# Regular Triennial Actuarial Investigation Report to the Trustee of the

## smartMonday PRIME - IMB Defined Benefit Superannuation Plan

**Valuation Date:** 1 July 2021

**Date of Report:** 19 November 2021


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


Empower Results®

# Table of Contents

# Executive Summary

Superannuation regulations and the Trust Deed of the smartMonday PRIME - IMB Defined Benefit 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 IMB Limited (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 | 116.8% | 114.4% | ▪ The Plan remains in a satisfactory financial position.<br>▪ The Plan's Vested Benefit Index for Defined Benefits is above the Shortfall Limit of 97.5%. |
| Actuarial Value of Accrued Benefits Index | 120.1% | 117.2% | ▪ The Plan remains in an adequate financial position.<br>▪ The Plan had a surplus on this basis of $1,940,186 |
| Minimum Requisite Benefits Index | 146.4% | 138.4% | ▪ 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 prior regular triennial actuarial investigation

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

### Significant events

<u>Interim actuarial investigation as at 1 July 2020</u>

An interim actuarial investigation as at 1 July 2020 was performed due to the Plan breaching the Shortfall Limit of 97.5% on 31 March 2020. The Plan assets had earned a negative investment return during the period 1 July 2019 to 31 March 2020 due to share market falls. However, investment markets recovered quickly and the Plan had returned to a satisfactory financial position as at 1 July 2020. APRA was informed of the Plan's financial status.

Change in Investment Strategy effective 3 March 2021

The Employer requested a change in investment strategy from the Balanced Growth - Active option to a Balanced - Index approach. This approach is achieved by investing 50% of the Defined Benefit related assets in the Balanced Growth - Index option and 50% in the Moderate - Index option.

This change was a result of the Employer's objective to reduce the investment risk by reducing the Plan's Defined Benefit asset allocation to growth-oriented assets from 70% to 50%. This will effectively increase the long-term cost to the Employer but will provide lower Employer contribution volatility and therefore will reduce the volatility in the Plan's funding position. This investment strategy is appropriate for the Plan (ie a small closed mature plan which has a high proportion of salary related benefits) as this will provide investment returns with lower volatility.

This change was approved by the Trustee and the switch in investment options was made to the Defined Benefit related assets effective 3 March 2021.

The Plan was in a strong financial position as at 3 March 2021 on a Vested Benefits basis and there was no change in the recommended contribution rates at that time. Please refer to our letter to the Trustee dated 18 March 2021 for details.

Return on Plan assets higher than expected

The return on Plan Assets was higher than expected for the period 1 July 2018 to 30 June 2021 due to the good performance of investment markets particularly in the last 12 months prior to year-end. This had a positive impact on the value of the Plan Assets and therefore, in isolation, the financial position of the Plan.

## Significant changes to the Plan benefits

There were no significant changes to the Plan benefit structure.

# 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 (% pa of salaries[1])[2]** | |
|---|---|---|
| | **1/7/2021 – 30/6/2022** | **1/7/2022 onwards** |
| A | 25.90% | 0.0% |
| B | 18.90% | 0.0% |

[1]This includes the tax on compulsory member salary sacrifice contributions paid by the Employer on behalf of the members.

[2] The total dollar value of the contributions is based on these percentages of Superannuation Salary. The Superannuation Guarantee contribution rate is based on Ordinary Time Earnings (excluding bonus) and is credited to each member's Superannuation Guarantee Account.

In addition, the following contributions are also payable:

- Compulsory salary sacrificed member contributions of 5% pa of Superannuation Salary;
- The SG contribution rate on bonus, if applicable (only required where the OTE salary (excluding bonus) is under the maximum contributions base); and

- Due to the small number of Defined Benefit members left in the Plan, I recommend that, if the last Defined Benefit member leaves the Plan and there are insufficient assets available to pay their benefit, the benefit is not to be paid until an appropriate contribution to meet the difference is made by the Employer.

These rates on the average are lower than those currently being paid.

The Employer contributions must be paid (or provided to the Administrator so that they can be loaded from the Plan's reserve) by the 28th day of the month following the month to which they relate.

For illustration, the long-term Employer Defined Benefit contribution rates without considering the Plan's current financial position (ie deficit/surplus) are:

| Category | Employer rate (% pa of salaries[1])[2] |
|---|---|
| A | 29.4% |
| B | 22.7% |

[1] The total dollar value of the contributions is based on these percentages of Superannuation Salary. The Superannuation Guarantee contribution rate is based on Ordinary Time Earnings (excluding bonus) and is credited to each member's Superannuation Guarantee Account.

[2] Member salary sacrifice contributions at 5% pa of Superannuation Salary and Superannuation Guarantee contributions on bonus, if applicable, are paid in addition.

Please refer to Section 4 for details.

## Shortfall Limit recommendations

I have reviewed the Shortfall Limit of 97.5% and confirm that, in my view, it remains appropriate.

Please refer to Section 5 for details.

## Insurance recommendations

I have reviewed the formula and confirm that, in my view, it remains appropriate and the current insurance arrangement 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.

As mentioned earlier, the Employer requested and the Trustee approved a change in the investment strategy effective 3 March 2021 to reduce the investment risk by reducing the Plan's defined benefit asset allocation to growth-oriented assets from 70% to 50%. This was achieved by changing the investment strategy from the Balanced Growth - Active option to a Balanced - Index approach. This will increase the long-term cost to the Employer but will provide lower Employer contribution volatility which will then reduce the volatility in the Plan's funding position.

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 Late Retiree (Accumulation) category.

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 previous regular triennial 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. 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 19 November 2021;
- total salaries of all members increase by more than 10% in any one year;

- Cumulative investment returns for the period fall below the rates shown in the following table:

| Period | **Cumulative actual investment return below** | **Annualised investment return below** |
|---|---|---|
| 1 July 2021 to 30 June 2022 | -5.8% | -5.8% |
| 1 July 2021 to 30 June 2023 | -1.3% | -0.7% |
| 1 July 2021 to 30 June 2024 | 3.3% | 1.1% |
| 1 July 2021 to 30 June 2025 | 8.1% | 2.0% |
| 1 July 2021 to 30 June 2026 | 13.1% | 2.5% |

- 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 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 19 November 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
19 November 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 5(1) of the Plan Rules;
- 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 previous regular triennial actuarial investigation was also completed by Saffron Sweeney as at 1 July 2018. The results are shown in the report dated 12 December 2018.

## 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 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 1 July 2018** | **Funding Position Review as at 1 July 2019** | **Interim Actuarial Investigation as at 1 July 2020** | **Funding Position Review as at 3 March 2021** |
|---|---|---|---|---|
| A surplus of Assets over the Actuarial Value of Accrued Benefits | $991,218 | $1,146,642 | $669,856 | Not provided as only Vested Benefit coverage reviewed on change in investment strategy |
| An excess of Assets over the Vested Benefits | $1,026,028 | $1,108,070 | $416,913 | $908,039 |
| Summary of the recommended Employer contribution for DB members | | ▪ 25.9% pa for Category A<br>▪ 18.9% pa for Category B | | |

The average long-term Employer contribution rate was 20.7% pa (excluding the 0.88% expense to cover the tax for Members' contributions) of Defined Benefit members' superannuation salaries as at 1 July 2018.

Contributions have been paid in accordance with the above recommendations since the last regular triennial actuarial investigation to the date of this report.

# Section 2 – The Plan's Experience

This section considers the assumptions used in the previous regular triennial actuarial investigation as at 1 July 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 previous triennial actuarial investigation as at 1 July 2018 were as follows:

| | Assumptions at the previous triennial investigation | Plan Experience | Impact on the financial position of the Plan (when considered in isolation) |
|---|---|---|---|
| Investment Returns[1] | ▪ 5.75% pa | ▪ 6.9% pa<br>▪ Below the equivalent average return of funds with a similar investment strategy which was 7.4% pa[2] | Favourable effect: The Defined Benefit assets increased at a higher rate than assumed.<br>The Fund earned lower returns than other funds with a similar investment mix. |
| Salary Increases[3] | ▪ 4.25% pa | ▪ 3.4% pa | Favourable effect: The Defined Benefit liabilities increased at a lower rate than assumed. |
| Average Employer Contribution rate[4] | ▪ Long term rate of 21.6% pa (incl. contributions tax on member contributions) | ▪ Recommended rate based on category | Unfavourable effect: The Defined Benefit assets increased at a lower amount than the long-term cost of providing the defined benefits.<br>As recommended, the Defined Benefit contribution rates were at a lower rate than the long-term cost of providing the defined benefits. |
| Expenses and Insurance Premiums[5] | ▪ 1.9% pa for Expenses<br>▪ 2.0% pa for Death and TPD insurance premiums<br>▪ 0.5% pa for SCI insurance premiums | ▪ 2.1% pa for Expenses<br>▪ 2.5% pa for Death and TPD insurance premiums<br>▪ 0.8% pa for SCI insurance premiums | Unfavourable effect: The Defined Benefit assets, on average, have paid more expenses and premiums than assumed. |

[1]net of investment expenses and tax
[2]based on the SuperRatings Fund Crediting Rate survey issued in July 2021
[3]for existing Defined Benefit members over the investigation period
[4]% of Defined Benefit members' salaries
[5]As the assumption was based on total Defined Benefit salaries, the impact of the two exited members means that the expenses as a percentage of total Defined Benefit salaries was higher than assumed. The dollar impact was relatively small. Premiums have increased over the period due to the insurer's costs increasing with higher disability claims.

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

- Membership movements:
  - Exits: Two (2) Defined Benefit members left the Plan (one due to retrenchment (where the early retirement benefit with consent was paid) and the other due to early retirement) during the triennial actuarial investigation period, which is lower than that assumed in the previous investigation. Overall, benefits paid were more than the amounts reserved and therefore, in isolation, this has led to an unfavourable effect on the financial position of the Plan.

The overall experience of the Plan during the regular triennial actuarial 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 previous regular triennial actuarial investigation as at 1 July 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 1.75% pa as shown in the table below. Therefore the Interest/Salary Differential is less conservative than used in the previous regular triennial actuarial investigation. However, due to the large decrease in the net expected investment return, the overall impact of the changes to 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 1 July 2018** | 5.75% | 4.25% | 1.50% |
| **Assumption as at 1 July 2021** | 4.25% | 2.50% | 1.75% |

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 50% in the Balanced Growth - Index option and 50% in the Moderate - Index 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 2.3% 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. The Employer is aware that potential additional lump sum contributions may be required should the actual experience exceed the assumption. On this basis, as the Plan Actuary I am comfortable to adopt a long-term salary increase rate of 2.5% pa.

# Demographic assumptions

The Death and TPD assumptions have been updated from the last regular triennial actuarial investigation based on the overall experience of Master Trusts in the Australian market and the current membership profile. 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 last regular triennial actuarial investigation based on the overall experience of Master Trusts in the Australian market, past Plan experience and current membership profile. The impact of this change in isolation is to create a small decrease in the liabilities.

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

| Number of exits per 10,000 members | | | | |
|---|---|---|---|---|
| | 1 July 2021 | | 1 July 2018 | |
| **Age Last** | **Death & Disablement** | **Retirement** | **Death & Disablement** | **Retirement** |
| 30 | 5 | 0 | 5 | 0 |
| 35 | 6 | 0 | 6 | 0 |
| 45 | 15 | 0 | 15 | 0 |
| 50 | 31 | 0 | 30 | 0 |
| 55 | 63 | 1,000 | 63 | 2,000 |
| 60 | 118 | 2,400 | 116 | 3,000 |
| 65* | 0 | 10,000 | 0 | 10,000 |

* exact age

Members are expected to remain in the Plan until age 55, hence no resignation assumption is used. This is consistent with the previous regular triennial actuarial investigation.

No allowance has been made for retrenchment which is consistent with the previous regular triennial actuarial investigation. Note that there is a specific retrenchment benefit for the Plan, refer to Appendix A for more information.

The impact of these changes in demographic assumptions in isolation has slightly decreased the Actuarial Value of Accrued Benefits and slightly 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 that follows.

| | **1 July 2018** | **1 July 2021** |
|---|---|---|
| Operating expenses^<br>(% pa of Defined Benefit members' salaries) | 1.9% pa | 3.0% pa |
| Death and TPD insurance premiums*<br>(% pa of Defined Benefit members' salaries) | 2.0% pa | 2.9% pa |
| Salary Continuance Insurance premium*<br>(% pa of Defined Benefit members' salaries) | 0.5% pa | 0.9% pa |
| **Total expense and insurance premium assumption** | **4.4% pa** | **6.8% pa** |

^ As the assumption is based on total expected Defined Benefit salaries averaged over the next three years, the impact of having fewer Defined Benefit members means that the expenses as a percentage of total Defined Benefit salaries increases. These assumptions also reflect the new per member and asset administration fees effective 1 June 2021.

*Premium rates were re-rated since the last triennial actuarial investigation. Note that premium rates increase with age and the average of the DB members has increased since the last triennial actuarial investigation.

The expenses and insurance premiums assumptions have increased from the previous regular triennial actuarial investigation to reflect the expected expenses and premiums over the next three years.

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.

The impact of the 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 last regular triennial actuarial investigation. These assumptions are set out below.

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 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 additional accounts for the Defined Benefit members.

| **Actuarial Value of Accrued Benefits (past service)** | **Total ($)** |
|---|---:|
| Retirement | 9,179,651 |
| Death & Disablement | 456,073 |
| Resignation | 0 |
| **Total of active Defined Benefit related liabilities** | **9,635,724** |
| Additional accounts for Defined Benefit members | 1,644,474 |
| **Actuarial Value of Accrued Benefits** | **11,280,198** |
| **Assets** | **13,220,384** |
| **Surplus/(Deficit)** | **1,940,186** |

## Analysis of changes in financial position since the last regular triennial actuarial investigation

The following table quantifies the various impacts on the financial position of the Plan since the last regular triennial actuarial investigation as at 1 July 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 3 years' worth of movements.

| | **$(000's)** |
|---|---:|
| **Previous surplus/(deficit)** | **991** |
| Interest on surplus/(deficit)[1] | 160 |
| Investment gains/(losses)[2] | 548 |
| Employer contributions paid at a higher/(lower) rate than long term rate[3] | (49) |
| Expense gains/(losses)[4] | (67) |
| Salary gains/(losses)[5] | 513 |
| Change in basis gains/(losses)[6] | (93) |
| Withdrawal gains/(losses)[7] | (65) |
| Miscellaneous | 2 |
| **Surplus/(deficit) as at the valuation date** | **1,940** |

[1]Interest on surplus over the period.

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

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

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

[5]A salary gain arises when salaries increase at a lower rate than was assumed.

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

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

## Use of excess reserves

The excess of assets over 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 $1,940,186. This is equivalent to 20.1% of Defined Benefit liabilities (ie excluding Defined Benefit members' additional accounts) and 94.1% of total Defined Benefit salaries. This amount will largely be maintained within the Plan as a buffer against future adverse experience and allow the Employer to continue to contribute at a lower rate than the long-term rate and then take a contribution holiday.

## Long-term contribution rate

The Defined Benefits long-term Employer contribution rate has increased since the last regular triennial actuarial investigation mainly due to the change in actuarial assumptions.

| **Present Value of Future Service Liability** | **Total ($)** |
|---|---|
| Retirement | 1,492,489 |
| Death & Disablement | 62,742 |
| Resignation | 0 |
| | **1,555,231** |
| Less member contributions | 407,021 |
| **Net Future Service Liability** | **1,148,210** |
| Equivalent net future contribution rate | 14.1% |
| Tax (including allowance for tax on Member contributions) | 3.4% |
| Expense allowance | 3.0% |
| Death and TPD premiums | 2.9% |
| Salary Continuance premiums | 0.9% |
| **Employer contribution rate required for Future Service Benefits (pa salary)** | **24.3%** |

# 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 Aon Master Trust general ledger as the value of assets for Defined Benefit members for the purpose of this regular triennial actuarial investigation. The Aon Master Trust financial statements as 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 last regular triennial 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 previous regular triennial actuarial investigation.

| | 1 July 2018 | | | 1 July 2021 | | | |
|---|---|---|---|---|---|---|---|
| | **Amount ($)** | **Index[1]** | **DB Index[2]** | **Amount ($)** | **Index[1]** | **DB Index[2]** | |
| **Minimum Requisite Benefits** | 7,981,360 | 137.5% | 145.2% | 9,553,938 | 138.4% | 146.4% | A |
| **Vested Benefits** | 9,951,809 | 110.3% | 111.9% | 11,552,058 | 114.4% | 116.8% | A |
| **Leaving Service Benefits[3]** | 10,501,063 | 104.5% | 105.2% | 11,845,361 | 111.6% | 113.5% | A |
| **Actuarial Value of Accrued Benefits** | 9,986,619 | 109.9% | 111.5% | 11,280,198 | 117.2% | 120.1% | A |
| **Retrenchment Benefits[4]** | 10,574,334 | 103.8% | 104.4% | 12,200,295 | 108.4% | 109.7% | A |
| **Accumulation Benefits[5]** | 1,349,484 | | | 1,644,474 | | | B |
| **Assets** | 10,977,837 | | | 13,220,384 | | | C |

[1]Index is C/A

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

[3]The benefit design allows the Employer to grant early retirement consent for Defined Benefit members between ages 50 and 60 depending on the number of years of service with the Employer. Consent is generally granted.

[4]The retrenchment benefit is set as a minimum of each member's Leaving Service benefit and share of surplus assets of the Plan (ie over a 10% investment fluctuation buffer) (if any). Please refer to Appendix A for details.

[5]The accumulation benefits are equal to the additional accounts for Defined Benefit members.

# 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 (assuming Employer consent is not granted).

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.

# Leaving Service Benefits Index

Leaving Service 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, assuming Employer consent is granted.

The Leaving Service 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 and, if eligible for early retirement, assuming Employer consent is granted.

Where the Employer regularly gives consent for early retirement, it is desirable to have the Leaving Service Benefits Index above 100%. The Employer usually consents to the early retirement benefit for members.

The Leaving Service Benefits Index was at an adequate level, and therefore the Defined Benefit Leaving Service Benefits Index was at an adequate level at the valuation date.

# Shortfall Limit

In accordance with SPS 160, the Trustee has set a Shortfall Limit of 97.5%. 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. Additional accounts for Defined Benefit members are excluded from the assets and liabilities.

The Defined Benefit Vested Benefit Index at 1 July 2021 was 116.8%. Therefore, the Plan has not fallen below the Shortfall Limit at the valuation date**.**

I have reviewed the Shortfall Limit of 97.5% 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 different to the figure calculated for AASB1056 purposes due to the use of estimated salaries as at 1 July 2021 since the actual salary was not available to meet reporting deadlines. Note that the liabilities were 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 11 August 2021 excluded Defined Benefit members' additional accounts as these liabilities are equal in value to the assets held and are 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.

# Retrenchment Benefits Index

This index considers the extent to which the Plan could meet the retrenchment benefits applicable to its members if they were all retrenched and the Plan was not terminated. The retrenchment benefit is equal to the members' equitable share of the Plan as determined by an Actuary. Past practice has defined equitable share as:

- The member's Actuarial Value of Accrued Benefits, with a minimum of the Leaving Service Benefit; plus
- A share of the surplus of the Plan (if any) after allowing for a 10% investment fluctuation buffer.

As at 1 July 2021, the surplus of the Plan is above 10% of the Plan assets hence, the Retrenchment Benefit is set equal to the Actuarial Value of Accrued Benefits with a minimum of the Leaving Service Benefit and a share of surplus assets of the Plan (ie surplus in excess of a 10% buffer). Please refer to Appendix A for details.

The Retrenchment 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 due to being retrenched on the valuation date. A Retrenchment Benefit Index below 100% indicates that a major retrenchment programme would strain the resources of the Plan and therefore may result in higher contributions. The index was above 100% at the valuation date.

# Termination of the Plan

In the event of the termination of the Plan, the Trustee would follow the rules of the Plan as specified in the successor fund arrangement with the Aon Master Trust and distribute whatever assets are available net of accruals, taxes and expenses, to members in accordance with the amount of benefit which would have been payable if member had ceased to be a member at the date of termination. If assets are insufficient, all assets are distributed to members in such proportions as the Actuary shall determine. Excess assets (if any) will be distributed among members in such proportions as the Actuary shall determine. These are known as “termination liabilities”.

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 AIA Life) 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. At the present time, the formula used to determine the amount to be insured is as follows:

## Defined Benefit members

Insured Amount = Death/TPD benefit – Vested Benefit

## 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 ($)** |
|---|---:|
| **Total sums insured (A)** | 6,217,194 |
| **Plan Assets (B)** | 13,220,384 |
| **Amount of Surplus, if any, set aside for funding purposes (C)*** | 927,610 |
| **Plan Assets available to meet Death/TPD benefits (B)-(C)=(D)** | 12,292,774 |
| **Available on Death/TPD (A)+(D)=(E)** | 18,509,968 |
| **Total Death/TPD benefits (F)** | 17,769,252 |
| **Excess/(shortfall) (E) - (F)** | 740,715 |

* a portion 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.

## Recommendation

I have reviewed the formula and confirm that, in my view, it remains appropriate and the current insurance arrangement should be maintained.

# Disability Income insurance

The Trustee also has effected Group Insurance (with AIA Life) 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. There is additional disability income insurance, payable up to age 65, held outside the Plan.

# Indemnity insurance

Clause 3.16 of 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. However, we note that there is one member of the Plan whose death and TPD insurance covers were restricted by the Insurer's Automatic Acceptance Limit. As a result, their death and TPD benefits were restricted to their vested benefit plus their restricted cover. In order to receive the full death and TPD benefit as prescribed under the Trust Deed, they will have to undergo a medical underwriting process to obtain the full standard death and TPD insurance cover (based on the formula above) and benefits (based on the Trust Deed).

# 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 (2.5% pa/4.25% pa) | 11,280,198 | 24.3% |
| Last valuation (4.25% pa/5.75% pa) | 11,187,517 | 23.9% |
| Last valuation with this valuation decrements (4.25% pa/5.75% pa)* | 11,159,226 | 23.8% |
| Salary inflation rate plus 1% pa (3.5% pa/4.25% pa) | 11,479,536 | 24.8% |
| Salary inflation rate minus 1% pa (1.5% pa/4.25% pa) | 11,142,818 | 23.6% |
| Investment return plus 1% pa (2.5% pa/5.25% pa active members) | 11,051,776 | 23.3% |
| Investment return minus 1% pa (2.5% pa/3.25% pa active members) | 11,612,018 | 25.1% |

* 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, it is clear that the financial position of the Plan and the required Employer contribution will vary depending on the actual experience of the Plan and particularly in relation to salary increases and long-term investment returns. If the increase in salaries of Defined Benefit members is 1% pa higher than the assumed rate, the long-term cost to the Employer will be 0.5% pa higher than that based on the assumptions used for this valuation. If long-term investment returns are 1% pa higher than assumed, the long-term Employer contribution rate decreases by 1% pa.

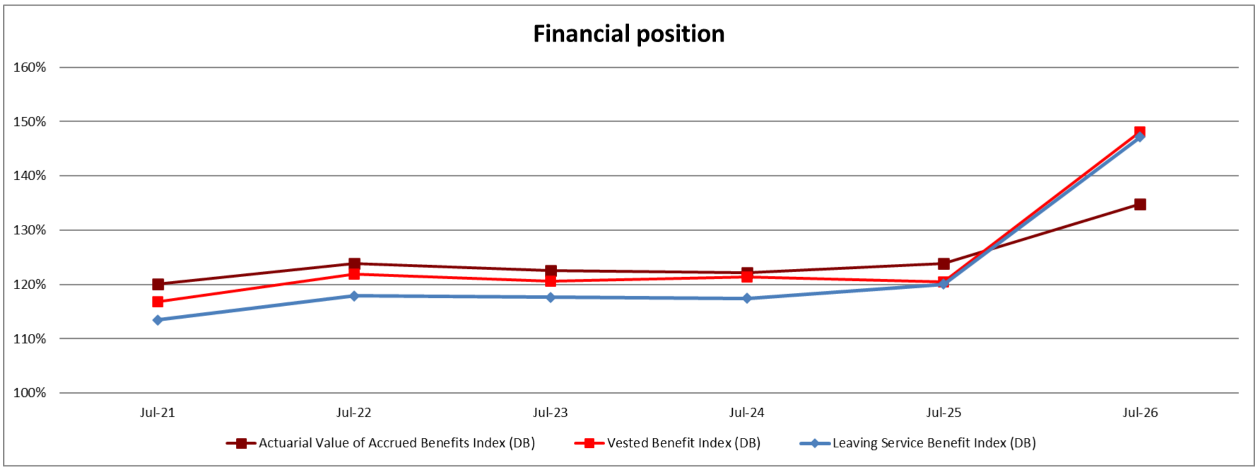
## Post valuation events

The Plan has earned an average investment return of 2.6% from the date of the valuation to 18 November 2021. This is higher than the rate assumed for the valuation which further strengthened the financial position of the Plan. I estimate that coverage of Vested Benefits without Employer's consent (exclusive of Defined Benefit members' additional accounts) has increased from 116.8% to 117.1% as at 18 November 2021. This has been taken into account in the recommended Employer contributions.

As Minimum Requisite Benefits (MRBs) are 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.

# Projection of future liabilities

The graph below shows the projected value of Defined Benefit Vested Benefits, Defined Benefit Leaving Service 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 previously.




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, the Assets will remain sufficient to cover the value of these liabilities during the period up to 1 July 2026.

# 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.

## Plan specific risk

### Early Retirement benefits and Retrenchment for Defined Benefit members

The Plan design generally provides a significant increase in benefits when first moving from a resignation benefit to an early retirement benefit. In some cases the Employer must provide consent for this to occur. If consent is granted it is important to check that payment of this benefit would not detrimentally affect the financial position of the Plan and may require additional funding by the Employer.

The Plan design also provides a potentially higher benefit for a Member who is retrenched. If a retrenchment benefit is paid, it is important to check that payment of this benefit would not detrimentally affect the financial position of the Plan and this also may require additional funding by the Employer.

It is important for the Employer to understand these issues and either pay higher regular contributions or be prepared to pay higher contributions in future should these events arise.

# 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:

| Category | Employer Rate (% pa of salaries[1])[2] | |
|---|---|---|
| | 1/7/2021 – 30/6/2022 | 1/7/2022 onwards |
| A | 25.90% | 0.0% |
| B | 18.90% | 0.0% |

[1]This includes the tax on compulsory member salary sacrifice contributions paid by the Employer on behalf of the members.

[2] The total dollar value of the contributions is based on these percentages of Superannuation Salary. The Superannuation Guarantee contribution rate is based on Ordinary Time Earnings (excluding bonus) and is credited to each member's Superannuation Guarantee Account.

In addition, the following contributions are also payable:

- Compulsory salary sacrificed member contributions of 5% pa of Superannuation Salary;
- The SG contribution rate on bonus, if applicable (only required where the OTE salary (excluding bonus) is under the maximum contributions base); and
- Due to the small number of Defined Benefit members left in the Plan, I recommend that, if the last Defined Benefit member leaves the Plan and there are insufficient assets available to pay their benefit, the benefit is not to be paid until an appropriate contribution to meet the difference is made by the Employer.

These rates are on the average lower than those currently being paid.

The Employer contributions must be paid (or provided to the Administrator so that they can be loaded from the Plan's reserve) by the 28th day of the month following the month to which they relate.

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 or 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).

### Shortfall Limit recommendations

I have reviewed the Shortfall Limit of 97.5% (see Section 5) and confirm that, in my view, it remains appropriate.

### Insurance recommendations

I have reviewed this formula (see Section 6) and confirm that, in my view, it remains 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 Late Retiree (Accumulation) category on reaching their Normal Retirement Date.

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 5 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 - IMB Defined Benefit Superannuation Plan (the Plan) as at 1 July 2021 covering the three-year period 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, was $13,220,384 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 18 November 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 $11,280,198 as at 1 July 2021. This amount was not used for the purposes of the Plan's Australian Accounting Standard AASB1056 reporting for financial year end 30 June 2021 as the members' salaries effective 1 July 2021 were estimated (since the actual salary was not yet available) for purposes of AAB 1056 liability calculations to ensure timely disclosure in the Aon Master Trust financial statements; these calculations also excluded Defined Benefit members' additional accounts as these liabilities are equal in value to the assets held and are therefore recognised as "Defined Contribution member benefits" in the AASB 1056 financial statements.
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

19 November 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.

The following is a summary of the Plan rules used for the valuation. This summary should not be used to calculate benefits or be relied upon in place of the formal Plan rules.

## Eligibility

Category A and B – the current members joined the Plan on invitation from Employer. However, the Plan is now closed to new entrants.

## Plan structure

The smartMonday PRIME - IMB Defined Benefit Superannuation Plan (the Plan) is a Defined Benefit plan and is constituted by a Trust Deed originally dated 20 August 1973 and restructured on 27 August 2003.

There were no changes in the Deed since the last regular triennial actuarial investigation.

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

## Salary Review Date

1 September

## Definitions

### Normal Retirement Date (NRD)

65th Birthday

### Early Retirement Date (ERD)

At any time after attaining age 60 or

- With the consent of the Employer having attained the age of 50 years but not yet having attained the age of 55 years and having completed 15 years of service;
- Having attained the age of 55 years but not yet having attained the age of 60 years and having completed 15 years of service; or
- With the consent of the Employer having attained the age of 55 but not yet having attained the age of 60 years and not having completed 15 years of service.

# Salary

The figure as advised by the Employer excluding directors fees, bonuses, commissions, sums paid for overtime and any other additional payments. Note that the Employer has advised that this Salary is determined as 78% of Total Fixed Remuneration for Defined Benefit members.

# Final Average Salary

The average of the member's three highest salaries at the ten salary review dates immediately preceding the earlier of the date of leaving service and the NRD.

# Ordinary Time Earnings (OTE) Salary

This is equal to:

Salary/78% x [1/(1 + SG rate)]

SG rate is the minimum Superannuation Guarantee rate at the relevant time.

OTE Salary is the salary used to determine the contributions to the SG account.

# Service

## Membership

Actual employment with the Employer in respect of which the Member concerned receives Salary but includes any period of absence from employment which the Trustees determine shall be so included. It is measured in years and complete months, but excludes any period of Approved Leave of Absence.

# 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 A and B | 5% pa (deemed) |

Note that the Employer pays the tax so that the net amount allocated to each member's Deemed Member Contribution Account is 5% pa of Salary.

## Employer

| | |
|---|---|
| Category A and B | Balance of costs |

# Benefits

## Normal Retirement Benefit (NRB)

Equal to Retirement Benefit Multiple times Final Average Salary. The Normal Retirement Benefit is a lump sum benefit calculated as follows:

NRB = K% x FAS x years of Membership x Fraction

Where K% = 25% for Category A

20% for Category B

## 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 A and B

Lump sum benefit equal to the sum of:

- Accrued Multiple x prospective (at age 65) Final Average Salary; and
- [Maximum (7 and Normal Retirement Multiple) – Accrued Multiple] x Salary x 92 / 78

## Total and Permanent Disablement (TPD) Benefit

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

## Total and Temporary Disablement Benefit

### For Category A and B

75% of salary payable in monthly instalments. This income is payable after a 1 month waiting period and for a maximum period of 24 months.

## Resignation Benefit

### Category A and B

Lump sum benefit equal to 2.25 times Deemed Member Contribution Account.

## Retrenchment Benefit

The Retrenchment Benefit is the Member's Equitable Share in the Plan. The Member's Equitable Share is calculated as the maximum amount payable by the Plan to a member without the Actuary recommending that the Employer make additional contributions to fund the augmented benefit. Consistent with previous calculations for other members, we have adopted the definition of equitable share as:

- the Member's "Actuarial Reserve" (subject to a minimum of the leaving service benefit assuming Employer consent to early retirement), plus
- a share of the "surplus assets of the Plan" (if any), plus
- the member's Additional Accounts (eg voluntary and rollover accounts) (if any).

The Member's "Actuarial Reserve" is equal to the Member's actuarially calculated present value of the retirement benefit (PVAB) accrued to the date of calculation (excluding Additional Accounts). It can be calculated by:

- calculating the accrued retirement multiple (ARM) as at the calculation date. (This equals the retirement multiple at age 65 less the amount accruing in respect of Membership after the calculation date);
- projecting current salary forward each year to estimate Final Average Salary (FAS) up to age 65 based on the assumptions in the most recent actuarial valuation;
- multiplying the ARM by the projected FAS to determine the Accrued Retirement Benefit projected to be paid at age 65 in respect of Membership already completed for retirement and death/total & permanent disablement benefits;
- applying the probability of when each benefit would be expected to be paid based on actuarial assumptions from the most recent actuarial valuation;
- discounting the Accrued Retirement Benefit back to the calculation date to allow for future investment earnings based on the assumption in the most recent actuarial valuation; and
- in order to determine the surplus, the total Actuarial Reserve is set to be no less than the total leaving service benefits which assumes Employer consent for early retirement.

The "surplus assets of the Plan" is equal to the Plan assets less the sum of:

- Additional Accounts
- Sum of all Members' Actuarial Reserves (subject to a minimum of the leaving service benefit assuming Employer consent to early retirement)
- Reserve for fluctuation in asset values (equal to 10% of total Actuarial Reserves, excluding Additional Accounts)

The Member's share of the "surplus assets of the Plan" (if any) is the proportion of the Member's Actuarial Reserve to the total of all members' Actuarial Reserves.

## Minimum Benefit

The above are subject to a minimum benefit equal to the SG account and Deemed Member Contribution Account.

## Additional Accounts

Additional Voluntary Contribution Accounts and Rollover Accounts are in addition to all of the above benefits (excluding the Total and Temporary Disablement Benefit)

## Surcharge Account

All benefits (except the Total and Temporary Disablement Benefit) 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 (except the Total and Temporary Disablement Benefit) 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.

## Family Law Account

All benefits are also offset by the Family Law Account (if any). The Account is any amount paid to a former spouse (a family law split) accumulated at the rate determined by the Government Actuary which is calculated with reference to AWOTE + 2.5% pa from the date the split occurs to the date the non-spouse member’s benefit is paid and then accumulated with investment earnings thereafter.

## Partial Withdrawals

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

# Appendix B – Membership

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

| | Total |
|---|---|
| **Active DB Membership at 1 July 2018** | **10** |
| **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 | -1 |
| Normal retirements | 0 |
| Resignations | 0 |
| Retrenchments | -1 |
| Late retirements | 0 |
| **Active DB Membership at 1 July 2021** | **8** |

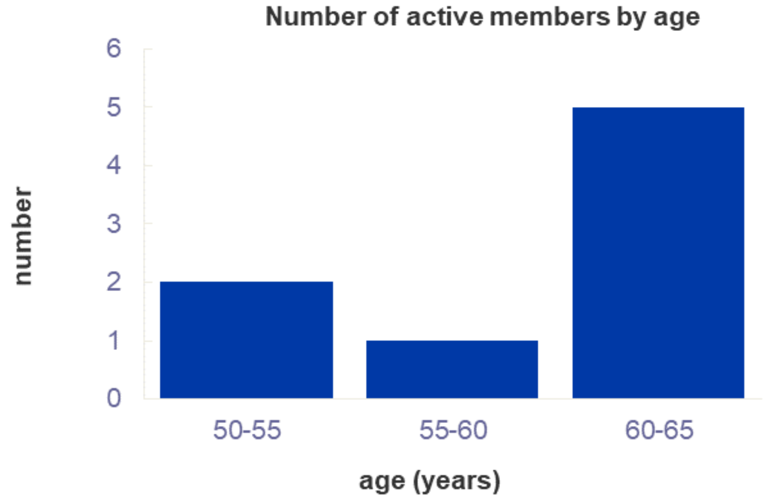
## Membership characteristics as at 1 July 2021

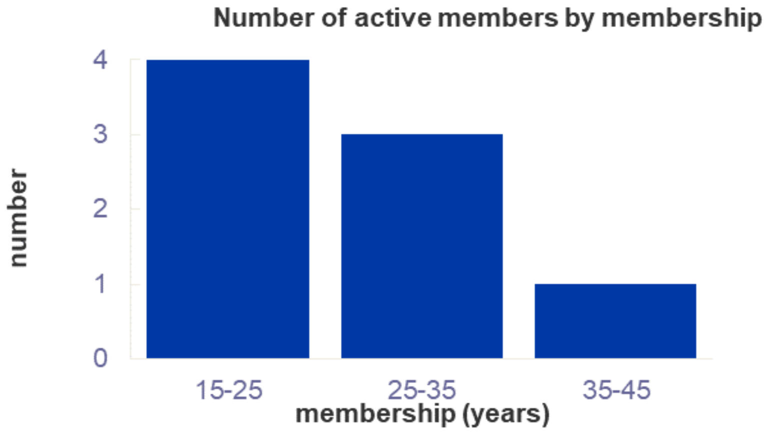
The main characteristics of the Plan's Defined Benefit membership at the valuation date are summarised in the following table. For comparison, active figures for the previous valuation date (1 July 2018) are shown for comparison:

| **Defined Benefit active members** | **1 July 2018** | **1 July 2021** |
|---|---|---|
| Number of members | 10 | 8 |
| Average age (years) | 55.3 | 58.0 |
| Average membership (years) | 21.4 | 25.2 |
| Total annual salary ($) | 2,261,086 | 2,154,356 |
| Average annual salary ($) | 226,109 | 269,295 |

## By age and membership

The following graphs outline the distribution by age and membership of the 8 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 last funding valuation data.

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 (including smartMonday PRIME plans) 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 and Employer. 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

The Plan administrator applies the 15% contributions tax on the 5% member contribution instead of the 5.88% member contribution (5% member contribution and 0.88% member contribution paid by the Employer). The tax in the Plan's cashflow has therefore been understated, ie assets overstated. We note that the net amount credited to the members' accounts has correctly been 5%. We have raised this issue with the administrator and will follow up to ensure they make the necessary adjustments so that the correct tax amount is deducted from the Plan's assets. The correction will mean a slight reduction in the financial position and lower net contributions applying to Plan assets in future, however, tax will only apply on the 5% member contribution when there is an Employer contribution holiday. The amount is not material and has no material impact on the funding position of the Plan or on the recommended contributions.

No other 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 1 July 2018 to 30 June 2021. The final accounts of the Aon Master Trust (including the smartMonday PRIME plans) for 30 June 2021 have received audit clearance.

| | **1 July 2018 to 30 June 2019 ($)** | **1 July 2019 to 30 June 2020 ($)** | **1 July 2020 to 30 June 2021 ($)** | **1 July 2018 to 30 June 2021 ($)** |
|---|---|---|---|---|
| **Plan Assets at start of period** | **10,977,837** | **11,274,041** | **11,429,879** | **10,977,837** |
| **Plus** | | | | |
| Member contributions | 107,971 | 110,276 | 109,697 | 327,944 |
| Employer contributions | 447,954 | 457,094 | 454,498 | 1,359,546 |
| Rollovers/transfers in | 48 | 3,289 | 0 | 3,337 |
| Investment income (including capital appreciation/depreciation) | 685,525 | (227,663) | 1,972,965 | 2,430,827 |
| Sundry income | 0 | 0 | 0 | 0 |
| **Less** | | | | |
| Group Life premiums (net of rebates) | 60,388 | 75,621 | 84,096 | 220,105 |
| Benefits (net of insurance recoveries) | 771,739 | 0 | 555,082 | 1,326,821 |
| Transfers out to other funds | 0 | 0 | 0 | 0 |
| Administration and other charges | 48,492 | 47,304 | 44,568 | 140,364 |
| Income tax | 64,675 | 64,233 | 62,909 | 191,817 |
| Other taxes | 0 | 0 | 0 | 0 |
| Others | 0 | 0 | 0 | 0 |
| **Plan Assets at end of period** | **11,274,041** | **11,429,879** | **13,220,384** | **13,220,384** |

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

The Employer requested a change in investment strategy from the Balanced Growth - Active option to a Balanced - Index approach. This approach is achieved by investing 50% of the Defined Benefit related assets in the Balanced Growth - Index option and 50% in the Moderate - Index option. The change was approved by the Trustee and was effective 3 March 2021.

This change was a result of the Employer's desire to reduce the investment risk by reducing the Plan's defined benefit asset allocation to growth-oriented assets from 70% to 50%. This will effectively increase the long-term cost to the Employer but will provide lower Employer contribution volatility and therefore will reduce the volatility in the Plan's funding position. This investment strategy is appropriate for the Plan (ie a small closed mature plan which has a high proportion of salary related benefits), as this will provide investment returns with lower volatility.

Defined Benefit members can invest their additional account balances in any option and, if no election is made, they continue to be invested in the previous default option of Balanced Growth – Active, which they can change any time. From 3 March 2021, the Defined Benefit related account balances have been invested 50% in the Balanced Growth - Index option and 50% in the Moderate - Index option. Defined Benefit assets above account balances (ie defined benefit reserve assets) are also invested 50% in the Balanced Growth - Index option and 50% in the Moderate - index option. Prior to 3 March 2021, Defined Benefit related account balances and Defined Benefit assets above the account balances (ie defined benefit reserve assets) were invested in the Balanced Growth - Active Option. Rebalancing will be performed where the holdings in these options differ by more than 5% based on the Actuary's review of the split between the two options employed at each 1 July when carrying out the AASB1056 work.

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

| **By option** | **1 July 2018 (%)** | **1 July 2021* (%)** |
|---|---|---|
| Balanced Growth Active | 100.0% | n/a |
| Balanced Growth Index | n/a | 50.9% |
| Moderate Index | n/a | 49.1% |
| **Total** | **100.0%** | **100.0%** |

*Reflective of investment earnings earned since 3 March 2021.

| **By Asset Class (based on benchmark asset allocation and actual split between options at 1 July)** | **1 July 2018 (%)** | **1 July 2021 (%)** |
|---|---|---|
| Australian Shares | 30.0 | 20.9 |
| International Shares | 30.0 | 20.9 |
| Property | 6.0 | 6.0 |
| Alternatives Asset - growth | 4.0 | 5.0 |
| Alternatives Asset - defensive | 5.0 | 0.0 |
| Australian Fixed Interest | 10.0 | 36.7 |
| International Fixed Interest | 10.0 | 6.0 |
| Cash | 5.0 | 4.5 |
| **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 30 June 2021 as audited financial statements for the Plan at that date are not available, however we understand that the Aon Master Trust financial statements as at 30 June 2021 were 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 option(s).

The investment strategy for Defined Benefit assets of the Plan changed effective 3 March 2021 from the Balanced Growth - Active option to a Balanced - Index approach. The Balanced - Index approach is achieved by investing 50% in the Balanced Growth - Index option and 50% in the Moderate - Index option.

The option returns for the Defined Benefit related assets were:

| By Option (%) | Year to 30 June 2019 (pa) | Year to 30 June 2020 (pa) | Year to 30 June 2021 (pa) | 3 Years to 30 June 2021 (% pa) |
|---|---|---|---|---|
| Balanced Growth - Active | 6.8% | -1.9% | n/a | n/a |
| Balanced Growth - Index | n/a | n/a | 18.7%* | n/a |
| Moderate - Index | n/a | n/a | 14.6%* | n/a |
| Total DB Assets | 6.8% | -1.9% | 16.6%^ | 6.9% |

*This reflects return from Balanced Growth - Active until 3 March 2021 then relevant option thereafter.

^This is 50% Balanced Growth Index - and 50% Moderate - Index.

# 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 last regular triennial 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 a member's accrued retirement benefit multiple as at the date of valuation.

### Resignation Benefit

Based on 2.25 times the accumulated member contributions with interest to the valuation date, allowing for future expected investment earnings and discounted from the projected date of termination to the valuation date.

## Superannuation Guarantee Minimum Benefit

In the case of Superannuation Guarantee Minimum benefits the past component is based on the accumulated contributions (SG and member deemed) 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 (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

**Saffron Sweeney**
Principal, Actuary
Aon Solutions Australia Limited
Retirement Solutions
+61 2 9253 7790
saffron.sweeney@aon.com

**Aon Solutions Australia Limited**
ABN 48 002 288 646
AFSL No 236667
Level 33
201 Kent Street
Sydney NSW 2000
Australia

# 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.](aon.mediaroom.com)