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

Geelong Grammar School sub-Plan of Prime Super

28 November 2024

A business of Marsh McLennan

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1

Key Results and Recommendations

I have prepared this report on the actuarial investigation of the Geelong 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 for any other purpose or 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 Geelong 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	3,645		6,551	
Liability for Vested Benefits	[redacted]	[redacted]	4,105	159.6%
Liability for Actuarial Value of Accrued Benefits	[redacted]	[redacted]	4,108	159.5%
Liability for SG Minimum Benefits	[redacted]	[redacted]	3,919	167.2%

* The above totals exclude the additional accumulation balance for Plan members of [redacted].

The coverage levels at 30 June 2024 were significantly higher than the levels at the previous actuarial investigation, reflecting the decrease in the number of Plan members [redacted]. This means that excess assets are now supporting a smaller liability base and coverage of the benefit liabilities (when expressed as a percentage) has significantly increased. This was partially offset by the School's contribution holiday (in accordance with the recommendations made at the previous actuarial investigation) and investment returns being slightly less than assumed.

Recommended Contribution Rates and Projections

At 30 June 2024, the Plan was in a satisfactory financial position. The [redacted] coverage of Vested Benefits and [redacted] of the Actuarial Value of Accrued Benefits were significantly above the financing objective adopted for this investigation of the greater of 105% coverage of Vested Benefits and 100% coverage of the Actuarial Value of Accrued Benefits.

Based on the Plan's financial position at 30 June 2024, I recommend that the School maintains its contribution holiday for the Plan, and contributes in accordance with the following contribution program:

- Nil* in respect of Defined Benefit entitlements; and
- Member contributions from pre-tax salary (other than deemed member contributions met from the General Reserve) and any other contributions agreed between the School and a member (e.g. additional salary sacrifice contributions).

* School contributions of 10.0% of Salary plus Responsibility Loading (if applicable) and deemed member contributions of 8.0% of Salary plus Responsibility Loading (if applicable), are to be credited to Plan members' accumulation accounts from the General Reserve if they are not paid by the School.

I have projected Plan assets and benefit liabilities based on the assumptions adopted for this investigation and the recommended contribution rates. This shows that, on these assumptions, coverage of Plan benefits is expected to remain above [redacted] of both Vested Benefits and the Actuarial Value of Accrued Benefits until [redacted]. This is significantly more than the target financing objective of the greater of 105% of Vested Benefits and 100% of the Actuarial Value of Accrued Benefits.

Management of Excess Assets

The Plan is likely to have excess assets [redacted]. I recommend that the Trustee and School agree the treatment of these excess assets [redacted]. This treatment will need to be in accordance with the Prime Super Trust Deed and the Trustee's Defined Benefit Policy dated February 2023.

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. However, this would need to be significantly adverse to warrant an immediate review of the Plan's financial position.

Sections 8 and 9 discuss investment and other risks associated with the liabilities, including salary increase risk, small plan, legislative risk and insurance risks. None of these are anticipated to significantly impact on the Plan's financial position unless extremely adverse.

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;
- Seek formal agreement from the School to contribute in line with the recommendations; and
- Agree with the School the treatment of the remaining excess assets [redacted] [redacted].

2 Introduction

Background of the Plan

The Plan is operated for the benefit of School employees of Geelong 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.

Plan members receive lump sum benefits where the benefit is the greater of a defined benefit or accumulation benefit on retirement, death, disablement or otherwise leaving service. Appendix A provides a high level summary of Plan benefits. The Plan's governing rules are set out in the Trust Deed dated 16 November 1993 (as amended) and a Deed of Novation and Benefits 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 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 29 November 2021.

Significant Events since the Investigation Date

I am not aware of any events that have occurred since 30 June 2024 which would have had a material 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 governing the Plan 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

Plan membership has changed since 30 June 2021 as follows:

Active members at 30 June 2021	4
Exits	
Active members at 30 June 2024	

During the period under review the number of Plan members decreased . 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 significantly increased.

Investment Returns

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

Year Ending	Investment Return (p.a.)
30 June 2022	-1.8%
30 June 2023	5.2%
30 June 2024	5.8%
Compound Average	**3.0%**

The average investment return for the three-year period to 30 June 2024 was 3.0% p.a. compared to the long term assumption at the last actuarial investigation of 3.5% p.a. The lower return than assumed had a slightly negative impact on the Plan's financial position.

Salary Increases

Contributions

The School contributed at the rates recommended in the previous actuarial investigation in respect of Plan members, as follows:

- Nil* in respect of Defined Benefit entitlements; and
- Member contributions from before-tax salary (other than deemed member contributions met from the General Reserve) and any other contributions agreed between the School and a member (e.g. additional salary sacrifice contributions).

* School contributions of 10.0% of Salary plus Responsibility Loading (if applicable) and deemed member contributions of 8.0% of Salary plus Responsibility Loading (if applicable), are to be credited to Plan members' accumulation accounts from the General Reserve if they are not paid by the School.

As these recommendations included a contribution holiday, this reduced the excess of Plan assets over liabilities.

Expenses

Plan expenses (including insurance premiums) paid since the date of the previous actuarial investigation was $36,000 p.a. This was slightly lower than the $40,000 p.a. assumed at the previous actuarial investigation. Accordingly, the level of expenses had a slightly positive 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	3.5% p.a.	3.0% p.a.	Small negative effect – investments grew at a slightly lower rate than assumed
Salary increases	[redacted] p.a.	[redacted] p.a.	No effect – benefits applying are not currently related to salary
Expenses	$40,000 p.a.	$36,000 p.a.	Small positive effect – expenses were slightly less than assumed
Contributions			Negative effect – School has been on a contribution holiday
Membership changes			Significant positive effect - excess assets spread over smaller membership base

The overall impact of this experience was a significant improvement in the asset coverage of Vested Benefits when expressed as a percentage.

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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, crediting rates, 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 where these apply instead of accumulation benefits is the difference between:

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

This difference is commonly referred to as the "gap".

The key economic long term assumptions adopted for this investigation are:

	Assumption
Investment returns (after tax, investment and asset-based administration fees)	5.0% p.a.
Crediting rate (after tax and investment fees)	5.5% p.a.
General Salary increases	[redacted] 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 assumption for crediting rate is similarly based on the expected long-term investment return for the MySuper investment option within Prime Super.

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

Other Assumptions

New Members

The Plan is closed to new entrants. No allowance has been made for new members.

Expenses

Administration costs, management expenses plus the net cost of group life insurance for Plan members are deducted from Plan assets. The Trustee has advised that the administration fees levied is a combination of a per member fee and a fixed fee. I have assumed expenses (including actuarial consulting expenses) of $40,000 p.a. 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.

Rates of Decrement - Retirement

Impact of the Changes in Assumptions

I 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 return	5.0% p.a.	3.5% p.a.	Updated to reflect current investment market outlook
Crediting rate	5.5% p.a.	4.0% p.a.	Updated to reflect current investment market outlook
Salary increase	[redacted] p.a.	[redacted] p.a.	Updated to reflect Salary expectations
Expenses	$40,000 p.a.	$40,000 p.a.	No change as it broadly aligns with Plan experience

The overall impact of the changes in assumptions was minimal – they decreased the Actuarial Value of Accrued Benefits at 30 June 2024 by $2,000.

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Assets

Market Value

The net market value of the Plan's assets as at 30 June 2024 amounted to $3,659,000 (based on the Plan's unaudited financial statements for the period ended 30 June 2024). This excludes the additional accumulation balances [redacted].

Calculation of Defined Benefits Assets	
Net market value of Plan's assets as at 30 June 2024	**$3,659,000***
Less Administration Reserve	$5,000
Less Operational Risk Reserve	$9,000
Net assets to support Plan liabilities	**$3,645,000***

* [redacted]

Operational Risk Reserves

The assets to meet the Operational Risk Financial Requirement (ORFR) are held directly by the Plan. I have deducted these assets when calculating the assets to support the Plan's defined benefit liabilities.

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

Assets backing Defined Benefit Liabilities

Since 1 July 2019, the Plan's investment strategy is to invest assets supporting Plan liabilities (other than additional accumulation account liabilities) in a mixture of the MySuper and Conservative Options within Prime Super, with excess assets over Vested Benefits being invested in the Conservative Option. As at 30 June 2024, the investment strategy involves a benchmark exposure of 37% to 'growth' assets (such as equities and parts of the property and alternative assets) and a benchmark exposure of 63% 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.

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

Asset Class	Actual Allocation as at 30 June 2024			Plan Strategic Asset Allocation as at 30 June 2024
	MySuper Option	Conservative Option	Plan	
Australian equities	23.2%	7.8%	12.0%	11.8%
Overseas equities	29.2%	10.4%	15.8%	15.8%
Property	19.8%	18.4%	18.8%	19.0%
Fixed interest	14.5%	39.7%	32.7%	32.8%
Alternatives	3.6%	2.6%	2.8%	3.0%
Cash	9.7%	21.1%	17.9%	17.6%
Total	100.0%	100.0%	100.0%	100.0%

I am satisfied that the current investment strategy is appropriate in view of the Plan's financial position and the financial support provided by the School. This conclusion is based on the School understanding the variability in the Plan's level of excess assets associated with the current investment policy. If the School has a different view, then this policy should be reviewed.

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. The main features of the crediting rate policy in relation to the accumulation accounts of Plan members are summarised briefly below:

- Earnings credited to members' Member Account, School Account and Transfer Account 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 Prime Super MySuper investment option. Net earnings are allocated via weekly crediting rates. This investment option has more in growth assets than the assets supporting the Plan (see above) and so the Plan's crediting rate is assumed to be greater than the Plan's net investment return.

- Earnings credited to members' additional accumulation accounts 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 members' selected investment options.

We understand that when members leave the School or attain their Normal Retirement Date their leaving service benefit is invested in the Cash investment option from the day of leaving service until the member elects otherwise.

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

Additional accumulation account balances are matched by specific assets and do not require any additional margins.

A small margin in excess of 100% coverage of Vested Benefits (excluding additional accumulation account balances) is desirable because this provides some security against the mis-match between the Plan crediting rate and net investment returns, the possibility of higher than expected expenses, or sustained negative investment returns which could cause the member's defined benefit salary-related benefit to exceed their accumulation based benefit.

I consider that the target margin of 105% coverage of Vested Benefits strikes a suitable balance between the Trustee's desire to provide security to members and the build-up of excess assets.

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

- The greater of 105% of Vested Benefits and 100% of the Actuarial Value of Accrued Benefits (excluding additional accumulation account balances); plus
- 100% of additional accumulation account balances.

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 the greater of 105% of Vested Benefits and 100% of the Actuarial Value of Accrued Benefits would also result in a satisfactory margin of coverage over Superannuation Guarantee Minimum Benefits. Hence, it is not necessary to adopt specific financing objectives in relation to this benefit liability measure.

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 the greater of their vested benefit entitlement and the Actuarial Value of their Accrued Benefits.

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 determined by the Trustee, after consulting the School, on the advice of the actuary to the Plan, although other provisions of the rules enable the School to 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, the School contribution rate required to provide a target level of coverage of a particular benefit liability measure is determined.

The level of the School contributions may vary from time to time to ensure that the Plan remains on course towards its financing objective (the greater of 105% coverage of Vested Benefits and 100% of the Actuarial Value of Accrued Benefits).

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 eligible, retire at the investigation date.

At 30 June 2024, the Plan assets represented [redacted] of Vested Benefits and hence the Plan was in a satisfactory financial position under SIS legislation. Coverage of Vested Benefits was significantly above the financing objective of 105% of Vested Benefits 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 represented [redacted] of MRBs and hence the Plan was "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, considering 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 benefit. Further details concerning the calculation of the Actuarial Value of Accrued Benefits are set out in Appendix B.

The Plan assets as 30 June 2024 represented [redacted] of the Actuarial Value of Accrued Benefits. Coverage of the Actuarial Value of Accrued Benefits was significantly above the financing objective of 100% of the Actuarial Value of Accrued Benefits adopted for this investigation.

The following table shows these funding measures at 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	3,645		6,551	
Liability for Vested Benefits	[redacted]	[redacted]	4,105	159.6%
Liability for Actuarial Value of Accrued Benefits	[redacted]	[redacted]	4,108	159.5%
Liability for SG Minimum Benefits	[redacted]	[redacted]	3,919	167.2%

* [redacted]

The coverage levels at 30 June 2024 were significantly 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 11.9% of Plan members' Salaries.

This includes an allowance for contributions tax but excludes expected expenses of $40,000 p.a., any additional accumulation contributions and member deemed contributions.

Recommended Contributions

Based on the Plan's financial position at 30 June 2024, I recommend that the School maintains its contribution holiday for the Plan, and contributes in accordance with the following contribution program:

- Nil* in respect of Defined Benefit entitlements; and
- Member contributions from pre-tax salary (other than deemed member contributions met from the General Reserve) and any other contributions agreed between the School and a member (e.g. additional salary sacrifice contributions).

* School contributions of 10.0% of Salary plus Responsibility Loading (if applicable) and deemed member contributions of 8.0% of Salary plus Responsibility Loading (if applicable), are to be credited to Plan members' accumulation accounts from the General Reserve if they are not paid by the School.

Management of Excess Assets

The Plan is likely to have excess assets [redacted]. I recommend that the Trustee and School agree the treatment of these excess assets [redacted]. This treatment will need to be in accordance with the Prime Super Trust Deed and the Trustee's Defined Benefit Policy dated February 2023.

Projected Financial Position

I have projected Plan assets and benefit liabilities based on the assumptions adopted for this investigation and the recommended contribution rates. This shows that, on these assumptions, coverage of Vested Benefits and the Actuarial Value of Accrued Benefits are expected to remain above 300% until [redacted]. This is significantly more than the target financing objective of the greater of 105% of Vested Benefits and 100% of the Actuarial Value of Accrued Benefits.

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.

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 are calculated using my best estimate assumptions for investment returns (5.0% p.a., based on the MySuper and Conservative investment options), crediting rate returns (5.5% p.a. based on the MySuper investment option only) and Salary growth (3.0% p.a.). As future investment returns, crediting rate returns and future Salary increases are unknown, it is almost certain that actual experience will differ from these assumptions.

Plan assets move with investment returns whereas Plan liabilities are the greater of an accumulation benefit and a defined benefit salary-related benefit. [redacted] . I calculate that the Plan crediting rate would need to be 1.5% p.a. lower than Salary increases for the defined benefit salary-related benefit to apply [redacted] .

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Key Risks

Investment Volatility

I have considered the impact of investment volatility on the Plan's financial position over the next few years using a "high return" and a "low return" scenario. The returns under both scenarios have been derived from assumptions about the likely risk attached to the Plan's investment strategy. The investment returns under the "low return" and "high return" scenarios are 3.5% and 8.5% p.a. respectively. The extent of variation allowed for in these projections reflects the Plan's asset mix and Mercer's views on potential variability in investment results in various investment sectors.

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 over the next 3 years. Similarly, there is approximately only a 10% chance of the Plan's cumulative investment return being greater than the "high return" scenario over the next 3 years.

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 for the Plan will fall in a range from 303% to 318%.

Salary Growth Risk

The risk is that wages or 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.

The salary-based defined benefit would only apply at if the crediting rate (based on investment return on the MySuper investment option only) is 1.5% p.a. less than . In my opinion this is unlikely, the Trustee should therefore be satisfied with the expected level of security over the next few years if the School contributes at the recommended levels.

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.

Small Plan Risk

This risk relates to supporting a defined benefit plan like this Plan where there are few remaining defined benefit members meaning the law of averages no longer applies and the time horizon of the defined benefit liabilities has become short.

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Insurance and Related Risks

The Plan is not permitted to self-insure.

The Plan provides death benefits but no additional benefits on disability. Disability benefits are instead provided through a group salary continuance benefit directly by the School via its own group policy outside superannuation.

The death 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 Plan does not provide total and permanent disablement benefits. The purpose of the insurance policy is to protect the Plan against unexpectedly large pay-outs on the death of members.

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

Sum Insured = Death Benefit less Vested Benefit

The total amount insured should cover the excess of the death 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 risk as at 30 June 2024 for the Plan was as follows.

	Plan members	$000
	Death/Disablement Benefits	
less	Sum Insured	
less	Assets	
	Uncovered Death/Disablement Benefits	

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 a number of 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 **98%**.

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 overall benchmark exposure of 37% to “growth” assets;
- The results of this investigation regarding the extent to which the current and projected Vested Benefits are linked to the investment return on defined benefit assets 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 – in particular a change to a more defensive strategy which has a benchmark allocation to “growth” assets of less than 35% – 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

(a) The value of the Plan's assets as at 30 June 2024 was $3,652,000. This value excludes assets held to meet the Operational Risk Financial Requirement, but is 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 [redacted] (inclusive of the member's additional accumulation accounts). 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 [redacted].

(c) In my opinion, the value of the liabilities of the Plan in respect of Vested Benefits as at 30 June 2024 was [redacted] (inclusive of the member's additional accumulation accounts). 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 [redacted]. As a result, 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 [redacted] (inclusive of the member's additional accumulation accounts). 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 to the Plan at least:

- Nil* in respect of Defined Benefit entitlements; and
- Member contributions from pre-tax salary (other than deemed member contributions met from the General Reserve) and any other contributions agreed between the School and a member (e.g. additional salary sacrifice contributions).

* School contributions of 10.0% of Salary plus Responsibility Loading (if applicable) and deemed member contributions of 8.0% of Salary plus Responsibility Loading (if applicable), are to be credited to Plan members' accumulation accounts from the General Reserve if they are not paid by the School.

(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

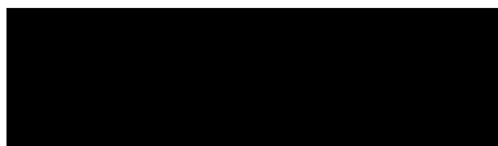
The next **actuarial investigation** is required at a date no later than [redacted] [redacted]. At that time, the adequacy of the School contribution levels will be reassessed. The monitoring process recommended may lead to an earlier reassessment ahead of the next full actuarial investigation.

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 2029).

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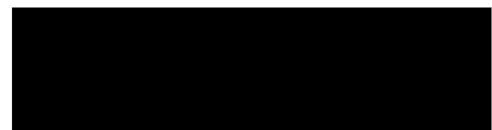
Timothy Simon Jenkins
Fellow of the Institute of Actuaries of Australia

28 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 Category A1 Defined Benefits

A summary of the main benefit provisions in respect of to is set out below. Reference should be made to the formal governing documents for definitive statements.

Contribution Rate

- Member Contribution Rate of 8.0%* (before tax) of Salary;
- Employer Contribution Rate of 10.0%^ of Salary.

* *Member also has the option of contributing 8% on his/her Responsibility Loading (if applicable) to receive additional benefits.*

^ *Employer contributions are also paid in respect of any Responsibility Loading (if applicable).*

Normal Retirement Date

Normal Retirement Date is the 31 December in the year in which the member attains age 62.

Responsibility Loading

The School may pay a Responsibility Loading amount to the Plan member in addition to Salary in respect of an employee's position of special responsibility.

Member's Retirement Amount

The aggregate balance of a member's accounts, including Member Account, School Account, Voluntary Contribution Account and Transfer Accounts.

These accounts comprise Member Basic Contributions, Employer Basic Contributions, voluntary contributions and amounts transferred from previous Plans, less tax on contributions and expenses, with investment earnings (which may be positive or negative) on these amounts at rates declared by the Trustee from time to time.

Retirement Benefit

The greater of:

- The member's Retirement Amount, and
- The Guaranteed Retirement Benefit plus additional account balances.

Guaranteed Retirement Benefit

The guaranteed benefit on retirement after age 55 but before the Normal Retirement Date is a lump sum equal to:

21.5% x member's Final Average Salary (FAS) x Membership.

Where:

- FAS is the average of the member's Salaries at 1 January in each of the three years immediately prior to the date the member retires from service.
- Membership is defined as the period of service as a member of the Plan (or eligible prior funds), measured in years and complete months.

In addition, in respect of a Category A1 member who pays contributions in respect of their Responsibility Loading, an amount determined according to:

21.5% x FAS x RL/S

Where:

- RL = Member's Responsibility Loading received during the year.
- S = Member's Salary received during the year.

Late Retirement Benefit

The benefit on retiring after the Normal Retirement Date is the Retirement Benefit at the Normal Retirement Date accumulated with investment earnings. (SG contributions after Normal Retirement Date are paid to the Industry Fund division of Prime Super.)

Death Benefit

The benefit on death before the Normal Retirement Date is equal to the greater of:

A) The member's projected Guaranteed Retirement Benefit at the Normal Retirement Date assuming Salary remains unchanged; and

B) The sum of the member's Retirement Amount; plus a factor (as listed in the table below) multiplied by the sum of Salary and Responsibility Loading at date of death.

Age	Factor
58	0.8
59	0.6
60	0.4
61	0.2
62	0.0

Discretions

Within the Trust Deed, the School may in its absolute discretion waive or reduce the contributions payable by all members until he or she ceases to be in service or until the member's normal retirement date, whichever is earlier.

In addition, 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 currently 11.5% and will increase to 12% on 1 July 2025.

Appendix B

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 credited interest rates 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 based on the member's accrued benefit multiple or relevant account balances at the investigation date, allowing, where applicable, for future vesting to the projected date of resignation.

The weighted average term of the accrued benefit liabilities is [redacted] years.

Accumulation Benefits

The value of additional accumulation benefits has been taken as the sum of the balances held in the additional 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 C

Information for AASB 1056 Purposes

Geelong 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 Defined Benefit members under normal retirement age at the relevant date, as determined by the Plan Administrator

Total Member Liabilities would then be determined as

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

In my opinion, a reasonable approximation of the DB 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:

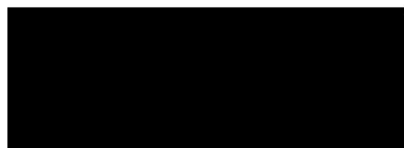
- K is the relevant K Factor specified in the table below for the relevant specified change in a key assumption

	30 June 2025, 2026, 2027
Adopted Assumptions	
Investment return p.a.	5.00%
General salary increases p.a.	
Adopted Assumptions K factor	1.015
Sensitivity Factors	
K factor 1% p.a. lower investment return	1.015
K factor 1% p.a. higher investment return	1.015
K factor 1% p.a. lower salary increases	1.015
K factor 1% p.a. higher salary increases	1.015

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

28 November 2024

Mercer Consulting (Australia) Pty Ltd
ABN 55 153 168 140
AFS Licence # 411770
One International Towers Sydney
100 Barangaroo Avenue, Sydney NSW 2000
GPO Box 9946 Sydney NSW 2001
+61 2 8864 6800