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Report to the Trustee

on the

Actuarial Valuation

of the

Australian Red Cross Qld Staff Superannuation Scheme
(a Sub-Plan of AMP Super Fund)

as at

30 June 2024

Prepared by

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Fellow of the Institute of Actuaries of Australia
Date: 30 March 2025

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Section 1 – Summary

1.1 Background

This report has been requested by the Trustee of the Australian Red Cross Qld Staff Superannuation Scheme (the Fund), a sub plan of the AMP Super Fund.

The Trustee is N.M. Superannuation Proprietary Limited.

AMP provides administrative services to the Trustee, and I have used "Trustee" in this report to also refer to the administrator as appropriate by context.

I have provided the advice in the report in my capacity as Actuary (as defined in the trust deed) to the Fund. Further explanation on my advice can be obtained using the contact details set out on the first page of the report.

The advice is provided to the Trustee only and may be inappropriate for any other party to use as the basis of any action or decision it takes.

The major purposes of this report are to:

- Examine the adequacy of the assets to meet the liabilities of the Fund;
- Advise the Trustee on a suitable Employer contribution rate or range of rates;
- Advise the Trustee on the major risks to the financial position of the Fund and quantify their possible effect; and
- Review the insurance and investment arrangements of the Fund.

The Fund commenced on 15 June 2006. It was established as a Successor Fund to the Australian Red Cross Queensland Staff Superannuation Plan. The previous actuarial valuation of the Fund was carried out as at 30 June 2021 by Mr Jeff Humphreys FIAA, report dated 17 December 2021.

The Fund provides defined benefits to a closed section of members and accumulation benefits to other members (defined benefit members are also able to operate an accumulation account). All defined benefits are paid a lump sum and pension benefits are not provided.

The Fund is a complying superannuation fund under the SIS Act and its taxation status is that of a complying superannuation fund (general tax rate of 15% on income).

This report complies with Professional Standard 400 of the Institute of Actuaries of Australia.

The report satisfies the requirements of APRA's Prudential Standard SPS 160.

This is the seventh actuarial valuation of the Fund.

The Fund is governed by a number of legal documents that together are referred to as the Trust Deed for the purposes of this report. These documents are:

- Transfer Deed dated 30 June 2009;
- Trust Deed of the AMP Super Fund effective 1 October 2021;
- Plan Rules; and
- Participation Agreement.

The term "Employer" is used throughout this document and should be read as all the employers participating in the Fund.

1.2 Financial Position of the Fund

The Fund is in a very healthy position.

At the valuation date, the value of the assets of the Fund is adequate to meet the liabilities in respect of the accrued benefits of the members of the Fund. The Fund is not in an Unsatisfactory Financial Position.

The most significant feature of the experience since the last actuarial valuation has been the investment performance relative to the rate of increase in salaries (the real rate of return), which has been very favourable compared with that assumed. See Section 2 and 3. In addition, one members exited the defined benefit section of the Fund leaving a higher proportionate excess of assets over vested benefits.

Sections 5 and 6 of the report set out in detail the financial position of the Fund.

1.3 Employer Contribution Rate

Under the Trust Deed the Trustee determines the contribution rate. Our advice should assist the Trustee in its determination.

The Employer does not guarantee benefits. Under these circumstances, there is a responsibility on the Trustee to manage the Fund with the aim of ensuring that, at all times, if the Fund is wound up or the Employer decides to cease contributions, vested benefits are fully funded.

Current Employer Contributions – Accruing Defined Benefit Members

At the last valuation I recommended the Employer contribution rate remain at nil. One Employer is contributing at the recommended rate while the other continues to contribute to the Fund.

Contribution Recommendation

a) Defined Benefit Members

The recommended contribution rate remains nil.

There are no significant issues for members if the Employer contributes at a higher rate.

However, it is not ideal to have Employers contributing at different rates as this creates inequities between the Employers. The Trustee should seek to align the Employer rates.

Members contribute at 5.0% of salary. If these contributions are made by salary sacrifice the additional contributions should be grossed up for contribution tax to 5.88%.

b) Accumulation Members

The Employer will contribute at the rate agreed between the Employer and the employee in respect of accumulation members.

c) Contribution and Financial Position Review

i. The Trustee should monitor the defined benefit Vested Benefits ratio quarterly.

ii. The Trustee should review the contribution basis if the defined benefit assets are less than 115% of the defined benefit vested benefits at the end of any quarter after 1 January 2025.

Factors Considered in Determining our Recommendation

Experience has been slightly unfavourable since the last valuation. However the Fund remains in a very healthy financial position at 30 June 2024 with a defined benefit Vested Benefit ratio of 141%. The buffer of assets over vested benefits is strong and will enable the Fund to withstand a large downturn in investment markets if this occurs.

The valuation shows that the excess of assets over the value of accrued benefits is substantial and exceeds the value of future service liabilities. If the valuation assumptions are realised the employers will not have to contribute again in respect of defined benefit members.

The short term projection indicates that even with the contribution holiday and a poor investment performance for the year ended 30 June 2025, the Fund's financial position is likely to remain healthy for at least the following 3 years.

Our recommendation is therefore to maintain the contribution holiday.

The recommendation includes the regular monitoring of the financial position and an appropriate benchmark for the review of the contribution rate should investment returns or other factors have a detrimental impact on the financial position of the Fund.

Our recommendation assumes the Employer remains committed to, and capable of, recommencing contributions at appropriate rates for the remaining term of the Fund if this becomes necessary.

1.4 Insurance Arrangements

Defined Benefit Members

The unfunded portion of death and TPD benefits, and the TTD benefit are insured under a policy held by the Trustee with TAL Life Limited.

The current sum insured formula could be reviewed to align it more closely with the financial strength of the Fund.

The insurance arrangements are appropriate for the Fund.

Accumulation Members

Members receive death and disability benefits equal to their account balance plus insured benefit if any.

1.5 Investment Policy - Section 3.4

Overall, the Investment Policy of the Fund in relation to active defined benefit members is not inappropriate to the nature of the Fund's design and liabilities.

Because of the shortening term of the liabilities and the opportunity that exists with the current very healthy financial position, I recommend that the Trustee and Employer review the investment policy. This review should consider the options available to fund the remaining term of the liabilities and the interaction of the investment policy and expected stability of the Employer contribution.

This review should include establishing a Defined Benefit Margin Policy.

The Defined Benefit Margin Policy should form part of an Investment Policy Statement specific to the Fund which would also incorporate the other investment issues discussed above.

The recommendations above have been made in our prior reports.

The two Late Retirement defined benefit members are unlikely to have a risk profile consistent with the defined benefit investment policy. The Trustee should include this in its review.

1.6 Sensitivity Analysis

Sensitivity analyses have been undertaken in relation to the material risks set out in Section 1.7 a) and b). These form part of Sections 5 and 6.

1.7 Material Risks

The material risks for the Fund are:

a) The rate of investment return relative to the rate of salary increase is lower than that expected over the long term. This may require employer contributions to recommence.

b) A downturn in the Australian or international investment markets. This will be more critical if, at the same time, it impacts the Employer's ability or willingness to recommence contributions.

This report discusses action (or further action) that should be taken or considered by the Trustee of the Fund to mitigate the risks in b) above. In relation to the other risks, we recommend that the Trustee considers seeking further advice regarding how to address these risks.

1.8 Next Valuation

The next actuarial valuation is due as at 30 June 2027.

1.9 Recommendations

The key recommendations made in this report are:

Employer Defined Benefit Contributions

a) The Employer contribution holiday should continue.

b) The Trustee should consider discussing with the contributing employer the possibility of ceasing contributions and seeking a refund of contributions since the commencement of the contribution holiday by the other employer in may 2020. This will align the contributions made by the Employers and maintain equity between the Employers.

c) The Trustee should undertake quarterly monitoring of the defined benefit Vested Benefits ratio.

d) The contribution rate should be reviewed if the financial position deteriorates.

Insurance Policy

e) The Trustee should review the sum insured formula given the very healthy financial position of the fund.

Investment Policy

f) The Trustee should review the investment policy including consideration of a transition plan to a less volatile investment strategy.

g) The Trustee should establish an Investment Policy Statement specific to the Fund, including a Defined Benefit Margin policy.

h) The Trustee and Employer should review the design of the Late Retirement benefit rollup.

Section 2 - Membership Data

2.1 Category Definitions

Refer to Attachment A, for a description of the categories of membership. The report uses the administrative category definitions.

2.2 Data

The data has been provided by the Trustee:

- Membership and accounting - email dated 6 February 2025.
- Documentation – email dated 25 March 2025.

2.2 Membership

We have relied on the data provided to us. The data is unaudited

We have undertaken reasonableness checks on the data.

The features of the membership, as at 30 June 2024, are summarised in the table below.

Type of Member	Number	Average Age	Average Salary ($'000)	Vested Benefits ($'000)
Defined Benefit ([redacted] Category B [redacted] Category D)	[redacted]	[redacted]	[redacted]	[redacted]
DB Late Retirement				[redacted]
Accumulation accounts *				[redacted]
Total				[redacted]

* based on accumulation assets

2.3 Features of the Membership

Significant features of the membership are set out below:

- Approximately 22% (last valuation 19%) of the Vested Benefits of the Fund are defined benefit in nature.
- There has been [redacted] exit from the active Defined Benefit category, membership down from [redacted] to [redacted] over the 3 years..
- Vested benefits have reduced from [redacted] to [redacted] over the 3 years.
- The age distribution of the active defined benefit members ranges from [redacted] to [redacted] with a mean term of 5 years.

2.4 Salary Escalation

The rate of salary escalation for defined benefit members has a direct effect on the liabilities of the Fund.

The total salaries of current defined benefit members have increased at the rate of 3.5% p.a. (last valuation 4.3% p.a.) since the last valuation. This is higher with the rate assumed at the last valuation, 2.1% p.a..

Salary escalation rates are relatively low and stable, and this is a positive factor for the Fund's financial position.

Section 3 – Fund Accounts, Asset Values and Investment Policy

3.1 Fund Accounts and Asset Valuation

The Trustee has advised that the market value of the assets of the Fund as at 30 June 2024 was [redacted].

The Trustee does not produce accounts for the Fund.

Category	Asset Value 30 June				
	2024 ($)	2021 ($)	2018 ($)	2015 ($)	2012 ($)
Total Defined Benefit	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Accumulation Accounts	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Total Assets	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]

The Net Market Value of the Net Assets of the Fund is [redacted].

The Fund's investments in respect of defined benefit liabilities were held in AMP's Future Directions Moderately Conservative investment option and Future Directions Balanced investment option.

3.2 Investment Return

The return on the defined benefit assets for the three years ended 30 June 2024 was 3.0% p.a. (last valuation 6.8% p.a.) after tax and investment fees (net of the asset fee rebate). This was estimated from movements in the relevant unit prices of the defined benefit assets.

This was lower than the long term rate assumed for the last valuation, 4.5% p.a..

The Fund's annual return on defined benefit assets is shown in the table below.

Year Ending 30 June	Investment Return (p.a.)	Year Ending 30 June	Investment Return (p.a.)	Year Ending 30 June	Investment Return (p.a.)
2010	11.4%	**2016**	2.3%	**2022**	**-5.2%**
2011	7.9%	**2017**	9.2%	**2023**	**6.4%**
2012	1.3%	**2018**	7.1%	**2024**	**8.4%**
2013	13.9%	**2019**	5.7%		
2014	11.3%	**2020**	-0.9%		
2015	9.7%	**2021**	16.2%		

Investment returns have been volatile on an annual basis over the past 15 years and this volatility is not expected to reduce under the current investment strategy of the Trustee.

3.2 Real Rate of Return

The real rate of return for the three years ended 30 June 2024 was -0.5% p.a. (last valuation 2.4% p.a.). This is lower than that assumed at the last valuation, 1.9% p.a..

3.4 Investment Policy

Investment Policy and Strategy - Defined Benefit Liabilities

The Fund's defined benefit assets are invested in a diversified range of sectors with an emphasis on growth sectors.

The assets are invested in AMP's Future Directions Moderately Conservative investment option and Future Directions Balanced investment option with a long term aim to maintain 50% in each. These portfolios use specialist investment managers selected with the assistance of professional asset consultant(s).

The asset distribution of the defined benefit assets as at 30 June 2024 is set out below:

Asset Class	(%)
Australian Shares	29.7
International Shares	27.1
Property	8.0
Total Growth Assets	**64.8**
Fixed Interest Australia	18.8
Fixed Interest International	9.7
Cash	6.7
Total Defensive Assets	**35.2**

The current investment policy of the Fund is not inappropriate to the nature of the Fund's design and liabilities:

- The liabilities are real in nature, increasing with salary growth.
- Cashflow is expected to be lumpy and unpredictable, and the Fund invests in liquid assets that support this circumstance
- The mean term of the members is 5 years.
- There is a trend away from early retirement, so the remaining members may work longer than the historical experience suggests.

- The Fund is in a very healthy financial position and has a substantial buffer built up.

In these circumstances a higher weighting to growth assets is not inappropriate.

- The defined benefit assets are diversified appropriately across a range of asset sectors and within asset sectors;
- The assets are liquid and this is likely to be important as the Fund is likely to have negative cash flows over future years.

However, it is appropriate for the Trustee to review the current investment policy as there may be a more optimal policy.

a) Suitability to Liabilities

With the closure of the Defined Benefit Section of the Fund to new members, the term of the defined benefit liabilities has shortened and will continue to shorten. At the same time volatility in the financial position has increased as:

- fluctuations in investment returns have an increasing impact on the financial position of the Fund as the assets become a much larger proportion of contributions; and
- The timing of resignations and retirements becomes quite critical. The Fund's benefit payments (defined benefit) are large per member and with a small membership total benefit payments are lumpy. In many years it is expected that the Fund will have negative cash flows and assets will have to be redeemed. If this occurs at a time when markets are falling the Fund's financial position will be negatively impacted.

The Trustee should therefore review the investment policy of the Fund in relation to defined benefit assets, including consideration of a transition plan to a less volatile investment strategy. The Trustee could also consider placing contributions in a cash account to cover expected periods of large benefit payments, so the Fund is not exposed to selling assets in a weak market.

We recommend that the Trustee seek further advice in this area including detailed cashflow projections over the next 10 years so that the impact of the current and alternative investment policies can be analysed.

It is important that the input of the Employer be sought as the Employer's risk tolerance and ability to fund shortfalls is a key determinant of the future investment policy, as is its employment policy and strategy.

b) Employer's Willingness and Ability to support the Current Investment Policy

In our last 4 reports we advised that the investment policy of the Fund is appropriate to the nature of the Fund's design and liabilities, provided the Employer remains committed to topping up the defined benefit assets in those times where short term investment performance deteriorates, and this results in members' minimum benefit entitlements not being fully covered by those assets. The Employer has generally shown a willingness do this, making additional contributions to fund shortfalls that arose out of the Global Financial Crisis.

It is important for the Trustee to maintain a buffer or margin to support the current investment strategy so that the Employer is not called on at short notice to fund shortfalls and to ensure a greater level of security of member benefits.

The Trustee should regularly satisfy itself that the Employer is able and willing to respond appropriately to support any short term investment fluctuations associated with the current investment policy.

This recommendation to review the investment policy was made in our previous 5 reports. A review has not to date been undertaken.

Liquidity

The Fund's liquidity risks are currently low. This is because:

a) the Fund's defined benefit assets are held in investment facilities with short redemption notice periods; and

b) the Fund carries no self-insurance for death and TPD benefits.

Diversification

The investments are appropriately diversified, spreading risk across asset sectors, within sectors and by investment style of manager. This will assist in reducing short term fluctuations in returns.

Crediting Rate Policy

The Trustee has in place a Crediting Rate policy based on our advice dated 19 February 2007. The policy remains suitable for the circumstances of the Fund.

Defined Benefit Margin Policy

The Trustee has not put in place a formal reserving policy in relation to a target margin of defined benefit assets over defined benefit vested benefits.

The Trustee could consider working with the Employer to establish a Defined Benefit Margin Policy. This policy would assist in determining appropriate contribution rates and investment policy in the future.

Investment Policy and Strategy – Accumulation Liabilities

Accumulation accounts are held by accumulation members and defined benefit members in relation to rollovers and additional voluntary contributions. Members are able to invest in a wide range of portfolios including sector diversified and single sector portfolios. Members are able to choose from a range of managers and also multimanager products. Members have access to professional financial advice to assist in their selection of investment portfolio(s).

Members receive investment returns through a unit pricing mechanism.

The investment policy and strategy are suitable for the accumulation liabilities of the Fund.

Investment Policy and Strategy – Late Retirements

Defined benefit members in the Late Retirement Category receive an accumulation of their Normal Retirement Benefit increased at the Declared Interest Rate until the date of leaving service.

While historically there have not been many members in this category it is possible this will change, for example with the new Age Pension age, and consideration should be given to the appropriateness of the investment return being applied to the accounts of these members. It may be more suitable to roll these benefits up using a less volatile benchmark or offer the members a transfer to accumulation category.

Conclusion

Overall, the Investment Policy of the Fund is appropriate to the nature of the Fund's design and liabilities, provided the Employer remains committed to meeting the financial risks associated with the Investment Policy. This commitment is expected to be met because:

c) Historically, the Employer has met its contribution obligations and has agreed when requested to increase contributions in response to a deterioration in the financial position;

d) the Plan Rules require the Employer to contribute at such rates or for such amounts as the Trustee shall decide after obtaining the advice of the Actuary and the Employer has committed to these Rules under the Participation Agreement. The Employer must give notice to cease the Participation Agreement; and

e) There are employment agreements in place that commit the Employer to support the Fund.

Because of the increased risk of volatility of the Fund's financial position and the opportunity that exists with the current very healthy financial position, we recommend that the Trustee and Employer review the investment strategy before the next actuarial investigation. This review should consider the options available to fund the remaining term of the liabilities and the interaction of the investment policy and expected stability of the Employer contribution.

This review should include establishing a Defined Benefit Margin Policy.

The Defined Benefit Margin Policy should form part of an Investment Policy Statement specific to the Fund which would also incorporate the other investment issues discussed above.

Section 4 – Valuation Method and Assumptions

4.1 Method

The long term viability of the Fund is examined to ensure sufficient assets are being accumulated to meet the long term commitments of the Fund.

The Attained Age Normal Method is used to help formulate our recommendation in relation to the required Employer contribution rate. The method is the same as that sued at the previous valuation except that the method used to apportion the liability between past and future service has changed from the Actual Accrual approach to the Proportionate Approach. This has had the effect of allocating more of the liability to past service. While either approach is appropriate we have adopted the approach used for the Employer's accounting valuation so that at least at this level a consistent approach is adopted.

4.2 Assumptions

The assumptions are set from within the best estimate range of assumptions and are suitable for the Fund in its circumstances. The assumptions used for the valuation are summarised below:

- Investment Earning Rate net of tax, investment asset fees and administration asset fees of 5.0% p.a. (was 4.0% p.a.). Long term investment returns are expected to be remain lower than historical returns, despite an expected increase in inflation over the coming years. The 10 year Government Bond rate is around 1.6% p.a.. but is expected to increase over the short term. A margin above bonds is allowed for in the assumption reflecting the expected medium term returns on growth assets. The assumption is consistent with the assumption for salary increases.
- Salary Increase rate of 3.5% p.a. (was 2.1% p.a.). The salary increase rate has been determined after discussion with the Employer. It is expected that salaries will remain relatively stable as they have over the past 12 years and quite low in line with low inflation expectations.
- The real return is therefore 1.5% p.a., a reduction of 0.4% p.a. compared with the last valuation.
- Expenses of running the defined benefit section of the Fund will be 2.0% of the salaries of defined benefit members.
- TTD premiums 0.5% of salaries.
- Employer contributions will be taxed at 15%.
- For those members where the Employer makes the member contribution, the member contribution rate is increased by 17.6%.

- Rates of decrement per 10,000 members are set out below:

Age	**Decrement Rates** (Number of exits by cause of exit, during the year per 10,000 members at the start of the year)		
	Death/TPD	**Resignation**	**Retirement**
25	3	2,175	0
35	4	1,320	0
45	12	660	0
50	21	33	0
55	37	0	1,000
60	69	0	1,500
65	0	0	10,000

The decrement rate assumptions for resignation and retirement are unchanged from the previous valuation. There are too few members to undertake any statistically significant analysis of the Fund's experience and the shape and size of the current rates are still appropriate.

The assumptions are unchanged from the last valuation except for the real return (gap) which has reduced by 0.4% p.a. (salary increase rate assumption increased by 1.4% p.a. and the investment return assumption increased by 1.0% p.a.).

Section 5 – Results: Short Term Funding

5.1 Short Term Benefit Ratio

The assets and vested benefits are set out below.

	Active Defined Benefit Only 30 June						Total Fund 30 June					
	2024	2021	2018	2015	2012	2009	2024	2021	2018	2015	2012	2009
Vested Benefits ($'000)	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Assets ($'000)	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Vested Benefits Ratio (Assets to Vested Benefits)	**141%**	154%	126%	104%	98%	89%	**109%**	110%	106%	101%	99%	95%

The Vested Benefits ratio is useful for tracking the financial position of the Fund.

The ratios are well above 100% and the Fund is not in an Unsatisfactory Financial Position.

The ratio indicates the short term position of the Fund if all members exited at the valuation date. The vested benefit is the minimum benefit the member is entitled to on exit. For defined benefit members, this is the Retirement benefit for those eligible (by age) and the Resignation benefit for all others. For accumulation members, it is the value of their account balance.

The Defined Benefit ratio is the most appropriate ratio to consider in the context of the financial position of the Fund.

The ratios show that the Fund's short term financial position remains very healthy. The assets exceed the amount of members' minimum benefit entitlements with a significant margin.

The ratios have fallen due to the contribution holiday and the lower than expected investment returns.

Minimum Requisite Benefits (MRB)

The MRB total [redacted] ([redacted] for the active defined benefit members).

The ratio of assets to the Minimum Requisite Benefits (MRB), 111% (last valuation 112%), is healthy at 30 June 2024. The MRB for active defined benefit members are accumulation based so they move in line with changes in investment returns and the ratio should always be greater than 100% if the Employers contribute at the recommended rate.

All necessary funding and solvency certificates were obtained during the period under investigation

I expect that an RSE actuary will be able to certify the solvency of the Fund in any funding and solvency certificate required during the three-year period following the valuation date.

5.2 Fund Wind Up

On Fund wind up, the assets are apportioned among the members and possibly the Employer. There are no underlying guarantees of benefits on wind up.

5.3 Fund Projection - Vested Benefits Ratio

The most significant impact on the Fund's financial position over the short term is the volatility of investment returns. I have projected the Fund's financial position as represented by the Vested Benefits ratio over the four years to 30 June 2028 using the assumptions set out in Section 4.2 except that the investment return for the year ended 30 June 2025 is varied from the assumed rate of 5.5%.

The Employers are assumed to be on a contribution holiday in line with the recommendation in this report.

The results of the projection are summarised in the table below.

Investment Return Year ended 30 June 2025	Defined Benefit Vested Benefits Ratio 30 June				
	2024	**2025**	**2026**	**2027**	**2028**
-10%	141%	112%	115%	110%	105%
-5%	141%	119%	123%	119%	113%
0%	141%	125%	132%	127%	122%
5%	141%	132%	141%	136%	131%

It should be noted that the variations shown in the return for the year ended 30 June 2025 do not indicate upper or lower bounds of all possible outcomes.

The projection results set out in the table indicate the Fund is in a very healthy financial position and should be able to support a contribution holiday for the next 3 years.

The scenarios shown above indicate that it is not unreasonable to expect the Fund to be in a satisfactory financial position over the next 4 years.

Section 6 – Results: Long Term Funding

6.1 Introduction

The Fund's long term financial position and Employer contribution rate are examined in this Section.

The liabilities have been valued using the assumptions and method set out in Section 4.2. The funding method used is the Attained Age Normal method. Under this method the normal Employer rate is calculated as sufficient to finance future service liabilities of existing members. This rate may be adjusted to allow for any shortfall or excess assets over past service liabilities.

The assets have been valued in Section 3.

The funding method is the same as that used at the previous valuation.

6.2 Normal Employer Contribution Rate

The valuation results as at 30 June 2024 are set out below.

Valuation Results			**$'000**
Value of Future Service Liabilities	Retirement and Resignation	[redacted]	[redacted]
	Death and TPD	[redacted]	
Value of Future Member Contributions			[redacted]
Value of net Future Service Liability of DB Members			[redacted]
Value of 1% of salaries of DB Members			[redacted]

The calculation of the required Employer contribution rate to fund the future service liabilities of existing members is set out below.

Contribution Rate	**% of Salary**
Net Employer Contribution Rate	8.0
Expenses	1.7
TTD Premiums	0.6
Tax on Employer Contributions	1.3
Required Normal Contribution Rate	**11.6**

The rate is similar to that at the last valuation, 12.0%.

6.3 Assets and Value of Accrued Benefits

The valuation results for the accrued benefits (past service liabilities) are set out below:

		$'000	
Value of Past Service Defined Benefit Liabilities	Retirement and Late Retirement	[redacted]	[redacted]
	Death and TPD	[redacted]	
Value of Late Retirement Benefits			[redacted]
Value of Accumulation Accounts of all Members			[redacted]
Total Past Service Liability			[redacted]
Value of Assets			[redacted]
Excess of the Value of Assets over Past Service Liabilities			[redacted]

The value of the assets of the Fund is adequate to meet the liabilities in respect of the accrued benefits of the members of the Fund.

The ratio of the defined benefit assets for active members to the value of accrued benefits is 150% which is similar to that at the last valuation, 154%. The ratio is useful for tracking the ongoing financial position of the Fund.

The improvement in the ratio since the last valuation is due to:

a) the higher than expected investment return relative to salary increases; and

b) the effect of benefit payments which are lower than the value of the accrued benefit and therefore improve the ratio.

The Fund has an excess of assets compared with the liabilities of [redacted], on the valuation method and assumptions. This compares with [redacted] at the last valuation.

The surplus is large though very dependent on investment returns. The Fund is able to withstand substantial falls in investment markets. The surplus is sufficient to fund all future liabilities on the valuation assumptions.

6.4 Variation in Assumptions

The major determinant of the adequacy of the assets of the Fund and the stability of the required Employer contribution rate is the extent to which the rate of return on the Fund's assets exceeds the rate of increase in salaries. This is referred to as the real rate of return for the Fund. The valuation assumes the real rate of return will be 1.5% p.a.

The effect of a 0.5% p.a. reduction in the real rate of return is to increase the normal rate by around 0.4% of salaries (to 12.0% of salaries). In addition, the excess of assets compared with the liabilities would reduce to $1.1m.

This is provided as an example of the impact of a relatively small change and does not indicate the upper or lower bounds of all possible outcomes.

Attachment A – Summary of Fund Provisions

A.1 Eligibility

The defined benefit member categories are closed to new entrants.

Defined benefit members may from time to time be offered a transfer to an accumulation benefit category.

A.2 Categories of Membership

Categories are the same as the categories in the Plan. These are A and B which have an Award Benefit Multiple and AE and D which do not have an Award Benefit Multiple.

A3 Definitions

"**Award Benefit Multiple"** means 2.9% multiplied by applicable membership or service.

"Benefit Multiple" means the sum of applicable accrual rate times the applicable membership or service periods.

Current applicable accrual rates from 1 July 1992 are:

- Categories A and AE 17.5%; and
- Categories B and D 14.0%.

Accrual rates prior to 1 July 1992 were:

- Categories A and AE 20.0%; and
- Categories B and D 16.5%.

Membership (of the Fund and Plan) and service (with the Employer) for determining the Award Benefit Multiple and the Benefit Multiple is in complete months. For practical purposes after the commencement date (30 June 2009) benefits are accruing on the basis of completed months of Credited Membership. Service only applies to members who joined before 1 April 1983.

"Credited Membership" means the number of years (each complete month counting as one twelfth of a year) of the member's service while a member of the Fund or the Plan.

"Declared Interest Rate" means the rate earned by the General Assets of the Plan (i.e., excluding those assets applicable to member investment choice) as determined by the Trustee.

"**Discount Factor"** is:

1.0 minus 1.0% for each year (including fractions of a year being complete months) in the period from the date the member leaves service to the date ten years prior to the members normal retirement date (with a maximum of 1.0).

"Discounted Accrued Retirement Benefit" is the sum of

(a) the members Final Average Salary times the members Benefit Multiple times the member's Discount Factor and

(b) In the case of a category A or B member the member's Final Average Salary times the member's Award Benefit Multiple.

"Final Average Salary" means the average amounts of the member's salaries relating to the Review Dates which occur within the 3 years (or such shorter period) immediately preceding the date the member ceases service or the Normal Retirement Date.

"Member Voluntary Accounts" means the total of the Employer Account, the Member Account and the Rollover Account. These contain (if any) additional accumulation account benefits. They are treated as accumulation benefits.

"Member DB Account" means the accumulation of required undeducted or deemed member contributions of 5% with interest at the Declared Interest Rate.

"Normal Retirement Date" means the member's sixty fifth birthday.

"SG Minimum Benefit" means the minimum benefit payable at the relevant time in accordance with the Benefit Certificate.

"Vesting Factor" means the factor determined by the members Credited Membership. The factor is 10% for each complete year of membership in excess of two years with a maximum of 100% after 12 years.

A.4 Contributions

Members are required to contribute or are deemed to contribute at the rate of 5% of salary to the Member DB Account.

A.5 Normal Retirement Benefit

The benefit is the sum of:

(a) Final Average Salary times the Benefit Multiple; and

(b) Final Average Salary times Award Benefit Multiple (categories A and B only)

A.6 Early Retirement

If the member leaves service within 5 years of the Normal Retirement Date or within 10 years with the consent of the Employer the benefit is calculated as for normal retirement as at the date of leaving service.

A.7 Late Retirement

The benefit at normal retirement date will be increased at the Declared Interest Rate until the date of leaving service.

A.8 Death

On death prior to Normal Retirement Date a benefit is calculated as though the member left service on his Normal Retirement Date and his salary at the date of leaving service remains unaltered to his Normal Retirement Date.

A.9 Total and Permanent Disablement (TPD)

On total and permanent disablement prior to the Normal Retirement Date the benefit equals the death benefit.

A.10 Temporary Total Disablement (TTD)

Defined benefit members who are permanent employees and who work 15 hours per week or more may receive a TTD benefit. This is a monthly income benefit of the lesser of:

a) 12.5% of the death benefit p.a.; and

b) 75% of annual salary

payable if the member is disabled under the definition set out in the policy and PDS. There is a 90 day waiting period.

A.11 Leaving Service

The benefit is the sum of:

(a) the balance of the Member DB Account;

(b) In the case of a category A or B member Final Average salary times Award Benefit Multiple; and

(c) The Vesting Factor times (Discounted Accrued Retirement benefit – (a) – (b)).

A.12 Retrenchment

The benefit is the Leaving Service benefit assuming 100% vesting.

A.13 Minimum Benefit, Additional Benefit and Offset

Apart from TTD benefits, the benefit will:

(a) have a minimum of the SG Minimum Benefit;

(b) include the Member Voluntary Accounts; and

(c) be reduced by any amounts standing to the debit of the member in the Fund including Surcharge and Family Law adjustments.