offset by the average increase in active defined benefit members' salaries (including all superannuable allowances) of 4.3%, which was higher than assumed (4.0% for 2023/24). Coupled with high salary increases in the previous year, this has resulted in an average increase in the Highest Average Salary of defined benefit members of 6.4% pa over the year which was above the assumed increase.

Assumptions

At the request of the Company, I have updated the salary increase assumption for 2024/25 used to value the liabilities of active members from 3% at the previous investigation to 4%. This has had a small negative impact on the coverage of the Actuarial Value of Accrued Benefits (but no impact on the coverage of the other benefit liabilities). All other assumptions have been maintained

The Vested Benefit measures shown above assume the Plan continues to operate 'as is' until the last pensioner dies. In the event of a Plan wind up, or termination of pension payments, prior to the natural cessation of the pensions, different measures of benefit liabilities may apply, and further financing from the Company may be required to meet the resulting benefit liabilities. Please refer to the discussion in Section 9 for more detail.

Recommended Contribution Rates and Projections

At 30 June 2024 the Plan was in "a satisfactory financial position" as defined in the superannuation legislation with assets in excess of Vested Benefits. The ratio of assets to Vested Benefits (the "Vested Benefits Funding Ratio") of 118.4% was higher than the financing objective of 105% adopted for this investigation.

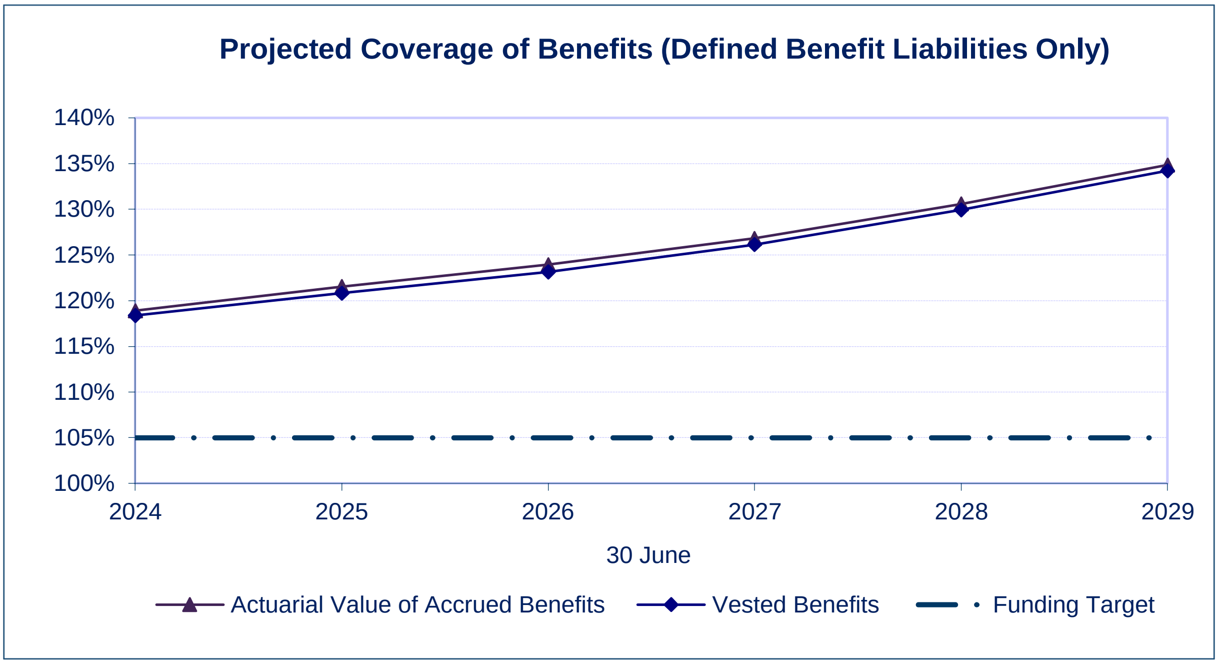
The Risk and Funding Target (RaFT) agreed by the Company and the Trustee states that if the Vested Benefits Funding Ratio is above 105%, the Company should contribute the Standard Contribution. The Standard Contribution is the normal cost of funding future service accruals.

Based on the assumptions adopted for this investigation, the average normal cost for all active members is 22.3% of salaries which is slightly less than the current Company contribution rate of 23% of salaries. However, I recommend that the Company maintain its current contributions for administrative ease.

I therefore recommend that the Company contribute to the Plan in accordance with the following contribution program based on the financial position at 30 June 2024:

Benefit Category	Contribution Rate
Defined Benefit	• 23% of salaries of superannuation salary. • Any additional Company contributions agreed between the Company and the member (e.g. salary sacrifice contributions).
Accumulation	• 12% (or higher rate where applicable) of superannuable salary (or such other amount as required to meet the Company's obligations under Superannuation Guarantee legislation or employment agreements). • Additional contributions equivalent to $253,500 per month from 1 January 2025 to reimburse the Plan in respect of insurance premiums and operating costs not deducted from members' accounts.

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



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

Risks

The above projection is based on the assumptions adopted, which represent a single scenario from a range of possibilities. The future is uncertain and the Plan's actual experience will differ from these assumptions; these differences may be minor in their overall effect, or they may be significant and material. In addition, different sets of assumptions or scenarios may also be within the reasonable range and results based on those alternative assumptions would be different. Consequently, the Trustee should review coverage of Vested Benefits at least once every year and quarterly on an approximate basis. The Trustee's monitoring of the experience specified in the Notifiable Events section of the Funding and Solvency Certificate will provide a further means of identifying adverse experience which warrants an immediate review of the Plan's financial position.

In Section 8, I provide illustrations of the impact of investment volatility on the projected coverage of Vested Benefits.

I also discuss other risks associated with the liabilities, including salary increase risk, expense risk, legislative risk and the risks around the provision of insurance benefits within the Plan.

In Section 9, I further discuss risks related to the Plan's pension liabilities, including inflation risk, longevity risk and risks involved if the pension liability were to be valued by a third party (for example, by a life office).

Other Findings and Recommendations

Suitability of Policies

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

- Investment policy;

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

Actions Required by the Trustee

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

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

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Introduction

Background of the Plan

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

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

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

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

The governing rules of the Plan are set out in MLC Super Fund Trust Deed dated 20 December 2017 and the Plan's Participation Agreement dated 22 November 2018, which detail the benefits applying to members of the Plan.

Purpose

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

- To present the results of an actuarial investigation of the Plan as at 30 June 2024;
- To review Plan experience for the period since the previous actuarial investigation as at 30 June 2023;
- To recommend contributions to be made by the Company intended to allow the Plan to meet its benefit obligations in an orderly manner, and to reach and maintain an appropriate level of security for members' accrued benefit entitlements;
- To satisfy the requirements of the Plan's Trust Deed for actuarial investigations of the Plan's financial position; and
- To meet legislative requirements under relevant Commonwealth superannuation legislation; these include the Superannuation Industry (Supervision) Act 1993 and associated regulations (SIS legislation) and SPS 160.

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

The previous actuarial investigation was conducted as at 30 June 2023 by me, on behalf of Mercer, and the results are contained in a report dated 17 November 2023.

Significant Events since the Investigation Date

Investment returns have been favourable since 30 June 2024, with the Plan's assets earning a return of approximately 4.2% to 30 September 2024. However, I have not made any allowance for these returns in the actuarial investigation as they do not have a material impact on the recommendations.

I am not aware of any other significant events that may have occurred since the investigation date which would have a material impact on the findings or recommendations in this report.

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Experience since the Last Investigation

Data Provisions

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

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

Membership

The membership of the Plan's defined benefit section has changed since 30 June 2023 as follows:

Active members at 30 June 2023	20
Exits	1
New Entrants	0
Active members at 30 June 2024	19

Total salaries at 30 June 2024	$6,486,000
Average salaries at 30 June 2024	$341,000
Average age at 30 June 2024	56.4 years

The pensioner membership has changed since 30 June 2023 as follows:

Pensioners at 30 June 2023	241
Deaths	20
New Pensioners (spouse reversion)	3
Pensioners at 30 June 2024	224

Total annual pensions at 30 June 2024	$9,565,528
Average pensions at 30 June 2024	$42,703
Average age at 30 June 2024	84.5 years

The pensions are lifetime defined benefit pensions and so these members are treated as defined benefit members.

There is also one deferred pensioner.

In addition, there were 2,662 members at 30 June 2024 with total salaries of $574,737,000 whose benefits are determined wholly on a defined contributions (or ‘accumulation’) basis.

During the period under review, there was one exit of an active defined benefit member. While this was fewer than I had assumed, it has not had a material impact on the Plan’s overall financial position.

The number of pensioner deaths during the year was greater than assumed which had a slight positive impact on the Plan’s financial position.

Investment Returns

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

Year Ending	Investment Return (pa)		Crediting Rate(pa)	
	Active Members	Pensions	Surcharge Accounts	Other Accounts
30 June 2024	9.5%	10.7%	3.6%	11.4%

The investment returns for the Plan over the year to 30 June 2024 were 9.5% for assets supporting active member liabilities and 10.7% for segregated current pension assets, compared with my assumptions at the last actuarial investigation of 4.5% (active members) and 5.0% (pensioners). The higher than assumed returns had a positive impact on the Plan’s financial position.

The crediting rate applied to accounts other than surcharge accounts of 11.4% was higher than the investment return on assets supporting active members’ liabilities (see section 5 for more detail), although this did not have a material impact on the financial position.

Salary Increases

The average rate of increases in salaries including all superannuable allowances was 4.3%. The rate of increase in the Highest Average Salaries (on which defined benefits are based, and which include all superannuable allowances), was 6.4%, which was higher than the assumption of 4.0% adopted for the 2023/24 year in the 2023 actuarial investigation.

This higher than expected salary increases had a negative impact on the Plan’s financial position.

Pension Indexation

Pensions for the defined benefit pensioners increased by 13.0% effective 1 January 2024. This increase reflected the change in the Consumer Price Index between September 2021 and September 2023 in accordance with the biennial schedule of the Plan’s pension increases. As I had allowed for the 13.0% indexation as at 1 January 2024 in the valuation of pension liabilities in the previous investigation, this experience did not affect the Plan’s financial position.

The next scheduled pension increase is expected on 1 January 2026. That increase is expected to reflect the change in the CPI between September 2023 and September 2025. The actual increase in CPI from 30 September 2023 to 30 June 2024 was 2.6%, compared with my previous assumption of 5% for the year to 30 September 2024. This experience has had a positive impact on the financial position of the Plan.

Expenses

Plan Administration Fees and Other Expenses

Over the year to 30 June 2024 the expenses financed from the defined benefit assets, after allowing for expenses deducted from accumulation members' accounts, were as follows:

Amount	$510,000
% of assets	0.30%
% of defined benefit salaries	7.8%

These were slightly higher than the amount of $492,000 per annum assumed for the actuarial investigation as at 30 June 2023 (and the Company contributions paid to cover expenses as described below), which had a small negative impact on the Plan's financial position.

Insurance Premiums

Insurance premiums in respect of accumulation members are paid from the defined benefit assets or by deduction from members' accounts. Up to 30 June 2024, the insurance premiums in respect of accumulation members not deducted from members' accounts for the 2024 policy year were $2,204,000.

For the purposes of the actuarial investigation as at 30 June 2023 I assumed that the premiums not deducted from members' accounts for the 2024 policy year would be $2,550,000 pa. The actual premiums deducted from the defined benefit assets were slightly less than the amount expected (and the Company contributions paid to cover premiums as described below), which led to a small positive impact on the Plan's financial position. However, a final premium adjustment for the 2024 policy year has since been paid.

Contributions

The Company contributions paid since the date of the previous actuarial investigation were as follows:

Benefit Category	Contributions Rate (% salary)
Defined Benefit	• 23% of salaries of superannuation salary. • Any additional Company contributions agreed between the Company and the member (e.g. salary sacrifice contributions).
Accumulation	• 12% (or higher rate where applicable) of superannuable salary (or such other amount as required to meet the Company's obligations under Superannuation Guarantee legislation or employment agreements). • Additional contributions of $3,042,000 to reimburse the Plan in respect of the 12-month cost of insurance premiums and operating costs not deducted from members' accounts.

The Company has contributed as recommended up to 30 June 2024. These contributions were in line with the long-term defined benefit funding costs (subject to the comments regarding expenses and premiums outlined above).

Impact of Experience on the Financial Position

The main experience items affecting the Plan's financial position during the period from 30 June 2023 to 30 June 2024 were as follows:

Item	Assumption at previous review	Plan experience	Comment on effect
Investment returns - active members - pensioners	 4.5% 5.0%	 9.5% 10.7%	Positive effect – investments grew at a higher rate than assumed
Salary/Highest Average Salary increases	4.0%	4.3%/6.4%	Negative effect – benefit liabilities grew at a higher rate than assumed
Pension indexation	5.0% pa	2.6%^	Positive effect – pension liabilities expected to grow at a lower rate than assumed
Insurance premiums in respect of accumulation members	$2,550,000 for year ending 30 June 2024	$2,204,000 paid up to 30 June 2024	Positive effect – assets did not reduce as expected
Pensioner deaths		Fewer than assumed	Slight negative impact – pension liabilities did not reduce by as much as expected

^Between 30 September 2023 and 30 June 2024

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Actuarial Assumptions

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

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

less

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

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

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

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

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

Economic Assumptions

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

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

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

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

	Assumption
Investment returns	
- Active employees	4.5% p.a.
- Lifetime pensioners	5.0% p.a.
General salary increases	4.0% in 2024/25; 3.0% p.a. thereafter
Long-term “gap” for active members	1.50% pa
Pension increase rate	3.9% for year ending 30 September 2024^; 3.5% for year ending 30 September 2025; 2.5% pa thereafter
Long-term “gap” for pensioners	2.5% p.a.

^allowing for the actual increase in CPI from 30 September 2023 to 30 June 2024 and assuming 5.0% pa for the remaining quarter to 30 September 2024.

Investment returns for active members are after tax and investment expenses, but before tax in the case of pensioners, since the assets supporting pension liabilities are exempt from tax.

The assumption for investment returns is based on the expected long-term investment return for the Plan’s current benchmark investment mix, calculated using Mercer’s assumptions of the means and standard deviations of returns from the various underlying asset classes and the correlations of returns between those asset classes.

The general salary increase assumption is based on past experience, the views of the Company and the general expectation from economic forecasters for future increases in Average Weekly Ordinary Time Earnings.

The next pension increase expected on 1 January 2026 is expected to reflect the change in the CPI between September 2023 and September 2025. Taking into account the actual known CPI movements from September 2023 to 30 June 2024, I have updated the assumption for the short-term pension increase assumption for the year to 30 September 2024 to 3.9% pa. for this actuarial investigation. Based on short-term economic forecasts, I have assumed that CPI increases will average 3.5% from 30 September 2024 to 30 September 2025. I have maintained the long-term CPI increase assumption of 2.5% pa thereafter, taking into account the views of economic forecasters over the next 10 years (the duration of the pension liabilities) and the target range of the Reserve Bank.

Demographic and Decrement Assumptions

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

Retirement

The rates at which members are assumed to leave the Plan due to retirement are set out below. I have made no change to these assumptions as adopted for the previous actuarial investigation.

Age x	Percentage of members age x at beginning of year assumed to leave the Plan during the year on account of early retirement
55	19%
56	10%
57	14%
58	16%
59	30%
60	50%
61	30%
62	30%
63	30%
64	30%
65	30%
66	30%
67	30%
68	30%
69	30%
70	100%

Death, Disablement, Ill-health, Retrenchment and Resignation of Active Members

Examples of the assumption of the number of members leaving due to death, total and permanent disablement (TPD), ill-health, retrenchment and resignation for current employee members are set out below. The mortality, disablement and ill-health rates are based on the insurance premium rates for the Plan, which I understand have not been changed since the 2023 actuarial investigation. I have retained the rates for retrenchment and resignation as adopted in the previous actuarial investigation.

Age	Percentage of male members age x at beginning of year assumed to leave during the year on account of:				
x	Death	TPD	Ill-health	Retrenchment	Resignation
45	0.122%	0.063%	0.123%	4.50%	1.03%
50	0.180%	0.115%	0.246%	5.00%	0.48%
55	0.270%	0.229%	0.481%	0.00%	0.00%
59	0.446%	0.464%	0.856%	0.00%	0.00%

Age	Percentage of female members age x at beginning of year assumed to leave during the year on account of:				
x	Death	TPD	Ill-health	Retrenchment	Resignation
45	0.079%	0.082%	0.091%	4.50%	1.03%
50	0.126%	0.159%	0.178%	5.00%	0.48%
55	0.202%	0.277%	0.339%	0.00%	0.00%
59	0.315%	0.435%	0.531%	0.00%	0.00%

Pensioner Mortality

The mortality assumptions for the valuation of lifetime pensions are 115% of the standard Mercer pensioner mortality table 2012-2017, which are the same as those adopted in the 2023 actuarial investigation.

Examples of the assumed rates of pensioner deaths at each age according to the standard Mercer pensioner mortality table (prior to application of the 115% factor) are as follows:

Age	Percentage of members age x at the beginning of the year assumed to die during the year	
X	Male	Female
55	0.21%	0.13%
60	0.26%	0.18%
65	0.41%	0.28%
70	0.79%	0.55%
75	1.53%	1.07%
80	3.27%	2.26%
85	7.03%	4.91%
90	13.58%	10.82%
95	23.20%	17.92%
100	34.42%	27.75%
105	46.98%	37.89%
110	100.00%	100.00%

I have also allowed for long term future mortality improvement to reflect the likelihood of future improvements in mortality amongst the pensioners, based on the 25-year mortality improvement factors developed by the Australian Government Actuary as part of preparation of Australian Life Tables 2015-17.

Other Assumptions

New Members

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

Expenses

Expenses of operating the Plan are assumed to remain at $492,000 pa (increasing at 3.0% pa) and group life insurance premiums in respect of accumulation members not deducted from accumulation members' accounts are assumed to remain at $2.55 million pa (increasing at 3.0% pa).

Tax

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

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

I have made no allowance for:

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

Impact of the Changes in Assumptions

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

Assumption	Investigation at 30 June 2024	Investigation at 30 June 2023	Reason for change
Salary increases	4.0% in 2024/25; 3.0% pa thereafter	4.0% in 2023/24; 3.0% pa thereafter	Company outlook
Pension increases	3.9% for year ending 30 September 2024: 3.5% for year ending 30 September 2025 2.5% pa thereafter	5.0% in 2024; 3.5% in 2025; 2.5% pa thereafter	Updated inflation outlook; allows for observed CPI movements to 30 September 2024.

The overall impact of the changes in assumptions was to:

- Decrease the Actuarial Value of Accrued Benefits by $0.815m and the Vested Benefits by $1.115m; and
- Increase the long-term employer cost of future service benefits (excluding expenses) by 0.05% of salaries.

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Assets

Market Value

The net market value of the Plan’s assets as at 30 June 2024 was $488,769,000 based on the data provided by the Plan’s administrator.

Calculation of Defined Benefits Assets at 30 June 2024	
Assets supporting active members	$75,043,000
Plus segregated pension assets	$99,645,000
Less provision for tax payable	$190,000
Net assets to support the defined benefit liabilities of the Plan	**$174,498,000**
Plus accounts for accumulation members	$313,046,000
Plus accumulation accounts for defined benefit members	$1,225,000
Net market value of the Plan’s assets as at 30 June 2024	**$488,769,000**

The assets to support the defined benefit liabilities of the Plan exclude all balances relating to the Plan’s accumulation members and exclude investment choice accumulation balances in respect of defined benefit members but include the assets segregated for the purposes of supporting current pension liabilities of the Plan of $99,645,000.

Operational Risk Reserves

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

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

Investment Policy

Assets backing Defined Benefit Liabilities

The Plan's investment strategy for assets supporting defined benefit liabilities (including pensioner liabilities) involves a 40% exposure to "growth" assets such as shares and property, and 60% exposure to "defensive" assets such as cash and fixed interest.

The actual and strategic asset allocations for the assets supporting the defined benefit liabilities are as follows:

Asset Class	Actual Allocation as at 30 June 2024	Strategic Asset Allocation
Australian Equities	12.6%	13%
Overseas Equities	20.3%	20%
Property	7.1%	7%
Total Growth	**40.0%**	**40%**
Fixed Interest	55.7%	56%
Cash	4.3%	4%
Total Defensive	**60.0%**	**60%**
Total	**100%**	**100%**

The defined benefit liabilities are not affected by the investment return on the Plan's assets. The volatility of the Plan's investment returns will therefore affect the financial position of the Plan from year to year and is likely to impact on the required level of Company contributions.

Given that it is not known when active members will take their benefit with certainty and how long pensioners will be paid a benefit, the exact term of the Plan's liabilities is unknown. The calculations undertaken as part of this actuarial investigation indicate the weighted average future term (duration) of the defined benefit liabilities is about 7.2 years (3.6 years for active member liabilities and 8.8 years for pension liabilities). The expected term of the Plan's liabilities is therefore such that the Plan is expected to benefit from the higher returns expected from "growth" assets over the medium to long term.

I am satisfied that the current investment strategy is appropriate in view of the Plan's longer term cash flows and the financial support provided by the Company.

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

Assets backing Accumulation Benefit Liabilities

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

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

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

Crediting Rate Policy

Defined Benefits

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

For the period up to the date of leaving service

Crediting rates are determined monthly for the allocation of net earnings to defined benefit members' non-investment choice accounts as follows:

- For surcharge accounts, based on the change in the Consumer Price Index in the most recently available quarter, subject to a minimum of zero;
- For "standard" non-investment choice accounts, (i.e. non-investment choice accounts other than surcharge accounts), based on the investment return calculated as the change in unit price of the MIC Tailored Moderate investment option. These accounts are only used in the calculation of the minimum resignation benefit for defined benefit members (which generally does not apply).

The Trustee previously advised that the MIC Tailored Moderate investment option was the equivalent investment option in the Plan to the default investment option for accumulation members which applied in the previous fund.

The MIC Tailored Moderate investment option closed effective 24 November 2023 and the crediting rate has been calculated using the return on the MLC Low Cost Balanced option since then.

An interim crediting rate, based on the 90-day bank bill rate (based on the AFMA Bank Bill Swap Reference Rate: Average Bid) at the end of the previous month, with allowance for tax at 15%, is used for "standard" non-investment choice accounts where monthly crediting rates are not available.

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

For the period from the date of leaving service

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

The late payment interest rate is based on the 90-day bank bill rate (based on the AFMA Bank Bill Swap Reference Rate: Average Bid) at the end of the previous month, with allowance for tax at 15%.

Accumulation Benefits

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

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

Documentation

The Trustee's standard crediting rate and unit pricing policies and related procedures are set out in the Trustee's Product Management Standard Operating Procedures dated 17 July 2018, with separate documentation of non-standard approaches. Mercer's advice of 6 October 2014 in relation to variations from the Trustee's standard approach details the methodology to be used for the allocation of investment earnings.

In September 2020, the basis for determining the monthly crediting rate for surcharge accounts changed effective from 1 September 2020. I was advised of the details of the change in an email from Plum Financial Services dated 8 October 2020.

I was advised of the change to the underlying investment option used to calculate the crediting rates applied to “standard” defined benefit member non-investment choice accounts in an email from Plum Financial Services dated 15 August 2023.

I recommend the Trustee update the crediting rate documentation in relation to “standard” defined benefit member non-investment choice accounts and surcharge accounts.

Conclusion

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

6

The Actuarial Approach

Financing Objective

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

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

This is consistent with the Risk and Funding Target (RaFT) agreed by the Company and the Trustee.

Accumulation account balances are matched by specific assets and do not require any additional margins. However, most of the defined benefit liabilities are linked to salaries or are pension liabilities and are not linked to the returns on the underlying assets. A margin in excess of 100% coverage of vested defined benefits is therefore desirable to provide some security against adverse experience such as poor investment returns or pensioners living longer than expected. I consider that the target margin of 105% is appropriate.

Based on the assumptions adopted for this investigation, achieving the financing objective of 105% of Vested Benefits for defined benefit members would also result in at least 100% coverage of the Actuarial Value of Accrued Benefits and a satisfactory margin of coverage over SG Minimum Benefits. Hence, I consider it unnecessary to adopt specific financing objectives in relation to these benefit liability measures.

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

Professional Requirements

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

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

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

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

I have set the financing objective on the basis that members' reasonable expectations on termination would be to receive their vested benefit entitlement (and, in the case of current pensioners, the lump sum value of their pension, on the actuarial assumptions adopted for this investigation).

Provisions of the Trust Deed

The rules of the MLC Super Fund require that:

- The Trustee ensures an actuarial investigation of the Plan is conducted when required by legislation; and
- The Company must contribute at the rate determined by the Trustee, after consulting the Employer, on the advice of the actuary to the Plan.

Financing Method

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

Under this method, the Company contribution rate required to provide a target level of coverage of a particular benefit liability measure is determined. The level of the Company contributions may vary from time to time to ensure that the Plan remains on course towards its financing objective (minimum 105% coverage of Vested Benefits).

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

7

Financial Position of the Plan

Funding Status

Vested Benefits

Vested Benefits are the amounts payable as of right should all active members voluntarily resign or, if eligible, retire at the investigation date, plus the estimated actuarial value of expected future payments in respect of current and deferred pensioners. The value of pensions is also included in the other measures of the liabilities.

At 30 June 2024, the Plan assets represented 118.4% of the vested benefits and hence the Plan was considered to be in a “satisfactory financial position” under SIS legislation. The 118.4% coverage of the Defined Benefit Vested Benefits was above the financing objective of 105% coverage adopted for this investigation.

SG Minimum Benefits

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

The Plan assets at 30 June 2024 were 147.7% of MRBs and hence the Plan was considered to be “solvent“ under SIS legislation.

Actuarial Value of Accrued Benefits

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

The Plan Assets as 30 June 2024 represented 118.9% of the Actuarial Value of Accrued Benefits.

Retrenchment Benefits

As for Vested Benefits but assuming that all active members were retrenched at the investigation date.

The Plan assets at 30 June 2024 were 118.1% of Retrenchment Benefits.

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

Defined Benefits Only*	Position at 30 June 2024 $000	Position at 30 June 2024 Asset Coverage	Coverage at 30 June 2023
Assets	174,498		
Liability for Vested Benefits	147,413	118.4%	110.7%
Liability for Actuarial Value of Accrued Benefits	146,752	118.9%	110.9%
Liability for SG Minimum Benefits	118,165	147.7%	135.9%
Retrenchment Benefits	147,802	118.1%	110.4%

The above percentages exclude accumulation liabilities of $313,046,000 and additional accumulation balances for defined benefit members of $1,225,000 as at 30 June 2024.

The benefit totals include the actuarial value of the deferred and current pension liabilities of $102,456,000 at 30 June 2024.

The coverage levels at 30 June 2024 were higher than the levels at the previous actuarial investigation due to:

- The overall positive experience discussed in Section 3; and
- The changes in the actuarial assumptions resulting in a decrease in the actuarial value of the accrued benefits and vested benefits for pensioners as discussed in Section 4 of this report.

Actuarial Balance Sheet

In the following actuarial balance sheet table, I show an alternative view of the financial position, where the Plan's future contributions are shown as an asset and the future benefits and expenses (based on both past and future service) as a liability.

The Plan's net financial position is defined as the difference between the Total assets and the Total liabilities.

Actuarial Balance Sheet as at	30 June 2024 ($million)	30 June 2023 ($million)
Value of Plan Assets - Defined Benefit	174.498	167.388
Present Value of future Company contributions (at rate recommended)	5.701 (23.0%)	6.320 (23.0%)
Present Value of future Member contributions (at rate(s) specified in Trust Deed)	0.321	0.395
Total available Assets (in absence of other contributions)	**180.520**	**174.103**
Present Value of future defined benefits payments in respect of membership accrued at the valuation date	146.752	150.889
Present Value of future defined benefits payments in respect of membership after the valuation date	5.028	5.455
Present Value of future tax on contributions	0.855	0.948
Total Liabilities	**152.635**	**157.292**
Net Financial Position	**27.885**	**16.811**

Actuarial Balance Sheet as at	30 June 2024 ($million)	30 June 2023 ($million)
Net Financial Position as a % of Total Liabilities	**18.3%**	**10.7%**

The above figures allow for the recommended contributions in respect of defined benefit members, but do not allow for the additional contributions to finance the Plan expenses and insurance costs in respect of accumulation members, nor the liability in respect of these amounts.

As shown in the table, the net financial position of the Plan has improved since the previous investigation. I have previously discussed the main reasons for this improvement in Sections 3 and 4.

Company Future Service Cost

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

Benefit Category	Company long-term cost (of future benefit accrual)(% of superannuable salary)	
	30 June 2024 Investigation	30 June 2023 Investigation
- 0% contributor	21.1	20.4
- 2% contributor	25.1	N/A
- 4% contributor	24.5	23.9
Total Weighted Average	22.3	21.7

The average long-term cost for current members is 22.3% of salaries.

The above long-term Company contribution rates reflect the membership of each category as well as the differences in benefit design. They include an allowance for contributions tax but exclude both the expenses of operating the Plan and the allowance for group life insurance premiums in respect of accumulation members.

The assessed average long-term cost has slightly increased over the year due to demographic changes in the membership, slightly offset by the change in adopted assumptions.

Recommended Contributions

The Risk and Funding Target (RaFT) agreed by the Company and the Trustee states that if the Vested Benefits Funding Ratio is above 105%, the Company should contribute the Standard Contribution. The Standard Contribution is the normal cost of funding future service accruals.

Based on the assumptions adopted for this investigation, the average normal cost for all active members is 22.3% of salaries which is less than the current Company contribution rate of 23% of salaries. However, I recommend that the Company maintain its current contributions for administrative ease.

In addition, the Company should continue to reimburse the Plan for insurance premiums and operating costs not deducted from members' accounts. The additional contributions do not need to be paid monthly and can be paid as agreed between the Trustee and the Company.

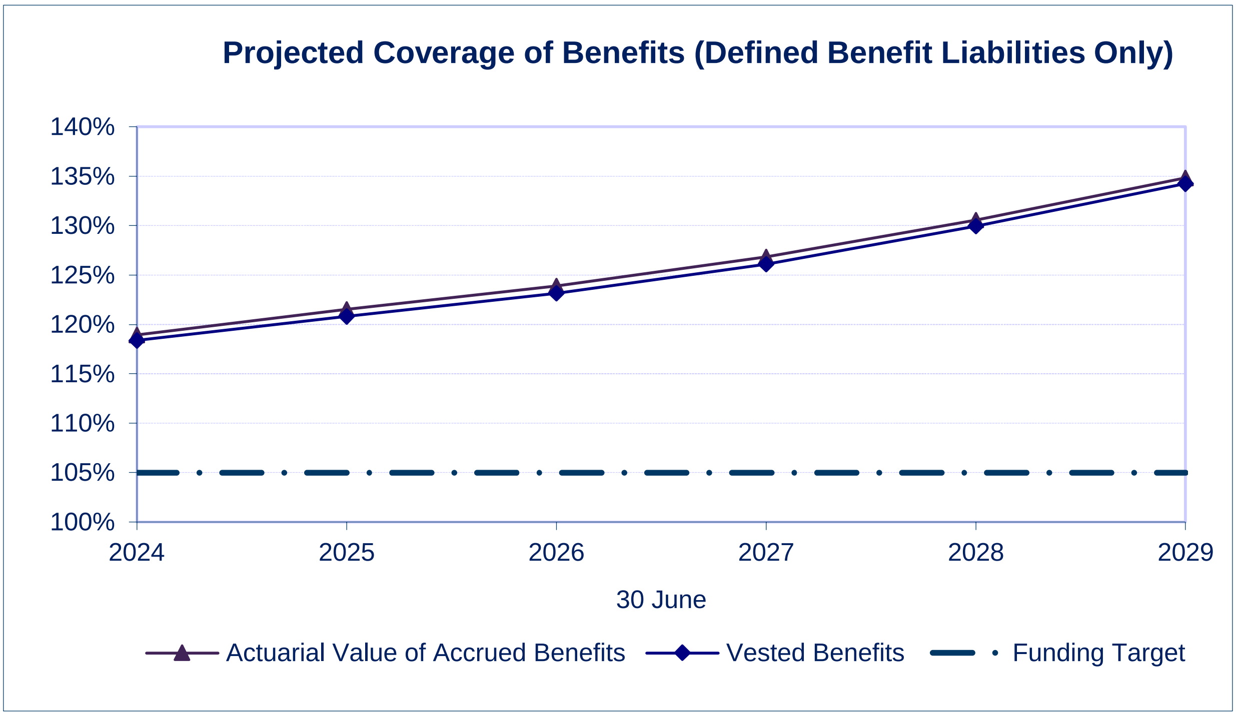
I recommend that the Company contribute to the Plan in accordance with the following contribution program based on the Trustee's financing objective, the RaFT and the results of this investigation:

Benefit Category	Contribution Rate
Defined Benefit	• 23% of salaries of superannuation salary. • Any additional Company contributions agreed between the Company and the member (e.g. salary sacrifice contributions).
Accumulation	• 12% (or higher rate where applicable) of superannuable salary (or such other amount as required to meet the Company's obligations under Superannuation Guarantee legislation or employment agreements). • Additional contributions equivalent to $253,500 per month from 1 January 2025 to reimburse the Plan in respect of operating costs and insurance premiums not deducted from members' accounts.

Projected Financial Position

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

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



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

The projection above shows that the recommended contributions are anticipated to result in assets of at least 105% of Defined Benefit Vested Benefits (which represents the financing objective) over the period to 30 June 2027.

Sensitivity Analysis

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

The liabilities shown in this report are calculated using my best estimate assumptions for investment return (4.5% pa and 5.0% pa for assets supporting active member liabilities and pension liabilities respectively) and salary growth (3.0% pa) and pension indexation rates. As future investment returns, salary increases and pension indexation rates are unknown, it is almost certain that actual experience will differ from these assumptions.

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

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

- Decrease the long term investment return assumption by 1% pa;
- Increase the long term Salary growth assumption by 1% pa;
- A shock scenario, where the value of net assets suddenly reduces by 10%;
- Decrease in the long term investment return assumption by 1% AND the value of net assets suddenly reduces by 10% (known as the "Adverse assumptions").

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

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

Scenario	Net financial position as at 30 June 2024 ($million)	Change in net financial position ($million)	Net financial position as % of all defined benefit liabilities[1]
Base assumptions as shown previously	27.885		18.3%
Decrease investment return by 1% pa	17.156	(10.729)	10.5%
Increase salary increase by 1% pa	26.510	(1.375)	17.2%
Shock scenario - immediate 10% reduction in net value of assets	10.435	(17.450)	6.8%
Adverse assumptions	(0.294)	(28.179)	-0.2%

The effect of changes in the pension indexation rate is discussed in Section 9.

[1] For consistency with the actuarial balance sheet, the net financial position in each case is expressed as a percentage of all defined benefit liabilities (i.e. including past and future service) as calculated under the revised assumptions.

8

Key Risks

Investment Volatility

The Vested Benefits for defined benefit members are not linked to investment returns (i.e. are salary based benefits or lifetime pensions) and therefore the Plan's Vested Benefits coverage is highly sensitive to investment returns.

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

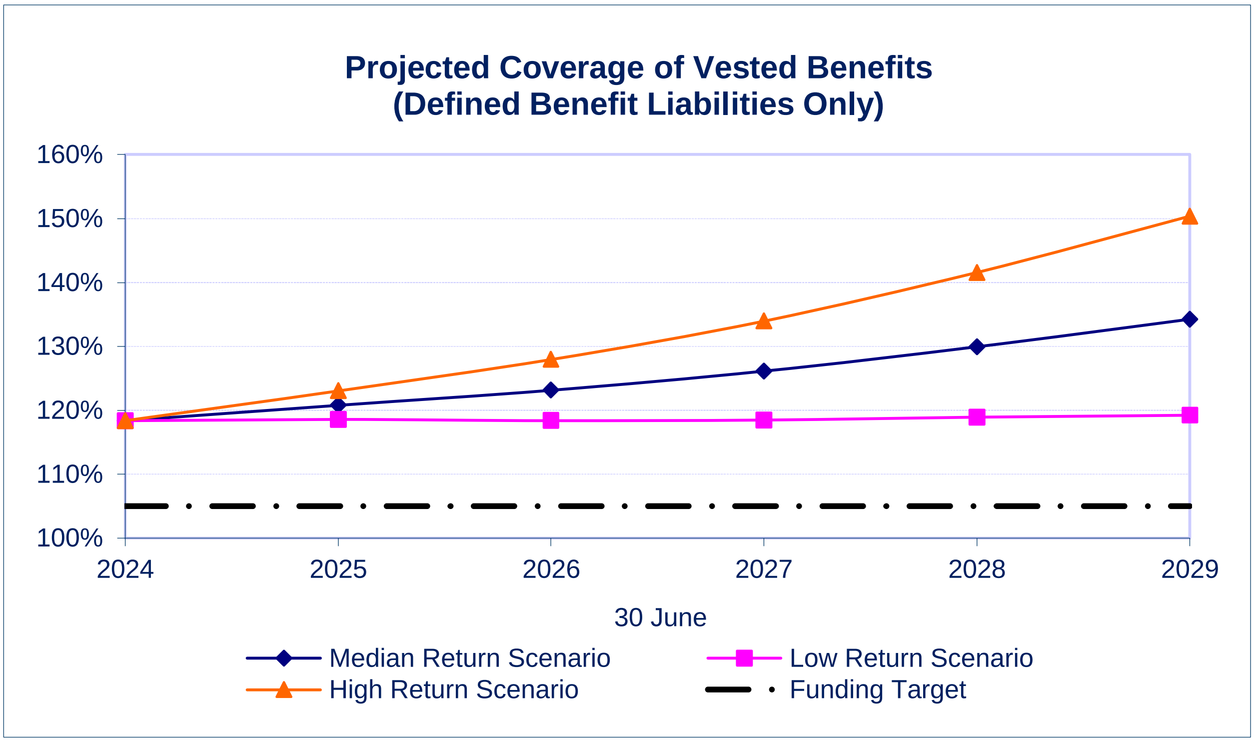
Using the investment return model and assumptions adopted, there is approximately a 10% chance of the Plan's cumulative investment return being less than the "low return" scenario. Similarly, there is approximately only a 10% chance of the Plan's cumulative investment return being greater than the "high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

1 July 2024 to 30 June	Assumed Cumulative Investment Return (%)		
	"Low Return"	Valuation	"High Return"
2025	2.1%	4.5%	6.8%
2026	4.2%	9.2%	14.1%
2027	6.4%	14.1%	21.8%
2028	8.7%	19.3%	30.1%
2029	11.0%	24.6%	38.9%

* A higher set of assumed returns apply for assets supporting pension liabilities as earnings are tax exempt.

The cumulative investment return is the total return from the investigation date up to 30 June in the year shown. The extent of variation allowed for in these projections reflects the Plan's asset mix and Mercer's views on potential variability in investment results in various investment sectors.

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



Based on fluctuations in investment returns only, and assuming other experience is in line with the assumptions adopted for this investigation, there is approximately an 80% chance that the coverage of assets over Vested Benefits at 30 June 2029 will fall in the range from 119% to 150%.

The "low return" scenario and the "high return" scenario shown above are illustrations only and show what may occur under assumed future experiences that differ from my baseline assumptions. These scenarios do not constitute upper or lower bounds and the actual future coverage of Vested Benefits may differ significantly from the range shown above, depending on actual future experience. In fact, there is a 1 in 20 chance that the investment return on assets supporting active member liabilities could be less than minus 3.8% in any year based on the current Plan asset allocation.

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

Salary Growth Risk

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

For example, if the assumed future salary increase rate was increased by 1% pa with no change in other assumptions, then the Plan's net financial position would deteriorate by $1.375 million from an excess of $27.885 million to an excess of $26.510 as shown in the table in Section 7.

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

Legislative Risk

This risk is that the Commonwealth Government could make legislative changes that increase the cost of providing the defined benefits – for example, an increase in the rate of tax on superannuation funds. This risk is borne by the Company.

9

Pension Liabilities and Related Risks

The Plan currently has 224 lifetime pensioners, as well as one deferred pension member, as shown in the membership table in Section 3. Lifetime pensioners present particular risks to the Plan as there is uncertainty relating to the level of future payments and the period for which they will be paid.

Future Pension Increases

The risk is that pension increases will rise more rapidly than assumed, increasing benefits in payment and potentially requiring additional employer contributions. This risk is borne by the Company. Whilst pension increases for this Plan are not guaranteed, historically the Company has consented to regular indexation once every two years and I have made an allowance for future pension indexation in this investigation.

For example, if the assumed future pension increase (or indexation) rate was increased by 0.5% pa with no change in other assumptions, then the Vested Benefits would increase by $4,230,000 (Company funding cost impact $4,230,000/0.85 = $4,980,000), with a resulting reduction in the coverage of Vested Benefits from 118.4% to 115.1%.

The actual rate of future pensions increases may vary (positively or negatively) from the rate assumed at this investigation by much more than the (positive) 0.5% pa illustrated in the example above.

Longevity Risk

The risk is that pensioners live longer than assumed, resulting in pension payment costs for more years. This risk is borne by the Company.

For example, if all current and potential lifetime pensioners are assumed to live with 10% lighter mortality than currently assumed, with no change in other assumptions, then Vested Benefits would increase by $3,277,000 (Company funding cost impact $3,277,000/0.85 = $3,855,000), with a resulting reduction in the coverage of Vested Benefits from 118.4% to 115.8%.

Impact of using a Buy-In Contract to Fund the Pension Liability

The basis used to value defined benefit pension entitlements for the purposes of this investigation is considered suitable taking into account the Plan's current circumstances, including the existing assets and assuming the ongoing support of the Company. However, The Trustee could reduce these risks by purchasing a buy-in contract for the lifetime pensioners of the Plan.

In a buy-in contract, a premium is paid to an insurer and a bulk annuity contract is issued to the Plan. The annuity contract is considered an investment held by the Plan. The payment of pensions is still the responsibility of the Trustee, paid to retirees from the Plan assets and not directly by the insurer. The insurer then pays the Plan the value of the pensions agreed in the bulk annuity contract. Therefore, the assets and liabilities associated with the contract remain on the balance sheet but are very well matched.

To illustrate the cost of purchasing a buy-in contract I have downloaded Challenger (the main annuity provider in Australia) annuity rates from their advisor portal. Based on this information (e.g. the average price to provide the current lifetime pensions, based on their interest rate, indexation and mortality assumptions) the deferred and pension liability would be valued at approximately $115.8 million (i.e. $13.3 million higher than their valuation in this investigation), with a resulting reduction in the coverage of Vested Benefits from 118.4% to 109%.

This valuation is based on Challenger's retail pricing for a comparable benefit and the closest pensioner age profile available for price quotes. It is possible that a lower valuation is achievable through negotiation with various annuity providers. There is also a risk that Challenger's retail offering does not fully cater to the Plan's pension benefits arrangement so the actual cost of purchasing a buy-in contract could be higher.

Purchasing a buy-in contract may require additional Company financing in order to enable provision to be made for continuation of the pension entitlements as well as the active and deferred members' accumulated benefits if there is no longer sufficient surplus.

There are additional risks associated with a buy-in that would need to be considered, such as:

- Counterparty risk – the risk that the annuity provider defaults on their obligations; and
- Mismatch risk – the risk that the annuity provider cannot provide annuities that match the lifetime pensioners benefits exactly.

In addition, there are likely to be additional costs relating to purchasing a buy-in contract which could represent approximately 0.25% of the Plan's assets.

Impact of a Possible Wind-Up

As set out in Section 6, I have set the financing objective on the basis that the pensioners' reasonable expectations on termination of the Plan would be to receive a lump sum equal to the value of their pension as determined by the actuarial assumptions adopted for this investigation.

However, this approach may not be realistic or fair for pensioners if a buy-in contract could be purchased to fund the lifetime pensioners. As outlined above, the amount that would be required to be paid to an insurer to take on the pension liability is likely to be higher than the value of the lump sum.

In the event of wind up, a buy-in contract would become a buy-out and the responsibility of paying the pensions would be passed onto the annuity provider.

If these annuity purchases were to occur in a wind-up situation and there was insufficient support from the Company to make up the difference, then the priority order of assets, becomes important.

That is, SIS Regulation 9.25 states that existing pensioners have the same priority as deferred pensioners, active defined benefit MRBs and accumulation members' benefits and priority over entitlements above MRBs for active defined benefit members. Hence, it is likely that the current active defined benefit members (and possibly accumulation members and deferred and current pensioners where MRBs are not covered) would be adversely affected in a wind-up situation, should there be insufficient support from the Company.

I do not suggest that a wind up is likely to occur, given the information available to me. Rather, in the interests of the Trustee and the Company having full information, I set out in the following table the additional costs that could occur in a wind up and the resulting assets available for the current members.

	$ million
Net assets available	174.5
Less possible wind-up costs	(0.4)
Less cost of providing annuities for current and deferred pensioners	(115.8)
Net assets available for current members	**58.3**
Vested benefits for current members	**45.0**
Potential coverage of vested benefits	**129.7%**

Hence, under this scenario, the coverage of vested benefits for current members would change from 118.4% (active and pensioner members), as shown in the funding indices set out in Section 7, to 129.7% (active members only).

10

Insurance Risks

Insurance

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

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

21% x Superannuable Salary x Future Service (calculated in years and days) to age 60

The total amount insured should cover the excess of the death/TPD benefits over the Plan's assets. Based on the formula in use at the investigation date, the coverage of death/TPD risk as at 30 June 2024 for the Plan was as follows.

	Defined Benefit members	$000
	Death/Disablement Benefits	50,185
Less	Sum Insured	5,227
Less	Assets^	72,042
	Uncovered Death/Disablement Benefits	(27,084)

^ after deducting assets equal to the liabilities in respect of deferred and current pensions

The formula has resulted in insurance being more than sufficient to provide full protection.

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

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

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

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

I understand that, for defined benefit members, the excess of the ill-health benefit over the Vested Benefit is also externally insured. Therefore, the Plan has no self-insurance risks.

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

Documentation

The insurance arrangements are underwritten by Metlife and detailed in policies 3418 and 3423 between the Trustee and the insurer, effective 31 December 2013, as subsequently amended. The purpose of the insurance policy is to protect the Plan against unexpectedly large payouts on the death, disablement or ill-health of members.

Conclusion

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

11

Prudential Standards

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

Shortfall Limit

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

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

I understand that the Plan's Shortfall Limit, determined by the Trustee on the basis of previous actuarial advice, is 98.0%.

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

- The guidance provided in the relevant Actuaries Institute Practice Guideline 499.08: Shortfall Limit Required under APRA Prudential Standard 160 dated March 2023;
- The investment strategy for defined benefit assets, particularly the overall benchmark exposure of 40% to "growth" assets;
- The results of this investigation regarding the extent to which the current and projected Vested Benefits are not linked to the investment return on defined benefit assets (i.e. salary-based benefits and defined benefit pensions) and the current and projected relativity between Vested Benefits and Minimum Requisite Benefits.

Based on the above, I recommend the Trustee maintain the current Shortfall Limit.

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

Monitoring Process

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

- An "Interim Actuarial Investigation" may be required (depending on the timing of the next regular actuarial investigation); and

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

The Trustee has adopted a monitoring process which includes a review of the estimated Vested Benefit coverage of the Plan each quarter. I consider that the adopted monitoring process is appropriate.

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

Requirements due to Unsatisfactory Financial Position

Restoration Plan

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

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

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

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

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

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

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

Actuary’s Reporting Requirements

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

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

Under Part 9 of the SIS Regulations, I am required to consider the ability of the Plan’s assets to cover Superannuation Guarantee Minimum Requisite Benefits (MRBs). If assets are not sufficient, the Plan is considered to be ‘technically insolvent’.

The Plan's assets are sufficient to fully cover the SG Minimum Benefits at 30 June 2024. Therefore the Plan is not considered to be technically insolvent.

Statements Required by SPS 160

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

(a) The value of the Plan's assets as at 30 June 2024 was $488,769,000. This value excludes assets held to meet the Operational Risk Financial Requirement.

(b) In my opinion, the value of the liabilities of the Plan in respect of accrued benefits as at 30 June 2024 was $461,023,000. Hence, I consider that the value of the assets at 30 June 2024 is adequate to meet the value of the accrued benefit liabilities of the Plan as at 30 June 2024. Taking into account the circumstances of the Plan, the details of the membership and the assets, the benefit structure of the Plan and the industry within which the Company operates, I consider that the assumptions and valuation methodology used are appropriate in relation to the determination of the accrued benefit liabilities for the purposes of this report. Further comments on the assumptions and valuation methodology are set out in Sections 4 and 6 of this report. Assuming that the Company contributes in accordance with my recommendations based on the assumptions used for this actuarial investigation, I expect that assets will remain sufficient to cover the value of accrued benefit liabilities over the period to 30 June 2027.

(c) In my opinion, the value of the liabilities of the Plan in respect of vested benefits as at 30 June 2024 was $461,684,000. Hence, I consider that the value of the assets at 30 June 2024 is adequate to meet the value of the vested benefit liabilities of the Plan as at 30 June 2024. Assuming that the Company contributes in accordance with my recommendations based on the assumptions made for this actuarial investigation, I expect that assets will remain sufficient to cover the value of vested benefit liabilities over the period to 30 June 2027. Hence I consider that the financial position of the Plan should not be treated as unsatisfactory as defined in SPS 160.

(d) In my opinion, the value of the liabilities of the Plan in respect of the minimum benefits of the members of the Plan as at 30 June 2024 was $432,436,000. Hence the Plan was not technically insolvent at 30 June 2024.

(e) A projection of the likely future financial position of the Plan over the 3-year period following 30 June 2024, based on what I consider to be reasonable expectations for the Plan for the purpose of this projection, is set out in Section 7 of this report,

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

(g) In respect of the 3-year period following 30 June 2024, I recommend that the Company contribute to the Plan at least:

Benefit Category	Contribution Rate
Defined Benefit	• 23% of salaries of superannuation salary. • Any additional Company contributions agreed between the Company and the member (e.g. salary sacrifice contributions).
Accumulation	• 12% (or higher rate where applicable) of superannuable salary (or such other amount as required to meet the Company's obligations under Superannuation Guarantee legislation or employment agreements). • Additional contributions equivalent to $253,500 per month from 1 January 2025 to reimburse the Plan in respect of insurance premiums and operating costs not deducted from members' accounts.

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

- All Funding and Solvency Certificates required under Division 9.3 of the SIS Regulations have been issued for the period from the date of the last investigation to 30 June 2024;
- I expect to be able to certify the solvency of the Plan in any Funding and Solvency Certificates that may be required in the three year period from 30 June 2024.

(i) In my opinion, there is a "high degree of probability", as at 30 June 2024, that the Plan will be able to meet the pension payments as required under the Plan's governing rules.

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Actuarial Certification

Actuary’s Certifications

Professional Standards and Scope

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

Use of Report

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

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

Actuarial Uncertainty and Assumptions

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

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

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

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

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

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

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

Additional Information

The next **actuarial investigation** is required at a date no later than 30 June 2025. At that time, the adequacy of the Company contribution levels will be reassessed. The monitoring process recommended may lead to an earlier reassessment ahead of the next full actuarial investigation.

The next **Funding and Solvency Certificate** is required at least 12 months before the expiry of the current Funding and Solvency Certificate (which expires on 31 December 2028).

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

Further Information

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

Mark Nelson

Fellow of the Institute of Actuaries of Australia

18 December 2024

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

Richard Codron

Fellow of the Institute of Actuaries of Australia

Appendix A

Plan Design

Summary of Benefits

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

Members' Contributions (% of salary)	0%, 2% or 4%
Lump Sum Accrual Rate	18%, 21% or 24% depending on member contribution rate.
Highest Average Salary (HAS)	Highest average annual salary during any period of twelve consecutive months of membership.
Normal Retirement Age	Last day of the month in which the member's 60th birthday falls.
Early Retirement Age	55
Member Account	Accumulation with investment earnings of member contributions of 6% of superannuable salary.
Normal Retirement Benefit	Benefit is equal to a multiple of the member's Highest Average Salary for each year of membership. The multiple is based on the appropriate accrual rate shown in the table above.
Early Retirement and Ill-Health Benefit	Calculated in the same way as the Normal Retirement Benefit (allowing for completed membership to, and Highest Average Salary at, the date of exit).
Death/Total and Permanent Disability Benefit	Benefit is a lump sum equal to the Normal Retirement Benefit that would have been payable had the member continued in service to the Normal Retirement Date and assuming the member contribution rate from date of death to date of retirement is 2%.
Resignation Benefit	The Leaving Service Benefit is the Early Retirement Benefit discounted by 2% (1% in the event of retrenchment) for each remaining year to age 55.
Late Retirement Benefit	Calculated in the same way as the Normal Retirement Benefit (allowing for completed membership to, and Highest Average Salary at, the actual date of retirement).

The Superannuation Guarantee (Administration) Act 1992

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

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

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

Appendix B

Calculation of the Actuarial Value of Accrued Benefits

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

Defined Benefits

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

The past membership component for each type of benefit is:

Retirement:	based on the member's accrued benefit multiple or relevant account balances at the investigation date
Death and Disablement:	calculated by adjusting the total expected benefit in proportion to completed membership at the valuation date over total potential membership to age 60
Resignation:	based on a member's accumulated contributions plus investment earnings to the valuation date, allowing for future investment earnings to the projected date of resignation. The benefit is then merged into the discounted accrued retirement benefit based on the accrued benefit multiple at the valuation date. The vesting and discount factors are based on membership and age respectively at the date of exit.

The weighted average term of the accrued benefit liabilities is 7.2 years.

Accumulation Benefits

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

Methodology of Calculating the Actuarial Value of Accrued Benefits

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

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