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# Report to the Trustee on the Actuarial Investigation as at 30 June 2024

## Caulfield Grammar School sub-Plan of Prime Super

12 November 2024

A business of Marsh McLennan

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# Key Results and Recommendations

I have prepared this report on the actuarial investigation of the Caulfield Grammar School sub-Plan of Prime Super (the Plan) as at 30 June 2024 for Prime Super Pty Ltd, as Trustee of the Plan. The Plan is closed to new members.

My report should not be relied upon by any party other than the Plan's Trustee. Mercer is not responsible for the consequences of any other use. This report should be considered in its entirety and not distributed in parts. The Trustee should share this report with Caulfield Grammar School (the School) who contributes to the Plan. The School may consider obtaining separate actuarial advice on the recommendations contained in the report.

## Change in Financial Position

I set out below a summary of the Plan's financial position, at both this and the previous actuarial investigation.

| Defined Benefits Only | Position at 30 June 2024* | | Position at 30 June 2021** | |
|---|---|---|---|---|
| | $000 | Asset Coverage | $000 | Asset Coverage |
| Assets | 54,047 | | 55,254 | |
| Liability for Vested Benefits | 49,224 | 109.8% | 50,552 | 109.3% |
| Liability for Actuarial Value of Accrued Benefits | 49,764 | 108.6% | 51,383 | 107.5% |
| Liability for SG Minimum Benefits | 42,874 | 126.1% | 42,561 | 129.8% |

* The above totals exclude additional accumulation balances for Plan members of $687,000 as at 30 June 2024.

** The above totals excluded benefits (and assets supporting the benefits) for two late retirees which were accumulation in nature, as well as historic additional accumulation balances allocated to the Plan. These summed to $2,238,000 as at 30 June 2021. The above totals also excluded Vested Benefits (and assets supporting the Vested Benefits) totalling $2,464,000 for 6 members with an employment termination date before 30 June 2021.

The coverage levels for both Vested Benefits and Actuarial Value of Accrued Benefits at 30 June 2024 were slightly higher than the levels at the previous actuarial investigation, This reflects the reduction in the Plan membership from 157 to 117 members in the review period coupled with School contributions at a level close to the underlying cost of accruing benefits. This means that excess Plan assets are now supporting a smaller liability base and asset coverage of the benefit liabilities (when expressed as a percentage) has increased. This was partially offset by actual expenses being higher than assumed.

## Recommended Contribution Rates and Projections

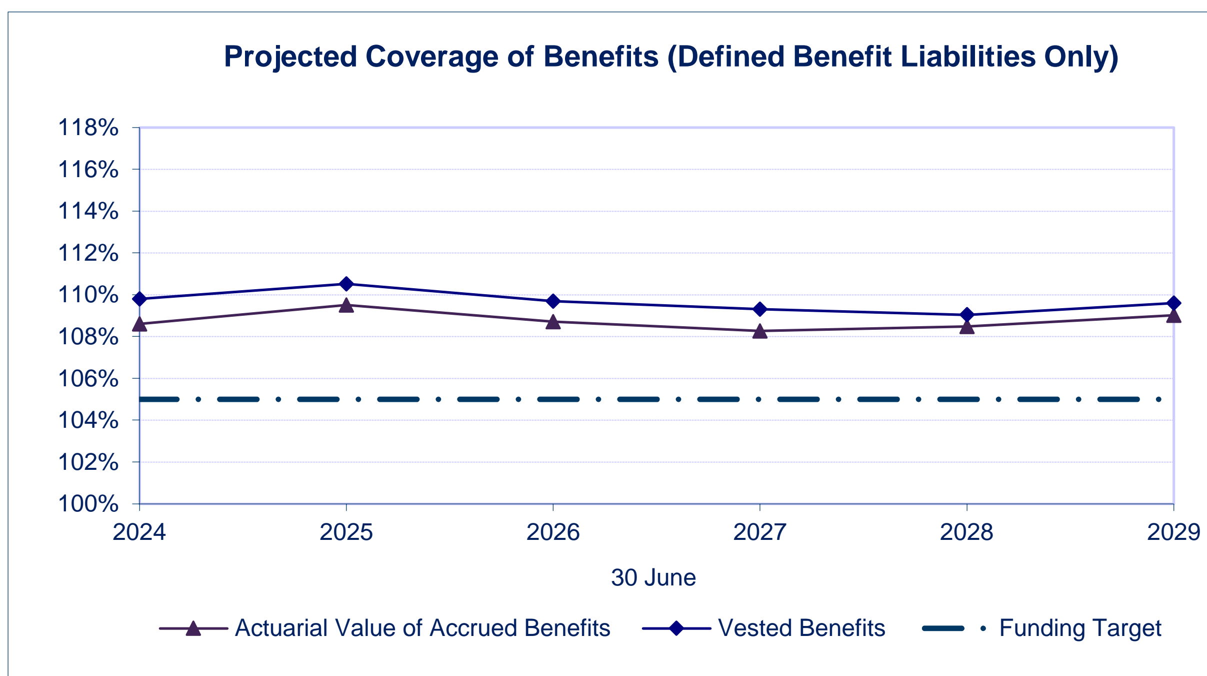
At 30 June 2024, the Plan was in a satisfactory financial position. The 109.8% coverage of the Vested Benefits was above the financing objective of 105% coverage adopted for this investigation.

Based on the financial position at 30 June 2024, I recommend that the School contribute to the Plan in accordance with the following contribution program:

- **For the period up to 31 December 2024:** 10% of members' Salaries (i.e. the maximum rate at which the School is required to contribute to the Plan under the Plan's Benefit Schedule.)
- **For the 2025, 2026 and 2027 calendar years:** 5% of members' Salaries
- **From 1 January 2028 onwards**: At the rate recommended at the next triennial actuarial investigation of the Plan, due as at 30 June 2027.

Any member contributions from pre-tax Salary are payable in addition.

I have prepared the following projection of Plan assets and liabilities based on the assumptions adopted for this investigation and the recommended contribution rates as detailed in this report (assuming the contribution rate from 1 January 2028 reverts to 10% of members' Salaries):




The graph above shows that the recommended contributions are anticipated to result in assets of at least 105% of Vested Benefits (which is the financing objective adopted in this investigation) through the period to 30 June 2027.

## Risks

The above projection is based on the assumptions adopted, which represent a single scenario from a range of possibilities. The future is uncertain and the Plan's actual experience will differ from these assumptions; these differences may be minor in their overall effect, or they may be significant and material. In addition, different sets of assumptions or scenarios may also be within the reasonable range and results based on those alternative assumptions would be different. The Trustee's monitoring of the experience specified in the Notifiable Events section of the Funding and Solvency Certificate will provide a further means of identifying adverse experience which warrants an immediate review of the Plan's financial position.

Sections 7 and 8 provide illustrations of the impact of investment volatility on the projected coverage of Vested Benefits. These show that a 1% pa reduction in the assumed future investment return would only result in an 0.8% increase in the accrued value of liabilities. This reflects the wholly accumulation nature of members' benefits prior to attaining age 55 and the largely accumulation nature of benefits at

the investigation date for members aged 55 or over. However, the illustrations of investment volatility also show that if there was a substantive investment market correction (modelled as a one-off negative investment return of -20%), defined benefit entitlements would apply for many members aged 55 or older. This would adversely impact the Plan's funding position and cause the Plan to fall into an unsatisfactory financial position.

Sections 8 and 9 discuss other risks associated with the liabilities, including salary increase risk, legislative risk and risks around the provision of insurance benefits within the Plan.

## Other Findings and Recommendations

### Suitability of Policies

I am satisfied that the following current policies for the Plan are suitable:

- Investment policy;
- Crediting rate policy;
- Insurance arrangements;
- Shortfall Limit (for the purposes of SPS 160); and
- Trustee's process for monitoring the Plan's financial position.

## Actions Required by the Trustee

The Trustee should:

- Consider this report and confirm its agreement (or otherwise) to the contribution and other recommendations; and
- Seek formal agreement from the School to contribute in line with the recommendations.

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# Introduction

## Background of the Plan

The Plan is operated for the benefit of School employees of Caufield Grammar School and is a part of Prime Super. Prime Super Pty Ltd as Trustee of Prime Super holds a Registrable Superannuation Entity Licence under the SIS legislation and operates the Plan as required under the Trust Deed. The Plan is a resident regulated fund and a complying superannuation fund for the purposes of the SIS legislation. The Plan is taxed as a complying superannuation fund. The advice contained in this report is given in the context of Australian law and practice. I have made no allowance for taxation, accountancy or other requirements in any other country.

All Plan members receive lump sum benefits where defined benefits can apply on retirement, death or disablement. However, the Plan provides accumulation benefits for members who leave service before age 55, and this minimum accumulation leaving service benefit applies on retirement and is generally greater than the defined benefit. Appendix A provides a high level summary of Plan benefits provided. The governing rules of the Plan are set out in the Trust Deed dated 16 November 1993 (as amended) and a Deed of Novation and Benefit Schedule effective from 1 January 2019.

## Purpose

I have prepared this report exclusively for the Trustee of the Plan for the following purposes:

- To present the results of an actuarial investigation of the Plan as at 30 June 2024;
- To review Plan experience for the period since the previous actuarial investigation as at 30 June 2021;
- To recommend contributions to be made by the School intended to allow the Plan to meet its benefit obligations in an orderly manner, and to reach and maintain an appropriate level of security for members' accrued benefit entitlements;
- To satisfy the requirements of the Plan's Trust Deed for actuarial investigations of the Plan's financial position; and
- To meet legislative requirements under relevant Commonwealth superannuation legislation; these include the Superannuation Industry (Supervision) Act 1993 and associated regulations (SIS legislation) and SPS 160.

My report satisfies Professional Standard 400 issued by the Actuaries Institute setting out requirements for actuarial investigations of defined benefit superannuation funds.

The previous actuarial investigation was conducted as at 30 June 2021 by me on behalf of Mercer, and the results are contained in my report dated 7 December 2021.

## Significant Events since the Investigation Date

I am unaware of any significant events that have occurred since 30 June 2024 which would materially impact on the findings or recommendations in this report.

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# Experience since the Last Investigation

## Data Provisions

To prepare this report, I have relied on financial and participant data provided by the Plan's administrator. The data used is summarised in this report. I have not independently verified or audited the data provided but have performed a range of broad "reasonableness" checks and tested for consistency with previous records. I am satisfied that the data is sufficiently accurate for the purposes of this actuarial investigation.

I have also relied upon the documents, including amendments, governing the Plan as provided by the Trustee. The Trustee is ultimately responsible for the validity, accuracy and comprehensiveness of this information. If the data or Plan provisions are not accurate and complete, the investigation results may differ significantly from the results that would be obtained with accurate and complete information; this may require a revision of this report.

## Membership

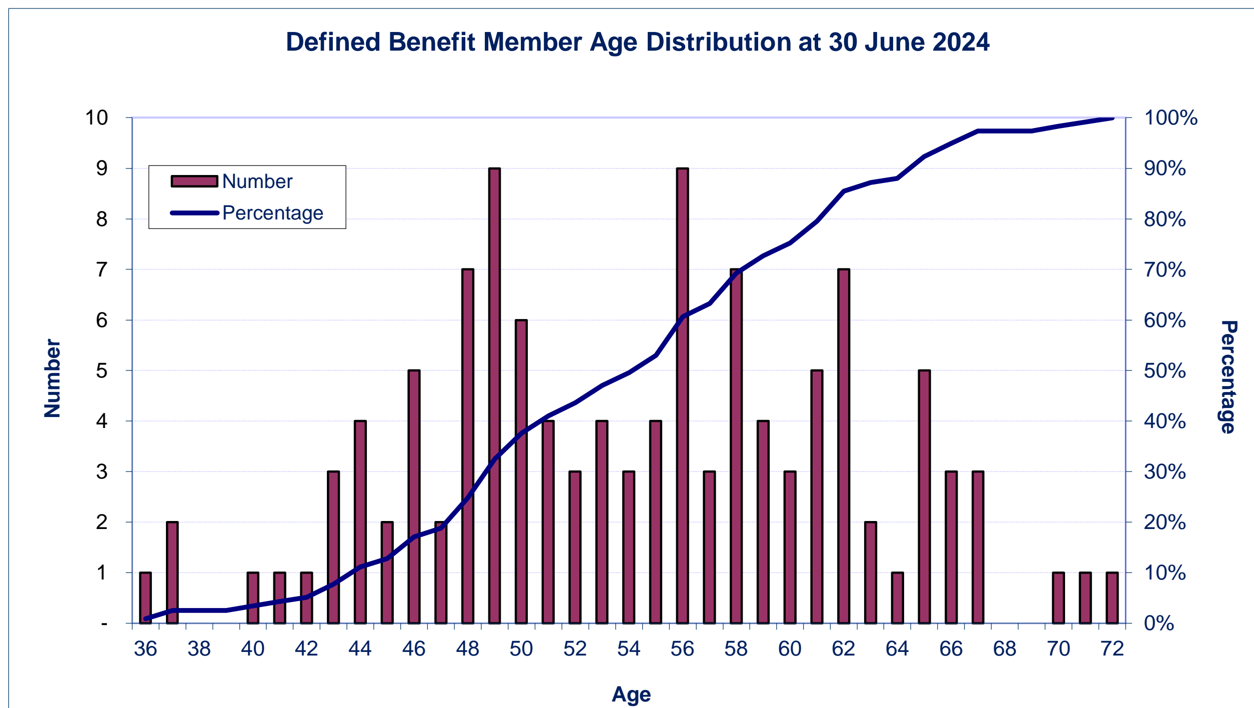
The membership of the Plan has changed since 30 June 2021 as follows:

| | |
|---|---|
| Active members at 30 June 2021 | 157 |
| Exits | 40 |
| **Active members at 30 June 2024** | **117** |

| | |
|---|---|
| **Total Salaries at 30 June 2024** | **$17,133,000** |
| **Average Salaries at 30 June 2024** | **$146,000** |
| **Average age at 30 June 2024** | **54.8 years** |

During the period under review the number of Plan members decreased from 157 to 117 members. This means that excess Plan assets are now supporting a smaller liability base and that the coverage of the benefit liabilities (when expressed as a percentage) will have increased.

Plan membership split by age at 30 June 2024 is shown in the following graph:




## Defined Benefit or Accumulation Benefits

I have summarised the Plan benefit design in Appendix A to this report. Members all receive accumulation benefit entitlements prior to attaining age 55, and then receive the greater of a defined benefit and accumulation benefits. Whether a defined benefit or accumulation benefit applies will depend on a member's own experience and can change over time. However, with investment returns typically much higher than salary increases over the past decade, most Plan members now receive accumulation benefits. Only one Plan member was receiving defined benefits at 30 June 2021 and also at 30 June 2024.

This means that the level of investment returns and salary increases has little impact on the Plan's financial position unless there is a substantive investment market correction.

## Investment Returns

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

| Year Ending | Investment Return |
|---|---|
| 30 June 2022 | -4.7% |
| 30 June 2023 | 9.3% |
| 30 June 2024 | 9.0% |
| **Compound Average** | **4.3%** |

The average investment return for the three-year period to 30 June 2024 was 4.3% pa compared to the long-term assumption at the last actuarial investigation of 4.5% pa. The slightly lower return than

assumed had a slight negative impact on the Plan's financial position given the slightly lower return impacted assets and accumulation liabilities similarly.

## Salary Increases

Salaries for the current members increased by an average of 1.4% pa over the period compared to the longer term assumption at the last actuarial investigation of 3.5% pa. The lower Salary increases than assumed only had a slight positive impact on the Plan's financial position, given the wholly accumulation nature of members' benefits prior to attaining age 55 and the accumulation nature of most members' benefits after age 55.

## Insurance and Expenses

The cost of death, total and permanent disablement and Total Temporary Disability insurance is met from Plan assets. Administration and management expenses (including actuarial consulting fees) are also met from Plan assets.

The total insurance and expenses met from Plan assets were 1.7% pa of Salaries over the period compared to the assumption at the last actuarial investigation of 0.7% pa of Salaries plus $12,500 pa. This has a negative impact on the Plan's financial position.

## Contributions

The School has been making regular contributions of 10% of members' Salaries. The School contributions paid over the review period were in accordance with the prior actuarial investigation and subsequent contribution recommendations and in-line with the long term School contribution rate (i.e. the estimated School cost of future service benefits), and so had a neutral impact on the Plan's financial position.

## Impact of Experience on the Financial Position

The main experience items affecting the Plan's financial position during the period from 30 June 2021 to 30 June 2024 were as follows:

| Item | Assumption at previous review | Plan experience | Comment on effect |
|---|---|---|---|
| Investment returns | 4.5% pa | 4.3% pa | Small negative effect – investments grew at a slightly lower rate than assumed |
| Salary increases | 3.5% pa | 1.4% pa | Small positive effect – defined benefit liabilities grew at a lower rate than assumed |
| Insurance and Expenses | 0.7% p.a of Salaries + $12,500 p.a. | 1.7% p.a. of Salaries | Negative effect – expenses were more than assumed |
| Membership changes | | | Positive effect – reduction in membership has spread excess assets over smaller membership base |

The overall impact of this experience was a very small improvement in the asset coverage of Vested Benefits of 0.5%.

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# Actuarial Assumptions

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

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

less

- Members' contributions; and
- The return on investments.

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

The actuarial process includes projections of possible future Plan assets and benefit liabilities based on actuarial assumptions about future experience.

These assumptions include investment returns, Salary increases, the rates at which members leave the Plan for various reasons, and other factors affecting the financial position of the Plan.

It is not expected that these assumptions will be precisely borne out in practice, but rather that in combination they will produce a model of possible future experience that is considered a suitable basis for setting contribution rates.

## Economic Assumptions

The most significant assumption made in estimating the cost of defined benefits is usually the difference or "gap" between:

- The assumed rate of investment earnings; and
- The rate of salary increases used in the projections of future benefit payments.

However, in the case of the Plan, the largely accumulation nature of Plan benefits means that these assumptions have little impact on the Plan's financial position unless there is an extreme negative correction to investment returns.

The assumptions adopted for this investigation are:

| | Assumption |
|---|---|
| Investment returns (after tax, investment and asset-based administration fees) | 5.5% p.a. |
| General Salary increases | 3.5% p.a. |

The assumption for investment returns is based on the expected investment return over a period matching the future duration of the liabilities of the Plan, for the Plan's current benchmark investment

mix, calculated using Mercer's assumptions of the means and standard deviations of returns from the various underlying asset classes and the correlations of returns between those asset classes.

The Salary increase assumption is based on long term economic forecasts for future increases in average weekly earnings (AWOTE) and input from the School. A separate allowance for promotional increases is not considered necessary.

## Demographic and Decrement Assumptions

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

### Retirement

I have maintained the same assumptions in relation to rates of retirement as were adopted at the 30 June 2021 actuarial investigation and examples of these rates are set out in Appendix B. I have assumed that School consent is granted for early retirement, where required. Given the small size of the Plan, these rates are based on the experience of similar plans advised by Mercer.

### Death and Disablement in Service

I have maintained the same assumptions in relation to death and total and permanent disablement (TPD) as were adopted at the 30 June 2021 actuarial investigation. Examples of these rates are set out in Appendix B. Given the small size of the Plan, these are based on the experience of similar plans advised by Mercer.

### Resignation

I have maintained the same assumptions in relation to rates of resignation as were adopted at the 30 June 2021 actuarial investigation and examples of these rates are set out in Appendix B. Given the small size of the Plan, these are based on the experience of similar plans advised by Mercer.

### Retrenchment

The retrenchment benefit is the same as the benefit paid on resignation or retirement. I have therefore not made specific allowance for the possibility of future retrenchments.

## Other Assumptions

### New Members

The Plan is closed to new entrants and I have made no allowance for new members.

### Insurance and Expenses

Administration and management expenses plus the cost of insurance for Plan members are met from Plan assets.

Based on Plan membership numbers and ages as at 30 June 2024, I have assumed the cost of insurance is 1.0% of Plan members' Salaries.

I have made a further $70,000 per annum fixed allowance for administration and actuarial consulting expenses in my projections.

### Tax

I have assumed that the current tax rate of 15% continues to apply to the Plan's assessable income, along with current tax credits and deductions.

All future School and member salary sacrifice contributions are assumed to be subject to 15% contribution tax, after deduction of any insurance premiums and administration and management costs. All contribution recommendations quoted in this report are gross of contributions tax.

I have made no allowance for:

- Excess contributions tax, as this is payable by the member.
- Additional tax on contributions (including defined benefit notional contributions) for those with incomes above the threshold (currently $250,000), which is also payable by the member.

## Impact of the Changes in Assumptions

I have summarised in the table below the changes in assumptions from those used in the previous investigation and the reasons for the changes:

| Assumption | Investigation at 30 June 2024 | Investigation at 30 June 2021 | Reason for change |
|---|---|---|---|
| Investment returns | 5.5% pa | 4.5% pa | Updated to reflect current investment market outlook |
| Insurance and Expenses | 1.0% of Salaries for insurance and $70,000 pa for other expenses | 0.7% of Salaries plus $12,500 pa | Updated to reflect expected Plan experience |

The overall impact of the changes in assumptions was to decrease the Actuarial Value of Accrued Benefits at 30 June 2024 by $0.4 million.

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# Assets

## Market Value

The net market value of the Plan's assets as at 30 June 2024 was $54,047,000 based on the Plan's unaudited Financial Statements for the period ended 30 June 2024.

| Calculation of Assets at 30 June 2024 | |
|---|---|
| **Net market value of the Plan's assets as at 30 June 2024*** | **$54,253,000** |
| Less Operational Risk Reserve | $136,000 |
| Less Administration Reserve | $70,000 |
| **Net assets to support the Plan liabilities** | **$54,047,000** |

* The above totals exclude additional accumulation balances for Plan members of $687,000 as at 30 June 2024.

## Operational Risk Reserves

The assets to meet the Trustee's Operational Risk Financial Requirement (ORFR) are held separately from the assets of the Plan.

The scope of this Investigation does not include a review of the adequacy of assets held to meet the Trustee's ORFR or the Trustee's ORFR strategy.

## Investment Policy

The Plan's investment strategy is to invest all assets supporting Plan liabilities (including additional accumulation balances) in the MySuper Option within Prime Super.

As at 30 June 2024, the MySuper investment strategy outlined in the PDS details a benchmark exposure of 67% to 'growth' assets (such as equities and parts of the property and alternative assets) and a benchmark exposure of 33% to 'defensive' assets (such as cash, fixed interest and parts of the property and alternative assets). 'Growth' assets are expected to earn higher returns over the long term compared to 'defensive' assets, but at the same time to exhibit more variation in returns from year to year. The volatility of the Plan's investment returns will affect the financial position of the Plan from year to year as some Plan liabilities are not affected by the investment return on the Plan's assets.

The actual and strategic asset allocations for the assets supporting Plan liabilities are as follows:

| Asset Class | Actual Allocation as at 30 June 2024 | Strategic Asset Allocation as at 30 June 2024 |
|---|---|---|
| Australian equities | 23.2% | 22.8% |
| Overseas equities | 29.2% | 29.2% |
| Property | 19.8% | 20.0% |
| Fixed interest | 14.5% | 15.0% |
| Alternatives | 3.6% | 4.0% |
| Cash | 9.7% | 9.0% |
| **Total** | **100.0%** | **100.0%** |

I am satisfied that the current investment strategy is appropriate in view of the Plan's financial position and the largely accumulation nature of Plan liabilities. This conclusion assumes that the School understands the possible volatility in returns associated with the current investment policy, and the impact on members' accumulation benefits.

## Crediting Rate Policy

The Plan's crediting rate policy (version 10) was adopted in October 2023. Earnings are credited to members' accumulation accounts via weekly crediting rates. Earnings credited are based on the actual net earning rates (i.e. earnings net of investment costs, asset-based administration fees and provisions for tax) of the MySuper investment option.

I consider that the crediting rate policy adopted is suitable taking into consideration the principles of equity between different generations of members and any material risks which may have a significant impact on the Plan (e.g. a market shock or sudden downturn in investment markets).

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# The Actuarial Approach

## Financing Objective

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

- 100% of additional accumulation account balances, plus
- 105% of Vested Benefits excluding additional accumulation account balances.

Additional accumulation account balances are matched by specific assets and do not require any additional margins. For all other Plan liabilities, for those members over age 55 a defined benefit could apply and so a margin in excess of 100% coverage of Vested Benefits is desirable to provide some security against adverse experience such as very poor investment returns.

This is the same financing objective adopted for the last actuarial investigation of the Plan. It takes into consideration the provisions of the Trust Deed, the Trustee's expectations as set out in its Defined Benefit Policy dated February 2023 and any professional requirements as set out below.

Based on the assumptions adopted for this investigation, achieving the financing objective of 105% of Vested Benefits for Plan members would also result in at least 100% coverage of the Actuarial Value of Accrued Benefits and a satisfactory margin of coverage over 100% of SG Minimum Benefits. Hence, I do not consider it necessary to adopt specific financing objectives in relation to these benefit liability measures.

I have taken into consideration the provisions of the Trust Deed and any professional requirements as set out below.

### Professional Requirements

Under Professional Standard 400 issued by the Actuaries Institute, the funding method selected by the actuary *"must aim to provide that:*

*(a) members' benefit entitlements (including any pension increases provided by the Trust Deed or in accordance with either precedent or the intentions of the Trustee and/or Fund Sponsor) are fully funded before the members retire; and*

*(b) the Net Assets of the Fund from time to time, after making full provision for the entitlements of any beneficiaries or members who have ceased to be employed, exceed the aggregate of benefits which employed members would reasonably expect to be payable to them on termination of membership, including the expenses of paying those benefits, and having regard to the provisions of the Trust Deed and the likely exercise of any Options or Discretions." (Paragraph 5.5.4 of PS400).*

Accordingly the actuary needs to be satisfied that any funding program is expected to provide a level of assets which meets or exceeds immediate benefit entitlements based on members' reasonable expectations. Should assets fall below that level, the funding program needs to aim to lift assets to at

least the required level over a reasonable time period and to maintain assets at or above the required level thereafter.

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

### Provisions of the Trust Deed

The rules of the Plan require that:

- The Trustee ensures an actuarial investigation of the Plan is conducted when required by legislation. Accordingly actuarial investigations are carried out at three yearly intervals at a minimum;
- The School must contribute at the rate specified from time to time by the Actuary. However, the School can cap its contributions at 10% of members' Salaries, in which case member benefits may be adjusted on the advice of the Actuary; and
- The School can notify the Trustee of its intention to reduce, suspend or terminate contributions to the Plan.

## Financing Method

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

Under this method of financing, the level of the School contributions may vary from time to time to ensure that the Plan remains on course towards its financing objectives.

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

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# Financial Position of the Plan

## Funding Status

### Vested Benefits

Vested Benefits are the amounts payable as of right should all active members voluntarily resign or, if age 55 or more retire at the investigation date. It is assumed all members who have attained age 55 are entitled to an Early Retirement Benefit.

At 30 June 2024, the Plan assets represented 109.8% of the Vested Benefits and hence the Plan was considered to be in a “satisfactory financial position” under SIS legislation. The 109.8% coverage of the Vested Benefits was also above the financing objective of 105% coverage adopted for this investigation.

### SG Minimum Benefits

SG Minimum Benefits are the minimum benefits required under SG legislation, as defined in the Benefit Certificate (also referred to as Minimum Requisite Benefits or MRBs).

The Plan assets at 30 June 2024 were 126.1% of MRBs and hence the Plan was considered to be “solvent” under SIS legislation.

### Actuarial Value of Accrued Benefits

The Actuarial Value of Accrued Benefits is the expected value (as at the investigation date) of all future expected benefit payments, based on membership to date, discounted to the investigation date, taking into account the probability of payment. This value is calculated using the actuarial assumptions and method outlined in the previous sections. In determining the value, I have not applied a minimum of the Vested Benefits. Plan Assets as 30 June 2024 represented 108.6% of the Actuarial Value of Accrued Benefits.

Further details concerning the calculation of the Actuarial Value of Accrued Benefits are set out in Appendix C.

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

| Defined Benefits Only | Position at 30 June 2024* | | Position at 30 June 2021** | |
|---|---|---|---|---|
| | $000 | Asset Coverage | $000 | Asset Coverage |
| Assets | 54,047 | | 55,254 | |
| Liability for Vested Benefits | 49,224 | 109.8% | 50,552 | 109.3% |
| Liability for Actuarial Value of Accrued Benefits | 49,764 | 108.6% | 51,383 | 107.5% |
| Liability for SG Minimum Benefits | 42,874 | 126.1% | 42,561 | 129.8% |

* The above totals exclude additional accumulation balances for Plan members of $687,000 as at 30 June 2024.

** The above totals excluded benefits (and assets supporting the benefits) for two late retirees which were accumulation in nature, as well as historic additional accumulation balances allocated to the Plan. These summed to $2,238,000 as at 30 June 2021. The above totals also excluded Vested Benefits (and assets supporting the Vested Benefits) totalling $2,464,000 for 6 members with an employment termination date before 30 June 2021.

The coverage levels (except for the SG Minimum Benefit coverage) at 30 June 2024 were higher than the levels at the previous actuarial investigation due to the overall positive experience discussed in Section 3.

## School Future Service Cost

Based on the assumptions adopted for this investigation, I estimate that the School's long-term funding cost (i.e. the normal cost of funding the future service defined benefit accruals ignoring any surplus or deficit) is 9.8% of Plan members' Salaries. This includes the assumed cost of insurance cover for Plan members of 1.0% of Plan members' Salaries and assumed expenses of $70,000 pa.

The assessed long-term costs for future service increased by 0.1% of Salaries since the last investigation reflecting changes to the Plan membership and to the assumptions adopted.

## Recommended Contributions

Based on the financial position at 30 June 2024, I recommend that the School contribute to the Plan in accordance with the following contribution program:

- **For the period up to 31 December 2024:** 10% of members' Salaries (i.e. the maximum rate at which the School is required to contribute to the Plan under the Plan's Benefit Schedule.)
- **For the 2025, 2026 and 2027 calendar years:** 5% of members' Salaries
- **From 1 January 2028 onwards**: At the rate recommended at the next triennial actuarial investigation of the Plan, due as at 30 June 2027.

Any member contributions from pre-tax Salary are payable in addition.

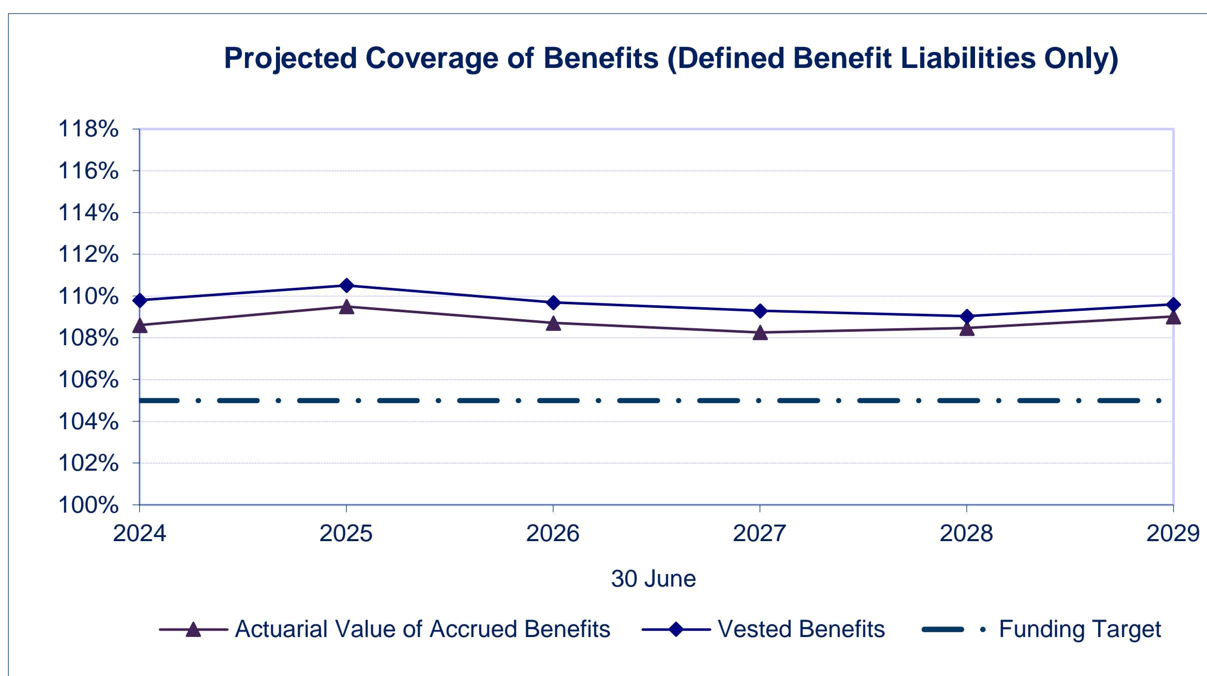
## Projected Financial Position

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

- The actuarial assumptions adopted for this investigation; and
- The recommended School contributions (assuming the contribution rate from 1 January 2028 reverts to 10% of members' Salaries).

The projection also takes into account the effects of any significant changes in Vested Benefits due to members becoming eligible for the early retirement benefit.

The results of the projection are as follows:




This projection is based on the assumptions adopted, which represent a single scenario from the range of possibilities. The future is uncertain, and the Plan's actual experience will differ from those assumptions; these differences may be minor in their overall effect, or they may be significant and material. In addition, different sets of assumptions or scenarios may also be within the reasonable range and results based on those alternative assumptions would be different, as discussed below.

The projection above shows that the recommended contributions are anticipated to result in assets of at least 105% of Vested Benefits (which represents the financing objective adopted in this investigation) throughout the period to 30 June 2027.

The graph also shows the coverage level of assets compared with the Actuarial Value of Accrued Benefits. The recommended contributions are projected to result in asset coverage of at least 100% of the Actuarial Value of Accrued Benefits (which represents the financing objective adopted in this investigation) throughout the period to 30 June 2027.

## Sensitivity Analysis

I have tested the effect of changes to the key assumptions on the value of liabilities and the Plan's net financial position.

The liabilities shown in this report have been calculated using our best estimate assumptions for investment return (5.5% p.a.) and salary growth (3.5% p.a.). As both future investment returns and future salary increases are unknown, it is almost certain that actual experience will differ from these assumptions.

It is the difference between the investment return rate and salary growth rate (commonly referred to as the 'gap') that is crucial rather than the individual assumptions, because the value of the assets move with investment returns while some of your defined benefit liabilities grow with salaries.

To quantify the sensitivity of the net financial position to my assumptions, I have calculated the change in the actuarial value of accrued benefits based on the following scenarios:

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

All other assumptions, including the School contribution rates, are assumed to remain the same.

The effects of these changes are shown below, with the impact of the change as a percentage of assets shown in brackets:

| Scenario | Accrued Benefits<br>$M | Change in Accrued Benefits<br>$M |
|---|---|---|
| Base assumptions as shown previously | 49.764 | |
| Decrease investment return by 1% pa | 50.153 | +0.389 |
| Increase Salary increase by 1% pa | 50.111 | +0.347 |

This confirms that the Plan's financial position is largely independent of the financial assumptions adopted unless there is a substantive investment market correction (see Key risks in Section 8 below).

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# Key Risks

## Legislative Risk

This risk is that the Commonwealth Government could make legislative changes that increase the cost of providing the defined benefits – for example, an increase in the rate of tax on superannuation funds. This risk is borne by the School.

## Investment Risk

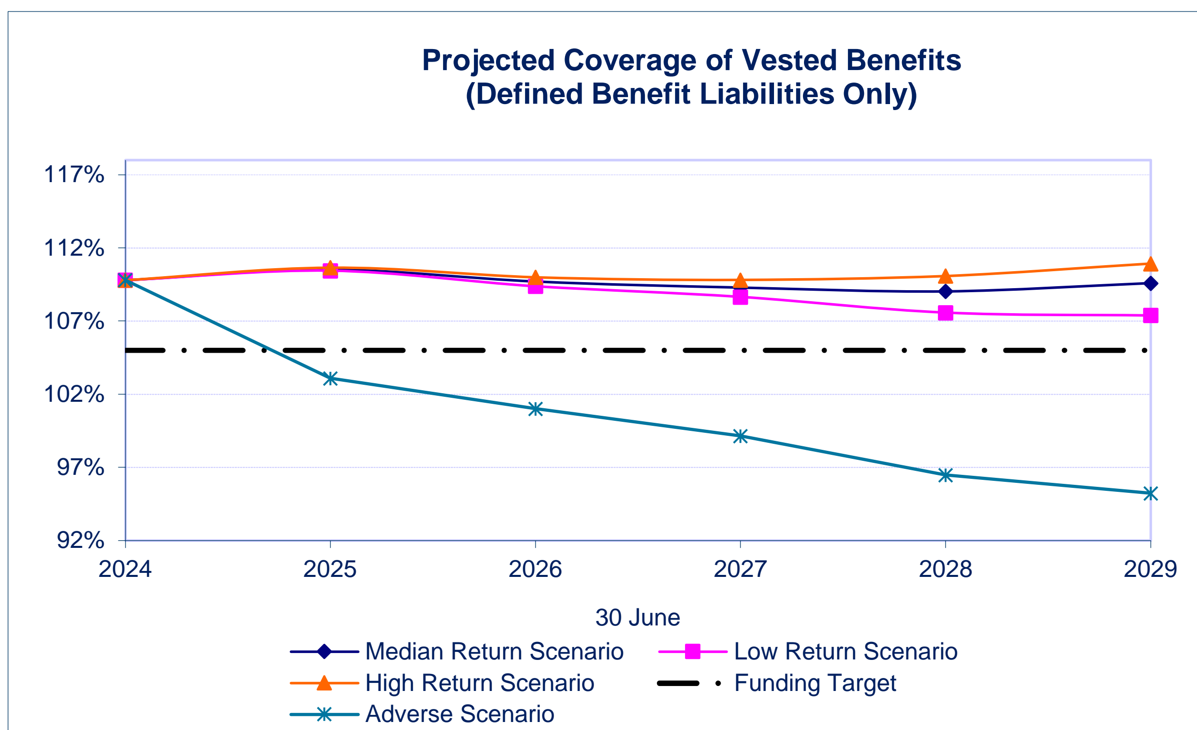
Most Plan members would have received their minimum accumulation benefit had they left service on 30 June 2024. Indeed, only 2% of the Vested Benefits for Plan members at 30 June 2024 were linked to Salaries rather than investment returns. Therefore, the Plan's Vested Benefits coverage is not highly sensitive to changes in the investment returns unless there is a substantive investment market correction.

I have therefore modelled the impact on Vested Benefits coverage of a "low return", "high return" and "adverse" scenario, where (using the investment return model and assumptions adopted):

- There is approximately a 10% chance of the Plan's cumulative investment return being less than the "low return" scenario
- There is approximately a 10% chance of the Plan's cumulative investment return being greater than the "high return" scenario
- There is approximately a 2.5% chance that the investment return could be less than minus 20% in any year based on the current Plan asset allocation. This has been assumed to occur in the next year for the purposes of this modelling.

The "low return", "high return" and "adverse" scenario modelled are illustrations only and show what may occur under assumed future experiences that differ from my baseline assumptions. These scenarios do not constitute upper or lower bounds, and the actual future coverage of Vested Benefits may differ significantly from the ranges shown, depending on actual future experience.

The graph below shows the effect on the projected ratio of assets to Vested Benefits for Plan members under the "high return", "low return" and "adverse" scenarios, with all other investigation assumptions remaining unchanged.




Based on fluctuations in investment returns only, and assuming other experience is in line with the assumptions adopted for this investigation, there is an approximately 80% chance that the coverage of assets over Vested Benefits at 30 June 2027 will fall in the range from 109% to 110% for “low” and “high return” scenarios. However, coverage is projected to fall to 99% under the “adverse” scenario, where investment returns are assumed to be minus 20% in the first year.

In my view, the Trustee should be satisfied with the expected level of security over the next few years if the School contributes at the recommended levels. However, in the event of a substantive investment market correction, then the School may need to review and increase its contributions.

## Salary Growth Risk

The risk is that Salaries (on which future benefit amounts will be based) will rise more rapidly than assumed, increasing benefit amounts and thereby requiring additional School contributions. This risk is borne by the School.

For example, if the assumed future Salary increase rate was increased by 1% pa with no change in other assumptions, then:

- The Actuarial Value of Accrued Benefits would increase by $347,000 (School funding cost impact $347,000/0.85 = $408,000), with a resulting reduction in the coverage of the Actuarial Value of Accrued Benefits from 108.6% to 107.9% and
- The estimated cost of future service benefits to the School would increase from 9.9% to 10.0% of members’ Salaries under this scenario.

The actual rate of future Salary increases may vary (positively or negatively) from the rate assumed at this investigation by much more than the (positive) 1% pa illustrated in the example above.

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# Insurance Risks

## Insurance

The Plan is not permitted to self-insure.

The death and total and permanent disablement (TPD) and Temporary Total Disability benefits insurance arrangements are underwritten by TAL Life Limited (the insurer) and outlined in a policy between the Trustee and the insurer dated 21 September 2022 (as amended). The purpose of the insurance policy is to protect the Plan against unexpectedly large pay-outs on the death or disablement of members.

For the Plan's members, the group life sum insured formula currently in use for both lump sum death and TPD benefits is:

Sum Insured = Death/TPD Benefit - Vested Benefit

The Temporary Total Disability Benefit provided by the Plan is fully insured.

The definition of TPD in the Plan's insurance policy is also used to establish a member's eligibility for the benefit under the Plan's governing rules, thus avoiding any definition mis-match risk.

The total amount insured should cover the excess of the death/TPD benefits over the Plan's assets, unless there is a funding shortfall. Based on the formula in use at the investigation date, the coverage of death/TPD risk as at 30 June 2024 for the Plan was as follows.

| | Plan members | $000 |
|---|---|---|
| | Death/Disablement Benefits | 76,110 |
| **Less** | Sum Insured | 26,886 |
| **Less** | Assets | 54,047 |
| | Uncovered Death/Disablement Benefits | (4,823) |

The formula has resulted in insurance being more than sufficient to provide full protection due to the excess of Plan assets over Vested Benefits, reflecting the current financial position.

In my opinion, the current group life insurance arrangements, including the sum insured formula for Plan members, are appropriate and provide adequate protection for the Plan. However, whilst the current arrangements protect the Plan from insurance risks, subject to regulatory considerations, there is scope for the Trustee to reduce the level of insurance cover if it wishes.

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# Prudential Standards

The prudential regulator (APRA) has issued several Prudential Standards for the superannuation industry, including SPS 160 relating to the financial management and funding of defined benefit plans. I comment below on several requirements arising from SPS 160.

## Shortfall Limit

The Trustee must determine a "Shortfall Limit" for each fund, being:

> "the extent to which the fund can be in an unsatisfactory financial position with the Trustee still being able to reasonably expect that, because of corrections to temporary negative market fluctuations in the value of the fund assets, the fund can be restored to a satisfactory financial position within a year".

I understand that the Plan's Shortfall Limit, determined by the Trustee on the basis of previous actuarial advice, is 100%.

The Shortfall Limit is expressed as the coverage level of the defined benefit Vested Benefits by the defined benefit assets. It is appropriate to consider the following factors when determining if the Shortfall Limit remains appropriate:

- The guidance provided in the relevant Actuaries Institute Practice Guideline 499.08: Shortfall Limit Required under APRA Prudential Standard 160 dated March 2023;
- The investment strategy for defined benefit assets, particularly the benchmark exposure of 67% to "growth" assets;
- The results of this investigation regarding the extent to which the current and projected Vested Benefits are not linked to the investment return on defined benefit assets (i.e. salary-based benefits) and the current and projected relativity between Vested Benefits and Minimum Requisite Benefits.

Based on the above, I recommend the Trustee maintain the current Shortfall Limit.

The projections also indicate that the level of Minimum Requisite Benefits is not expected to be a constraint in determining the Shortfall Limit. I will reassess the suitability of the adopted Shortfall Limit as part of the next regular actuarial investigation. The Shortfall Limit should be reviewed earlier if there is a significant change to the investment strategy for Plan assets or if the Trustee otherwise considers it appropriate to do so.

## Monitoring Process

SPS 160 also requires the Trustee to determine and implement a process for monitoring Vested Benefits coverage against the Shortfall Limit for each plan. If this monitoring process indicates that the Vested Benefits coverage has (or may have) fallen below the Shortfall Limit, then under SPS 160:

- An "Interim Actuarial Investigation" may be required (depending on the timing of the next regular actuarial investigation); and
- A Restoration Plan is required to be put in place if an Interim Actuarial Investigation finds the plan has breached its Shortfall Limit. The Restoration Plan must be designed to return the plan to a "satisfactory financial position", so that the Vested Benefits are fully covered, within a reasonable period that must not exceed 3 years and this must be submitted to APRA.

I understand that the Trustee has adopted a monitoring process which includes a report produced on at least an annual basis on the status of the Plan, covering:

- Overall experience of the Plan compared with its expectations during the relevant period;
- Risk assessment of the Plan if it has either entered into or is likely to enter an unsatisfactory financial position, and associated actions;
- A summary of key events and developments affecting the Plan;
- Progress of required actuarial tasks for the Plan;
- Closer monitoring of the Plan if it is in, or is approaching, an unsatisfactory financial position; and
- Current and potential issues that may affect the Plan, such as new legislation or standards.

I consider that the adopted monitoring process is appropriate.

The Trustee should also continue to monitor the "Notifiable Events" specified in the Plan's Funding and Solvency Certificate and advise the actuary should any actual or potential Notifiable Events occur.

## Requirements due to Unsatisfactory Financial Position

### Restoration Plan

Under SPS 160, a Restoration Plan is also required to be put in place if the actuary finds in a regular Actuarial Investigation that a plan:

- Is in an unsatisfactory financial position (whether or not the Shortfall Limit is breached); or
- Is likely to fall into an unsatisfactory financial position.

The Restoration Plan must be designed to return the plan to a "satisfactory financial position", so that Vested Benefits are fully covered, within a reasonable period that must not exceed 3 years from the investigation date.

An SPS 160 Restoration Plan is not required if the plan is technically insolvent (in which case the insolvency rules must be followed). If an SPS 160 Restoration Plan is already in place then any changes to the contribution program (including its period) must be made within the framework of that Restoration Plan.

As indicated by the financial position and the projections, I consider that:

- The Plan is not in an unsatisfactory financial position; and
- The Plan is not likely to fall into an unsatisfactory financial position.

Hence the special requirements of SPS 160 for funds in an unsatisfactory financial position do not apply at this investigation.

## Actuary's Reporting Requirements

Section 130 of the SIS Act requires that if an actuary forms the opinion that a plan's financial position may be unsatisfactory, or may be about to become unsatisfactory, and that opinion was formed in performing an actuarial function, the actuary must advise both the Trustee and the prudential regulator (APRA) in writing immediately. An unsatisfactory financial position applies where assets are less than Vested Benefits.

These requirements do not currently apply as I am of the opinion that the Plan's financial position is not unsatisfactory (or about to become unsatisfactory).

## Statements Required by SPS 160

*This section provides statements required to be made under APRA Prudential Standard SPS 160. Values cited relate to the Plan as a whole (inclusive of all additional accumulation accounts).*

(a) The value of the Plan's assets as at 30 June 2024 was $54,805,000. This value excludes assets held to meet the Operational Risk Financial Requirement, but inclusive of the additional accumulation accounts and the Administration Reserve.

(b) In my opinion, the value of the liabilities of the Plan in respect of accrued benefits as at 30 June 2024 was $50,451,000. Hence, I consider that the value of the assets at 30 June 2024 is adequate to meet the value of the accrued benefit liabilities of the Plan as at 30 June 2024. Taking into account the circumstances of the Plan, the details of the membership and the assets, the benefit structure of the Plan and the industry within which the School operates, I consider that the assumptions and valuation methodology used are appropriate in relation to the determination of the accrued benefit liabilities for the purposes of this report. Further comments on the assumptions and valuation methodology are set out in Sections 4 and 6 of this report. Assuming that the School contributes in accordance with my recommendations based on the assumptions used for this actuarial investigation, I expect that assets will remain sufficient to cover the value of accrued benefit liabilities over the period to 30 June 2027.

(c) In my opinion, the value of the liabilities of the Plan in respect of vested benefits as at 30 June 2024 was $49,911,000. Hence I consider that the value of the assets at 30 June 2024 is adequate to meet the value of the vested benefit liabilities of the Plan as at 30 June 2024. Assuming that the School contributes in accordance with my recommendations based on the assumptions made for this actuarial investigation, I expect that assets will remain sufficient to cover the value of vested benefit liabilities over the period to 30 June 2027. Hence I consider that the financial position of the Plan should not be treated as unsatisfactory as defined in SPS 160.

(d) In my opinion, the value of the liabilities of the Plan in respect of the minimum benefits of the members of the Plan as at 30 June 2024 was $43,561,000. Hence the Plan was not technically insolvent at 30 June 2024.

(e) A projection of the likely future financial position of the Plan over the 3-year period following 30 June 2024, based on what I consider to be reasonable expectations for the Plan for the purpose of this projection, is set out in Section 7 of this report.

(f) Based on the results of this investigation, I consider that the Shortfall Limit does not require review. Comments are set out earlier in this section.

(g) In respect of the 3-year period following 30 June 2024, I recommend that the School contribute in accordance with the following contribution program:

- **For the period up to 31 December 2024:** 10% of members' Salaries (i.e. the maximum rate at which the School is required to contribute to the Plan under the Plan's Benefit Schedule.)
- **For the 2025, 2026 and 2027 calendar years:** 5% of members' Salaries
- **From 1 January 2028 onwards**: At the rate recommended at the next triennial actuarial investigation of the Plan, due as at 30 June 2027.

(h) The Plan is used for Superannuation Guarantee purposes:

- All Funding and Solvency Certificates required under Division 9.3 of the SIS Regulations have been issued for the period from the date of the last investigation to 30 June 2024;
- I expect to be able to certify the solvency of the Plan in any Funding and Solvency Certificates that may be required in the three year period from 30 June 2024.

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# Actuarial Certification

## Actuary's Certifications

### Professional Standards and Scope

I have prepared this report in accordance with generally accepted actuarial principles, Mercer's internal standards, and the relevant Professional Standards of the Actuaries Institute, in particular PS400 which applies to *"...actuarial investigations of the financial condition of wholly or partially funded defined benefit superannuation funds."*

### Use of Report

This investigation report should not be relied upon for any other purpose or by any party other than the Trustee of the Plan. Mercer is not responsible for the consequences of any other use. This report should be considered in its entirety and not distributed in parts. The Trustee should share this report with the School who contributes to the Plan. The School may consider obtaining separate actuarial advice on the recommendations contained in the report.

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

### Actuarial Uncertainty and Assumptions

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

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

The Plan's future financial position and the recommended School contributions depend on a number of factors, including the amount of benefits the Plan pays, the cause and timing of member withdrawals, plan expense, the level of taxation and the amount earned on any assets invested to pay the benefits. These amounts and others are uncertain and unknowable at the investigation date, but are predicted to fall within a reasonable range of possibilities.

To prepare this report, assumptions are used to select a single scenario from the range of possibilities. The results of that single scenario are included in this report.

However, the future is uncertain and the Plan's actual experience will differ from those assumptions; these differences may be significant or material. In addition, different assumptions or scenarios may also be within the reasonable range and results based on those assumptions would be different. For

this reason, this report shows the impact on the Plan's financial position if alternative assumptions were to be adopted.

Actuarial assumptions may also be changed from one investigation to the next because of mandated requirements, Plan experience, changes in expectations about the future and other factors. I did not perform, and thus do not present, an analysis of the potential range of all future possibilities and scenarios.

Because actual Plan experience will differ from the assumptions, decisions about benefit changes, investment policy, funding amounts and benefit related issues should only be made after careful consideration of possible future financial conditions and scenarios, and not solely on the basis of a set of investigation results.

## Additional Information

The next **actuarial investigation** is required at a date no later than 30 June 2027. At that time, the adequacy of the School contribution levels will be reassessed. Note that the monitoring process recommended may lead to an earlier reassessment ahead of the next full actuarial investigation.

The next **Funding and Solvency Certificate** is required at least 12 months before the expiry of the current Funding and Solvency Certificate (which expires on 30 June 2026).

The next **Benefit Certificate** is required following the expiry of the current Benefit Certificate (which expires 30 June 2028). The current Benefit Certificate is designed to accommodate changes to the legislated Superannuation Guarantee schedule.

## Further Information

Please contact me to provide any supplementary information or explanations about this actuarial investigation as may be required.

....................................................................

**Timothy Simon Jenkins**
**Fellow of the Institute of Actuaries of Australia**

**12 November 2024**

I have reviewed this report under Mercer's professional Peer Review Policy. I am satisfied that it complies with the applicable professional standards and uses assumptions and methods that are suitable for the purpose.

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

# Appendix A

# Plan Design

## Summary of Benefits

A summary of the main benefit provisions in respect of Plan members is set out below. Plan members also receive additional accumulation benefits through the Education section of Prime Super, or through alternative superannuation funds. These additional benefits do not form part of the Plan and have not been valued in this actuarial investigation.

Reference should be made to the formal governing documents for definitive statements.

| | |
|---|---|
| **Member Contribution Rate** | 5% of Salary (5.88% if pre-tax) |
| **Accrual Rate** | 15% p.a. |
| **Plan Salary** | Average of highest of any three consecutive Salaries prior to exit |
| **Eligibility for Retirement** | From age 55: subject to notification period and School consent<br>From age 65: without condition |
| **Member Account** | Accumulation with investment earnings of member contributions |
| **Retirement Benefit** | A lump sum equal to the maximum of:<br>• Accrual Rate x Membership x Plan Salary, and<br>• 2.5 x Member Account |
| **Death/TPD Benefit** | To age 65: A lump sum calculated as if the member had retired at age 65, but assuming Salary remains unchanged<br>From age 65: Retirement Benefit |
| **Resignation Benefit** | 2.5 x Member Account |
| **Retrenchment Benefit** | Equal to Retirement Benefit |
| **Temporary Total Disability Benefit** | 100% of Salary for 3 months after a 3 month waiting period, reducing to 75% of Salary thereafter, for a maximum of 24 months |

Neither the Trustee nor the School has a right within the Trust Deed to review benefits or member contribution rates. However, benefits can be adjusted if the School is otherwise required to contribute at rate in excess of 10% of members' Salaries.

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

## Discretions

Members are eligible to take the retirement benefit at the age of 55 or older, subject to a notification period and School consent. For this investigation, I have assumed the notification period will be provided and School consent given.

The Trustee may reduce the death benefit payable to the member by such amount as the Trustee considers appropriate if the Insurer for any reason is unable to pay some or all of the benefit insured under the insurance policy.

## The Superannuation Guarantee (Administration) Act 1992

This Act requires employers to provide minimum superannuation benefits that are fully vested in their employees within a complying superannuation fund.

The contribution rates recommended in this report and the projected financial positions allow for benefits being augmented as necessary to meet the minimum Superannuation Guarantee (SG) benefit described in the Plan’s current Benefit Certificate.

Under legislation the SG rate is 11.5% and will increase to 12% on 1 July 2025.

# Appendix B

# Data and Decrement Assumptions

## Data

I have relied on financial and participant data provided by the Plan's administrator when preparing this report. This data used is summarised in this report. I have not independently verified or audited the data provided but have performed a range of broad "reasonableness" checks and tested for consistency with previous records. I am satisfied that the data is sufficiently accurate for the purposes of this actuarial investigation.

I have also relied upon the documents, including amendments, governing the Plan as provided by the Trustee. The Trustee is ultimately responsible for the validity, accuracy and comprehensiveness of this information. If the data or Plan provisions are not accurate and complete, the investigation results may differ significantly from the results that would be obtained with accurate and complete information; this may require a revision of this report.

## Decrement Assumptions

The following tables show the assumptions I have made concerning the rates at which members will leave the Plan for a variety of reasons. These assumptions are the same as those used for the previous actuarial investigation of the Plan. Given the size of the Plan, they are based on the experience of similar plans advised by Mercer.

### Retirement

I have assumed that any consent for early retirement from age 55 is granted by the School. No allowance is made for early retirement due to serious ill-health, special exceptional circumstances or retrenchment. Rates at which members are assumed to retire are as follows:

| Age Last Birthday | Percentage of members age x at beginning of year assumed to leave the Plan during the year on account of early retirement |
|---|---|
| x | % |
| 55 | 20 |
| 56 | 5 |
| 57 | 5 |
| 58 | 5 |
| 59 | 5 |
| 60 | 20 |
| 61 | 15 |
| 62 | 15 |
| 63 | 20 |
| 64 | 50 |
| 65 | 100 |

## Resignation, Death and Disablement

Specimen rates at which members are assumed to leave the Plan other than because of retirement are as follows:

| Age Last Birthday | Percentage of members age x at beginning of year assumed to leave the Plan during the year on account of: | | |
|---|---|---|---|
| x | Resignation % | Death % | Disablement % |
| 40 | 7.6 | 0.09 | 0.04 |
| 45 | 5.8 | 0.14 | 0.08 |
| 50 | 3.4 | 0.24 | 0.18 |
| 55 | - | 0.40 | 0.39 |
| 60 | - | 0.68 | 0.83 |

# Appendix C

# Calculation of the Actuarial Value of Accrued Benefits

The calculation of the Actuarial Value of Accrued Benefits has been carried out using a method of apportionment of benefits between past and future membership that satisfies the requirements of Professional Standard No. 402 of the Actuaries Institute and is acceptable for Australian Accounting Standard AASB 1056 purposes. The information required for AASB 1056 is in Appendix D.

## Defined Benefits

The past membership components of all defined benefits payable in the future from the Plan in respect of current membership are projected forward allowing for assumed future salary increases and are then discounted back to the investigation date at the investment return rate assumed for the investigation.

The past membership component for each type of benefit is:

| | |
|---|---|
| **Retirement:** | based on the member's accrued benefit multiple or member's accumulated contributions (as applicable) at the investigation date |
| **Death and Disablement:** | calculated by adjusting the total expected benefit in proportion to the accrued benefit multiple at the investigation date divided by the accrued benefit multiple at the projected date of death or disablement |
| **Resignation:** | based on the member's accumulated contributions at the investigation date |

The weighted average term of the accrued benefit liabilities is 5.9 years.

## Accumulation Benefits

The value of accumulation benefits is taken as the sum of the balances held in accumulation accounts at the date of the investigation.

## Methodology of Calculating the Actuarial Value of Accrued Benefits

The method used for the determination of Accrued Benefits is the same as that used at the previous investigation.

# Appendix D

# Information for AASB 1056 Purposes

## Caulfield Grammar School sub-Plan of Prime Super

The following information has been prepared for the purposes of Australian Accounting Standard AASB 1056 to enable the calculation of Member Liabilities at the specified reporting dates for inclusion in the relevant financial statements of Prime Super. The information is current as at the date specified below, but is subject to change if circumstances change.

Based on the Adopted Assumptions specified, I confirm that in my opinion, a reasonable approximation of the value of Defined Benefit Member Liabilities (DB Member Liabilities) at 30 June 2025, 2026 and 2027 can be calculated as:

DB Member Liabilities = K x DB Vested Benefits

Where:

- K is the Adopted Assumptions K Factor specified below
- DB Vested Benefits is the total defined benefit component of vested benefits (i.e. excluding additional account balances, if any) for DB members as determined by the Fund Administrator

Total Member Liabilities would then be determined as

DB Member Liabilities *plus* total additional account balances of DB Members *plus* total account balances of Members who have attained age 65, all calculated at the relevant date

In my opinion, a reasonable approximation of the defined benefit Member Liabilities at 30 June 2025, 2026 and 2027 on other reasonably possible key assumptions can be calculated as:

DB Member Liabilities = K x DB Vested Benefits

where:

- K is the relevant K Factor specified in the table below for the relevant specified change in a key assumption

| | 30 June 2025 | 30 June 2026 | 30 June 2027 |
|---|---|---|---|
| **Adopted Assumptions** | | | |
| Investment return p.a. | 5.5% | 5.5% | 5.5% |
| General salary increases p.a. | 3.5% | 3.5% | 3.5% |
| **Adopted Assumptions K factor** | 1.009 | 1.009 | 1.010 |
| **Sensitivity Factors** | | | |
| K factor 1% p.a. lower investment return | 1.017 | 1.017 | 1.017 |
| K factor 1% p.a. higher investment return | 1.003 | 1.003 | 1.003 |
| K factor 1% p.a. lower salary increases | 1.003 | 1.003 | 1.004 |
| K factor 1% p.a. higher salary increases | 1.016 | 1.016 | 1.017 |

I confirm that the investment return assumption is based on the Plan's investment strategy.

I confirm that paragraph 26 of AASB 1056 is not relevant to the Plan.

Prior to using the above factors for calculations at 30 June 2025, 30 June 2026 and 30 June 2027, the Trustee should check with the Plan actuary whether there have been changes in economic conditions or other circumstances which have occurred since these factors were determined that, in the opinion of the actuary, would require a change in the Adopted Assumptions and/or a re-calculation of the factors.

**Timothy Simon Jenkins**
**Fellow of the Institute of Actuaries of Australia**

12 November 2024

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