# Regular Triennial Actuarial Investigation Report to the Trustee of the

## smartMonday PRIME - United Airlines Inc. Australian Superannuation Plan

**Valuation Date:** 1 July 2021

**Date of Report:** 6 December 2021

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

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# Executive Summary

Superannuation regulations and the Trust Deed of the smartMonday PRIME - United Airlines Inc. Australian 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 United Airlines Inc. (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 | 118.4% | 113.0% | • The Plan remains in a satisfactory financial position.<br>• The Plan's Vested Benefit Index for Defined Benefits is above the Shortfall Limit of 98.0%. |
| Actuarial Value of Accrued Benefits Index | 110.1% | 107.3% | • The Plan remains in an adequate financial position.<br>• The Plan had a surplus on this basis of $690,996 |
| Minimum Requisite Benefits Index | 149.2% | 132.4% | • 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 that had a significant effect on this regular triennial actuarial investigation.

### Significant events

The actuary had previously recommended that the Employer increase their contribution for defined benefit members from 9.5% pa of superannuation salaries to 18.6% pa of superannuation salaries with effect from 1 January 2020 in the prior triennial actuarial investigation as at 1 July 2018 dated 21 December 2018 and in the funding position letter as at 1 July 2019 dated 25 October 2019. The Employer had forgotten the change with so many other concerns due to the global pandemic and continued to pay contributions at 9.5% pa of superannuation salaries for defined benefit members until July 2020. To address this oversight the Employer made catch-up contributions in two instalments of $87,500 by end of September 2020 and thereafter commenced making contributions at the recommended rates.

The return on Plan Assets was higher than expected for the 3-year period to 30 June 2021 due to the overall good performance of investment markets.

These items in combination further strengthened 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 for Defined Benefit Members (% pa of Salaries[1])** | |
|---|---|---|
| | **1/7/2021 to 31/12/2021** | **1/1/2022 to 30/06/2026** |
| A | 15.6% | 10.0% |
| B | SG-3.0% | SG-3.0% |

[1]The Superannuation Guarantee (SG) contribution rate less 3% award contribution is to be paid based on Ordinary Time Earnings (excluding bonus) and the balance of the contribution rate is paid on the Superannuation Salary.

In addition, the following contributions are also payable:

- The SG contribution rate on bonus, if applicable; and
- 3% pa award contributions are payable on Ordinary Time Earnings (excluding bonus).

The Employer Superannuation Guarantee contributions for Defined Benefit members must be paid 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 month following the quarter end.

## Shortfall Limit recommendations

I have reviewed the Shortfall Limit of 98.0% 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.

We recommend that the Trustee communicate with the member who has restricted insurance cover, if it has not yet done so, to ensure they understand that, as their insurance cover is restricted, their death and disablement benefit will be restricted; but they can apply for the higher required insurance cover and receive the benefits under the Plan Rules, if the insurer accepts the amount required after the underwriting process.

Please refer to Section 6 for details.

## Investment recommendations

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. This 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 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. The Trustee may request that an interim actuarial investigation be carried out before this date.

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 6 December 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 | -5.0% | -5.0% |
| 1 July 2021 to 30 June 2023 | 0.3% | 0.1% |
| 1 July 2021 to 30 June 2024 | 5.8% | 1.9% |
| 1 July 2021 to 30 June 2025 | 11.6% | 2.8% |
| 1 July 2021 to 30 June 2026 | 17.6% | 3.3% |

- 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 6 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.

Su Li Sin
Fellow of the Institute of Actuaries of Australia
6 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 the contribution requirements 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 Su Li Sin, of Aon Solutions Australia Limited, Fellow of the Institute of Actuaries of Australia. The previous regular triennial actuarial investigation as at 1 July 2018 and the funding position review as at 1 July 2019 were completed by Saffron Sweeney, of Aon Solutions Australia Limited, Fellow of the Institute of Actuaries of Australia. The results of the previous regular triennial actuarial investigation as at 1 July 2018 are shown in the report dated 21 December 2018 and the results of the funding position review as at 1 July 2019 are shown in the letter dated 25 October 2019. The previous funding position review as at 1 July 2020 was completed by myself and the results are shown in the letter dated 20 November 2020.

## 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 investigation and funding position reviews were as follows:

| | **Regular Triennial Actuarial Investigation as at 1 July 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 | 460,353 | 465,763 | 26,871 |
| An excess of Assets over the Vested Benefits | 1,355,374 | 1,367,123 | 737,034 |
| Summary of the recommended Employer contribution for DB members | ▪ 6.5% pa of DB Salaries from 1 July 2018 to 31 December 2019<br>▪ 15.6% pa of DB Salaries from 1 January 2020 onwards<br>Plus 3% pa award contribution on Ordinary Times Earnings (excluding bonus) | | |

The average long-term Employer contribution rate was 18.6% pa of Defined Benefit members' superannuation salaries as at 1 July 2018.

As mentioned earlier, the Employer missed making the higher contributions for the period from 1 January 2020 to July 2020 based on the recommended rates. However, upon realising the oversight in contribution remittances, the Employer made the catch-up contributions in August and September 2020. Overall, the Employer 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[3]** | **Impact on the financial position of the Plan (when considered in isolation)** |
|---|---|---|---|
| Investment Returns[1] | 5.5% pa | 8.7% pa | Favourable effect: The Defined Benefit assets increased at a higher rate than assumed. |
| | | Above the equivalent average return of funds with a similar investment strategy which was 7.6%[2] pa | The Plan earned higher returns than other funds with a similar investment mix. |
| Salary Increases | 4.0% pa | 2.5% pa | Favourable effect: The Defined Benefit liabilities increased at a lower rate than assumed. |
| Average Employer Contribution rate[4] | Recommended rates | Long-term rate of 18.6% pa | Unfavourable effect: The Defined Benefit assets increased at a lower amount than the long-term cost of providing the defined benefits.<br><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[4,5] | ▪ 2.0% pa for Expenses<br>▪ 1.4% pa for Death and TPD insurance premiums | ▪ 2.3% pa for Expenses<br>▪ 2.0% pa for Death and TPD 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 for the period ending 30 June 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 exited members means that the expenses as a percentage of total Defined Benefit salaries were higher than assumed.

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

- Membership movements:
  - Exits: 9 Defined Benefit members left the Plan due to resignation/normal or early retirement/retrenchment during the triennial actuarial investigation period, which is more than that assumed in the previous investigation. Overall, the 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 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 some 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 1.5% pa as shown in the table below. Therefore, the Interest/Salary Differential is the same as used in the previous regular triennial actuarial investigation, although the individual assumptions are 0.5% pa lower. The overall impact of these changes in assumptions, in isolation to all others, is that the Actuarial Value of Accrued Benefits increased and the long-term contribution rate has slightly increased.

| | **Net investment return (pa)** | **Salary increase rate (pa)** | **Differential (pa)** |
|---|---|---|---|
| **Assumption as at 1 July 2018** | 5.50% | 4.00% | 1.50% |
| **Assumption as at 1 July 2021** | 5.00% | 3.50% | 1.50% |

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 Balanced Growth - 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 based on the forecast increases in Average Weekly Ordinary Time Earnings (AWOTE), the Employer's expectations and past experience.

## 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 as well as the updated occupational split for the remaining defined benefit members as advised by the Employer. The impact of this change in isolation is to create a small decrease in the liabilities.

The assumptions for leaving service and early retirement have been updated from the last regular triennial actuarial investigation based on the overall experience of Master Trusts in the Australian market, past experience and current membership profile of defined benefit members. The impact of this change in isolation is to create a 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** | **Resignation** | **Death & Disablement** | **Retirement** | **Resignation** | **Death & Disablement** | **Retirement** |
| 30 | 1,500 | 6 | 0 | 1,500 | 6 | 0 |
| 35 | 1,333 | 7 | 0 | 1,333 | 8 | 0 |
| 45 | 800 | 20 | 0 | 667 | 20 | 0 |
| 50 | 667 | 40 | 0 | 667 | 42 | 0 |
| 55 | 0 | 83 | 1,000 | 0 | 88 | 2,000 |
| 60 | 0 | 158 | 2,400 | 0 | 164 | 3,000 |
| 65* | 0 | 0 | 10,000 | 0 | 0 | 10,000 |

* exact age

No allowance has been made for retrenchment which is consistent with the last triennial 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 decreased 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.

| | **1 July 2018** | **1 July 2021** |
|---|---|---|
| Operating expenses<br>(% pa of Defined Benefit members' salaries) | 2.0% pa | 2.5% pa^ |
| Death and TPD insurance premiums<br>(% pa of Defined Benefit members' salaries) | 1.4% pa | 2.1% pa |
| **Total expense and insurance premium assumption** | **3.4% pa** | **4.6% 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 previous regular triennial actuarial investigation to reflect the expected expenses 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.

Accumulation members' expenses and insurance premiums for Death/TPD insurance are deducted from members' accounts 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 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 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 | 5,493,431 |
| Death & Disablement | 458,795 |
| Resignation | 899,362 |
| **Total of active Defined Benefit related liabilities** | **6,851,588** |
| Additional accounts for Defined Benefit members | 2,544,457 |
| Accounts for Accumulation members | 83,317 |
| **Actuarial Value of Accrued Benefits** | **9,479,362** |
| **Assets*** | **10,170,358** |
| **Surplus/(Deficit)** | **690,996** |

*Assets for Accumulation members have been set equal to the Accumulation members' benefits.

## 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)** | **460** |
| Interest on surplus/(deficit)[1] | 45 |
| Investment gains/(losses)[2] | 337 |
| Employer contributions paid at a higher/(lower) rate than long term rate[3] | (557) |
| Expense gains/(losses)[4] | (86) |
| Salary gains/(losses)[5] | 184 |
| Change in basis gains/(losses)[6] | 11 |
| Withdrawal gains/(losses)[7] | 245 |
| Miscellaneous | 53 |
| **Surplus/(deficit) as at the valuation date** | **691** |

[1] Interest on surplus/(deficit) over the period

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

[3] A contribution loss occurs when employer contributions (as recommended) 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 gain from a change of basis occurs when the overall set of assumptions becomes less conservative.

[7] A withdrawal gain occurs when the benefit paid is lower 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 $690,996. This is equivalent to 10.1% of Defined Benefit liabilities (ie excluding accumulation members' benefits and Defined Benefit members' additional accounts) and 24.7% of total Defined Benefit salaries. This amount will largely be maintained within the Plan as a small buffer against future adverse experience and allow the Employer to contribute at the lower rate recommended rather than the higher average long-term employer contribution rate.

## Long-term contribution rate

The Defined Benefits long-term Employer contribution rate has increased since the last regular triennial actuarial investigation due to the change in assumptions and current membership profile, ie on average, longer serving members have remained which results in higher future contribution rates.

| **Present Value of Future Service Liability** | **Total ($)** |
|---|---|
| Retirement | 1,829,539 |
| Death & Disablement | 143,185 |
| Resignation | 156,747 |
| | **2,129,471** |
| Less member contributions | 0 |
| **Net Future Service Liability** | **2,129,471** |
| Equivalent net future contribution rate | 13.3% |
| Tax | 2.4% |
| Expense allowance | 2.5% |
| Death and TPD premiums | 2.1% |
| **Employer contribution rate required for Future Service Benefits (pa salary)*** | **20.3%** |

The required rate for Category B members is the Superannuation Guarantee (SG) rate.

# 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 and the value of Accumulation members' benefits as the assets for Accumulation members for the purpose of this regular triennial actuarial investigation. The 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 triennial actuarial investigation.

| | 1 July 2018 | | | 1 July 2021 | | | |
|---|---|---|---|---|---|---|---|
| | **Amount ($)** | **Index[1]** | **DB Index[2]** | **Amount ($)** | **Index[1]** | **DB Index[2]** | |
| **Minimum Requisite Benefits** | 7,800,125 | 129.9% | 150.8% | 7,683,012 | 132.4% | 149.2% | A |
| **Vested Benefits** | 8,780,046 | 115.4% | 124.3% | 8,996,364 | 113.0% | 118.4% | A |
| **Actuarial Value of Accrued Benefits** | 9,675,067 | 104.8% | 107.1% | 9,479,362 | 107.3% | 110.1% | A |
| **Accumulation Benefits[3]** | 3,198,995 | | | 2,627,774 | | | B |
| **Assets[4]** | 10,135,420 | | | 10,170,358 | | | 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 Family Law accounts) and Accumulation members' benefits. Note that the 3% Award account has been included in the Defined Benefit liabilities.

[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 98.0%. 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 118.4%. Therefore, the Plan has not fallen below the Shortfall Limit at the valuation date**.**

I have reviewed the Shortfall Limit of 98.0% 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 16 August 2021 excluded Defined Benefit members' additional accounts (including the 3% Award Account) 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, all assets available at that time, net of accruals and expenses, would be distributed to members to the extent of their "termination liabilities" as per the Employer Application Agreement with the Trustee of smartMonday, namely as follows:

(a) Provide benefits to Members, their Dependants or Personal Legal Representative who were already entitled to be paid a benefit from the Plan;

(b) Provide benefits to Members that they are entitled to as if they voluntarily left service;

(c) Provide benefits to members, their Dependants or personal Legal Representatives who may have become eligible for a retirement benefit or a benefit payable in respect of death or disablement during the notice period; and

(d) Divide the balance of the Plan's assets amongst the remaining Members of the Plan in such proportions as an actuary certifies as being the member's Reserve in the Plan.

There is no guarantee of adequacy for the termination liabilities, only a priority charge on available assets up to the level of 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) 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

## Accumulation members

There is no specific insurance coverage for Accumulation members (Category B), however, they are all provided with the Standard Minimum Death and TPD Insurance by smartMonday PRIME and members can elect not to have this cover.

## 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)** | 8,323,062 |
| **Plan Assets (B)** | 10,170,358 |
| **Funding excess/(shortfall) (C)** | 690,996 |
| **Amount of Surplus, if any, set aside for funding purposes (D)*** | 472,486 |
| **Plan Assets available to meet Death/TPD benefits (B)-(D)=(E)** | 9,697,872 |
| **Available on Death/TPD (A)+( E)=( F)** | 18,020,934 |
| **Total Death/TPD benefits (G)** | 17,319,426 |
| **Excess/(shortfall) (F) - (G)** | 701,508 |

*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.

## 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 was 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).

We recommend that the Trustee communicate with the member, if it has not yet done so, to ensure they understand that, as their insurance cover is restricted, their death and TPD benefits will be restricted; but they can apply for the higher required insurance cover and receive the benefits under the Plan Rules, if the insurer accepts the amount required after the underwriting process.

# 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 (3.5% pa/5.0% pa) | 9,479,362 | 20.3% |
| Last valuation (4.0% pa/5.5% pa) | 9,490,425 | 20.3% |
| Last valuation with this valuation decrements (4.0% pa/5.5% pa)* | 9,447,765 | 20.2% |
| Salary inflation rate plus 1% pa (4.5% pa/5.0% pa) | 9,672,124 | 20.8% |
| Salary inflation rate minus 1% pa (2.5% pa/5.0% pa) | 9,306,921 | 19.9% |
| Investment return plus 1% pa (3.5% pa/6.0% pa active members) | 9,249,709 | 19.7% |
| Investment return minus 1% pa (3.5% pa/4.0% pa active members) | 9,741,546 | 21.0% |

* 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 0.6% pa.

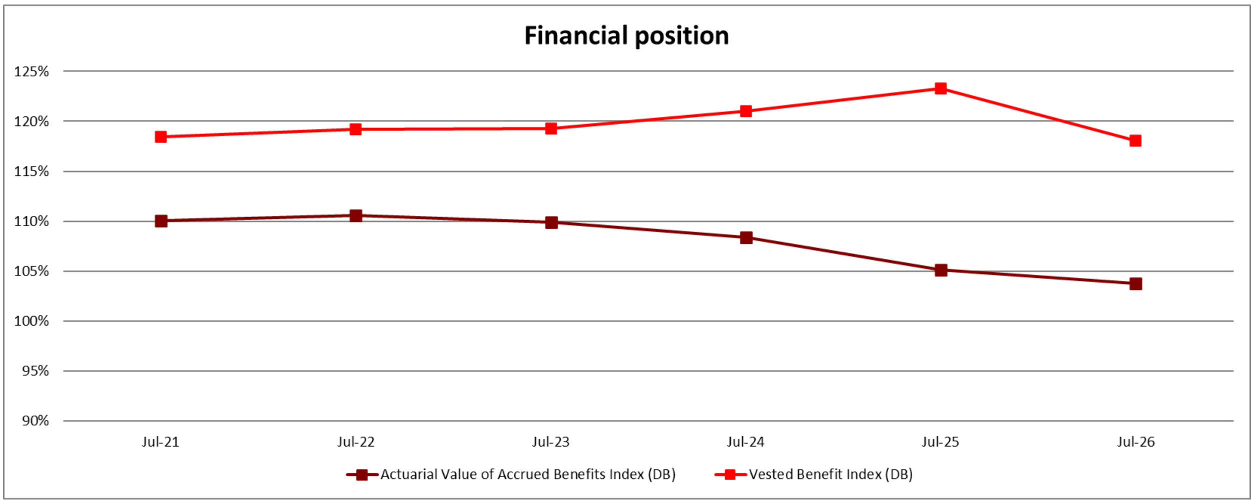
## Post valuation events

The Plan has earned an average investment return of 3.8% from the date of the valuation to 25 November 2021. This is significantly 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 118.4% at the valuation date to approximately 118.6% as at 25 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 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.




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

The Plan design generally provides a significant increase in benefits when first moving from a resignation benefit to an early retirement benefit at age 55. The Trustee and Employer should monitor any trend for members to retire early before age 65 and check that benefit payments will not detrimentally affect the financial position of the Plan.

## 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 for Defined Benefit members (% pa of Salaries[1])** | |
|---|---|---|
| | **1/7/2021 to 31/12/2021** | **1/1/2022 to 30/06/2026** |
| A | 15.6% | 10.0% |
| B | SG-3.0% | SG-3.0% |

[1]The Superannuation Guarantee contribution rate less 3% award contribution is to be paid based on Ordinary Time Earnings (excluding bonus) and the balance of the contribution rate is paid on the Superannuation Salary.

In addition, the following contributions are also payable:

- The SG contribution rate on bonus, if applicable; and
- 3% pa award contributions are payable on Ordinary Time Earnings (excluding bonus).

The Employer contributions in respect of Defined Benefit members must be paid 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 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/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 98.0% (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.

We recommend that the Trustee communicate with the member who has restricted insurance cover, if it has not yet done so, to ensure they understand that, as their insurance cover is restricted, their death and disablement benefit will be restricted; but they can apply for the higher required insurance cover and receive the benefits under the Plan Rules, if the insurer accepts the amount required after the underwriting process.

### Investment recommendations

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 - United Airlines Inc. Australian 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 plus the Accumulation members' benefits for Accumulation member assets, was $10,170,358 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 25 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 $9,479,362 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 $5,155,270 which was calculated in accordance with Practice Guideline 499.06 (this excludes additional accounts for Defined Benefit members, including the 3% Award Accounts, and Accumulation members' benefits). The relevant value of Defined Benefit related assets for AASB 1056 was $5,846,266.

3) The value of the Assets of the Plan was adequate to meet the value of the 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.

Su Li Sin
Fellow of the Institute of Actuaries of Australia
Aon Solutions Australia Limited

6 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 A: Permanent Employees on invitation to this category by the Employer. However, due to the APRA requirement to have a minimum of 50 Defined Benefit members for new members to be eligible to enter the category, or APRA approval to allow new members where there are less than 50 Defined Benefit members, it is unlikely further new members will be admitted to this category.

Category B: Casual Employees or Late Retirees or any Permanent Employee not invited to be a Category A member. Due to the difficulty in entering members into Category A, all new employees effectively join this category.

## Plan structure

The smartMonday PRIME - United Airlines Inc. Australian Superannuation Plan (the Plan) is a Defined Benefit plan and is constituted by a Trust Deed originally dated 1 January 1987 and replaced on 27 June 1990.

All new entrants to the Plan can join the defined benefit and accumulation sections, as applicable.

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)

Coincident with or following a Member's $55^{th}$ birthday.

## Salary

The ordinary full-time equivalent 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

The highest average of Salary over any 36 consecutive months for the entire period of employment or any such lesser total period of employment immediately preceding the relevant date of determination.

# Vesting Factor

The vesting factor is 10% for each year of service in excess of 5 years to a maximum of 100%.

# Service

## Membership

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

## Credited membership

Such an additional period of time as decided by the Employer.

# Fraction

For part-time Members, the Years of Participation and years of service for the periods when the Member was a part-time employee is reduced by the ratio of part-time earnings to equivalent full-time earnings.

# Contributions

## Member

Members of the Plan are not required to contribute. However, Members may make voluntary contributions which accumulate with investment earnings and are paid on leaving service for any reason.

## Employer

The Employer shall contribute such amounts or rates as last advised by the Actuary to the Plan or as may be decided by the Principal Employer and advised to the Trustee and Actuary to the Plan.

The following amounts will be credited to each account:

### Category A (Defined Benefit)

- 3% pa of Ordinary Time Earnings (excluding bonus) to the Award Account (if any); plus
- Superannuation Guarantee (SG) rate of OTE (excluding bonus) less 3% pa award to the SG Account; plus
- 5% pa of Salary notionally credited to the 5% Notional Account (no contributions tax is deducted); plus
- SG on bonus, if applicable; plus
- Members may make voluntary contributions which accumulate with investment earnings less tax if applicable and are paid on leaving service for any reason.

### Category B (Accumulation)

The Employer contributes a minimum Superannuation Guarantee (SG) contribution on Ordinary Time Earnings (OTE) or such other percentage of Salary as required by law where 3% of this rate is paid to the Award Account and the balance to the Company Account.

## Benefits for Category A members

### Normal Retirement Benefit (NRB)

On retirement at the Normal Retirement Date, a Member is entitled to a benefit equal to the greater of the Minimum Benefit and:

15% x Years of Membership x FAS + Additional Accounts

If a Member continues to work after reaching age 65, their Retirement Benefit will be calculated and crystallised at that date. From then onwards, they will transfer to Category B and benefits will be calculated in accordance with that category.

### Early Retirement Benefit (ERB)

The benefit is determined as for normal retirement, based on Membership and Final Average Salary at the date of retirement but is reduced by 1/12% for each month that the actual date of retirement precedes the Normal Retirement Date.

### Late Retirement Benefit (LRB)

NRB with investment earnings plus Superannuation Guarantee less 3% pa award contributions less tax, expenses and premiums, if applicable, accumulated with investment earnings after the NRD.

### Death Benefit

Lump sum benefit equal to greater of:

- The prospective benefit which would have been paid at the NRD if the member had continued on the same Salary; and
- 4 times Salary at Death

The benefit is payable, at the Trustee's discretion, to any one or more of the Member's dependants or his personal representatives, and may be paid either by way of a lump sum payment or payments, or by way of a pension or annuity. All insured benefits are subject to the Insurer's refusal to grant or pay insurance.

### Total and Permanent Disablement (TPD) Benefit

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

### Resignation Benefit

Members who cease employment with the Employer due to resignation, or in circumstances which do not otherwise entitle the Member to receive a benefit, shall be entitled to a Leaving Service Benefit.

If the Member last commenced employment before 4 February 2004, the Member is eligible for a lump sum of Vesting Factor x 5 % Notional Account subject to a minimum of the Minimum Benefit.

If the Member last commenced employment on or after 4 February 2004, the Member is eligible for the Minimum Benefit.

## Retrenchment Benefit

If a Member commenced service prior to 1 January 1987 and was a Member of the Plan as at 31 December 1986 and the Member ceases employment due to Retrenchment, then a Retrenchment Benefit is payable as:

The lump sum present value of a pension of 1.5% of Member's Salary x Member's Years of Membership.

(There are no longer any members who may become entitled to this benefit).

For all other members it is the Resignation Benefit.

# Benefits for Category B Members

A Member is entitled to a lump sum benefit equal to the SG Account. On death or TPD insurance, if any, is payable in addition. Members are provided with a minimum level of death and TPD insurance cover by smartMonday PRIME which is based on a fixed amount per age. The member may opt out of this cover.

## Plan Termination Benefits – All Members

In the event of the termination of the Plan, all assets available at that time, net of accruals and expenses, would be distributed to members to the extent of their "termination liabilities" as per the Employer Application Agreement with the Trustee of smartMonday, namely as follows:

a) provide benefits to Members, their Dependants or Personal Legal Representative who were already entitled to be paid a benefit from the Plan;
b) provide benefits to Members that they are entitled to as if they voluntarily left service;
c) provide benefits to Members, their Dependants or Personal Legal Representatives who may have become eligible for a retirement benefit or a benefit payable in respect of death or disablement during the notice period; and
d) divide the balance of the Plan's assets amongst the remaining Members of the Plan in such proportions as an actuary certifies as being the Member's Reserve in the Plan.

## Additional Accounts – All Members

3% Award Account, Additional Voluntary Contribution Accounts and Rollover Accounts are in addition to all of the above benefits.

## Surcharge Account – All Members

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 Members

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.

## Family Law Account – All Members

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 with investment earnings from the date of the split for accumulation members; for defined benefit members the amount is accumulated at the rate determined by the Government Actuary which for a Defined Benefit split 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 Members

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

## Minimum Benefit – All Members

All benefits payable are subject to a minimum of the Minimum Benefit for both Category A and B Members. The Minimum Benefit is equal to the sum of all real account balances in the member's name.

# Appendix B – Membership

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

| | Total |
|---|---|
| **Active DB Membership at 1 July 2018** | **33** |
| **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 | 0 |
| Normal retirements | -1 |
| Resignations | -3 |
| Retrenchments | -5 |
| Late retirements | 0 |
| **Active DB Membership at 1 July 2021** | **24** |

In addition, there were 2 Accumulation members at the valuation date with total salaries of $220,609.

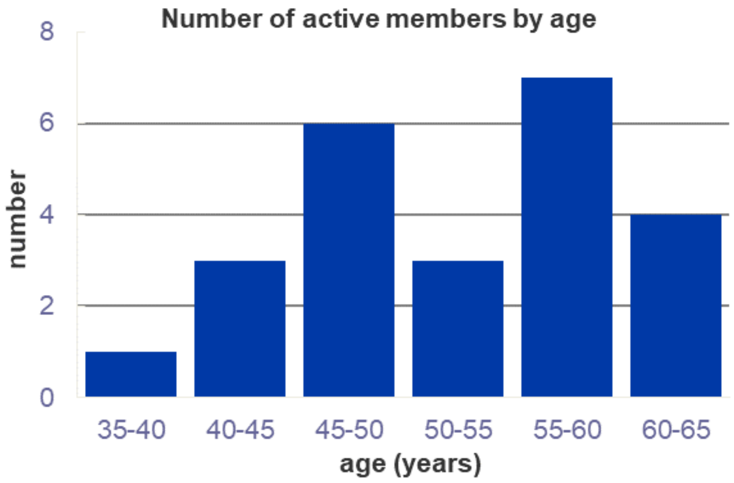
## Membership characteristics as at 1 July 2021

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 | 33 | 24 |
| Average age (years) | 49.2 | 52.7 |
| Average membership (years) | 14.5 | 17.2 |
| Total annual salary ($) | 3,524,612 | 2,795,096 |
| Average annual salary ($) | 106,806 | 116,462 |

# By age and membership

The following graphs outline the distribution by age and membership of the 24 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 position review 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 were audited and signed-off 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

**FAS Calculation**

We discovered that under the existing administration configuration, the FAS calculation is based on 'whole calendar months' and if the actual effective date of the salary is not coincident with the first day of the month, the system assumes the date the new salary is effective from is the first of the month following the actual effective date which produces a slightly lower FAS and consequently potentially slightly lower benefit for the member. To resolve this issue going forward, the administrator, on advice of the Actuary, will load the salary effective date as the first day of the month regardless of the actual effective date that the salary is applicable. This will produce a slightly higher FAS (than if based on the actual salary effective date) and is not detrimental to members' benefits. It is expected to have a minor impact on the Plan's funding.

**5% Notional Account**

We note that although the Plan rules require 5% of DB salary be applied to the 5% Notional Account (for members who joined on or before 4 February 2004), in practice the Plan administrator is calculating these notional contributions based on OTE Salary. As the OTE Salary can be higher than the DB salary for these members this practice potentially provides for slightly higher benefits than the Plan rules require. However, as there are only two members as at 1 July 2021 where the benefit calculated is based on their 5% Notional Account and their OTE salary is the same as DB salary, we do not consider this a material item.

I note that all other members who joined on or before 4 February 2004 have either their Minimum Benefit or Early Retirement Benefit applying.

Other than the above, 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 1 July 2018 to 1 July 2021. The final accounts of the Aon Master Trust 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 (A)** | **10,135,420** | **10,856,970** | **10,234,030** | **10,135,420** |
| Accumulation accounts at start of period* (B) | 852,349 | 739,058 | 758,259 | 852,349 |
| **Defined Benefit related Plan Assets at start of period (C) = (A) – (B)** | **9,283,071** | **10,117,911** | **9,475,771** | **9,283,071** |
| **Plus** | | | | |
| Member contributions | 91,541 | 77,006 | 111,689 | 280,236 |
| Employer contributions | 366,434 | 300,452 | 687,914 | 1,354,800 |
| Rollovers/transfers in | 29,862 | 18,251 | 284,032 | 332,145 |
| Investment income (including capital appreciation/depreciation) | 900,995 | (95,423) | 1,661,506 | 2,467,078 |
| Sundry income | 0 | 0 | 0 | 0 |
| **Less** | | | | |
| Group Life premiums (net of rebates) | 64,631 | 71,960 | 64,243 | 200,835 |
| Benefits (net of insurance recoveries) | 363,600 | 758,481 | 1,903,021 | 3,025,102 |
| Transfers out to other funds | 0 | 0 | 0 | 0 |
| Administration and other charges | 78,614 | 77,962 | 76,471 | 233,046 |
| Income tax | 47,146 | 34,024 | 90,137 | 171,307 |
| Other taxes | 0 | 0 | 0 | 0 |
| Others | 0 | 0 | 0 | 0 |
| **Defined Benefit related Plan Assets at end of period (D)** | **10,117,911** | **9,475,771** | **10,087,041** | **10,087,041** |
| Accumulation accounts at end of period (E) | 739,058 | 758,259 | 83,317 | 83,317 |
| **Plan Assets at end of period (F) = (D) + (E)** | **10,856,970** | **10,234,030** | **10,170,358** | **10,170,358** |

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 and Defined Benefit members for non-defined benefit related assets, may invest their account balances in any option. Where an investment option is not chosen by Accumulation members, account balances are invested in the default MySuper option.

Defined Benefit related account balances are invested in the Balanced Growth - Index option. Defined Benefit assets above account balances (ie defined benefit reserve assets) are invested in the Balanced Growth - Index option.

The benchmark asset allocation of the Balanced Growth - Index Option is as follows:

| By Asset Class (based on benchmark asset allocation) | 1 July 2018 (%) | 1 July 2021 (%) |
|---|---|---|
| Australian Shares | 32.0 | 29.5 |
| International Shares | 32.0 | 29.5 |
| Property | 6.0 | 6.0 |
| Alternatives Asset - growth | 0.0 | 5.0 |
| Alternatives Asset - defensive | 0.0 | 0.0 |
| Australian Fixed Interest | 12.5 | 13.0 |
| International Fixed Interest | 12.5 | 13.0 |
| Cash | 5.0 | 4.0 |
| **Total** | **100.0** | **100.0** |

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. The financial statements as at 30 June 2021 were audited and received sign-off on 27 September 2021.

# Crediting rate policy

The Balanced Growth - Index option return for the period was:

| 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 - Index | 9.7% | -0.9% | 18.0% | 8.7% |

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.

# 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 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.

# 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

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