# Regular Triennial Actuarial Investigation Report to the Trustee of the

## smartMonday PRIME TESF - ASC Superannuation Plan

**Valuation Date:** 1 July 2021

**Date of Report:** 17 December 2021

**Aon Solutions Australia Limited**
ABN 48 002 288 646
AFSL No 236667

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# Table of Contents

# Executive Summary

Superannuation regulations and the Trust Deed of the smartMonday PRIME TESF - ASC Superannuation Plan (the Plan) require that the Plan undergo a regular triennial actuarial investigation. This report has been prepared in order to comply with these provisions.

The sponsor of the Plan is ASC Pty Ltd (the Employer) and the Trustee is Equity Trustees Superannuation Limited (the Trustee).

## Financial condition

A snapshot of the financial condition of the Plan as at 1 July 2021 is set out below.

| | Defined Benefits only | Total Plan | Comments |
|---|---|---|---|
| Vested Benefits Index | 117.6% | 100.5% | ▪ The Plan remains in a satisfactory financial position.<br>▪ The Plan's Vested Benefit Index for Defined Benefits is above the Shortfall Limit of 99.0%. |
| Actuarial Value of Accrued Benefits Index | 119.7% | 100.5% | ▪ The Plan remains in an adequate financial position.<br>▪ The Plan had a surplus on this basis of $724,829 |
| Minimum Requisite Benefits Index | 141.1% | 100.9% | ▪ The Plan was solvent in relation to its Minimum Requisite Benefits. |

See Sections 4 and 5 for more information on the financial condition of the Plan.

## Significant changes since the initial actuarial investigation

Below is an explanation of changes or events that have occurred since the initial actuarial investigation and that had a significant effect on this regular triennial actuarial investigation.

### Significant events

Employer Contributions

Contributions for Category C members as recommended by the Actuary for the 2019-2020 year totalling $50,000 were not paid to the Plan. The Employer advised that the contributions were put on hold until further investigation could be caried out on the value of the Plan's assets and once the Plan assets investigation concluded the contributions were reinstated. This contribution was made to the Plan in June 2021.

Category C Company Account

We found that two Category C members had not had their contributions credited to their Category C Company Accounts since February 2019. The administrator has rectified this in June 2021 by paying them from the Plan's Reserve assets. We noted that both members were of early retirement age and therefore this did not have an impact on the financial position of the Plan or the members' benefits.

Reserve Account

There was an administration error which resulted in the full benefit payments for four of the five DB exited members from 2019-20 being paid from the Reserve assets rather than the top up payments. An amount of $611,969 was paid out of the Plan's Reserve assets instead of the top up payment of $13,926. This matter has been rectified by the administrator.

Assets

We have investigated the correct value of DB assets to be used by liaising with the Administrator and the Employer. This was due to a misunderstanding of certain DB related account balances being part of DB assets in the administrator's data. The DB related account balances (Category C Member Accounts, Category C Company Accounts and DB Crystallised Accounts) are to be included as assets but had also been included in the Plan's Reserve assets as they were believed to be notional assets. Our approach for reported assets as at 1 July 2019 had excluded these account balances which basically has the same result apart from the slight difference in asset weightings of the Moderate - Active option and Balanced Growth - Active option for the member accounts versus the Reserve assets. The administrator has rectified the double counting issue and set procedures in place to ensure treatment of assets is correct in future.

DB Transfer Out

One frozen DB Member (in Category FRP2) and many accumulation members elected to transfer out of the Plan into a separate superannuation fund (setup by the Employer as their new default fund) after the valuation date up to 14 December 2021.  In addition, one Category FRP2 has elected to transfer their accumulation benefit but not their frozen defined benefit out of the Plan.

# Employer contribution recommendations

I recommend that the Employer pays contributions to the Plan at the rates set out in the table below:

| **Category** | **Employer Rate for defined benefit members (% pa of salaries)** | | |
|---|---|---|---|
| | **1/7/2021 – 31/1/2022** | **1/2/2022 – 30/6/2026** | **1/7/2026 onwards** |
| C[1] | Nil | Nil | Nil |
| FRP2[2] | SG Rate | Nil | SG Rate |
| PT2[2] | SG Rate | Nil | SG Rate |

[1]13.3% of Superannuation Salary is to be credited from the Plan reserve to the Company Account as the Plan is on a contribution holiday.

[2] The SG contribution rate is to be paid (or amount provided to be loaded from the Plan's surplus assets where nil contributions are required) based on OTE (excluding bonus) and the balance of the contribution rate is paid on the Superannuation Salary.

Plus:

- The following compulsory Defined Benefit Member contributions of Superannuation Salary;

| Category | Member Contribution rate |
|---|---:|
| C | 5% pa (or 5.88% pa pre-tax) |
| FRP2 | Nil |
| PT2 | 4.0% pa pre-tax |

- The SG contribution rate on Bonus for Defined Benefit Members, if applicable (only required where the OTE salary (excluding bonus) is under the maximum contributions base); and
- Employer contributions of at least the Superannuation Guarantee rate of Ordinary Time Earnings in respect of Accumulation members and compulsory member contributions of 4% pa of Superannuation Salary on a pre-tax basis for accumulation categories CAS and PT1 are also payable.

The Employer contributions must be paid (or loaded to members' accounts where nil contributions are required) by the 28th day of the month following the month to which they relate. The Employer contributions in respect of Accumulation members must be paid by the 28th day of the second month following the quarter end.

The recommended contributions will need to be reviewed prior to the next regular triennial actuarial investigation due with an effective date of 1 July 2024 if one or more of the notifiable events within the Funding and Solvency Certificate occur prior to that date as advised by the Trustee (unless, after reviewing the details of a specific event which would otherwise be classified as a notifiable event, the Actuary advises the Trustee in writing that such an event does not constitute a notifiable event).

The recommendation for Category C members has been reduced from $50,000 per annum payable by 30 June each year to nil and we note that no part of the contribution for the year to 30 June 2022 has been paid yet. Due to the strong financial position of the Plan, we are recommending the change be effective from 1 July 2021 so that no Employer contribution is required for this financial year for Category C members.

Please refer to Section 4 for details.

## Shortfall Limit recommendations

I have reviewed the Shortfall Limit of 99.0% and confirm that, in my view, it remains appropriate.

Please refer to Section 5 for details.

## Insurance recommendations

I have reviewed the formulae and confirm that, in my view, they remain appropriate and the current insurance arrangements should be maintained.

Please refer to Section 6 for details.

## Investment recommendations

Other than the SG minimum benefit and resignation benefit, the defined benefits are not impacted by the investment return. As a result, the financial position of the Plan and contribution requirements are particularly sensitive to the investment return achieved on the Plan's assets.

In my opinion, the retention of the current investment strategy is appropriate to meet the long-term liabilities of the Plan including the projected lump sum benefits of Defined Benefit members on termination of employment or on reaching their Normal Retirement Date and converting to the Plan's Accumulation category.

Given the strong financial position of the Plan, the Employer may prefer to have the Defined Benefit assets to be invested in a less growth-orientated investment option in order to reduce the fluctuations of assets in volatile investment markets. The Plan's growth assets are over allocated at this time as the actual asset allocation to the more aggressive Balanced Growth investment option is over 60% compared to the strategic allocation of 50%. A change to a less growth-orientated investment option would assist in preserving the surplus and reduce potential fluctuations in the contribution rate, however, it would increase the long-term rate.

We can assist the Trustee and Employer to consider the financial impact of a change in investment strategy.

For more information refer to Appendix C.

## Crediting rate recommendations

I have reviewed the crediting rate policy for the Plan and confirm that, in my view, it remains appropriate and should be maintained. For more information refer to Appendix C.

## Monitoring recommendations

I have reviewed the current practice of carrying out a funding position review on an annual basis between triennial actuarial investigations and confirm that, in my view, it remains appropriate based on the current and expected financial position over the next three years.

## Actuarial assumptions

There have been changes to the actuarial assumptions since the initial actuarial investigation. For more information refer to Section 3.

## Material risks

I have reviewed the material risks of the Plan and confirm that, in my view, there are no unusual significant risks that the Trustee needs to be aware of.

Please refer to Section 8 for details.

# Next actuarial investigation

The next regular triennial actuarial investigation of the Plan should be carried out with an effective date of 1 July 2024. The Trustee may request that an interim actuarial investigation be carried out before this date. A funding position review will be performed at each 1 July between investigations. The next funding position review should be carried out as at 1 July 2022.

An interim actuarial investigation may need to be carried out at an earlier date if one or more of the following notifiable events occur prior to that date as advised by the Trustee/Employer (unless, after reviewing the details of a specific event which would otherwise be classified as a notifiable event, the actuary advises the Trustee in writing that such an event does not constitute a notifiable event):

- an amendment to the benefits under the Plan;
- the replacement of the Plan's Benefit Certificate dated 17 December 2021;
- total salaries of all members increase by more than 20% in any one year;
- a change in the investment strategy of the Plan;
- the Vested Benefits at an annual review date are found, on completion of that annual review, to exceed the market value of the assets at the review date;
- the failure to insure death and total and permanent disablement benefits at least to the extent recommended in the most recent regular triennial actuarial investigation at 1 July 2021.
- the Employer makes contributions to the Plan at a rate less than that recommended by the Actuary; or
- the notification to the Trustee by me as the Actuary of the Plan of any circumstance occurring during the currency of the Funding and Solvency Certificate dated 17 December 2021 which is a Notifiable Event as described in sub-regulation 9.13 of the Superannuation Industry (Supervision) Regulations.

# Disclaimer

The calculations provided in this report are based on a number of assumptions. The assumptions used are best estimates only and may not be borne out in practice. It is therefore important to review the calculations in the light of actual experience and obtain regular updates.

Saffron Sweeney

Saffron Sweeney
Fellow of the Institute of Actuaries of Australia

17 December 2021

# Section 1 – Introduction

## Purpose of the Regular Triennial Actuarial Investigation

The reasons for this regular triennial actuarial investigation are:

- to satisfy the requirements of Superannuation Prudential Standard (SPS) 160 which requires a regular actuarial investigation to be carried out once every three years;
- to review the Plan's financial position as at 1 July 2021 (the Effective Date);
- to examine the Plan's immediate solvency and funding indices;
- to recommend appropriate Employer contribution rates so that the Plan remains in a satisfactory financial position and in order to satisfy clause 1.6 of the Trust Deed;
- to review the basis for insuring death and disability benefits; and
- to comment on any aspect of the Plan that may assist with improving its objectives.

The main provisions of the Plan that relate to benefits and contributions are set out in Appendix A.

## Name of Actuary

This regular triennial actuarial investigation was carried out as at 1 July 2021 by Saffron Sweeney, of Aon Solutions Australia Limited, Fellow of the Institute of Actuaries of Australia. The initial actuarial investigation was also completed by Saffron Sweeney as at 22 November 2018. The results are shown in the report dated 21 May 2019.

## Compliance with the standards of the Institute of Actuaries of Australia

This report satisfies the requirements of the Professional Standards (including Professional Standards 400, 402 and 404) and Practice Guideline 1 published by the Institute of Actuaries of Australia and Superannuation Prudential Standard (SPS) 160.

## Reliance and Limitations in the Report

There have been no restrictions or limitations placed on me in providing the recommendations in this report.

This report is intended for the sole use of the Trustee and/or Employer for the purposes set out in this report. It may not be appropriate for other business purposes. Reliance on information contained in this report by anyone for other reasons than the intended purpose, puts the relying entity at risk of being misled because of confusion or failure to understand applicable assumptions, methodologies, or limitations of the report's conclusions. Accordingly, no person or entity, including the Trustee, should base any representations or warranties in any business agreement on any statements or conclusions contained in this report without the written consent of Aon Solutions Australia Limited (ABN 48- 002 288 646, AFSL No 236667) or Aon.

# Previous investigation results

The results of the previous investigations were as follows:

| | **Regular Triennial Actuarial Investigation as at 22 November 2018** | **Funding Position review as at 1 July 2019** | **Funding position review as at 1 July 2020** |
|---|---|---|---|
| A surplus of Assets over the Actuarial Value of Accrued Benefits | $334,176 | $601,694 | $383,983 |
| An excess of Assets over the Vested Benefits | $327,463 | $620,164 | $351,697 |
| Summary of the recommended Employer contribution for DB members | $225,000 pa until 30 June 2019 and $50,000 pa until 21 November 2023 | $50,000 pa until 21 November 2023. | $50,000 pa until 21 November 2023 |

The average long-term Employer contribution rate was 1.1% pa of Defined Benefit members' superannuation salaries as at 22 November 2018. Also, SG Rates were payable for Cat FRP2 and PT2 members.

Contributions have been paid in accordance with the above recommendations since the initial actuarial investigation to the date of this report. We note that the contribution for the year to 30 June 2022 has not yet been paid as the Employer had until 30 June 2022 to make the payment. Due to the strong financial position of the Plan, we are recommending a change so that no Employer contribution is required for this financial year for Category C members.

# Section 2 – The Plan's Experience

This section considers the assumptions used in the initial actuarial investigation as at 22 November 2018 and the experience of the Plan relative to these assumptions.

The main factors affecting the Plan's financial position during the period since the initial actuarial investigation as at 22 November 2018 were as follows:

| | **Assumptions at the initial investigation** | **Plan Experience** | **Impact on the financial position of the Plan (when considered in isolation)** |
|---|---|---|---|
| Investment Returns[1] | ▪ 4.75% pa | ▪ 8.2% pa | Favourable effect: The Defined Benefit assets increased at a higher rate than assumed. |
| | | ▪ At the equivalent average return of funds with a similar investment strategy[2]. | The Plan earned the same returns as other funds with a similar investment mix. |
| Salary Increases | ▪ 3.7% pa | ▪ 5.0%[3] pa | Unfavourable effect: The Defined Benefit liabilities increased at a higher rate than assumed. |
| Average Employer Contributions | ▪ Recommended lump sum of $225,000 pa until 30 June 2019 and $50,000 pa until 21 November 2023 (approximately 1.1% of all defined benefit salaries) | ▪ Employer contributions were paid as recommended | Favourable effect: This is due to the recommended contributions being paid at a higher rate than the long-term cost of providing the defined benefits. |
| Expenses and Insurance Premiums (for Category C members)[4] | ▪ 0.5% pa of all defined benefit members' salaries | ▪ 0.53% pa of all defined benefit members' salaries | Unfavourable effect: The Defined Benefit assets, on average, have paid slightly more expenses and premiums than assumed. |

[1]net of investment expenses and tax
[2]based on the SuperRatings Fund Crediting Rate survey issued in June 2021
[3]for existing Defined Benefit members over the investigation period
[4]% Insurance premiums are included in expenses

The other factors affecting the Plan's financial position during the period since the initial actuarial investigation include:

- Membership movements:
  - Exits: 11 Defined Benefit members left the Plan due to retirement during the triennial actuarial investigation period, which is lower than that assumed in the previous investigation. Overall benefits paid were less than the amounts reserved and therefore, in isolation, this has led to a favourable effect on the financial position of the Plan.

The overall experience of the Plan during the investigation period has had a positive effect on its financial position.

# Section 3 – Assumptions

As part of this regular triennial actuarial investigation, I have analysed the method and assumptions used in the initial actuarial investigation as at 22 November 2018. Where appropriate I have maintained these methods and assumptions, however most have changed in light of the experience discussed in Section 2 of this report and after consideration of changes in market expectations. The actuarial method used is described in Appendix D.

## Interest/Salary Differential

The most significant financial assumptions used in a regular triennial actuarial investigation are the rate of future investment returns and the rate of future salary increases. These rates must be considered together because of their economic interdependence in the medium to long-term.

While the absolute level of assumed investment returns is relevant in any regular triennial actuarial investigation, the critical factor is the relationship that this rate has with the assumed rate of salary increase. The difference between the two figures is the Interest/Salary Differential. For this investigation I have used an Interest/Salary Differential assumption of 0.7% pa as shown in the table below. Therefore, the Interest/Salary Differential is more conservative than used in the initial actuarial investigation. The overall impact of these assumptions, in isolation to all others, is that the Actuarial Value of Accrued Benefits increased and the long-term contribution rate has increased.

| | Net investment return (pa) | Salary increase rate (pa) | Differential (pa) |
|---|---|---|---|
| **Assumption as at 22 November 2018** | 4.75% | 3.70% | 1.05% |
| **Assumption as at 1 July 2021** | 4.40% | 3.70% | 0.70% |

These assumptions have taken into account the long-term outlook of economic conditions, in particular:

- The investment return assumption was derived using long term assumptions for each asset class net of tax as determined by Aon's global investment team, multiplied by the strategic asset allocation of the Defined Benefit related assets (based on the current split of 62% in the Balanced Growth – Active option and 38% in the Moderate – Active option) and allowing for correlations of investment returns between asset classes and investment fees;
- We expect that inflation will remain under control at around the RBA target of 2% pa to 3% pa. We have assumed CPI will be 2.35% pa;
- The long term outlook for investment returns being somewhat lower than those earned in the last three years; and
- The salary increase rate assumption was determined after discussion with the Employer.

## Demographic assumptions

The Death and TPD assumptions have been updated from the initial actuarial investigation based on the overall experience of Master Trusts in the Australian market. The impact of this change in isolation is to create a small increase in the liabilities.

The assumption for early retirement has been updated from the initial actuarial investigation based on the overall experience of Master Trusts in the Australian market. The impact of this change in isolation is to create a small decrease in the liabilities. All other demographic assumptions remain unchanged.

Specimen rates of leaving through various causes which have been used in this regular triennial actuarial investigation and the initial actuarial investigation are shown in the following table:

**Number of exits per 10,000 members**

| | **1 July 2021** | | | **22 November 2018** | | |
|---|---|---|---|---|---|---|
| **Age Last** | **Resignation** | **Death & Disablement** | **Retirement** | **Resignation** | **Death & Disablement** | **Retirement** |
| 30 | 0 | 5 | 0 | 0 | 5 | 0 |
| 35 | 0 | 7 | 0 | 0 | 6 | 0 |
| 45 | 0 | 18 | 0 | 0 | 15 | 0 |
| 50 | 0 | 35 | 0 | 0 | 30 | 0 |
| 55 | 0 | 72 | 1,000 | 0 | 63 | 1,000 |
| 60 | 0 | 137 | 1,950 | 0 | 116 | 1,500 |
| 65* | 10,000 | 0 | 10,000 | 10,000 | 0 | 10,000 |

* exact age

No allowance has been made for retrenchment which is consistent with the initial actuarial investigation. Note that there is no specific retrenchment benefit for the Plan (ie members receive the same benefit as if they had resigned or retired, as applicable).

The impact of these changes in assumptions in isolation has increased the Actuarial Value of Accrued Benefits and decreased the long-term contribution rate.

# Expenses and Insurance Premiums

The operating expenses and insurance premiums of the Plan are met from the Assets of the Plan, and as such, the regular triennial actuarial investigation requires a specific allowance to be made to meet these costs. The assumed expenses and insurance premiums for this investigation and the previous investigation are shown in the table below.

| | **22 November 2018** | **1 July 2021** |
|---|---|---|
| **Total expense and insurance premium (for Category C members) assumption** | **0.5% pa** | **1.1% pa** |

^ As the assumption is based on total Defined Benefit salaries, the impact of having fewer Defined Benefit members means that the expenses as a percentage of total Defined Benefit salaries increases.

The expenses and insurance premiums assumptions have increased from the initial actuarial investigation to reflect the expected expenses over the next three years which have increased due to a revision of smartMonday expenses from 1 June 2021 and a smaller number of Defined Benefit members means total salaries of Defined Benefit members are lower.

Premiums for any voluntary insurance cover are deducted from Defined Benefit members' accounts and are not funded by the Plan Assets therefore no assumption is required for this cover.

Accumulation members' expenses and insurance premiums for Death/TPD and SCI insurance are deducted from members' accounts or paid by the Employer and therefore the assumptions above do not incorporate the cost associated with Accumulation members' expenses and insurance premiums.

The impact of this change in total expense and insurance premiums assumption in isolation has increased the long-term contribution rate.

# Tax

There have been no changes to our assumptions regarding tax since the initial actuarial investigation. These assumptions are set out below.

The recommended Employer contribution amount includes an allowance for 15% tax.

Contribution rates for future service benefits include an allowance for the current 15% tax on Employer contributions, net of deductible expenses.

For the purpose of meeting funding requirements, we have made the following assumptions:

- No allowance has been made in the projections for the impact of the surcharge (up to 30 June 2005 but not assessed before 1 July 2021), or withholding tax due to members not providing their Tax File Number to the Trustee, or excessive contributions tax levied on the member where the member has elected the Plan to pay it on their behalf, if not assessed before 1 July 2021;
- No allowance has been made for the additional 15% tax on contributions for high-paid individuals or any excessive contributions tax levied. It is assumed that benefits will be adjusted (via additional accumulation accounts) for affected members to meet these tax amounts assessed;
- No adjustment has been made to the non-concessional contributions, if any, of members where their total superannuation benefit exceeds $1.7 million;
- The Trustee has made a decision in relation to the tax deductibility rules for after-tax contributions from 1 July 2017 in a way that would not lead to a funding implication for Defined Benefit members; and
- That the SG Rate is paid without limitation (ie not limited to the SG maximum salary base) for Defined Benefit members.

## Overall effect of changes in assumptions

Overall the changes have slightly increased the expected cost of providing Defined Benefits to the members of the Plan.

# Section 4 –Actuarial Value of Accrued Benefits

I have adopted the actuarial method and assumptions described in Section 3 and in Appendix D of this report to determine the present value of past and future liabilities and Employer contributions in relation to Defined Benefit members. The results of the regular triennial actuarial investigation are detailed in the following table and both the assets and liabilities include the Accumulation member account balances and additional accounts for the Defined Benefit members.

| **Actuarial Value of Accrued Benefits (past service)** | **Total ($)** |
|---|---|
| Retirement | 3,493,558 |
| Death & Disablement | 191,180 |
| Resignation | 0 |
| **Total of Defined Benefit related liabilities** | **3,684,738** |
| Additional accounts for Defined Benefit members* | 6,877,209 |
| Accounts for Accumulation members | 126,535,652 |
| **Actuarial Value of Accrued Benefits** | **137,097,599** |
| **Assets**** | **137,822,428** |
| **Surplus/(Deficit)** | **724,829** |

* This includes the account balances for non-accruing Defined Benefit members that relate to the period after they ceased to be accruing Defined Benefit members.
**Assets for Accumulation members have been set equal to the Accumulation members' benefits.

# Analysis of changes in financial position since the initial actuarial investigation

The following table quantifies the various impacts on the financial position of the Plan since the initial actuarial investigation as at 22 November 2018. These figures give an indication of the impact of the factors that affect the final regular triennial actuarial investigation result. As there are yearly funding calculations performed, these items have been determined in each year between triennial investigations and added to provide the worth of movements for the period since 22 November 2018.

| | **$(000's)** |
|---|---|
| **Previous surplus/(deficit)** | **334** |
| Interest on surplus/(deficit)[1] | 74 |
| Investment gains/(losses)[2] | 221 |
| Employer contributions paid at a higher/(lower) rate than long term rate[3] | 193 |
| Expense gains/(losses)[4] | (4) |
| Salary gains/(losses)[5] | (85) |
| Change in basis gains/(losses)[6] | (28) |
| Withdrawal gains/(losses)[7] | 10 |
| Impact of incorrect FAS at 22/11/2018[8] | (26) |
| Tax on 2020-21 Employer contributions[9] | 15 |
| Miscellaneous | 20 |
| **Surplus/(deficit) as at the valuation date** | **725** |

[1]Interest on surplus over the period

[2]An investment gain occurs when investment earnings are higher than assumed.

[3]A contribution gain occurs when employer contributions are paid at a rate higher than the long term rate.

[4]An expense loss occurs when expenses are more than assumed.

[5]A salary loss arises when salaries increase at a higher rate than assumed.

[6]A loss from a change in basis occurs when the overall set of assumptions becomes more conservative.

[7]A withdrawal gain occurs when the benefit paid is lower than reserved for in the Plan.

[8]Incorrect FAS was used in the initial valuation on 22/11/2018 and this adjustment was made to the liabilities reported from 1 July 2019.

[9]The $100,000 contributions made by the Employer in June 2021 were not taxed by the administrator and this has resulted in a gain of $15,000 to the assets at 1 July 2021, this is being rectified by the administrator and will reduce the assets in the next financial year.

## Use of excess reserves

The excess of assets over the Actuarial Value of Accrued Benefits equates to the surplus of Assets held by the Plan. It is useful to hold a small surplus to protect the Plan from minor fluctuations in asset values and to ensure Vested Benefits are covered.

Total assets exceeded the Actuarial Value of Accrued Benefits as at 1 July 2021 by $724,829. This is equivalent to 19.7% of Defined Benefit liabilities (ie excluding accumulation members' benefits and Defined Benefit members' additional accounts) and 27.4% of total Defined Benefit salaries. Any excess can be used to suspend all Employer contributions (from 1 July 2021) for all Defined Benefit members (including the Employer contributions for frozen Defined Benefit members) for a period of 5 years. Defined Benefit member after tax contributions should continue to be paid at the specified rates.

# Long-term contribution rate

The Defined Benefits long-term Employer contribution rate has increased since the initial actuarial investigation due to the change in actuarial assumptions (particularly with regards to expenses and premiums) and reduced membership.

| **Present Value of Future Service Liability** | **Total ($)** |
|---|---|
| Retirement | 73,589 |
| Death & Disablement | 2,704 |
| Resignation | 0 |
| | **76,293** |
| Less member contributions for Category C | 24,272 |
| **Net Future Service Liability** | **52,021** |
| Equivalent net future contribution rate | 0.6% |
| Tax | 0.1% |
| Expense allowance^ | 1.1% |
| Death and TPD premiums^ | 0.0% |
| **Employer contribution rate required for Future Service Benefits (pa salary)*** | **1.8%** |

^ premiums for Category C members are included in the Expense allowance.

* Note that based on the current salaries one year of contributions at this rate of Defined Benefit salaries is approximately $48,000.

# Section 5 – Immediate Solvency and Funding Indices

## Immediate tests on the adequacy of the assets

An important objective of this regular triennial actuarial investigation is the measurement of the funding of expected member benefits in respect of their service up to the valuation date.

- Assets: I have taken the fair value of the net assets provided by the Plan administrator, based on the smartMonday PRIME TESF general ledger, as the value of assets for Defined Benefit members and the value of Accumulation members' benefits as the value of assets for Accumulation members for the purpose of this regular triennial actuarial investigation. The financial statements which include all smartMonday plans at 30 June 2021 were audited and signed on 27 September 2021. The assets are net of any amount held to meet the Operational Risk Financial Requirement (ORFR). The assets are discussed further in Appendix C.
- Liabilities: Appendix D contains a summary of the method used in the regular triennial actuarial investigation to determine the liabilities of the Plan.

The indices described here have been used to assess whether the Assets of the Plan are sufficient to ensure its ongoing solvency and to measure the changes in these indices since the initial actuarial investigation.

The table below shows the relevant indices calculated by dividing the level of assets by the total of the relevant benefit based on the results of this regular triennial actuarial investigation and the initial actuarial investigation.

| | 22 November 2018 | | | 1 July 2021 | | | |
|---|---|---|---|---|---|---|---|
| | **Amount ($)** | **Index[1]** | **DB Index[2]** | **Amount ($)** | **Index[1]** | **DB Index[2]** | |
| **Minimum Requisite Benefits[3]** | 175,360,555 | 100.5% | 118.1% | 136,537,027 | 100.9% | 141.1% | A |
| **Vested Benefits** | 175,853,283 | 100.2% | 106.5% | 137,161,537 | 100.5% | 117.6% | A |
| **Actuarial Value of Accrued Benefits** | 175,846,570 | 100.2% | 106.7% | 137,097,598 | 100.5% | 119.7% | A |
| **Accumulation Benefits[3]** | 170,824,277 | | | 133,412,860 | | | B |
| **Assets[4]** | 176,180,746 | | | 137,822,428 | | | C |

[1] Index is C/A

[2] DB Index is (C – B)/(A – B), ie the index excluding accumulation benefits.

[3] The accumulation benefits are inclusive of additional accounts for Defined Benefit members (including surcharge accounts) and Accumulation members' benefits.

[4] Assets for Accumulation members have been set equal to the Accumulation members' benefits.

## Vested Benefits Index

Vested Benefits are the benefits that members are entitled to receive upon voluntary withdrawal from the Plan. It is either the resignation benefit or early retirement benefit, if eligible.

The Vested Benefits Index provides a measure of the Plan's ability to meet its minimum obligations to all members if they had withdrawn from the Plan on the valuation date.

To ensure that the Plan is in a satisfactory financial position, it is essential that the Vested Benefits Index is kept above 100%. The Vested Benefits Index was at a satisfactory level at the valuation date.

## Shortfall Limit

In accordance with SPS 160, the Trustee has set a Shortfall Limit of 99.0%. This is the extent to which the Trustee considers the Plan can be underfunded (on the basis that assets are insufficient to meet all members' Vested Benefits) but retain a reasonable expectation of returning to a funded position within a year, solely due to a correction to temporary negative market fluctuations in the value of the Plan assets.

This Shortfall Limit is to be compared to the Defined Benefit Vested Benefits Index ie the ratio of Defined Benefit assets and Defined Benefit Vested Benefit liabilities. Accumulation members' benefits and additional accounts for Defined Benefit members are excluded from the assets and liabilities.

The Defined Benefit Vested Benefit Index at 1 July 2021 was 117.6%. Therefore, the Plan has not fallen below the Shortfall Limit at the valuation date**.**

I have reviewed the Shortfall Limit of 99.0% and confirm that, in my view, it remains appropriate.

As the Shortfall Limit is determined with reference to the proportion of growth-oriented assets (as well as salary related benefits) the Shortfall Limit will need to be recalculated if the Trustee changes the investment strategy of Defined Benefit related assets.

## Minimum Requisite Benefits Index

Minimum Requisite Benefits (MRBs) are the minimum benefits that members are entitled to under the Superannuation Guarantee legislation. The Plan is 'solvent' if the net realisable value of the Assets of the Plan exceeds the MRB of all members of the Plan.

The Minimum Requisite Benefits Index provides a measure of the Plan's ability to meet its minimum Superannuation Guarantee obligations to all active members if they had withdrawn from the Plan on the valuation date.

The Minimum Requisite Benefits Index was kept above 100% and therefore the Plan was solvent at the valuation date.

## Actuarial Value of Accrued Benefits Index

The valuation results shown in Section 4 of this report disclose the Actuarial Value of Accrued Benefits, also known as the Past Service Liability. This is the same as the figure calculated for AASB1056 purposes which was calculated in accordance with the Institute of Actuaries of Australia Practice Guideline 499.06. This amount constitutes the "value of the liabilities in respect of accrued benefits" as defined in Division 9.5 of the Superannuation Industry (Supervision) (SIS) Regulations and has been calculated in accordance with Professional Standard 402 issued by the Institute of Actuaries of Australia.

Also note that the Actuarial Report for AASB 1056 Purposes dated 12 August 2021 excluded Defined Benefit members' additional accounts and Accumulation members' benefits as these liabilities are equal in value to the assets held and therefore recognised as "Defined Contribution member benefits" in the AASB 1056 financial statements.

The Actuarial Value of Accrued Benefits Index provides a measure of the Plan's ability to meet its benefit obligations to all members of the Plan based on membership to the valuation date.

The minimum desirable range for this index is 100%-105% which allows for possible variations in asset values. The index was at an adequate level at the valuation date.

## Termination of the Plan

In the event of the termination of the Plan, the Trustee must apply the assets of the Plan in this order of priority:

> (a) to every Employee who was a Member at the relevant date of termination, that portion of the remaining assets which the Trustee after obtaining the advice of the Actuary determines to be held in the Plan in respect of each such Member or ex-Member;
>
> (b) only after providing a fair and reasonable portion of the remaining assets for affected Members and if applicable, ex-Members under paragraph (a) including having provided for or accrued and reserved for amounts sufficient out of those assets to satisfy all affected Members and if applicable, ex-Members Accumulated Credits, the Trustee shall identify, on the advice of the Actuary, if there exists a residual amount in the Plan in respect of each affected Employer;
>
> (c) any residual amount determined under paragraph (b) shall, if directed by the Employer concerned but subject always to the requirements of Superannuation Law and subject if required to the approval of the Superannuation Authority, be paid by the Trustee to that Employer.

In the event of the termination of the Plan, the Trustee must apply the assets of the Plan in this order of priority:

There is no guarantee of adequacy for the termination liabilities, only a priority charge on available assets up to the level of termination liabilities. At 1 July 2021 the available assets exceeded the members' termination liabilities.

# Section 6 – Adequacy of Insurance Arrangements

The Plan Trustee has taken out insurance to protect the assets against certain contingencies which may have a material adverse effect on the solvency of the Plan.

## Death & Total and Permanent Disablement insurance (lump sum)

The Trustee has effected Group insurance (with TAL) to cover part of the lump sum benefits payable from the Plan in the event of the death or Total and Permanent Disablement (TPD) of members. The Sum Insured is designed to supplement the proportion of the benefit which has already been accrued in respect of the members within the Plan and to provide the balance of the relevant benefit from the insurance arrangement. Insurance replaces the otherwise volatile impact on the Plan of payments required in respect of the ‘unfunded’ portion of each death or disablement benefit with an annual premium, which can be taken into account in the financial planning of the Plan.

The Trustee has confirmed that there are no unusual terms and conditions in the insurance contract. At the present time, the formula used to determine the amount to be insured is as follows:

## Category C members

Insured Amount = Death/TPD benefit - Vested Benefit

## Accumulation members and Categories FRP2 and PT2

Insured Amount = Future service to age 65 in years and complete months x Accrual Rate x Salary

The accrual rate is $16\frac{2}{3}$% apart from non-contributory members where it is 5%.

## Death & Total and Permanent Disablement (TPD) funding and insurance

The following table shows the funded and insured portions of the benefit. It identifies the shortfall or excess amount of insurance in the event that all members were to die or become totally and permanently disabled.

| | **1 July 2021 (Death) ($)** |
|---|---|
| **Total sums insured (A)** | 128,231,514 |
| **Plan Assets (B)** | 137,822,428 |
| **Funding excess/(shortfall) set aside for funding purposes (C)*** | 724,829 |
| **Plan Assets available to meet Death/TPD benefits (B)-(C)=(D)** | 137,097,598 |
| **Available on Death/TPD (A)+(D)=(E)** | 265,329,112 |
| **Total Death/TPD benefits (F)** | 265,393,135 |
| **Excess/(shortfall) (E) - (F)** | (64,023) |

* the whole of the surplus is set aside for funding purposes to make allowance for the recommended contribution rate being lower than the long term Employer contribution rate and therefore this cannot be considered for Death/TPD purposes.

There is a small shortfall which would not detrimentally impact the financial position of the Plan as there is currently a large surplus which is expected to be larger than this shortfall over the next 5 years.

# Recommendation

I have reviewed the formulae and confirm that, in my view, they remain appropriate and the current insurance arrangements should be maintained.

# Disability Income insurance

The Trustee also has effected Group Insurance (with TAL) to cover disability income benefits payable from the Plan in certain circumstances of disablement. This is a fully insured benefit, however the Plan remains liable for the payment of retirement, death, total and permanent disablement and resignation benefits if a member who receives a disability income benefit terminates service. Benefits are payable for a period of two years in the Plan.

# Indemnity insurance

The Trust Deed provides an indemnity to the Trustee against claims which may be made against it. This is secured against the Assets of the Fund including this Plan.

The Trustee has taken out trustee indemnity insurance to help protect the Trustee, its Directors and the Fund against certain liabilities, that is consistent with the size and nature of its business and industry standards. As with any insurance, the indemnity is subject to the terms and conditions of the relevant insurance policy.

# Material issues arising from insurance

There are no material issues arising from insurance, although the Trustee should periodically review that all insurance cover remains sufficient.

# Section 7 –Sensitivity Analysis and Projections

## Assumption variation

The values of the benefit liabilities shown in this report depend on the assumptions used to calculate them. The main assumptions relate to salary increases and the long-term investment return (net of tax and investment expenses). Examples below provide an indication of the effect on the Actuarial Value of Accrued Benefits and on the Employer contribution rate of changing these assumptions only. The actual investment earning rate and salary increase rate may not be constantly above or below the rates assumed in carrying out the projection of benefits and the actual results may not fall within the ranges shown in the table below:

| **Assumptions (salary increase rate/long-term investment return)** | **Actuarial Value of Accrued Benefits as at 1 July 2021 ($)** | **Overall long-term Employer contribution rate as at 1 July 2021 (pa)** |
|---|---:|---:|
| This valuation (3.7% pa/4.4% pa) | 137,097,597 | 1.82% |
| Last valuation (3.7% pa/4.75% pa) | 137,069,929 | 1.82% |
| Last valuation with this valuation decrements (3.7% pa/4.75% pa)* | 137,073,513 | 1.81% |
| Salary inflation rate plus 1% pa (4.7% pa/4.4% pa) | 137,140,038 | 1.81% |
| Salary inflation rate minus 1% pa (2.7% pa/4.4% pa) | 137,068,345 | 1.82% |
| Investment return plus 1% pa (3.7% pa/5.4% pa)^ | 136,983,918 | 1.81% |
| Investment return minus 1% pa (3.7% pa/3.4% pa)^ | 137,218,854 | 1.83% |

* This is based on last valuation's financial assumptions only, ie the decrement assumptions are the same as those used for this valuation.

Based on the above results, the financial position of the Plan and the required Employer contribution will vary slightly depending on the actual experience of the Plan and particularly in relation to salary increases and long-term investment returns.

## Post valuation events

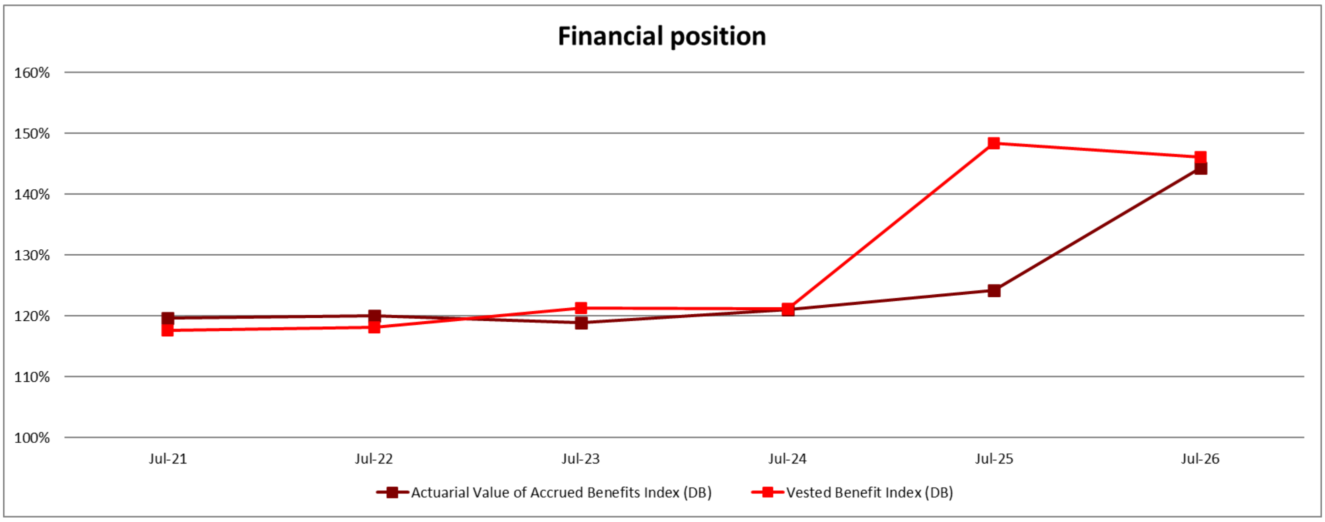
The Plan has earned an average investment return of 3.1% from the date of the valuation to 12 December 2021. This is higher than the rate assumed for the valuation and has further strengthened the financial position of the Plan. I estimate that coverage of Vested Benefits (exclusive of Accumulation members' benefits and Defined Benefit members' additional accounts) has increased from 117.6% at the valuation date to approximately 117.9% as at 12 December 2021. This has been taken into account in the recommended Employer contributions.

As Minimum Requisite Benefits (MRBs) are mostly accumulation in nature, they will have moved in line with this investment return. Therefore, the funding position, in regards to MRBs, is largely unchanged since the valuation date.

One frozen Defined Benefit member (in Category FRP2) and many accumulation members have elected to transfer their benefits to another superannuation fund due to the Employer selecting a new default superannuation fund. This has resulted in a significant reduction in membership since the valuation date. In addition, one frozen Defined Benefit member (in Category FRP2) elected to transfer out the accumulation component of their benefit. We are clarifying with the administrator the membership movement and its impact on the Plan.

# Projection of future liabilities

The graph below shows the projected value of Defined Benefit Vested Benefits, and Actuarial Value of Accrued Benefits for Defined Benefit members funding indices over the next 5 years. These projections have been based on defined benefit liabilities and assume that the Employer will pay contributions in accordance with the contribution recommendation (refer to Section 9 of this report) and are based on the assumptions used to calculate past service liabilities at each of the future dates. These projections also allow for the post valuation events described above apart from the reduction in Defined Benefit membership as the transfer has not been completed.




Assuming the Employer contributions are not less than the rates which I have recommended, I expect that on the assumptions, methods and asset values adopted in the valuation, that the Assets will remain sufficient to cover the value of these liabilities during the period up to 1 July 2026.

The significant improvement in the financial position starting from July 2025 on the chart is due to the exit due to normal retirement of all Category C and Category PT2 members.

# Section 8 – Material Risks

## Financial risk

As noted in the results of the Sensitivity Analysis (Section 7), the items that have the greatest impact on the financial position of the Plan are the differences between the assumed and the actual salary increase rate and the assumed and actual long-term investment return. Should salaries increase at a higher rate than assumed, the liabilities will be higher than expected and the assets may then be insufficient to cover members' benefits. This may then require the Employer to make larger contributions to the Plan. Similarly, if there are lower than assumed investment returns, the assets of the Plan would be reduced compared to the assets expected and may then be insufficient to cover members' benefits. This may then require larger contributions to be made by the Employer. If the Employer is willing and able to make these larger contributions and accept the volatility involved, a deterioration in the financial position can be managed.

Other strategies to mitigate these risks are:

- to ensure that the Employer is aware of the effect on the financial position of salary increases being granted above assumed rates; and
- to change the asset allocation on the Defined Benefit related assets to a less risky strategy (note: that this would generally increase the long-term cost to the Employer but provide lower contribution volatility).

## Employer financial viability

The future of the Plan relies on the Employer remaining a viable entity and being willing and able to pay contributions as and when needed. The Trustee should discuss the valuation report with the Employer and ensure the Employer understands the recommendations before agreeing to the contribution rates.

## Investment policy

As mentioned above, market risk is a key driver in the financial position of the Plan. However, there are other investment risks to consider. These include:

- Liquidity Risk - the risk that illiquid assets or large cashflows from the Plan cause the payment of benefits to be delayed or assets to be sold at reduced values to meet liability obligations.

smartMonday PRIME mitigates this risk by holding limited illiquid investments and holding a small cash float to facilitate switches and withdrawals.

- Concentration Risk – the risk that investments are concentrated in one particular asset class, country or manager, the poor performance of which could cause a material effect on the investment return.

smartMonday PRIME mitigates this risk by investing across a number of asset classes each within lower and upper asset class limits, and within each asset class holding a diversified portfolio of securities, and where relevant, across currencies and geographies.

The Trustee should periodically monitor the risks summarised in this section and seek advice or take action as may be deemed necessary.

# Section 9 – Recommendations and Actuary's Summary Statement for the Purposes of SPS 160

## Recommendations

### Future contribution recommendations

I recommend that the Employer pays contributions to the Plan at the rates set out in the table below:

| | **1/7/2021 – 31/1/2022** | **1/2/2022 – 30/6/2026** | **1/7/2026 onwards** |
|---|---|---|---|
| C[1] | Nil | Nil | Nil |
| FRP2[2] | SG Rate | Nil | SG Rate |
| PT2[2] | SG Rate | Nil | SG Rate |

[1]13.3% of Superannuation Salary is to be credited from the Plan reserve to the Company Account as the Plan is on a contribution holiday.

[2] The SG contribution rate is to be paid (or amount provided to be loaded from the Plan's surplus assets where nil contributions are required) based on OTE (excluding bonus) and the balance of the contribution rate is paid on the Superannuation Salary.

Plus:

- The following compulsory Defined Benefit Member contributions of Superannuation Salary;

| **Category** | **Member Contribution rate** |
|---|---|
| C | 5% pa (or 5.88% pa pre-tax) |
| FRP2 | Nil |
| PT2 | 4.0% pa pre-tax |

- The SG contribution rate on Bonus for Defined Benefit Members, if applicable (only required where the OTE salary (excluding bonus) is under the maximum contributions base); and
- Employer contributions of at least the Superannuation Guarantee rate of Ordinary Time Earnings in respect of Accumulation members and compulsory member contributions of 4% pa of Superannuation Salary on a pre-tax basis for accumulation categories CAS and PT1 are also payable.

The Employer contributions must be paid (or loaded to members' accounts where nil contributions are required) by the 28th day of the month following the month to which they relate. The Employer contributions in respect of Accumulation members must be paid by the 28th day of the second month following the quarter end.

The recommended contributions will need to be reviewed prior to the next regular triennial actuarial investigation due with an effective date of 1 July 2024 if one or more of the notifiable events within the Funding and Solvency Certificate occur prior to that date as advised by the Trustee (unless, after reviewing the details of a specific event which would otherwise be classified as a notifiable event, the Actuary advises the Trustee in writing that such an event does not constitute a notifiable event).

## Shortfall Limit recommendations

I have reviewed the Shortfall Limit of 99.0% (see Section 5) and confirm that, in my view, it remains appropriate. This will need to be reviewed if the Trustee changes the investment strategy.

## Insurance recommendations

I have reviewed these formulae (see Section 6) and confirm that, in my view, they remain appropriate.

## Investment recommendations

Other than the SG minimum benefit and resignation benefit, the defined benefits are not impacted by the investment return. As a result, the financial position of the Plan and contribution requirements are particularly sensitive to the investment return achieved on the Plan's assets.

In my opinion the investment strategy is appropriate to meet:

- the long-term liabilities of the Plan;
- the expected lump sum benefits of Defined Benefit members on termination of employment; and
- a conversion to the Plan's Accumulation category on reaching their Normal Retirement Date.

The Employer may prefer to have the Defined Benefit assets to be invested in a less growth orientated investment in order to minimise the fluctuations of assets in volatile investment markets. This may increase the long-term costs of running the Plan but will reduce fluctuations in the contribution rates in the short-term. If required, we can consider the financial impact of such a change.

The levels of liquidity available to the Plan are adequate to meet any of its short-term liquidity requirements.

## Crediting rate recommendations

I have reviewed the crediting rate policy for the Plan and confirm that, in my view, it remains appropriate and should be maintained. For more information refer to Appendix C.

## Monitoring recommendations

I have reviewed the current practice of carrying out a funding position review on an annual basis between triennial actuarial investigations and confirm that, in my view, it remains appropriate based on the current and expected financial position over the next three years.

# Disclaimer

The calculations provided in this report are based on a number of assumptions. The assumptions used are best estimates only and may not be borne out in practice. It is therefore important to review the calculations in the light of actual experience and obtain regular updates.

# Actuary's Statement for the Purposes of SPS 160

I have conducted a regular triennial actuarial investigation of the smartMonday PRIME TESF - ASC Superannuation Plan (the Plan) as at 1 July 2021 covering the period from 22 November 2018 to that date.

In my opinion:

1) As at 1 July 2021, the fair value of the net Assets of the Plan for Defined Benefit members, based on the general ledger for the Plan plus the Accumulation members' benefits for Accumulation member assets, was $137,822,428 and this is the value of assets used to determine the Employer contribution rate with an allowance for investment returns for the period from 1 July 2021 to 12 December 2021.
2) The value of the Assets of the Plan was adequate to meet the value of liabilities of the Plan in respect of the Actuarial Value of Accrued Benefits of $137,097,598 as at 1 July 2021. The Actuarial Value of Accrued Benefits of Defined Benefit members as at 1 July 2021 for the purposes of Australian Accounting Standard AASB1056 was $3,684,736 which was calculated in accordance with Practice Guideline 499.06 (this excludes additional accounts for Defined Benefit members and Accumulation members' benefits). The relevant value of Defined Benefit related assets for AASB 1056 was $4,413,763.
3) The value of the Assets of the Plan was adequate to meet the value of liabilities of the Plan in respect of the Minimum Requisite Benefits as at 1 July 2021.
4) The investigation disclosed the Plan was in a satisfactory financial position as at 1 July 2021. The Plan's financial condition has not fallen below the Shortfall Limit set by the Trustee at the valuation date.
5) The Plan has no liability in respect of current pensioners. Any member who has postponed retirement or deferred receipt of their benefit remains a member under the Rules and any relevant liability is included with that of other members.
6) I have recommended contributions to ensure that the assets will continue to be adequate to meet the liabilities of the Plan and I expect the Plan to remain in a satisfactory financial position as defined in the SIS Regulations.
7) All Funding and Solvency Certificates required to be obtained during the period of investigation were provided. I expect that an actuary will be able to certify the solvency of the Plan in any Funding and Solvency Certificate required during the three-year period following the valuation date.

Saffron Sweeney

Saffron Sweeney
Fellow of the Institute of Actuaries of Australia
Aon Solutions Australia Limited

17 December 2021

# Appendix A – Summary of Plan Rules

As set out in Section 11 of the Aon Master Trust Deed, the Trustee may review and amend contributions and/or benefits under the Trust Deed as long as the amendment does not reduce the benefits accrued to any member with respect to the period before the date of the amendment, unless the member or regulator has approved the amendment in writing.

## Eligibility

Category C – Defined Benefit Members

Category FRP2 and PT2 – Non-accruing Defined Benefit Members

## Plan structure

The smartMonday PRIME TESF - ASC Superannuation Plan (the Plan) is a Defined Benefit plan and is constituted by a Trust Deed originally dated 25 June 1990. Since the initial actuarial investigation of the Prior Fund, the Deed was amended in November 2018. This amendment transferred the previous fund into the Aon Master Trust on a successor fund basis.

All new entrants to the Plan join the Accumulation section. This, and the fact that the Plan provides Minimum Requisite Benefits to satisfy Employer obligations under Superannuation Guarantee arrangements, has ensured that an increased number of benefits are being calculated on an accumulation basis.

The Plan is a complying fund for the purposes of the Superannuation Industry (Supervision) Act 1993. This results in the Plan being taxed at the favourable rate of 15% on income net of allowable deductions.

## Annual Review Date

1 July

## Definitions

### Normal Retirement Date (NRD)

65th Birthday

### Early Retirement Date (ERD)

After age 55.

## Salary

The ordinary annual rate of salary or wages excluding commissions, bonuses, overtime payments and any other additional payments. Contributions are paid on part-time salary (ie Salary x Fraction).

## Final Average Salary

Final Average Salary (FAS) is the highest three-year consecutive average of the Defined Benefit member's Salaries earned within the five years immediately preceding the earlier of the date of leaving service and the Normal Retirement Date. Full-time equivalent salary is used for part-time members.

Projected Final Average Salary is the FAS calculated at the NRD assuming Salary remained unaltered until the member reached NRD.

# Membership

The most recent period of continuous service measured in years and complete months. Membership is altered by Fraction for the purposes of calculating multiples but not vesting.

# Fraction

This is the proportion of a full-time working week worked and is varied if working hours change (for full-time employees the Fraction is 1).

# Contributions

## Member

| | |
|---|---|
| Category C | 5% pa after-tax or 5.88% pre-tax (net contributions accumulate with investment earnings in the Member Account) |
| Category FRP2 | Nil |
| Category PT2 | 4.0% pa of salary pre-tax |

## Employer

Balance of Costs.

Note that 13.3% pa of Salary is accumulated with investment earnings in the Company Account for the Category C member.

# Benefits

## Normal Retirement Benefit (NRB)

### Category C

The greater of:

- 16.67% times Final Average Salary times Membership; and
- Member Account plus Company Account.

### Category FRP2 and PT2 (ie non-accruing Defined Benefit members)

The sum of:

- The greater of:
  - 16.67% times Final Average Salary times Membership in years and complete months whilst an accruing Defined Benefit member; and
  - Basic Account (which is the Crystallised Defined Benefit entitlement account).

And

- Accumulation Accounts

### Accumulation

The sum of account balances.

## Early Retirement Benefit (ERB)

The benefit is determined as for normal retirement, based on Membership and Final Average Salary at the date of retirement.

## Late Retirement Benefit (LRB)

NRB with investment earnings plus Superannuation Guarantee contributions less tax, expenses and premiums, if applicable, accumulated with investment earnings after the NRD.

## Death Benefit

### Category C

The Death Benefit before age 65 is a lump sum equal to the Normal Retirement Benefit but based on Projected FAS.

Plus any voluntary insurance cover the member has elected and been approved for.

### Category FRP2 and PT2 (ie non-accruing Defined Benefit members)

The Death Benefit before age 65 is a lump sum equal to the Normal Retirement Benefit but based on Projected FAS plus an insured amount based on:

Insured Amount = Future service to age 65 in years and complete months x 16 $^{2}/_{3}$% x Salary

Plus any voluntary insurance cover the member has elected and been approved for.

### Accumulation Members

The sum of accounts plus an insured amount based on:

Insured Amount = Future service to age 65 in years and complete months x Accrual Rate x Salary

Where: the Accrual rate is 16 $^{2}/_{3}$% except for non-contributory members where it is 5%

## Total and Permanent Disablement (TPD) Benefit

The TPD Benefit is the same as for the Death Benefit.

## Total and Temporary Disablement Benefit

75% of salary payable in monthly instalments. This income is payable after a 30 day waiting period and for a maximum period of 24 months.

## Resignation Benefit

### Category C

The sum of:

- Member Account; and
- Company Account

### Category FRP2 and PT2 (ie non-accruing Defined Benefit members)

The Basic Account

### Accumulation

The sum of account balances.

## Retrenchment Benefit

No specific retrenchment benefit is payable, however the member can receive their Leaving Service Benefit or Early Retirement Benefit (if eligible).

## Plan Termination Benefits

In the event of the termination of the Plan, the Trustee must apply the assets of the Plan in this order of priority:

(a) to every Employee who was a Member at the relevant date of termination, that portion of the remaining assets which the Trustee after obtaining the advice of the Actuary determines to be held in the Plan in respect of each such Member or ex-Member;

(b) only after providing a fair and reasonable portion of the remaining assets for affected Members and, if applicable, ex-Members under paragraph **Error! Reference source not found.**, including having provided for or accrued and reserved for amounts sufficient out of those assets to satisfy all affected Members' and, if applicable, ex-Members' Accumulated Credits, the Trustee shall identify, on the advice of the Actuary, if there exists a residual amount in the Plan in respect of each affected Employer;

(c) any residual amount determined under paragraph **Error! Reference source not found.** shall, if directed by the Employer concerned but subject always to the requirements of Superannuation Law and subject if required to the approval of the Superannuation Authority, be paid by the Trustee to that Employer.

## Additional Accounts

Additional Voluntary Contribution Accounts and Rollover Accounts are in addition to all of the above benefits.

## Surcharge Account

All benefits are offset by the Surcharge Account (if any). The Account is the accumulation, with investment earnings, of all surcharge amounts assessed for each member.

## Additional Contributions Tax Account

All benefits are offset by the Additional Contributions Tax Account (if any). The Account is the accumulation, with investment earnings, of all additional contributions tax amounts paid by the Plan on behalf of the member.

## Partial Withdrawals

All benefits are offset by any partial payments, including any family law payments, made from the Plan accumulated with investment earnings.

# Appendix B – Membership

## Changes in membership 22 November 2018– 1 July 2021

| | Total |
|---|---|
| **Active DB Membership at 22 November 2018** | **25** |
| **Plus** | |
| New Entrants | 0 |
| Transfers from other funds | 0 |
| Transfers from other categories | 0 |
| **Less** | |
| Transfer to other funds | 0 |
| Transfers to other categories | 0 |
| Deaths | 0 |
| Total & Permanent Disablement | 0 |
| Early retirements | 4 |
| Normal retirements | 6 |
| Resignations | 1 |
| Retrenchments | 0 |
| Late retirements | 0 |
| **Active DB Membership at 1 July 2021** | **14*** |

* This includes 1 Category C member who continues to accrue a defined benefit for future service.

In addition, there were 721 Accumulation members at the valuation date with total salaries of $71,590,822.

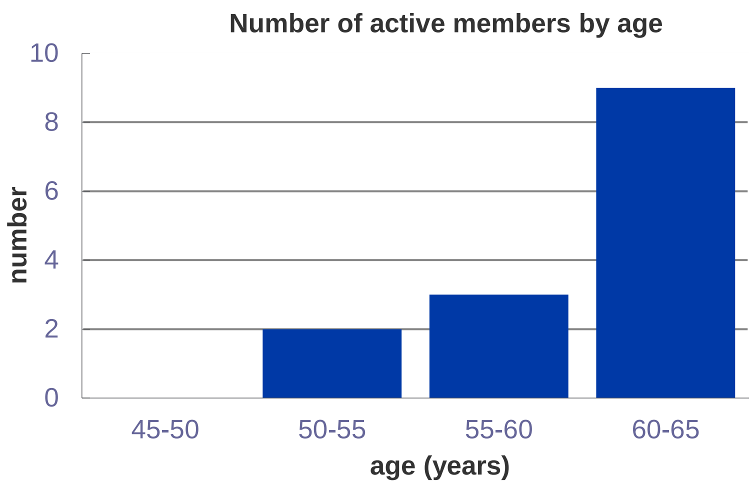
## Membership characteristics as at 1 July 2021

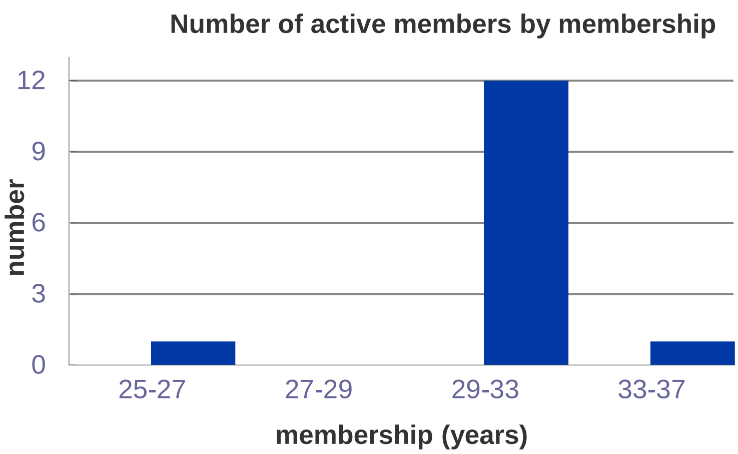
The main characteristics of the Plan's Defined Benefit membership at the valuation date are summarised in the following table. For comparison, active figures for the previous valuation date (22 November 2018) are shown for comparison:

| Defined Benefit active members | 22 November 2018 | 1 July 2021 |
|---|---|---|
| Number of members | 25 | 14 |
| Average age (years) | 58.6 | 59.8 |
| Average membership (years) | 28.6 | 30.7 |
| Total annual salary ($) | 3,623,901 | 2,641,438 |
| Average annual salary ($) | 144,956 | 188,674 |

# By age and membership

The following graphs outline the distribution by age and membership of the 14 active Defined Benefit members:




# Quality of data

Member data was received electronically and was in good order for the purposes of preparing this Report. Defined benefit individual membership data as well as Defined Benefit asset information was reconciled to the initial actuarial investigation data.

Accumulation members' cash flow information was not available from the Administrator and therefore a full reconciliation on accumulation members' assets was not carried out.

We have relied on the asset information provided by the Plan administrator as at 1 July 2021 as audited financial statements for the Plan at that date are not available, however we understand that the financial statements for the Aon Master Trust as at 30 June 2021 have been audited and signed on 27 September 2021.

Aon have relied on data and information provided by the Plan administrator. Aon did not audit the employee data and financial information used in this valuation. However, on the basis of our review of this data, we believe that the information is sufficiently complete and reliable, and that it is appropriate for the purpose intended.

If the data and information provided is revised for any reason and materially changes the results, then this report may need to be revised.

# Administration

No significant variations were detected between the method of calculation of benefits on the administration system and our calculations. The data received was adequate and appropriate for the purposes of the regular triennial actuarial investigation. Data checking included:

- Accrued and normal retirement multiples;
- Final average salary and consistency of salaries from year to year; and
- All benefit calculations at the valuation date (resignation, retirement, death and total & permanent disablement benefits).

# Appendix C – Accounts and Summary of Assets

## Accounts

The following is a summary of the cash flows provided by the Plan administrator for the regular triennial actuarial investigation period 22 November 2018 to 1 July 2021. The final accounts of the smartMonday PRIME TESF for 30 June 2021 have received audit clearance.

| | 22 November 2018 to 30 June 2019 ($) | 1 July 2019 to 30 June 2020 ($) | 1 July 2020 to 30 June 2021 ($) | 22 November 2018 to 30 June 2021 ($) |
|---|---|---|---|---|
| **Plan Assets at start of period (A)** | **176,180,745** | **164,558,028** | **127,883,715** | **176,180,745** |
| Accumulation accounts at start of period* (B) | 160,731,763 | 147,209,373 | 114,428,194 | 160,731,763 |
| **Defined Benefit related Plan Assets at start of period (C) = (A) – (B)** | **15,448,982** | **17,348,655** | **13,455,521** | **15,448,982** |
| **Plus** | | | | |
| Member contributions | 65,875 | 120,667 | 107,037 | 293,580 |
| Employer contributions | 491,500 | 308,404 | 270,273 | 1,070,177 |
| Rollovers/transfers in | 0 | 0 | 372,652 | 372,652 |
| Investment income (including capital appreciation/depreciation) | 1,448,655 | (359,948) | 1,553,883 | 2,642,590 |
| Sundry income | 0 | 0 | (9,546) | (9,546) |
| **Less** | | | | |
| Group Life premiums (net of rebates) | 12,917 | 10,918 | 11,774 | 35,609 |
| Benefits (net of insurance recoveries) | 0 | 3,878,460 | 4,363,536 | 8,241,995 |
| Transfers out to other funds | 0 | 0 | 0 | 0 |
| Administration and other charges | 14,871 | 16,917 | 42,722 | 74,510 |
| Income tax | 78,569 | 55,963 | 40,818 | 175,350 |
| Other taxes | 0 | 0 | 0 | 0 |
| Others | 0 | 0 | 0 | 0 |
| **Defined Benefit related Plan Assets at end of period (D)** | **17,348,655** | **13,455,521** | **11,290,971** | **11,290,971** |
| Accumulation accounts at end of period (E) | 147,209,373 | 114,428,194 | 126,531,457 | 126,531,457 |
| **Plan Assets at end of period (F) = (D) + (E)** | **164,558,028** | **127,883,715** | **137,822,428** | **137,822,428** |

Aon have relied on data and information provided by the Plan administrator. Aon did not audit the financial information used in this valuation. However, on the basis of our review of this data, we believe that the information is sufficiently complete and reliable, and that it is appropriate for the purpose intended.

If the financial information provided is revised for any reason and materially changes the results, then this report may need to be revised.

# Summary of assets

Accumulation members may invest their account balances in any option. Members who do not choose an investment option will have their account balances invested in the MySuper default option.

Defined Benefit members can invest their additional account balances in any option and if no election is made they are invested in the Balanced Growth - Active Option but all other account balances (ie those that relate to the Defined Benefit) are invested in the Balanced Growth - Active Option and Moderate - Active Option.

A breakdown of the Defined Benefit assets (excluding additional accounts of Defined Benefit members) at 1 July 2021 is as follows:

| **By option** | **22 November 2018 (%)** | **1 July 2021 (%)** |
|---|---|---|
| Balanced Growth - Active | 50.0% | 62.0% |
| Moderate - Active | 50.0% | 38.0% |
| **Total** | **100.0%** | **100.0%** |

| **By Asset Class (based on benchmark asset allocation)** | **22 November 2018 (%)** | **1 July 2021 (%)** |
|---|---|---|
| Australian Shares | 21 | 21 |
| International Shares | 21 | 21 |
| Property | 6 | 6 |
| Alternatives Asset - growth | 2 | 8 |
| Alternatives Asset - defensive | 8 | 7 |
| Australian Fixed Interest | 18 | 17 |
| International Fixed Interest | 18 | 15 |
| Cash | 8 | 4 |
| **Total** | **100** | **100** |

The asset valuation method is in accordance with Professional Standard 404 published by the Institute of Actuaries of Australia. There were no material qualifications identified in the latest audit report that impact on the value of assets. We have relied on the asset information provided by the Plan administrator as at 1 July 2021 as audited financial statements for the Plan at that date are not available, however we understand that the financial statements for the Aon Master Trust as at 30 June 2021 have been audited and signed on 27 September 2021.

# Crediting rate policy

The Plan credits the actual return after investment related expenses to members' accounts based on daily unit prices. This method of crediting interest is appropriate as members receive interest on their accounts in accordance with what the Plan has earned and there are no cross-subsidisations. Investment earnings can be positive or negative and are based on the changes in unit price of the relevant options.

The option returns for the Defined Benefit related assets were:

| **By Option (%)** | **22 November 2018 to 30 June 2019 (pa)** | **Year to 30 June 2020 (pa)** | **Year to 30 June 2021 (pa)** | **22 November 2018 to 30 June 2021 (% pa)** |
|---|---|---|---|---|
| Balanced Growth - Active | 10.2% | -1.9% | 18.5% | 10.0% |
| Moderate - Active | 6.8% | -0.7% | 8.4% | 5.5% |

The approximate Defined Benefit return (net of expenses and tax), for the period from 22 November 2018 to 1 July 2021 was 8.2% pa.

# Appendix D – Funding Method

## Funding method

The funding method is the manner in which the Employer's recommended contribution rate is determined. In this regular triennial actuarial investigation I have calculated the recommended Employer contribution rate using an actuarial funding method called the Attained Age Normal method (AAN).

In this method an initial contribution rate is determined for each category which will be sufficient to meet the benefits which will accrue to current members at the valuation date in respect of their future service only.

The contribution rate is constructed so that it is expected to remain constant until the last current member leaves the Plan (assuming the assumptions made are borne out and remain unchanged).

Secondly, the value of current members' Actuarial Value of Accrued Benefits is compared to the value of assets. The future service contribution rates are adjusted in the light of any surplus or deficiency.

This is the same method as was used at the initial actuarial investigation.

The reason this method is chosen is so that the Employer can be provided with the long-term future cost of providing the benefits based on the current membership which should not vary substantially as it is a smoothed rate. The usage of surplus or funding of a deficit can then be over a time horizon that is considered suitable from both the Trustee and Employer's point of view.

## Summary of method of attributing benefits to past membership

In order to determine if the Plan is in surplus or deficit it is necessary to determine what proportion of benefits payable in the future from the Plan are due to past service. The past membership components in respect of the current members are projected forward allowing for future assumed salary increases and then discounted back to 1 July 2021 at the valuation rate of interest assumption.

The past membership component for each type of benefit is:

### Retirement Benefits

Based on a member's actual accrued retirement benefit multiple as at the date of valuation.

### Death and Disablement Benefits

Based on the member's Death and Disablement Benefit x membership at date of valuation/potential membership to Normal Retirement Date.

### Resignation Benefit

In the case of benefits based on the accumulated value of contributions made to the Plan, the past component is based on the accumulated contributions with investment earnings to the valuation date, allowing for future expected investment earnings, vesting and discounted from the projected date of resignation to the valuation date.

## Superannuation Guarantee Minimum Benefit

For Category C Superannuation Guarantee benefits, the past component is based on members' actual accrued multiple as at the valuation date.

In the case of Superannuation Guarantee benefits for non-accruing DB categories FRP2 and PT2, the past component is based on the accumulated contributions with investment earnings to the valuation date, allowing for future expected investment earnings and discounted from the projected date of termination to the valuation date.

# Adjustments

Additional accumulation accounts for Defined Benefit members and Accumulation members' benefits (eg rollover, voluntary member contribution, etc.) have been added to the past membership liability at their face value and accounts such as the surcharge and/or family law liability account have been deducted.

# Contact Information

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# About Aon

Aon plc (NYSE:AON) is a leading global professional services firm providing a broad range of risk, retirement and health solutions. Our 50,000 colleagues in 120 countries empower results for clients by using proprietary data and analytics to deliver insights that reduce volatility and improve performance. For further information on our capabilities and to learn how we empower results for clients, please visit aon.mediaroom.com.