

Report to the Trustee on the Actuarial Investigation as at 30 June 2020

Monroe Australia Superannuation Fund (a plan in IOOF Employer Super)

1 December 2020

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1

Key Results and Recommendations

This report on the actuarial investigation of the Monroe Australia Superannuation Fund (the Fund) as at 30 June 2020 has been prepared to meet the requirements of the Fund's governing rules and the SIS legislation. This report should not be relied upon for any other purpose or by any party other than the Trustee of the Fund. 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 Employer who contributes to the Fund. The Employer may consider obtaining separate actuarial advice on the recommendations contained in the report.

Change in Financial Position

The following table summarises the Fund's financial position, at both this and the previous actuarial investigation.

Defined Benefits Only*	Position at 30 June 2020		Position from 30 June 2017 Investigation Report	
	\$000	Asset Coverage	Projected Coverage at 30 June 2020	Coverage at 30 June 2017
Assets	██████			
Liability for Vested Benefits (no consent)	██████	106.1%	104%	106.0%
Liability for Vested Benefits (consent)	██████	105.2%	103%	102.4%
Liability for SG Minimum Benefits	██████	139.4%	n/a	139.4%
Liability for Actuarial Value of Accrued Benefits	██████	103.9%	n/a	100.5%

* The above totals exclude additional accumulation balances for defined benefit members of \$██████ as at 30 June 2020.

The asset coverage of Vested Benefits (consent) at 30 June 2020 was higher than the levels at the previous actuarial investigation, due to the following items of positive experience:

- investment earnings of 6.2% p.a., which were higher than the assumed long term rate (5.6% p.a.)
- salary growth of 2.1% p.a. which was lower than expected (3% pa);
- Employer contributions at rates that were higher than the long term cost of accruing benefits;
- the reduction in the number of members from 21 to 14, which has had the effect of spreading the surplus over a smaller membership base.

Recommended Contribution Rates and Projections

At 30 June 2020, the Fund was in a satisfactory financial position. The 105.2% coverage of the Defined Benefit Vested Benefits (consent) was above the financing objective of 103% coverage adopted for this investigation.

Based on the financial position at 30 June 2020, I recommend that the Employer reduces its contributions to the Fund in respect of Category D2 and D3 members, and ceases contributions to meet Fund expenses, in accordance with the following contribution program:

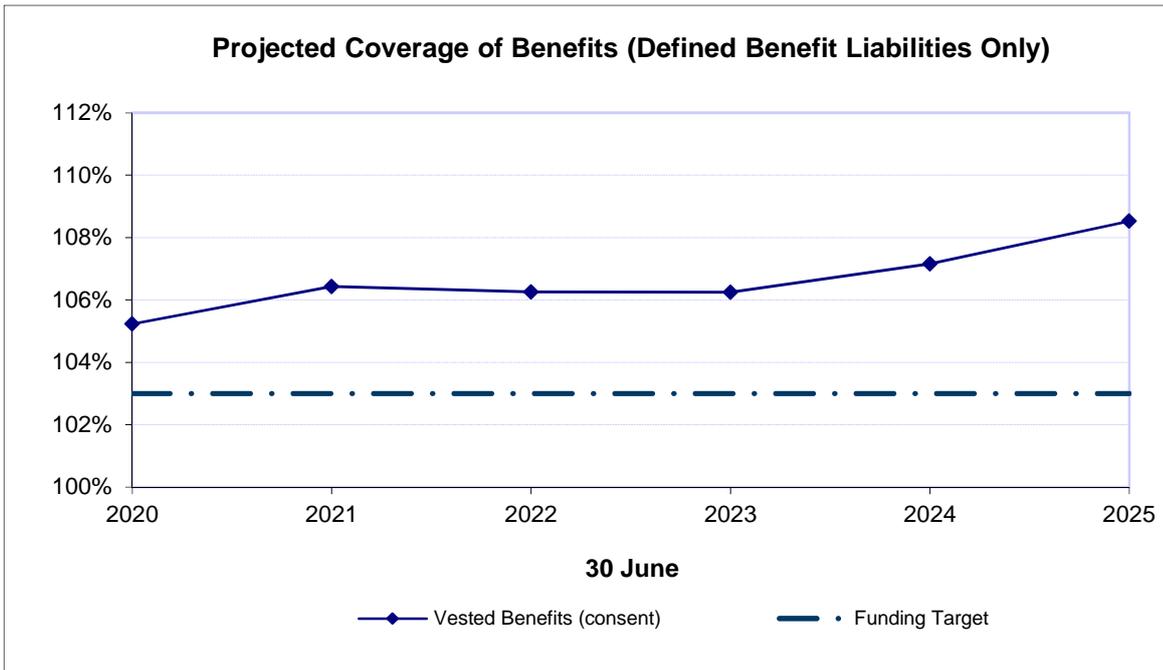
- For the period from 1 July 2020 to 31 December 2020
 - nil in respect of Category B members
 - nil in respect of Category C members
 - 22.0% of Category D1 members' salaries
 - 22.0% of Category D2 members' salaries
 - 14.0% of Category D3 members' salaries
- For the period from 1 January 2021
 - nil in respect of Category B members
 - nil in respect of Category C members
 - 22.0% of Category D1 members' salaries
 - 18.0% of Category D2 members' salaries
 - 12.0% of Category D3 members' salaries

These contribution rates include an allowance for deemed/salary sacrifice member contributions in relation to Categories D1 and D2.

Contributions for any excess of Ordinary Time Earnings (OTE) over Fund Salary in relation to applicable SG entitlements are payable in addition and are applied to a separate accumulation account.

The recommended contribution program is expected, on the basis of the actuarial assumptions adopted for this investigation, to result in the Fund continuing to meet its financing objective at 30 June 2023.

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



The graph above shows that the recommended contributions are anticipated to result in assets of at least 103% of Defined Benefit Vested Benefits with consent (which is the financing objective adopted in this investigation) over the period to 30 June 2023.

Risks

The Trustee should note that 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 Fund’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. However the coverage ratios should be reviewed regularly by the Trustee. 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 Fund’s financial position.

Sections 7 and 8 provide illustrations of the impact of investment volatility on the projected coverage of Vested Benefits and shows that a 1% pa reduction in the assumed future investment return would result in a 0.9% increase in the assessed value of liabilities.

Section 8 discusses other risks associated with the liabilities, including small plan risk and legislative risk.

Other Findings and Recommendations

Suitability of Policies

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

- The crediting rate policy for the defined benefit section of the Fund is suitable.
- The insurance arrangements for the defined benefit section of the Fund are suitable.
- The Shortfall Limit (for the purposes of SPS 160) for the defined benefit section of the Fund is suitable.
- The Trustee's process for monitoring the Fund's financial position is suitable

Recommendations

The Trustee should consider the suitability of the investment strategy given the benefit of one member approaching age 65 represents one-third of the Fund's assets.

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 Employer to contribute in line with the recommendations.

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Introduction

Background of the Fund

The Fund is operated for the benefit of employees of Monroe Australia Pty Ltd and is a sub-plan of IOOF Employer Super. The Trustee of IOOF Employer Super, IOOF Management Limited, holds a Registrable Superannuation Entity Licence under the SIS legislation and operates the Fund as required under the Trust Deed.

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

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

The governing rules of the Fund are set out in the IOOF Portfolio Services Superannuation Fund trust deed dated 20 June 1994 (as amended).

Purpose

I have prepared this report exclusively for the Trustee of the Monroe Australia Superannuation Fund for the following purposes:

- To present the results of an actuarial investigation of the Fund as at 30 June 2020;
- To review Fund experience for the period since the previous actuarial investigation as at 30 June 2017;
- To recommend contributions to be made by the Employer intended to allow the Fund 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 Fund's Trust Deed for actuarial investigations of the Fund's financial position; and
- To meet legislative requirements under relevant Commonwealth superannuation legislation.

It has been prepared in accordance with the requirements of the Trust Deed, the Superannuation Industry (Supervision) Act 1993 and associated regulations (SIS legislation), Prudential Standard SPS 160 issued by APRA and Professional Standard 400 issued by the Actuaries Institute setting out requirements for actuarial investigations of defined benefit superannuation funds under SIS legislation.

The previous actuarial investigation was conducted as at 30 June 2017 by Stuart Mules, on behalf of Mercer, and the results are contained in a report dated 14 December 2017.

Significant Events since the Investigation Date

We are not aware of any significant events that have occurred since 30 June 2020 which would have had a material impact on the findings or recommendations in this report.

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Experience since the Last Review

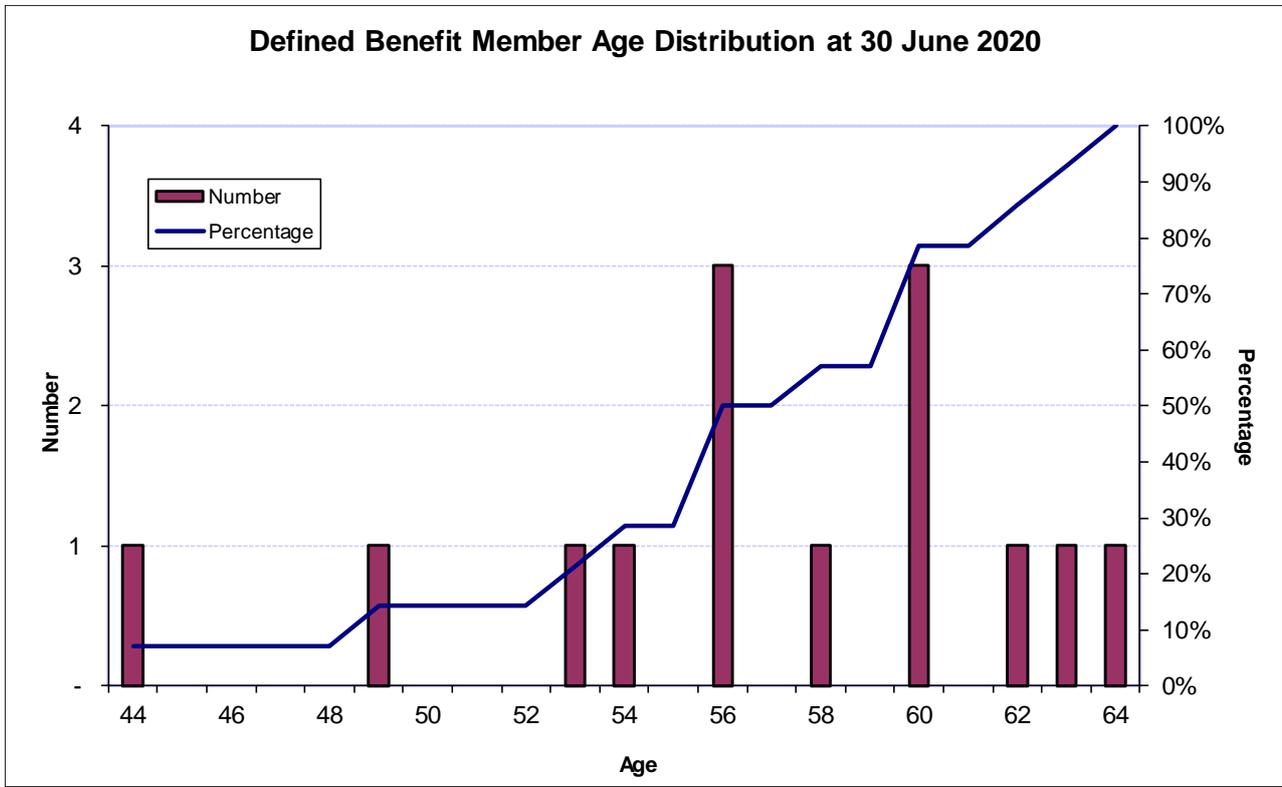
Membership

The membership of the defined benefit section has changed since 30 June 2017 as follows:

Active members at 30 June 2017	21
Exits	7
New Entrants	0
Active members at 30 June 2020	14
<hr/>	
Total salaries at 30 June 2020	\$1,841,888
Average salaries at 30 June 2020	
Average age at 30 June 2020	57.4 years

During the period under review the number of defined benefit members within the Fund decreased from 21 to 14 members and the decrease was more than assumed. This means that the surplus assets are spread over a smaller number of members and the coverage of the benefit liabilities (when expressed as a percentage) increases accordingly.

The defined benefit membership split by age as at the 30 June 2020 is shown in the following graph:



Investment Returns

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

Year Ending	Investment Return (pa)	Crediting Rate(pa)
30 June 2018	10.3%	10.6%
30 June 2019	7.0%	7.3%
30 June 2020	1.7%	2.0%
Compound Average	6.2%	6.5%

The average investment return for the three year period to 30 June 2020 was 6.2% p.a. compared to our long term assumption at the last actuarial investigation of 5.6% p.a. The higher return than assumed had a positive impact on the Fund’s financial position.

The crediting rate is based on the investment earning rate but without a deduction for asset based administration fees of 0.29% p.a. of assets. The Employer ultimately finances the asset based administration fee via contributions to meet the defined benefit liabilities.

Salary Increases

Salaries for the current defined benefit members increased by an average of 2.1% pa over the period compared to our longer term assumption at the last actuarial investigation of 3.0% pa. The lower salary increases than assumed had a positive impact on the Fund's financial position.

Contributions

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

- For the period from 1 July 2017 to 30 June 2018
 - nil in respect of Category B members
 - nil in respect of Category C members
 - 18.5% of Category D1 members' salaries
 - 18.5% of Category D2 members' salaries
 - 11.0% of Category D3 members' salaries

- For the period from 1 July 2018
 - nil in respect of Category B members
 - nil in respect of Category C members
 - 22.0% of Category D1 members' salaries
 - 22.0% of Category D2 members' salaries
 - 14.0% of Category D3 members' salaries

- plus \$20,000 per annum to meet projected Fund member and actuarial costs.

These contribution rates included an allowance for deemed/salary sacrifice member contributions in relation to Categories D1 and D2.

Contributions for any excess of Ordinary Time Earnings (OTE) over Fund Salary in relation to applicable SG entitlements were paid in addition and applied to a separate accumulation account.

The Employer contributions paid over the review period were higher than the long term Employer contribution rates (i.e. the estimated employer cost of future service benefits), which had a positive impact on the Fund's financial position. The increase in contributions was delayed by six months from the recommended start date of 1 January 2018, but apart from this contributions paid were in line with recommendations.

Impact of the Experience on the Financial Position

The main experience items affecting the Fund's financial position during the period from 30 June 2017 to 30 June 2020 were as follows:

Item	Assumption at previous review	Fund experience	Comment on effect
Investment returns	5.6% p.a.	6.2% p.a.	Positive effect – investments grew at a higher rate than assumed
Salary increases	3.0% p.a. with exception to one member whose salary was projected to increase at 3.5% p.a.	2.1% p.a.	Positive effect – benefit liabilities grew at a lower rate than assumed
Membership changes		7 exits	Positive effect – excess assets spread over smaller membership base

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Actuarial Assumptions

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

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

less

- members' contributions; and
- the return on investments.

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

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

These assumptions include investment returns, salary/wage increases, crediting rates, the rates at which members cease service for different reasons, and various other factors affecting the financial position of the Fund.

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 increases used in the projections 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 (after tax, investment and asset based administration fees)#	4.75% p.a.
Crediting rate (after tax and investment fees)	5.00% p.a.
General salary increases*	2.50% p.a.

*On the employer's advice, one member's long-term salary increase rate was set at 3% p.a.

The assumption for investment returns is based on the expected long-term investment return for the Fund's benchmark investment mix of the IOOF MultiMix Balanced Growth Trust, 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 long term economic forecasts for future increases in average weekly earnings (AWOTE) and discussions with the Employer.

Demographic Assumptions

Retirement

The rates at which members are assumed to leave the Fund due to retirement are set out in Appendix B. It is assumed that Employer consent is granted for early retirement, where required. I have maintained the same assumptions in relation to the rates at which members retire. Given the small size of the Fund, these are based on the experience of similar funds administered or advised by Mercer.

Resignation, Death and Disablement in Service

Specimen rates at which members are assumed to leave the Fund due to resignation, death and TPD rates are set out in Appendix B. I have maintained the same assumptions in relation to rates of death and total and permanent disablement (TPD) as were adopted at the 30 June 2017 actuarial investigation. Given the small size of the Fund, these are based on the experience of similar plans administered or advised by Mercer.

Retrenchment

No specific allowance is made for the possibility of future retrenchments.

Other Assumptions

New members

The Fund's defined benefit section is closed to new entrants. No allowance has been made for new members.

Expenses

Administration and management expenses and actuarial consulting fees plus the net cost of group life insurance for defined benefit members are deducted from Fund assets. These are assumed to average

2.5% of category D1, D2 and D3 defined benefit members' salaries plus \$20,000 per annum indexed at 2% per annum (for consulting and other fees).

Tax

It is assumed that the current tax rate of 15% continues to apply to the Fund's assessable income, along with current tax credits and deductions.

All future Employer 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.

No allowance has been made for:

- Any surcharge liability as members' benefits will be reduced by a surcharge offset account equal to the surcharge payments made, accumulated at the Fund crediting rate. Surcharge was abolished with effect from 1 July 2005.
- 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

The following table sets out changes in assumptions from those used in the previous investigation and the reasons for the changes:

Item	Investigation at 30 June 2020	Investigation at 30 June 2017	Reason for change
Investment returns	4.75% p.a.	5.60% p.a.	Expected return based on Mercer's latest investment return model allowing for, investment tax and asset based fees.
Crediting Rate	5.0% p.a.	5.9% p.a.	Asset based administration fee of 0.29% p.a. is not applied to the crediting rate.
Salary increases	2.5% p.a. with exception to one member whose salary is projected to increase at 3.0% p.a.	3.0% p.a. with exception to one member whose salary is projected to increase at 3.5% p.a.	Following discussions with the Employer
Operational expenses	\$20,000 p.a. indexing at 2% p.a. plus 2.5% of salaries of category D members	\$20,000 p.a. indexing at 3% p.a. plus 2.4% of salaries of category D members	Estimated rate based on recent and expected experience including insurance premiums

The overall impact of the changes in assumptions was to:

- increase the Actuarial Value of Accrued Benefits by \$14,000; and
- increase the assessed long-term employer cost of future service benefits by 0.1% of salaries from 13.3% to 13.4%.

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Assets

Market Value

The net market value of the Fund’s assets as at 30 June 2020 amounted to \$6,200,000 (based on the data provided by the Fund’s administrator at 30 June 2020. This value excludes assets held to meet the Operational Risk Financial Requirement.

Calculation of Defined Benefits Assets at 30 June 2020	
Net market value of the Fund’s assets as at 30 June 2020	██████████
Less accumulation accounts for defined benefit members	██████████
Net assets to support the defined benefit liabilities of the Fund	██████████

Operational Risk Reserves

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

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 Fund’s current investment strategy for assets supporting defined benefit liabilities, the IOOF MultiMix Balanced Growth Trust, involves a benchmark 72% exposure to ‘growth’ assets such as shares and property and a benchmark 28% exposure to ‘defensive’ assets such as cash and fixed interest. Please refer to the table below for the actual and benchmark investment allocations of these assets as at the investigation date. ‘Growth’ assets are expected to earn higher returns over the long term compared to ‘defensive’ assets, but at the same time to exhibit more variation in returns from year to year.

The actual asset allocation and Strategic Asset Allocation for the assets supporting the defined benefit liabilities are as follows:

Asset Class	Actual Allocation as at 30 June 2020 (Balanced Growth Option)	Strategic Asset Allocation (Balanced Growth Option)
Australian equities	23%	25%
Overseas equities	28%	29%
Property	9%	10%
Alternative Growth	9%	8%
Total growth	69%	72%
Fixed interest	18%	19%
Alternative defensive	6%	6%
Cash	7%	3%
Total defensive	31%	28%
Total	100%	100%

The defined benefit retirement benefit is not typically affected by the investment return on the Fund's assets being based on salary and service. However, the resignation benefits and the SG minimum benefits are affected by the investment return. The volatility of the Fund's investment returns will therefore have some effect on the financial position of the Fund from year to year and is likely to impact on the required level of Employer contributions.

Given that it is not known when members will take their benefit with certainty, the exact term of the Fund's liabilities is unknown. However, a significant proportion of the defined benefit assets will need to be redeemed over the next ten years as thirteen of the seventeen members at 30 June 2020 will reach normal retirement age in that period.

The Fund's investments are expected to provide a high level of liquidity in normal circumstances. Hence we do not envisage any problem in being able to redeem assets to meet benefit payments as they arise.

There is one member currently aged 60 whose benefit is salary-related and represents approximately one-third of the Fund's assets. Whilst the current investment strategy is appropriate in respect of the assets supporting the liabilities of the other members, the Trustee may wish to consider an alternative strategy for the assets supporting this member's benefit to protect the Fund against unfavourable investment experience at a time when a large benefit payment is expected. This could involve moving assets into cash prior to the member's expected exit date (or prior to age 65).

Any change to the investment strategy could impact future Employer contributions, so any change should be discussed with the Employer to determine their view.

Assets backing accumulation benefit liabilities

The Fund 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 Fund'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 Fund's accumulation liabilities and related assets are fully matched.

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

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

Crediting Rate Policy

Defined Benefits

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

- The annual crediting rate is calculated as the internal rate of return net of tax (based on the starting and ending asset values and cash flows over the year to 30 June) and applied at the year end to the value of the member account balance at the previous 30 June and any contributions made during the year allowing for the timing of contributions. The interim crediting rate (see below) will be used until the annual crediting rate is determined.
- The interim crediting rate is calculated monthly as the internal rate of return (based on the starting and ending asset values and cash flows over the period from 30 June to the end of the relevant month). The interim crediting rate is used to determine benefit quotes and to determine a benefit when a member exits the Fund up to the date the benefit is processed. The Trustee may, at its discretion, apply a different interim crediting rate from the date the member leaves the Fund until the member's benefit payment is made.
- Crediting rates may be adjusted to ensure that member accounts do not exceed Fund assets and are consistent with any policy covering reserves.
- Where required, the annual and interim crediting rates are increased by a percentage agreed with the Actuary and the employer to reflect asset fee rebates to be passed on to members' benefits.

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 Fund by members.

- No investment reserves are held. Net investment earnings are fully passed on to member accounts via unit prices.

Documentation

The Fund's crediting and unit pricing policies and related procedures are set out in a policy document dated September 2019 and May 2018 respectively.

Conclusion

The crediting and unit pricing policy and related procedures are documented. A detailed review of the policy and related procedures is outside the scope of this investigation.

Based on a review of the main features, we 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 Fund (i.e. a market shock or sudden downturn in investment markets).

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The Actuarial Approach

Financing Objective

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

- 100% of accumulation account balances plus
- 103% of Defined Benefit Vested Benefits (consent) over the period to the next investigation.

Accumulation account balances are matched by specific assets and do not require any additional margins. However 34% of the Fund's defined benefit liabilities 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.

I consider that the target margin of 103% is appropriate.

Based on the assumptions adopted for this investigation, achieving the financing objective of 103% of Vested Benefits (consent) 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 100% of SG Minimum Benefits. Hence it is not considered necessary 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 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.

The financing objective has been set on the basis that members' reasonable expectations on termination would be to receive their vested benefit entitlement.

Provisions of the Trust Deed

IOOF Employer Super's Trust Deed includes a requirement that an actuary carry out an actuarial valuation of the financial condition of the Fund in accordance with relevant Commonwealth superannuation legislation.

Financing Method

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

Under this method, the Employer contribution rate required to provide a target level of coverage of a particular benefit liability measure is determined.

Under this method of financing, the level of the Employer contribution may vary from time to time to ensure that the Fund remains on course towards its financing objective (minimum 103% coverage of Vested Benefits (with consent)).

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

Changes in Financing Method

The Target Funding method was used at the previous investigation.

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Financial Position of the Fund

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.

At 30 June 2020, the Fund assets represented 106.1% of the vested benefits (without consent) and 105.2% of the vested benefits (with Employer consent) hence the Fund was considered to be in a “satisfactory financial position” under SIS legislation. The 105.2% coverage of the Defined Benefit Vested Benefits (with Employer consent) was above the financing objective of 103% 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 Fund assets at 30 June 2020 were 139.4% of defined benefit MRBs and hence the Fund 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 C.

The Fund Assets as 30 June 2020 represented 103.9% of the Actuarial Value of Accrued Defined Benefits.

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

Defined Benefits Only*	Position at 30 June 2020		Position from 30 June 2017 Investigation Report	
	\$000	Asset Coverage	Projected Coverage at 30 June 2020	Coverage at 30 June 2017
Assets	████████			
Liability for Vested Benefits (no consent)	████████	106.1%	104%	106.0%
Liability for Vested Benefits (consent)	████████	105.2%	103%	102.4%
Liability for SG Minimum Benefits	████████	139.4%	n/a	139.4%
Liability for Actuarial Value of Accrued Benefits	████████	103.9%	n/a	100.5%

*The above totals exclude additional accumulation balances for defined benefit members of ██████████ as at 30 June 2020

The vested benefit coverage (with consent) level at 30 June 2020 was higher to the level at the previous actuarial investigation, due to the overall positive experience discussed in Section 3.

Employer Future Service Cost

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

Defined Benefit Membership Group	Employer long-term cost (of future benefit accrual) (% of Salary/Wage)
Category B	0.0%
Category C	0.0%
Category D1	21.3%
Category D2	17.8%
Category D3	11.8%

The Employer's long-term defined benefit funding costs above for Categories D1/2/3 include the expected expenses of 2.5% of DB salaries for group insurance premiums and includes allowance for contributions tax. The costs for Category D1 and 2 further include an allowance for deemed/salary sacrifice member contributions remitted by the Employer.

No allowance has been made in these costs for the fixed expenses of the Fund.

The assessed long-term costs for future service have increased for Category D1 due to an increase in age, but the costs for other members have barely changed.

Previous Recommendation

The recommended Employer contribution rates over the three year review period, in accordance with the prior actuarial investigation, were as follows:

- For the period from 1 July 2017 to 31 December 2017
 - nil in respect of Category B members
 - nil in respect of Category C members
 - 18.5% of Category D1 members' salaries
 - 18.5% of Category D2 members' salaries
 - 11.0% of Category D3 members' salaries
- For the period from 1 January 2018
 - nil in respect of Category B members
 - nil in respect of Category C members
 - 22.0% of Category D1 members' salaries
 - 22.0% of Category D2 members' salaries
 - 14.0% of Category D3 members' salaries
- plus \$20,000 per annum to meet projected Fund member and actuarial costs.

Contributions were not actually increased until 1 July 2018.

These contribution rates included an allowance for deemed/salary sacrifice member contributions in relation to Categories D1 and D2.

Contributions for any excess of Ordinary Time Earnings (OTE) over Fund Salary in relation to applicable SG entitlements were payable in addition and applied to a separate accumulation account.

Recommended Contributions

Based on the Trustee's financing objective described and the results of this investigation, I recommended that Employer contributes as follows:

- For the period from 1 July 2020 to 31 December 2020
 - nil in respect of Category B members
 - nil in respect of Category C members
 - 22.0% of Category D1 members' salaries
 - 22.0% of Category D2 members' salaries
 - 14.0% of Category D3 members' salaries
- For the period from 1 January 2021
 - nil in respect of Category B members
 - nil in respect of Category C members
 - 22.0% of Category D1 members' salaries
 - 18.0% of Category D2 members' salaries
 - 12.0% of Category D3 members' salaries

These contribution rates include an allowance for deemed/salary sacrifice member contributions in relation to Categories D1 and D2.

Contributions for any excess of Ordinary Time Earnings (OTE) over Fund Salary in relation to applicable SG entitlements are payable in addition and are applied to a separate accumulation account.

This recommended program represents a reduction to the current contributions in respect of Category D1 and D2 members (to match the long-term funding costs) and Fund expenses, primarily due to the Fund’s experience discussed above.

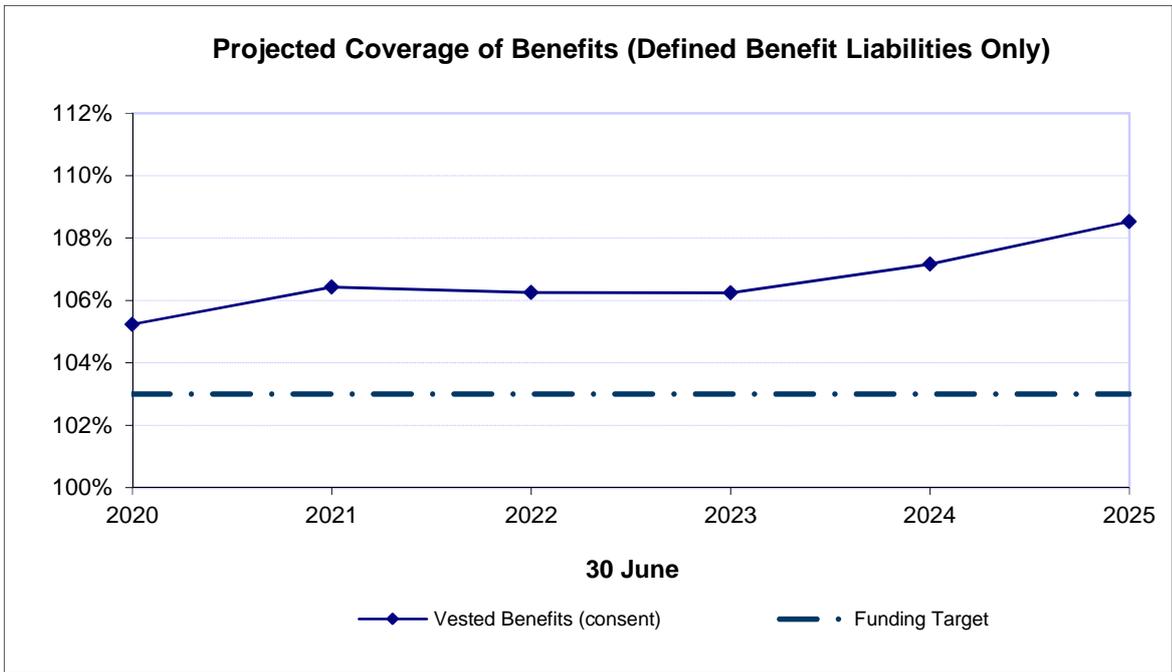
In practice, it is likely to be necessary to vary the Employer contributions at some point in the future to achieve the Trustee’s financing objective.

Projected Financial Position

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

- the actuarial assumptions adopted for this investigation;
- assuming that the Employer contributes on the basis as recommended as above.

The results of the projection are as follows:



The Trustee should note that this projection is based on the assumptions adopted, which represent a single scenario from the range of possibilities. The future is uncertain and the Fund’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 103% of Defined Benefit Vested Benefits (with consent) (which represents the financing objective adopted in this investigation) over the period to 30 June 2023. The Fund is therefore projected to be in a satisfactory financial position over the period to 30 June 2023.

Sensitivity Analysis

We have tested the effect of changes to the key assumptions on the value of liabilities and the Fund’s net financial position.

The liabilities shown in this report have been calculated using our best estimate assumptions for investment return (4.75% per annum) and salary growth (3.0% per annum for one member and 2.5% per annum for all others). As both future investment returns and future salary increases 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 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 most of your defined benefit liabilities grow with salaries.

To quantify the sensitivity of the excess of Fund assets over the Actuarial Value of Accrued Benefits (the net financial position) to our assumptions, we have calculated the change in liability based on the following scenarios:

- Decrease the long term investment return assumption by 1% pa;
- Increase the salary growth assumption by 1% pa;

All other assumptions, including the Employer contribution rates, are assumed to remaining the same.

The effects of these changes are shown below:

Scenario	Net financial position as at 30 June 2020 (\$million)	Change in net financial position (\$million)
Base assumptions as shown previously	██████████	
Decrease investment return by 1% pa	██████████	██████████
Increase salary increase by 1% pa	██████████	██████████

8

Key Risks

Investment Volatility

Approximately 34% of the current vested benefits for defined benefit members are linked to salaries and not linked to investment returns. Therefore the Fund's vested benefits coverage is somewhat sensitive to changes in the investment returns.

I have considered the impact of investment volatility on the Fund'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 Fund's defined benefit investment strategy.

Using the investment return model and assumptions adopted, there is approximately a 10% chance of the Fund's cumulative investment return being less than the "low return" scenario over the next 5 years. Similarly, there is approximately only a 10% chance of the Fund's cumulative investment return being greater than the "high return" scenario over the next 5 years.

The cumulative investment return as at 30 June 2025 under the "low return" and "high return" scenarios are 4.8% and 54.9% respectively (equivalent to 0.9% and 9.1% per annum respectively). 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 2025 will fall in the range from 95% to 117%.

Please note that 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 our 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 could be less than minus 13.8% in any year based on the current Fund asset allocation.

In my view, the Trustee should be satisfied with the expected level of security.

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 Employer.

For example, if the assumed future salary increase rate was increased by 1% pa with no change in other assumptions, then the Fund's net financial position would deteriorate from an excess of \$227,000 million to an excess of \$189,000 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 Employer and is a greater risk in the post COVID-19 environment.

COVID-19 Risks

The COVID-19 pandemic had a significant impact on investment markets in the quarter ending 31 March 2020, which is reflected in the value of Fund assets used in assessing the Fund's financial position at the investigation date. It is not clear what, if any, impact COVID-19 will have in the medium to long term. We have therefore not made any specific allowance for the future impact of COVID-19 in the investigation, but any impact on investment markets and the Fund's financial position will continue to be monitored over the period to the next investigation.

Small Plan Risk

This risk relates to supporting a defined benefit plan where there are few remaining defined benefit members meaning the law of averages no longer applies and the time horizon of the defined benefit liabilities may have become short. Issues that may require consideration include:

- (i) Funding may have previously been based on the Defined Benefit Fund continuing in the longer-term, which may no longer hold. Therefore greater focus is required on the funding of benefits immediately payable to members (e.g. Defined Benefit Vested Benefits);
- (ii) With few remaining members, the experience of a single member or event will have a proportionately larger impact on the financial position. Therefore more frequent monitoring of the financial position will be required;
- (iii) Contributions required to finance any shortfalls, specifically as a percentage of salary roll of defined benefit members, can become significant;

- (iv) The investment strategy may have been set based on the Defined Benefit liabilities continuing in the longer-term, which may no longer hold. Therefore the strategy may need to be revised to reflect the shorter term of the liabilities;
- (v) Fees in respect of the Fund, particularly relative to the number of defined benefit members and salary roll, can become significant. Most actuarial tasks are essentially the same whether there are one or 100 defined benefit members. As defined benefit funds reduce in membership, the actuarial fees may, in fact, increase because of additional monitoring being required. Industry changes such as the SG rate increase can also result in additional fees; and
- (vi) The expected wind-down of the remaining defined benefit members.

The Fund's Risk Management Statement and Risk Management Plan should identify a full range of risks faced by the Trustee.

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Insurance and Related Risks

The Fund is not permitted to self-insure.

For accumulation members, death and lump sum total and permanent disablement (TPD) insurance cover in excess of total account balances are fully insured

The “Group Life Insurance” covers risks of Death and Total Permanent Disablement (TPD).

For defined benefit members, the group life sum insured formula currently in use is:

$$\text{Sum Insured} = \text{Death/TPD Benefit} - \text{Vested Benefit (no Employer consent)}$$

The total amount insured should cover the excess of the death/TPD benefits over the Fund’s assets, unless there is a funding shortfall. Based on the formula in use at the investigation date, the coverage of death/TPD risk as at 30 June 2020 for the Fund was as follows.

	Defined Benefit members	\$000
	Death/Disablement Benefits	████████
Less	Sum Insured	████████
Less	Assets	████████
	Uncovered Death/Disablement Benefits	████████

The formula has resulted in insurance being more than sufficient to provide full protection. However, the amount of over insurance is not at a level where we consider that a change to the current insurance formula is necessary.

The “dollar related” component of the Category B and C death/TPD benefits is not insured. Considering the small amounts at risk (a maximum of \$12,000 per member), I believe this remains adequate.

Where the definition of TPD in the policy is also used to establish a member’s eligibility for the benefit under the Fund’s governing rules, this avoids any definition mis-match risk.

For temporary disability benefits, the benefit provisions are insured. Where the benefits are entirely matched by the insurance policy, there is no funding gap and any claims or adverse experience will have no immediate financial impact on the Fund.

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 Fund.

Documentation

The death, TPD and temporary disability insurance arrangements are underwritten by TAL Life Limited (“the insurer”) and outlined in a Group Life Policy and a Group Salary Continuance Policy, both amended with effect from 1 July 2020, between the Trustee and the insurer. The purpose of the insurance policy is to protect the Fund against unexpectedly large payouts on the death or disablement of members.

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Prudential Standards

The prudential regulator (APRA) has issued a number of Prudential Standards for the superannuation industry, including Prudential Standard (SPS 160) relating to the financial management and funding of defined benefit plans. We have commented 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”.

We understand that the Fund’s Shortfall Limit, determined by the Trustee on the basis of previous actuarial advice, is 99%.

The Shortfall Limit is expressed as the coverage level of the defined benefits 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 Information Note: Shortfall Limit in Prudential Standard 160 dated June 2013;
- The investment strategy for defined benefit assets, particularly the overall benchmark exposure of 72% to “growth” assets;
- The results of this investigation indicate that 34% of the current and projected defined benefit Vested Benefits which the current and projected defined benefit Vested Benefits are not linked to the investment return on defined benefit assets (i.e. salary-based benefits) and the current and projected relativity between Vested Benefits and Minimum Requisite Benefits.

Based on the above, we recommend maintaining 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. We 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 – in particular a change to a more defensive strategy which has a benchmark allocation to “growth” assets of less than 65% - 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).
- 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.

We recommend that the Trustee continues its regular monitoring process to review the progress of the Fund’s coverage of vested benefits to ascertain if an adjustment to the Employer contribution levels is required prior to the next complete investigation.

We also recommend a formal review by the actuary of the progress of the Fund’s coverage of vested benefits to monitor the impact of the reduction in contributions. The next review could occur at 30 June 2021.

The Trustee should also continue to monitor the “Notifiable Events” specified in the Fund’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 has been 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, we consider that:

- The Fund is not in an unsatisfactory financial position; and
- The Fund 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. Note: 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 Fund's financial position is not unsatisfactory (or about to become unsatisfactory).

The Fund's assets are sufficient to fully cover the SG Minimum Benefits at 30 June 2020.

Statements Required by SPS 160

This section provides statements required to be made under APRA Prudential Standard SPS 160. Values cited relate to the defined benefit section of the Fund (inclusive of accumulation accounts for defined benefit members).

- (a) The value of the Fund's assets as at 30 June 2020 was [REDACTED]. This value excludes assets held to meet the Operational Risk Financial Requirement.
- (b) In my opinion, the value of the liabilities of the Fund in respect of accrued benefits as at 30 June 2020 was [REDACTED]. Hence, I consider that the value of the assets at 30 June 2020 is adequate to meet the value of the accrued benefit liabilities of the Fund as at 30 June 2020. Taking into account the circumstances of the Fund, the details of the membership and the assets, the benefit structure of the Fund and the industry within which the Employer 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 Employer 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 2023.
- (c) In my opinion, the value of the liabilities of the Fund in respect of vested benefits (no consent) as at 30 June 2020 was \$ [REDACTED] and vested benefits (with consent) as at 30 June 2020 was [REDACTED]. Hence I consider that the value of the assets at 30 June 2020 is adequate to meet the value of the vested benefit liabilities of the Fund as at 30 June 2020. Assuming that the

Employer contributes in accordance with my recommendations, then, based on the assumptions made for this actuarial investigation, I expect that assets will remain sufficient to cover the value of vested benefit (with consent) liabilities over the period to 30 June 2023. Hence I consider that the financial position of the Fund should be treated as satisfactory as defined in SPS 160.

- (d) In my opinion, the value of the liabilities of the Fund in respect of the minimum benefits of the members of the Fund as at 30 June 2020 was \$ [REDACTED] Hence the Fund was not technically insolvent at 30 June 2020.
- (e) A projection of the likely future financial position of the Fund over the 3-year period following 30 June 2020, based on what I consider to be reasonable expectations for the Fund 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 remain 99%. Comments are set out earlier in this section.
- (g) In respect of the 3-year period following 30 June 2020, I recommend that the Employer contribute to the Fund at least:
- For the period from 1 July 2020 to 31 December 2020
 - nil in respect of Category B members
 - nil in respect of Category C members
 - 22.0% of Category D1 members' salaries
 - 22.0% of Category D2 members' salaries
 - 14.0% of Category D3 members' salaries
 - For the period from 1 January 2021
 - nil in respect of Category B members
 - nil in respect of Category C members
 - 22.0% of Category D1 members' salaries
 - 18.0% of Category D2 members' salaries
 - 12.0% of Category D3 members' salaries

These contribution rates include an allowance for deemed/salary sacrifice member contributions in relation to Categories D1 and D2.

Contributions for any excess of Ordinary Time Earnings (OTE) over Fund Salary in relation to applicable SG entitlements are payable in addition and are applied to a separate accumulation account.

- (h) The Fund 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 2020;
 - I expect to be able to certify the solvency of the Fund in any Funding and Solvency Certificates that may be required in the three year period from 30 June 2020.

Actuarial Certification

Actuary's Certifications

Professional standards and scope

This report has been prepared 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 Fund and the Employer(s) who contribute to the Fund. 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 Employer(s) who contribute(s) to the Fund. The Employer(s) 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. No allowance has been made for taxation, accountancy or other requirements in any other country.

Actuarial Uncertainty and Assumptions

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

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

The Fund's future financial position and the recommended Employer contributions depend on a number of factors, including the amount of benefits the Fund pays, the cause and timing of member withdrawals, Fund expenses, 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 Fund'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 Fund'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, Fund experience, changes in expectations about the future and other factors. We did not perform, and thus do not present, an analysis of the potential range of all future possibilities and scenarios.

Because actual Fund 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

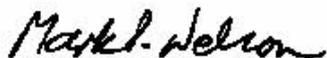
The next **actuarial investigation** is required at a date no later than 30 June 2023. At that time, the adequacy of the Employer contribution levels will be reassessed. Note that the monitoring process recommended may lead to an earlier reassessment ahead of the next full actuarial investigation.

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 30 June 2023).

The next **Benefit Certificate** is required following the expiry of the current Benefit Certificate (which expires 30 June 2023). 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
1 December 2020

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.



.....
Clement Cheung
Fellow of the Institute of Actuaries of Australia

Appendix A

Fund Design

Summary of Benefits

The governing rules of the Fund are set out in the IOOF Portfolio Services Superannuation Fund trust deed dated 20 June 1994 (as amended). A summary of the main benefit provisions in respect of defined benefit members is set out below. References should be made to the formal governing documents for definitive statements

Category D Members

Normal Retirement Age	65
Final Average Salary (FAS)	The average of the annual rates of salary on the three review dates preceding Normal Retirement Age. For benefits calculated before Normal Retirement Age, the Final Average Salary is calculated prospectively, assuming that the rate of salary remains unchanged. Thus, for members more than three years from their Normal Retirement Age, the Final Average Salary is the annual salary at the preceding review date.
Normal Retirement Benefit	<p>The benefit is a lump sum expressed as a multiple of the member's final average salary.</p> <p>The multiple is calculated as 15% for each year of service classified as a non- Executive, and 17.5% for each year of service classified as an Executive. Lower levels of benefits existed before 1 January 1988.</p> <p>A minimum benefit equal to the resignation benefit applies for each member.</p>
Early Retirement Benefit	<p>A member may retire at any time within 10 years of normal retirement, with employer consent required before age 60, other than for female members who joined before 1 January 1988.</p> <p>The benefit is a lump sum based on the member's final average salary and period of service completed at the date of actual retirement, discounted by compound interest of 3% per annum for the period remaining to normal retirement or the member's 40th anniversary of commencing service, whichever is earlier.</p> <p>A minimum benefit equal to the resignation benefit applies for each member.</p>

Late Retirement Benefit	A member who retires or ceases service after normal retirement will receive their normal retirement benefit increased with compound interest (at the declared rate) to the date of late retirement. Members who joined before 1 January 1988 receive a minimum average rate of 4% on this benefit.
Death Benefit	The benefit is a lump sum equal to the retirement benefit that would have been paid had the member continued in employment until normal retirement, with an unaltered salary.
Disablement Benefit	<p>A member who becomes totally and permanently disabled will receive a lump sum benefit determined in the same manner as the death benefit.</p> <p>An Executive member who becomes totally but temporarily disabled will receive a benefit of 75% of salary payable in monthly instalments. The benefit is payable after a 3 month waiting period for a maximum of 24 months. This benefit is insured within the Fund.</p> <p>Other members are entitled to a monthly income benefit which is calculated as 1/12 of one eighth of the death benefit. This benefit is insured within the Fund.</p>
Resignation Benefit	<p>The benefit is a return of the member's contributions to the Fund, increased with interest at the declared rate (with a 4% per annum average compound minimum rate applying since 1 January 1988 for members at that date).</p> <p>This amount is increased by a Vesting Factor equal to 155% of the member account.</p>
Retrenchment Benefit	<p>A lump sum benefit payable to a member who ceases employment as a result of retrenchment, sickness or accident.</p> <p>The retrenchment benefit is equal to the greater of the early retirement and resignation benefits.</p>
Superannuation Guarantee	Benefits are subjected to a minimum of the Minimum Requisite Benefit specified in a Benefit Certificate dated 17 October 2013.
Members' Contributions	Members contribute at 5% of salaries. For Category D1 and D2 members, the Employer makes these contributions on behalf of them and the contributions are said to be "deemed" for benefit purposes. Some members have chosen to have their member contributions paid via salary sacrifice.
Voluntary Contributions	Voluntary contributions are accumulated with the interest, and are payable in addition to the normal benefits.

Category B Members

Benefits for Part B members are made up of two components – a defined benefit component and a “dollar related” component.

Defined Benefit Component

These benefits operate in a similar manner to those for Category D members with the following variations. From 7 July 2008, all contributions and accruals for Category B members’ benefits were frozen.

Final Average Salary (FAS)	The average of the annual rates of salary in the preceding five years.
Normal Retirement Benefit	The multiple is calculated as 6.25% for each year of membership.
Resignation Benefit	The Vesting Factor is equal to 20% per annum for each complete 5 year period of membership, up to 100% after 25 years.
Retrenchment Benefit	A discount rate of 1% per annum is used in lieu of the 3% per annum discount on early retirement.
Members' Contributions	Members contributed at 2.5% of salaries.

"Dollar Related" Component

This component is payable only on retirement with more than 10 years of service, and is subject to the standard rates of discount for early retirement. The component payable on normal retirement is calculated as:

Service before 1 January 1979	\$150 for each year (months count as fractions of a year).
Service after 1 January 1979, and before 1 March 1981	\$300 for each year (months count as fractions of a year).

Category C Members

These benefits operate in a similar manner to the “dollar related” component for Category B members with the following variations:

Service after 1 March 1981	\$300 for each year (months count as fractions of a year).
Early Retirement Benefit	No discount is applied but consent is required prior to normal retirement.

Discretions

The table below indicates the material discretions available to the Trustee and Employer and the member options specified within the Fund’s legal documents, to the extent that these affect benefits. The table also shows the general prevalence of the past exercise of discretions and the options chosen by the members.

Please note that past exercises of discretions should not be viewed as precedents which would constrain any future decisions.

Trustee and Employer	
Description and Deed Reference	Historical Prevalence
Employer discretion of providing consent for Early Retirement	Employer discretion has been made in the past

Neither the Trustee nor the Employer has a right within the Trust Deed to review benefits or member contribution rates.

Minimum Benefit

Benefits on leaving service for any reason are subject to a minimum Superannuation Guarantee benefit described in the Fund’s Benefit Certificate

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 Fund’s current Benefit Certificate.

Under current legislation the SG rate will be 9.5% until 1 July 2021 and it will then increase by 0.5% pa until it reaches 12% from 1 July 2025.

Appendix B

Data and Decrement assumptions

Data Provisions

To prepare this report, we have relied on financial and participant data provided by the Fund's administrator. The data used is summarised in this report. We 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. We are satisfied that the data is sufficiently accurate for the purposes of this actuarial investigation.

We have also relied upon the documents, including amendments, governing the Fund as provided by the Trustee. The Trustee is ultimately responsible for the validity, accuracy and comprehensiveness of this information. If the data or Fund 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.

Decrement Assumptions

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

Retirement

Age x	Retirement (%)
55	20%
56 - 59	5%
60	20%
61	15%
62	15%
63	20%
64	50%
65	100%

Resignation, Death and Disablement

Age	Resignation (%)	Death (%)	TPD (%)
45	2.9	0.19	0.13
50	1.7	0.32	0.29
55	-	0.54	0.62
60	-	0.91	1.30

Appendix C

Calculation of the Actuarial Value of Accrued Benefits

The calculation of the Actuarial Value of Accrued Benefits has been carried out 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. The information required for AASB 1056 is in Appendix D.

Defined Benefits

The past membership components of all defined benefits payable in the future from the Fund 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 based on the member's accrued benefit multiple or relevant account balances at the investigation date.

The weighted average term of the accrued benefit liabilities is 5 years.

Accumulation Benefits

The value of accumulation benefits has been 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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