

Regular Triennial Actuarial Investigation Report to the Trustee of the

**smartMonday PRIME - Thames Water Asia/Pacific
Superannuation Plan**

Valuation Date: 1 July 2024

Date of Report: 27 November 2024

Table of Contents

Executive Summary	3
Section 1 – Introduction	6
Section 2 – The Plan’s Experience	8
Section 3 – Assumptions	10
Section 4 – Actuarial Value of Accrued Benefits	13
Section 5 – Immediate Solvency and Funding Indices	15
Section 6 – Adequacy of Insurance Arrangements	18
Section 7 – Sensitivity Analysis and Projections	19
Section 8 – Material Risks	23
Section 9 – Recommendations and Actuary’s Summary Statement for the Purposes of SPS 160	25
Appendix A – Summary of Plan Rules	28
Appendix B – Membership	30
Appendix C – Accounts and Summary of Assets	31
Appendix D – Funding Method	33

Executive Summary

Superannuation regulations and the Trust Deed of the smartMonday PRIME - Thames Water Asia/Pacific 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 Thames Water Overseas Limited (the Employer) and the Trustee is Equity Trustees Superannuation Limited (the Trustee).

Effective from 1 February 2022, the Future Super Group acquired smartMonday from Aon. Consequently, the smartMonday name and brand remains but the registered trading name of Aon Solutions Australia Limited is now smartMonday Solutions Limited and the Aon Master Trust is changed to the Smart Future Trust.

Financial Condition

A snapshot of the financial condition of the Plan as at 1 July 2024 is set out below.

	Total Plan	Comments
Vested Benefits Index	103.1%	The Plan is in a satisfactory financial position. The Plan's Vested Benefit Index for Defined Benefits is above the Shortfall Limit of 98.5%.
Actuarial Value of Accrued Benefits Index	80.1%	The Plan remains in an inadequate financial position. The Plan had a deficit on this basis of \$85,711.

There is also a high degree of probability that the two pensioners currently in payment will be able to be paid as required under the Plan's governing rules. [REDACTED]

This statement has been made considering the expected future contributions as recommended and the Plan's earnings from the date of the regular triennial actuarial investigation to 19 November 2024; [REDACTED] This statement is made in accordance with Superannuation Prudential Standard (SPS) 160, SIS Regulation 9.31(1) and Professional Standard 410 issued by the Institute of Actuaries of Australia.

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

Significant Changes Since the Prior Regular Triennial Actuarial Investigation

[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

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

The above contributions will be reviewed at the next regular annual actuarial investigation due with an effective date of 1 July 2025 or earlier in the event of a death of a [REDACTED] pensioner or an adverse material change in economic conditions.

The contributions from 1 October 2024 are lower than the amounts currently being paid.

Please refer to Section 4 for details.

I have reviewed the Shortfall Limit of 98.5 percent and confirm that, in my view, it remains appropriate. Please refer to Section 5 for details.

There is no insurance required since there are only pensioners in the Plan, except for Trustee indemnity insurance. The Trustee has effected an indemnity insurance to help protect the Trustee, its Directors and Fund against certain liabilities.

Please refer to Section 6 for details.

In my opinion, the retention of the current investment strategy is appropriate to meet the long-term liabilities of the Plan. It is able to pay the ongoing income streams of its pensioners.

For more information refer to Appendix C.

Note that as there are no account balances for this Plan, there is no need for a crediting rate.

Monitoring Recommendations

I have reviewed the current practice of carrying out the actuarial investigation on an annual basis and confirm that, in my view, it remains appropriate given the Australian Prudential Regulation Authority's (APRA's) requirements for plans that pay pensions.

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 the Trustee needs to be aware of longevity risk.

I note that the Plan [REDACTED]

[REDACTED] There is longevity risk that the [REDACTED] will live longer than the standard (life table) mortality and the assets will not be adequate to pay pensions. The Trustee has an agreement with the Employer for it to pay additional contributions as required by the Actuary to ensure that pensions will be able to be paid as well as administration and actuarial expenses. The Employer has continued to make such contributions as requested.

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 2027. A regular annual actuarial investigation will be carried out at each 1 July as the Plan pays pension benefits.

An interim actuarial investigation may need to be carried out at an earlier date if there is a significant change to the membership – i.e. the death of [REDACTED] – or there is an adverse material change in economic conditions such as a share market crash prior to that date as advised by the Trustee or Employer.

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
27 November 2024

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 pensioner actuarial investigation to be carried out every year;
- to review the Plan's financial position as at 1 July 2024 (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
- 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 2024 by Su Li Sin, of Aon Risk Services Australia Limited, Fellow of the Institute of Actuaries of Australia. The previous regular triennial actuarial investigation at 1 July 2021 and the previous regular annual actuarial investigations as at 1 July 2022 and 1 July 2023 were also completed by Su Li Sin. The results are shown in the reports dated 11 October 2021, 14 November 2022 and 15 December 2023 respectively.

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, 404 and 410) and Practice Guidelines 1, 499.08 and 499.09 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 Risk Services Australia Limited ABN 17 000 434 720 AFSL No 241141 (Aon).

Previous Investigation Results

The results of the previous investigations were as follows:

	Regular Triennial Actuarial Investigation as at 1 July 2021	Regular Annual Actuarial Investigation as at 1 July 2022	Regular Annual Actuarial Investigation as at 1 July 2023
A deficit of Assets over the Actuarial Value of Accrued Benefits	(\$127,869)	(\$92,391)	(\$74,129)
A deficit or excess of Assets over the Vested Benefits	(\$19,507)	\$8,974	\$24,299
Summary of the recommended Employer contribution for DB members	\$20,000 per quarter until 31 March 2023; and \$7,500 per quarter thereafter whilst there are still pensioner members in the Plan.		\$7,500 per quarter until 31 December 2023; and \$15,000 from 1 January 2024.

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 2021 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 2021 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	4.0% p.a.	1.9% p.a.	Unfavourable effect: The Defined Benefit assets increased at a lower rate than assumed.
		Below the equivalent average return of funds with a similar investment strategy which was 2.8% p.a. ²	The Plan earned lower returns than other funds with a similar investment mix.
Pension Increases	2.25% p.a.	4.20% p.a.	Unfavourable effect: The Defined Benefit pension liabilities increased at a higher rate than assumed.

¹net of investment expenses

²based on the Rainmaker Top 50 Workplace Super for Capital Stable Index as at 30 June 2024 (grossed up due to no investment earnings tax)

The other factors affecting the Plan’s financial position during the period since the previous regular triennial actuarial investigation include mortality experience, expenses and employer contributions discussed in the sub sections that follows.

Mortality Experience

Since the last regular triennial actuarial investigation as at 1 July 2021, [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

Expenses

The previous triennial actuarial investigation assumed that operating expenses included in the Actuarial Value of Accrued Benefits (but not the Vested Benefits) would be as follows:

Actuarial fee	\$10,110 p.a. (three-year average based on retainer fees)
AASB1056 valuation fee	\$2,926 p.a.
Defined Benefit administration fee	\$3,075 p.a.
Member fee	\$72 p.a. for each member
Asset based fee	0.44% of assets p.a.

Note that these expenses are updated every year in line with current Plan fees (and include allowance for goods and services tax net of reduced input tax credits). The fees were assumed to increase at 2.5 percent p.a..

The total expenses were higher than assumed over the three-year period due to higher than expected inflation which had an unfavourable effect on the financial position of the Plan (on a Present Value of Accrued Benefits Basis).

Employer Contributions Since the Last Triennial Investigation

Contributions have been paid according to the recommendations for the relevant periods as summarised below:

- \$20,000 per quarter until 31 March 2023;
- \$7,500 per quarter until 31 December 2023; and
- \$15,000 from 1 January 2024.

This has improved the financial position of the plan.

Overall Experience

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 2021. 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/Pension Inflation Differential

The most significant financial assumptions used for Pension members are the rate of future investment returns and the rate of future pension increases. These rates must be considered together because of their economic interdependence in the medium to long-term.

For this investigation I have used a Pension Interest/Inflation Differential assumption as shown in the table below which is less conservative and the overall impact of these assumptions, in isolation to all others, is that the Actuarial Value of Accrued Benefits has decreased.

	Net Investment Return (p.a.)	Pension Increase Rate (p.a.)	Differential (p.a.)
Assumption as at 1 July 2021	4.00%	2.25%	1.75%
Assumption as at 1 July 2024	5.55%	2.75%	2.80%

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 gross of tax as determined by Aon's global investment team, multiplied by the strategic asset allocation of the Defined Benefit related assets (i.e. Pension Moderate option, known as Pension Moderate – Active option prior to 1 June 2024) and allowing for correlations of investment returns between asset classes and investment fees.
- We expect that inflation will return to the RBA target of 2 percent p.a. to 3 percent p.a.. We have assumed CPI will be 2.5 percent p.a..
- Pension increases were determined based on the Plan provision, historical pension increases and the long-term CPI assumption.

Demographic Assumptions

Australian Life Tables 2015-2017 rated down by two years have been used for this regular actuarial investigation to allow for general trends in increasing longevity and that those members who elect a pension are likely to have longer life expectancy than the average population.

This is the most recent Australian life table recommended by the Australian Government’s Actuary and is the same as the ones used in the last triennial actuarial investigation as at 1 July 2021. This remains reasonable for purposes of this valuation.

Expenses

The operating expenses 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. These expenses are allowed for in determining the Actuarial Value of Accrued Benefits (but not the Vested Benefits).

The assumed expenses for this investigation are shown in the table below.

Actuarial fee	\$11,983 p.a. (three-year average based on retainer fees)
AASB1056 valuation fee	\$3,240 p.a.
Defined Benefit administration fee	\$3,383 p.a.
Member fee	\$72 p.a. for each member
Asset based fee	0.36% of assets p.a.

The amounts have increased to be in line with current Plan fees (and include allowance for goods and services tax net of reduced input tax credits). The fees are assumed to increase at 2.5 percent p.a.. The impact of this change in assumption, in isolation has increased the Actuarial Value of Accrued Benefits.

Tax

There have been no changes to our assumptions regarding tax since the last regular triennial actuarial investigation.

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

As assets are all pension assets, no investment tax is assumed.

Additional Assumptions Relating to Pensions

There are additional assumptions that relate to pension liabilities. These are the same as the assumptions used in the last triennial actuarial investigation. These include:

- Remarriage, separation or divorce – As at 1 July 2024, [REDACTED]
- Payment form – Actual payment form elected is used. [REDACTED]

Overall Effect of Changes in Assumptions

Overall, the changes have decreased the Actuarial Value of Accrued Benefits and the expected cost of providing pensions.

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. The results of the regular triennial actuarial investigation are detailed in the following table.

Actuarial Value of Accrued Benefits (past service)	Total (\$)
Vested Benefits	333,859
Actuarial Value of Accrued Benefits	429,826
Assets	344,115
Surplus/(Deficit) – Vested Benefit basis	10,256
Surplus/(Deficit) – Actuarial Value of Accrued Benefit basis	(85,711)

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 2021. These figures give an indication of the impact of the factors that affect the final regular triennial actuarial investigation result on a vested benefit basis.

	\$(000's)
Previous surplus/(deficit)	(20)
Interest on surplus/(deficit) ¹	1
Investment gains/(losses) ²	(28)
Employer contributions paid ³	148
Expense gains/(losses) ⁴	(52)
Change in basis gains/(losses) ⁵	16
Pension indexation gains/(losses) ⁶	(22)
Pension mortality gains/(strain) ⁷	(30)
Miscellaneous	(3)
Surplus/(deficit) as at the valuation date	10

¹Interest on surplus/(deficit) over the period. The negative return on the deficit during FY2022 is exceeded by the positive returns on surplus during the other periods.

²An investment loss occurs when investment earnings are lower than assumed.

³A contribution gain occurs when any employer contributions are paid, as pension benefits are assumed to be fully funded on commencement of a pension.

⁴An expense loss occurs when expenses are more than assumed. Note that this loss is the impact on the vested benefit surplus as the Vested Benefits have no allowance for expenses in them. For the Actuarial Value of Accrued Benefits basis there was a expense assumption loss of \$11,200 over the three-year period.

⁵A gain from a change of basis occurs when the overall set of assumptions becomes less conservative.

⁶A pension indexation loss occurs when pension indexation is at a higher rate than assumed.

⁷A pensioner mortality strain occurs when pensioners live longer than assumed. The impact of the gain on the death of the one pensioner in 2022 was outweighed by the strain of the [REDACTED] living longer than expected.

Managing a Deficit of Assets

Total assets are less than the Actuarial Value of Accrued Benefits by \$85,711. This is equivalent to 19.9 percent of Defined Benefit liabilities. The deficit is due to the provision for the total future expenses of the Plan being included in the Actuarial Value of Accrued Benefits. We note that the Actuarial Value of Accrued Benefits basis is a more conservative measure of liability than Vested Benefits as it includes provision for future expenses. While 100 percent funding is desirable, I do not consider it as a requirement for meeting benefits purposes as long as expenses can be paid when they fall due as well as meeting pension benefits.

[REDACTED]

[REDACTED]

The recommended employer contributions are set out in Section 9.

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 Smart Future Trust general ledger as at 1 July 2024, as the value of assets for the purpose of this regular triennial actuarial investigation, as financial statements are not available for the Plan. The Smart Future Trust financial statements which includes the assets of all smartMonday plans at 30 June 2024 were audited and signed on 30 September 2024. 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 2021		1 July 2024		
	Amount	Index ¹	Amount	Index ¹	
	(\$)		(\$)		
Vested Benefit	452,383	95.7%	333,859	103.1%	A
Actuarial Value of Accrued Benefits²	560,745	77.2%	429,826	80.1%	A
Assets³	432,876		344,115		B

¹Index is B/A.

²Actuarial Value of Accrued Benefits includes a provision for the actuarial present value of future expenses of the Plan.

³Net of any amount held to meet ORFR.

Vested Benefits Index

Vested Benefits are the present value of the projected pension benefits that members and their spouses are entitled to receive.

The Vested Benefits Index provides a measure of the Plan's ability to meet its minimum obligations to all members 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 percent. 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 98.5 percent. 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 Vested Benefits Index i.e. the ratio of assets and Vested Benefit liabilities. The Vested Benefit Index at 1 July 2024 was 103.1 percent. Therefore, the Plan has not fallen below the Shortfall Limit at the valuation date.

The Plan's investments have earned approximately 4.6 percent since the valuation date to 19 November 2024 and in isolation, this has had a positive effect on the Vested Benefit Index. [REDACTED]

[REDACTED], the Vested Benefit index has increased to approximately 159.7 percent at 19 November 2024.

I have reviewed the Shortfall Limit of 98.5 percent and confirm that, in my view, it remains appropriate.

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

Actuarial Value of Accrued Benefits Index

The valuation results shown in Section 4 of this report disclose the Actuarial Value of Accrued Benefits, which is equal to the Vested Benefits plus the addition of a provision for the present value of expected future expenses. 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.

The minimum desirable range for this index is 100 percent to 105 percent which allows for possible variations in asset values. The index was at an inadequate level at the valuation date. However, we note that the Actuarial Value of Accrued Benefits Basis is a more conservative measure of liability than Vested Benefit as it includes provision for future expenses.

While 100 percent funding is desirable, I do not consider it a requirement for meeting benefits purposes as long as expenses can be paid when they fall due as well as meeting pension benefits.

Transferring Pensioner Liability to a Third Party

We have not provided the value of pension benefits in the above tables on an equivalent market value basis (that is, the amount determined as being required to be paid to a third party to take on the liability) due to the difficulty of getting annuity quotations and there being no immediate requirement by the Employer or Trustee to consider this as an option.

If a member does take up the pension option and then if the Trustee decides to transfer the pension liability to a third party it is unlikely that the assets will be sufficient due to risk, expense and profit margins of the third party and an additional contribution equal to the grossed-up value of the funding shortfall, as determined by the Actuary, would need to be paid by the Employer in order to maintain the security of other members' benefits.

The Employer needs to be aware that buying out pension liabilities in the event of winding up the Plan would be more expensive in the open market due to the limited provider options that are currently available although we note that the latest available indicative pricing suggests it would be less. As an indication based on recent market conditions, a single life annuity for a female age 90 could cost approximately 15 percent more than the actuarial liability value (based on annuity rates available on Challenger's website and a general summary document they have provided with impact of annuity variations on price).

If the Trustee decides to transfer the pension liability to a third party, it is unlikely that the assets will be sufficient due to the current underfunding on an actuarial value of accrued benefit basis and an additional contribution as determined by the Actuary would need to be paid by the Employer in order to fully cover the transferring liability. However, note that there are limited annuity options available in the Australian market and exact matching of the pension liabilities may not be possible. If the Trustee or Employer would like to explore this option further we could attempt to obtain quotations from annuity providers.

Section 6 – Adequacy of Insurance Arrangements

Since the only remaining members of the Plan are pensioners, insurance is not required for the Plan except for Trustee Indemnity insurance.

Indemnity Insurance

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

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

Material Issues Arising From Insurance

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

Section 7 – Sensitivity Analysis and Projections

Assumption Variation

The values of the benefit liabilities shown in this report depend on the assumptions used to calculate them. The main assumptions relate to pension increases and the long-term investment return (gross of tax but net of 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 pension 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 (pension increase rate/long-term investment return)	Vested Benefits as at 1 July 2024	Actuarial Value of Accrued Benefits as at 1 July 2024**
	(\$)	(\$)
This valuation (2.75%/5.55%)	333,859	429,826
Last valuation (2.25%/4.0%)	346,608	446,240
Last valuation with this valuation decrements (2.25%/4.0%)*	346,608	446,240
Pension increase rate plus 1% pa (3.75%/5.55%)	344,721	443,811
Pension increase rate minus 1% pa (1.75%/5.55%)	323,536	416,536
Investment return plus 1% pa (2.75%/6.55%)	322,680	415,434
Investment return minus 1% pa (2.75%/4.55%)	345,844	445,257

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

**This is calculated based this valuation's expense assumptions.

Based on the above results, it is clear that the financial position of the Plan and the corresponding Employer contribution will vary depending on the actual experience of the Plan and particularly in relation to pension increases and long-term investment returns (gross of tax and net of investment expenses).

If the increase in pension of Defined Benefit members is 1 percent p.a. higher than the assumed rate, the cost to the Employer will be higher than that based on the assumptions used for this valuation. If long-term investment returns are 1 percent p.a. higher than assumed, the required Employer contribution decreases.

Sensitivity on Mortality Rates

Assumptions	Actuarial Value of Accrued Benefits as at 1 July 2024
	(\$)
This Valuation	429,826
Mortality rate age rated up by 2 years	379,486
Mortality rate age rated down by 2 years	486,961

The age rating sensitivities provide a rough guide to the impact of different mortality experience. In practice, given the small number of pensioners, their mortality experience could be significantly different to assumed and the Employer is exposed to the risk of pensioners living longer than assumed in this valuation.

Post Valuation Events

The Plan has earned an average investment return of 4.6 percent from the date of the valuation to 19 November 2024. This is higher than the rate assumed for the valuation and has further strengthened the financial position of the Plan.

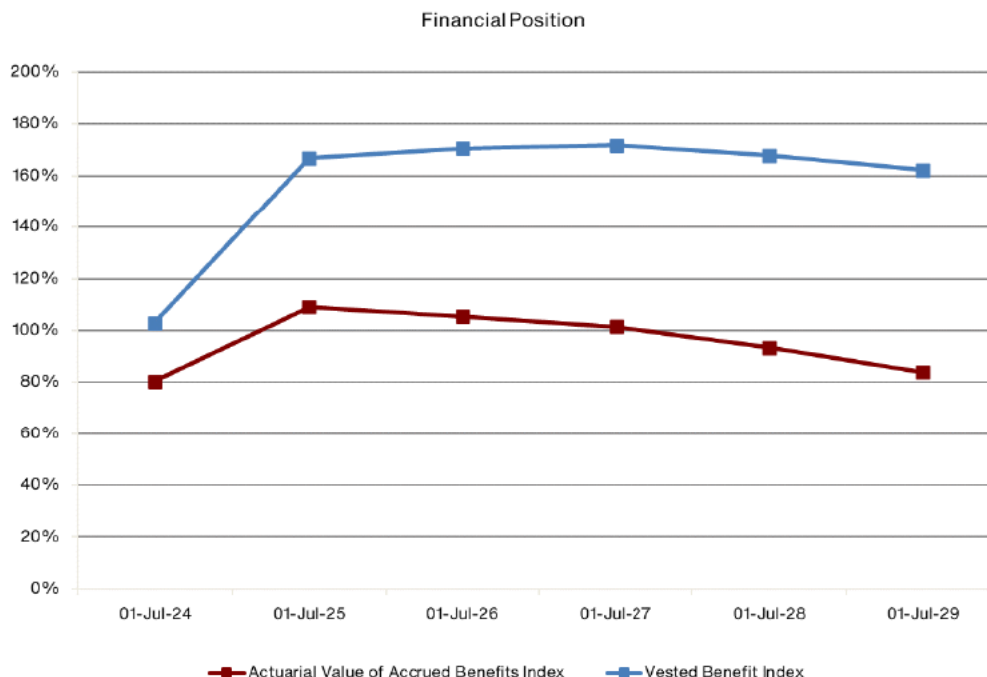
[REDACTED]
[REDACTED] This has decreased the Plan's liability and has contributed to the improvement of the Plan's financial position.

[REDACTED]
[REDACTED]

[REDACTED] I estimate that coverage of Vested Benefits has increased from 103.1 percent at the valuation date to approximately 159.7 percent as at 19 November 2024. This has been taken into account in the recommended Employer contributions.

Projection of Future Liabilities

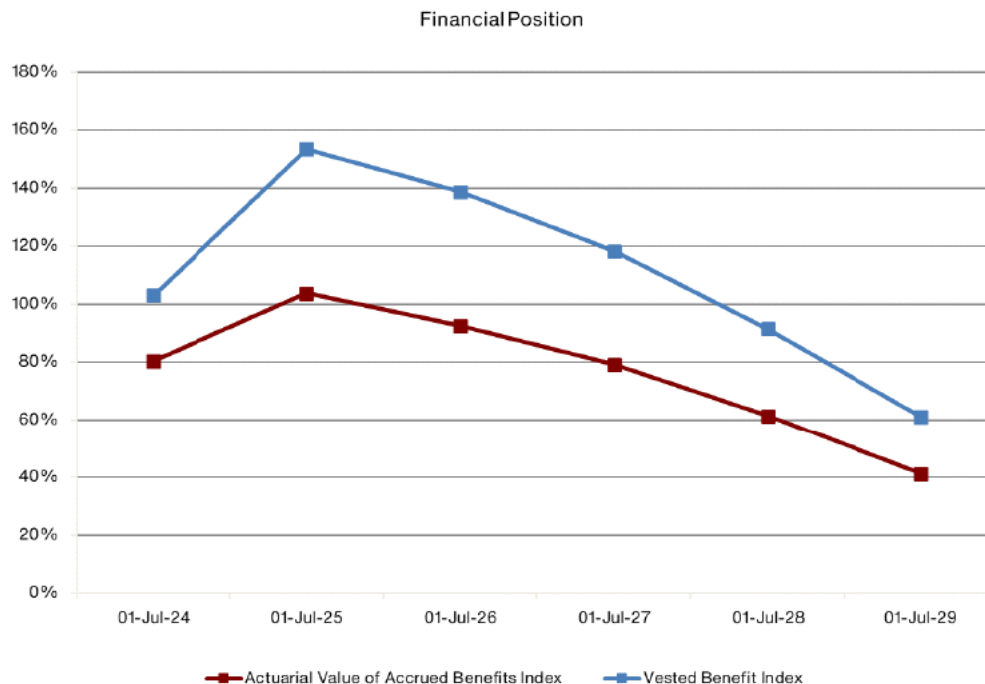
The graph in the next page shows the projected value of Defined Benefit Vested Benefits and Actuarial Value of Accrued Benefits for Defined Benefit members funding indices over the next five years. These projections have been based on pensioner liabilities and assume that the Employer will pay contributions 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.



The graph shows that on these assumptions the Plan is expected to remain in a satisfactory financial position on a Vested Benefit basis from 1 July 2024, i.e. Vested Benefit Index is at least 100 percent from 1 July 2024 to 1 July 2029. The Plan is expected to improve then remain in a satisfactory position on an Actuarial Value of Accrued Benefits basis until 1 July 2027.

The above projections assume a percentage of the membership survives each year. [REDACTED], this creates a situation where the projections have part of a person surviving. As the pensions will continue until the death of the [REDACTED] and there are no special payments on death, there can be a large range of financial position outcomes depending on pensioners' mortality. If either or both of the [REDACTED] pensioners pass away earlier than expected there would be a surplus equal to the value of assets at that time. Alternatively, the [REDACTED] pensioners could live longer than expected, and even beyond the maximum lifetime of the Australian Life Tables of age 109.

As such, I have also considered the projections assuming both the [REDACTED] pensioners survive (i.e. no mortality assumptions) at each future projection year (refer to the next graph).



This graph shows that on this conservative assumption of no pensioner deaths in the 5-year projection period and assuming the Employer contributions are no less than recommended, the Plan's financial position is expected to decrease to an unsatisfactory financial position after 1 July 2027. These projected index values are much lower than on the basis shown in the previous graph. If the pensioners continue to survive beyond 1 July 2027 and the Plan experience is otherwise the same as assumed, the recommended contribution arrangements will need to be revisited.

The graph above shows the Plan is not expected to remain above a 100 percent funding level on an Actuarial Value of Accrued Benefits basis after 1 July 2025. However, we note that the Actuarial Value of Accrued Benefits basis is a more conservative measure of liability than Vested Benefits, as it includes provision for future expenses. While 100 percent funding is desirable, I do not consider it a requirement for meeting benefits purposes, as long as expenses can be paid when they fall due as well as meeting pension benefits.

Section 8 – Material Risks

Financial Risk

The items that have the greatest impact on the financial position of the Plan are the pensioner mortality (discussed in Section 7 and below); the differences between the assumed and the actual pension increase rate; and the assumed and actual long-term investment return. Should pensioners' benefits increase at a higher rate than assumed, the liabilities will be higher than expected and the assets may then be insufficient to cover member and their spouses' 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 pensioners' 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 actual pension increases above assumed rates; and
- to change the asset allocation on the 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 prepared to continue to pay contributions in accordance with the Actuary's recommendations. It should be noted that each year that the member pensioners survive will generally result in a deterioration of the financial position, as the assumptions allow for some chance of death of the pensioners. Therefore, it is likely that additional lump sum contributions will be required whilst all survive. Whilst I note that the Employer has committed to make such contributions in the Deed signed on 3 July 2007 and has made recommended contributions since then, we want to avoid a situation where additional lump sum contributions are requested too frequently.

As such, as discussed in the previous Section, we have allowed for some conservatism in the recommended Employer contributions.

The Trustee should discuss the valuation report with the Employer and ensure the Employer understands the recommendations before agreeing to the recommended contributions if applicable.

Plan Specific Risk

[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED] This has improved the financial position of the Plan.

There is longevity risk that the [REDACTED] pensioners will live longer than standard (life table) mortality and the assets will not be adequate to pay pensions. This is partly mitigated by allowing for some improvement in mortality by rating down the ages of the pensioners by two years and that, according to Rule 3.2 of the "Deed to Participate in a Pension Plan" between the Trustee and the Employer signed on 3 July 2007, the Employer agrees to pay contributions as required by the Actuary to ensure that the assets are adequate to pay pensions. This mitigates this risk somewhat.

Conversely, the Employer is facing the risk of over funding if one of the pensioners dies in the immediate future. However, according to Rule 3.3 of the "Deed to Participate in a Pension Plan" between the Trustee and the Employer signed on 3 July 2007, any surplus determined by the Actuary on death of the final living pensioner shall, subject to the Superannuation Industry (Supervision) Act 1993, be returned to the Employer. This mitigates the over funding risk somewhat.

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 continues to pay contributions to the Plan at the amounts set out in the table below:

Category of Members	Contributions (gross of tax)
██████████ Pensioners	• \$15,000 per quarter until 30 September 2024; and • nil from 1 October 2024.

This contribution recommendation takes into account the passing of the last member pensioner last September 2024.

The required Employer contributions will need to be reviewed prior to the next annual actuarial investigation due with an effective date of 1 July 2025 in the event of:

- The death of a ██████████ pensioner; or
- An adverse material change in economic conditions such as a share market crash, as the portfolio has a benchmark asset allocation of 22.5 percent in shares (where a resulting deficit may require the recommencement of contributions).

These events would need to be advised to the Actuary by the Trustee or Employer, where applicable.

Shortfall Limit Recommendations

I have reviewed the Shortfall Limit of 98.5 percent (see Section 5) and confirm that, in my view, it remains appropriate.

Insurance Recommendations

There is no insurance required since the only remaining members are pensioners, except for Trustee indemnity insurance. The Trustee has effected indemnity insurance to help protect the Trustee, its Directors and the Fund against certain liabilities (see Section 6).

Investment Recommendations

In my opinion the investment strategy is appropriate to meet the long-term liabilities of the Plan. Additionally, it is able to pay the ongoing income streams of the Plan’s pensioners.

The Employer may prefer to have the 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 contributions 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, particularly in relation to the payment of pensions.

Crediting Rate Recommendations

Note that, as there are no account balances for this Plan, there is no need for a crediting rate.

Monitoring Recommendations

I have reviewed the current practice of carrying out the actuarial investigation on an annual basis and confirm that, in my view, it remains appropriate given the Australian Prudential Regulation Authority's (APRA's) requirements for plans that pay pensions.

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 - Thames Water Asia/Pacific Superannuation Plan (the Plan) as at 1 July 2024 covering the three-year period to that date.

In my opinion:

- 1) As at 1 July 2024, the fair value of the net Assets of the Plan, based on the general ledger for the Plan, was \$344,115 and this is the value of assets used to determine the Employer contribution rate with an allowance for investment returns, pension payments and expected receipt net of tax contributions for the period from 1 July 2024 to 19 November 2024; and the death of the last member pensioner in September 2024.
- 2) The value of the Assets of the Plan was inadequate to meet the value of liabilities of the Plan in respect of the Actuarial Value of Accrued Benefits of \$429,826 as at 1 July 2024. This amount was reported for the purposes of Australian Accounting Standard AASB1056.
- 3) The value of the Assets of the Plan was adequate to meet the value of liabilities of the Plan in respect of the Vested Benefits of \$333,859 as at 1 July 2024.
- 4) The investigation disclosed the Plan was in a satisfactory financial position as at 1 July 2024. The Plan's financial condition has not fallen below the Shortfall Limit set by the Trustee at the valuation date.
- 5) The Plan has a liability in respect of current pensioners. The present value of their future payments has been included in all benefit calculations. The assets including future contributions are sufficient to provide for the risk of longevity. Should the Plan be in an unsatisfactory

financial position, the benefits of the pensioners will continue to be paid and the Employer will be required to increase contributions in order that the security of the pensioners' benefits will not be jeopardised.

There is also a high degree of probability that the two pensioners currently in payment will be able to be paid as required under the Plan's governing rules. [REDACTED]

[REDACTED] This statement has been made considering expected future contributions as recommended and the Plan's earnings, pension payments and expected receipt net of tax contributions from the date of the regular triennial actuarial investigation to 19 November 2024. This statement is made in accordance with Superannuation Prudential Standard (SPS) 160, SIS Regulation 9.31(1) and Professional Standard 410 issued by the Institute of Actuaries of Australia.

- 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.



Su Li Sin
Fellow of the Institute of Actuaries of Australia
Aon Risk Services Australia Limited

27 November 2024

Appendix A – Summary of Plan Rules

Eligibility

At the date of this report, there are only [REDACTED] in the Plan who are currently receiving a reduced lifetime pension.

Plan Structure

The smartMonday PRIME – Thames Water Asia/Pacific Superannuation Plan (the Plan) is a Defined Benefit plan and is constituted by a Trust Deed originally dated 26 February 1982.

A new Deed was adopted on 14 December 1990 and subsequent amendments were made on 4 August 1993 and 30 May 1995. A further new Deed was adopted on 21 August 1998 and subsequent amendments were made on 18 July 2000, 24 February 2003 and 25 July 2003.

As at 1 October 2003, the Previous Fund transferred into the Aon Master Trust, now known as the Smart Future Trust, as a sub-plan (the Plan) on a successor fund basis.

On 21 January 2005, the Defined Benefit members were converted to accumulation members and transferred out, leaving only two pensioner members in the Plan. On 21 January 2005, a “Deed to Participate in a Pension Plan” was executed between the Employer and the Trustee to ensure that contributions will be paid by the Employer if required and that the Trustee will endeavour to return any excess monies to the Employer (subject to Australian superannuation law at the time) on the death of the last pensioner.

In the Deed between the Employer (new) (Thames Water Overseas Ltd), the (prior) Employer (Thames Water Holdings (Australia) Pty Limited) and the (prior) Trustee (Aon Superannuation Pty Limited) signed on 3 July 2007, the Employer committed to pay contributions, if required, in order that pension benefits and expenses of the Plan can be met. This Deed was due to the Australian business ceasing and therefore a change in Principal Employer was required which also confirmed the commitment to payment of any required contributions.

The main provisions of the Plan relating to benefits and contributions are set out below. The Plan is a complying fund for the purposes of the Superannuation Industry (Supervision) Act 1993. As the Plan’s assets are all pension assets, no investment tax is expected to be paid.

Annual Review Date

1 July

Benefits

Payment Frequency

The pension is payable monthly.

Pension Term

The pension is payable until the last monthly instalment prior to the death of the member pensioner or surviving dependant.

Reversionary Dependant's Pension

50 percent of the Member's pension at the date of the Member's death.

Pension Increase Date

Annually at 1 April.

Pension Increase Rate

The lesser of 5 percent p.a. and the annual percentage change in the Consumer Price Index for the calendar year ending 31 December prior to each 1 April increase date.

Appendix B – Membership

Since the last triennial actuarial investigation as at 1 July 2021, [REDACTED] . At 1 July 2024, there was [REDACTED] . [REDACTED] .

Membership Characteristics as at 1 July 2024

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 2021) are shown also:

Pensioner	1 July 2021	1 July 2024
Number of member pensioners and surviving spouse pensioner	2	2
Average age (years)	[REDACTED]	[REDACTED]
Total annual pension	[REDACTED]	[REDACTED]

Quality of Data

Pensioner data was received electronically and was in good order for the purposes of preparing this Report. Pensioner data as well as asset information was reconciled to the last regular annual actuarial investigation data.

We have relied on the asset information provided by the Plan administrator as at 1 July 2024 as audited financial statements for the Plan at that date are not available, however the Smart Future Trust financial statements as at 1 July 2024 were audited and signed on 30 September 2024.

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

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

Administration

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

- Indexation of pension payments indexed according to the agreed methodology; and
- Pensioners and their spouses’ information.

Appendix C – Accounts and Summary of Assets

Accounts

The following is a summary of the cash flows provided by the Plan administrator for this regular triennial actuarial investigation for the period from 1 July 2021 to 1 July 2024. The final accounts of the Smart Future Trust for 1 July 2024 have received audit clearance.

	1 July 2021	1 July 2022	1 July 2023	1 July 2021
	to	to	to	to
	30 June 2022	30 June 2023	30 June 2024	30 June 2024
	(\$)	(\$)	(\$)	(\$)
Plan Assets at start of period	432,876	369,900	379,520	432,876
Plus				
Employer contributions	59,970	87,460	28,855	176,285
Investment income (including capital appreciation/depreciation)	(23,111)	17,086	22,444	16,418
Less				
Pension Benefits	71,636	65,485	68,607	205,728
Administration and other charges	19,203	16,321	16,972	52,497
Contribution Tax	8,996	13,119	1,125	23,240
Plan Assets at end of period	369,900	379,520	344,115	344,115

Summary of Assets

Defined Benefit assets are invested in the smartMonday Pension Moderate option. The objective of this option is an investment return of CPI + 1.75 percent p.a. after investment fees over rolling three-year periods.

Effective 1 June 2024, the Defined Benefit assets investment option changed from the Pension Moderate – Active option to the Pension Moderate investment option due to changes implemented by smartMonday. There are no material changes expected to the underlying strategic asset allocation.

The benchmark asset allocation of the Pension Moderate option is in the table on the following page.

By Asset Class	1 July 2021	1 July 2024
(based on benchmark asset allocation)	(%)	(%)
Australian Shares	12.0	12.0
International Shares	10.0	10.5
Property	6.0	6.0
Alternatives Asset - Growth	7.0	5.9
Alternatives Asset - Defensive	18.0	18.6
Australian Fixed Interest	22.0	38.0
International Fixed Interest	20.0	4.0
Cash	5.0	5.0
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.

Investment Earnings/Crediting Rate Policy

The Plan return for the period was:

	Year to	Year to	Year to	3 Years to
By Option (%)	30 June 2022	30 June 2023	30 June 2024	30 June 2024
	(p.a.)	(p.a.)	(p.a.)	(% p.a.)
Pension Moderate	-5.8%	5.0%	6.9%	1.9%

This option is daily unitised and earnings (positive or negative) are credited to the assets based on units owned throughout the relevant period. Note that, as there are no account balances for this Plan, there is no need for a crediting rate.

Appendix D – Funding Method

Funding Method

The value is determined as the present value of expected future cashflows.

This is the same method as was used at the last regular triennial actuarial investigation.

Summary of Method of Attributing Benefits to Past Membership

The total benefit is attributable to past service since both members have terminated service and are receiving a pension.

Contact Information

Su Li Sin
Director & Actuary
Aon Risk Services Australia Limited
Wealth Solutions
+61 2 9253 7113
su.li.sin@aon.com

Aon Risk Services Australia Limited
ABN 17 000 434 720
AFSL No 241141
Level 33
201 Kent Street
Sydney NSW 2000
Australia



About Aon

[Aon plc](#) (NYSE: AON) exists to shape decisions for the better — to protect and enrich the lives of people around the world. Through actionable analytic insight, globally integrated Risk Capital and Human Capital expertise, and locally relevant solutions, our colleagues in over 120 countries provide our clients with the clarity and confidence to make better risk and people decisions that protect and grow their businesses.

Follow Aon on [LinkedIn](#), [X](#), [Facebook](#) and [Instagram](#). Stay up-to-date by visiting Aon's [newsroom](#) and sign up for news alerts [here](#).

© 2024 Aon Risk Services Australia Limited ABN 17 000 434 720 AFSL No 241141 (Aon)

Aon has taken care in the production of this document and the information contained in it has been obtained from sources that Aon believes to be reliable. Aon does not make any representation as to the accuracy of the information received from third parties and is unable to accept liability for any loss incurred by anyone who relies on it. The recipient of this document is responsible for their use of it.