APN Superannuation Plan

Actuarial Investigation as at 30 June 2018

Prepared under the advice of

Shane Mather
Fellow of the Actuaries Institute

20 December 2018

This report has been prepared for the Trustee of the Sunsuper Superannuation Fund and the Principal Employer, Australian Provincial Newspapers Limited. Sunsuper Financial Services Pty Ltd and its employees do not accept responsibility to any third party for anything in or arising out of the material contained herein.

Sunsuper Financial Services Pty Ltd

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Section 1 Introduction

1.1 Introduction

The APN Superannuation Plan (the 'Plan') is a corporate plan within the Sunsuper Superannuation Fund. As the Plan is a defined benefits plan, an actuarial investigation of the Plan is required at least every three years to meet the provisions of the Superannuation Industry (Supervision) Act and Regulations and Prudential Standard SPS 160.

This report contains the results of the actuarial investigation of APN Superannuation Plan as at 30 June 2018. The investigation covers the period from 1 July 2015 to 30 June 2018.

This report has been prepared in accordance with the Actuaries Institute Professional Standards 400, 410 and Prudential Standard SPS 160.

The Trustee and Employer should be aware that this document must be provided on request to members of APN Superannuation Plan in accordance with the superannuation legislation.

1.2 Purpose

The main purpose of the actuarial investigation is to evaluate the financial position of the Plan. The report details:

(a) Recommendations on the level of Employer contribution rates to be made to the Plan;

(b) The extent to which Plan assets are adequate in relation to the benefits payable; and

(c) Actuarial statements required by Prudential Standard SPS 160.

This report is not intended to be used for any other purpose including accounting or other regulatory requirements.

1.3 Source of Information

This investigation has been based on the benefits set out in the Plan's Benefit Agreement dated 30 June 2006. A summary of the benefits is included in Appendix C.

All asset and membership information as at 30 June 2018 was sourced from the administration records held by Sunsuper. A summary of asset and membership information as at 30 June 2018 is included in Appendix B.

In preparing this report, we have relied on the information and data provided. We have not independently verified the accuracy or completeness of the information and data provided, however where possible we have checked the information and data for reasonableness and is considered suitable for the purposes of this investigation.

1.4 Previous Actuarial Investigation

The previous actuarial investigation of APN Superannuation Plan was prepared by Shane Mather, FIAA of Sunsuper Financial Services Pty Ltd as at 30 June 2015. The report was dated 29 March 2016.

1.5 Plan Structure

The Plan is a sub-Plan within the Sunsuper Superannuation Fund. The Sunsuper Superannuation Fund is a regulated superannuation fund which is in compliance with the SIS Act and is subject to a concessional tax rate of 15% on Employer contributions and up to 15% on investment earnings.

The Plan is divided into two sections, namely:

- Defined Benefit section; and
- Accumulation section.

The Defined Benefit section is closed to new members with new members joining the Accumulation section.

Defined Benefit section

The Defined Benefit section provides members with the following lump sum benefits:

- A resignation benefit based on a multiple of the accumulation of member contributions (subject to a maximum of the discounted accrued retirement benefit); and
- A retirement benefit based on the length of membership and final average salary.

Accumulation section

The Accumulation section comprises the balances of all members' accumulation accounts.

This report focuses on the assets and liabilities of the Defined Benefit section as these are subject to actuarial review. However, in providing details of the overall financial position of the Plan for reporting purposes, the assets of the Accumulation section have been included.

Section 2 Plan Experience

2.1 Benefit Changes

There were no benefit changes during the actuarial investigation period.

2.2 Transfers as part of Business Sale

Effective 28 December 2016, News Corporation acquired Australian Regional Media (ARM) from APN News and Media (APN) which resulted in 10 defined benefit members accepting an offer to transfer from their defined benefit arrangement to an accumulation arrangement.

2.3 Contributions

As recommended in the 30 June 2015 actuarial investigation, the Employer has contributed at the following rates:

Defined Benefit Members:

- From 1 July 2015:
  - 20% p.a. of salaries; plus
  - 3% p.a. award contributions (where applicable); plus
  - contributions required to meet the Superannuation Guarantee obligation on Ordinary Time Earnings above superannuation salary.

Accumulation Members: Employer contributions at the rate or rates agreed.

In addition to the above contributions, the Employer made a one-off contribution of $553,000 as part of the crystallisation and conversion of 10 members' defined benefit entitlements within the APN Superannuation Plan to an accumulation benefit as a result of the acquisition of Australian Regional Media by News Corporation of Australian.

2.4 Financial experience

Investment Return

The following table shows the investment return (net of investment tax and fees) during the investigation period:

Period	Investment Return (%) (net of investment tax and fees)
1 July 2015 to 30 June 2016	3.1%
1 July 2016 to 30 June 2017	9.4%
1 July 2017 to 30 June 2018	10.7%

The average investment return (net of investment tax and fees) over the investigation period was 7.7% per annum.

At the last actuarial investigation, the average rate of investment return assumed (net of investment tax and fees) for the period from 1 July 2015 to 30 June 2018 was 5.3% per annum (the actual assumed investment returns were 2.0% per annum for the first year and then 7.0% per annum thereafter).

Salary Increases

The average rate of salary increase during the investigation period for the sole defined benefit member who was a defined benefit member at both 1 July 2015 and 30 June 2018 was 0.0% per annum.

The above salary increase rate compares with an assumed rate of increase of 5.0% per annum assumed at the last actuarial investigation.

Differential between Investment Return and Salary Increases

Usually, a key determinant of the cost of providing defined superannuation benefits relating to salary is the 'gap' between actual investment returns and actual salary increases.

Over the investigation period the gap between the actual investment returns and salary increases was 7.7% per annum which compares to the expected gap of 0.3% per annum assumed at the previous investigation. As the margin between investment returns and salary increases is greater than the expected gap of 0.3% per annum assumed at the previous investigation, this aspect of the Plan experience has had a positive impact on the overall financial position.

2.5 Membership

Details of the change in the defined benefit membership of the Plan over the investigation period are shown in the following table:

		Members
Membership at 1 July 2015		21
Plus	New members [1]	0
Less	Transfers as part of Business Sale	10
	Retirements	2
	Withdrawals	1
	Retrenchments	7
Membership at 30 June 2018		1

Note 1: The defined benefit categories are closed to new members.

Statistically significant results based on actual experience are not available from a plan of this size.

The number of members who exited the Plan during the investigation period was greater than expected and this has had a positive impact on the overall financial position. In effect, the Plan surplus has been spread over a smaller defined benefit membership base.

Appendix B contains a summary of the defined benefit membership at the investigation date.

2.6 Summary

The overall effect of the Plan experience was to strengthen the financial position of the Plan compared to the position anticipated at the previous actuarial investigation. This was primarily due to:

- The higher than expected number of exits from the Plan which has resulted in the Plan surplus now being spread over a smaller defined benefit membership base; and
- The favourable financial experience over the period.

Section 3 Security of members’ benefits

In this section comparisons are made between the assets that have been built up at the investigation date and the accrued benefits at that date. The accrued benefits ratios calculated provide useful information concerning the adequacy of the funding at the present time and the security of members' benefits.

We have taken four definitions of accrued benefits for comparison as set out below.

3.1 Minimum Requisite Benefits

The Minimum Requisite Benefits (MRBs) are the minimum Superannuation Guarantee (SG) benefits set out in the Plan’s Benefit Certificate.

The MRBs Index is calculated as the Plan assets divided by the MRBs. Should the ratio of total assets to total MRBs fall below 100% then under the Superannuation (Industry) Supervision Regulations, the Plan is “technically insolvent”. The legislation requires that a Plan that is “technically insolvent” must either:

- Initiate actions to return the Plan to a solvent position by the end of 5 years; or
- Wind up the Plan.

While the legislation provides for a period of 5 years to correct a technical insolvency, APRA look for the trustees to pursue a much shorter period.

3.2 Vested Benefits

Vested Benefits are the benefits which would have been payable had all members voluntarily resigned on the investigation date. Vested Benefits are calculated as the total of all standard resignation benefits, or for eligible members, early retirement benefits.

The Vested Benefits Index is calculated as the Asset Value divided by the Vested Benefits and represents the extent to which the Asset Value covers Vested Benefits.

Total Vested Benefits can be regarded as the minimum liabilities that should be covered by assets. Under the SIS legislation, a fund is considered to be in an “unsatisfactory financial position” if its Vested Benefits Index falls below 100% (i.e. assets are less than Vested Benefits).

3.3 Actuarial Value of Accrued Benefits

The Actuarial Value of Accrued Benefits represents the total value in current dollars of the defined benefit members' accrued benefits in respect of their membership up to the investigation date allowing for future salary increases, investment earnings and expected incidence and type of payment. A minimum of the total Vested Benefit was applied to the Actuarial Value of Accrued Benefits.

The assumptions used in calculating the Actuarial Value of Accrued Benefits are detailed in Appendix A. No allowance is made for future administration expenses.

For accumulation benefits, the Actuarial Value of Accrued Benefits is taken as the total balance of the members' accounts.

The Actuarial Value of Accrued Benefits Index is calculated as the Asset Value divided by the Actuarial Value of Accrued Benefits and represents the extent to which the Asset Value covers the Actuarial Value of Accrued Benefits. An Actuarial Value of Accrued Benefits Index of 100% represents a fully secured position. At this level, if the fund were closed to new entrants and no further benefits were allowed to accrue to current members, assets would be sufficient to meet all future benefit payments if the actuarial assumptions are borne out in practice.

3.4 Accrued Retirement Benefits

For the purpose of assessing the progressing level of funding, it is useful to regard each defined benefit member's normal retirement benefit as accruing uniformly over the member's expected period of membership to normal retirement.

For example, if a defined benefit member has completed 10 years of membership as a defined benefit member, is entitled to a 20% benefit accrual rate and has a Final Average Salary (FAS) of $50,000, then his/her Accrued Retirement Benefit would be calculated as:

20% of $50,000 times 10 = $100,000

The above would be subject to the minimum of the vested benefit at the calculation date.

For accumulation benefits, the Accrued Retirement Benefit is taken as the total balance of the member's accounts.

The Accrued Retirement Benefits Index is a measure of a fund's progress towards funding members' retirement benefits. It is calculated as the Asset Value divided by the Accrued Retirement Benefits and represents the extent to which the Asset Value covers Accrued Retirement Benefits.

It is not necessary that this index be at or above 100%, however as the membership for a closed defined benefit section ages and become eligible to early retire and receive their Accrued Retirement Benefits, the Accrued Retirement Benefits Index should move towards 100%.

3.5 Financial Position

The value of assets used to determine the indices for the Plan are set out in Appendix B.

A comparison of the Plan's assets and the benefits on the four bases is set out below:

Total Plan

Benefit Type	Value at 30 June 2018 (‘000s)	Index at 30 June 2018	Index at 30 June 2015
Plan Assets	$46,608	-	-
Minimum Requisite Benefits	$46,271	100.7%	102.0%
Vested Benefits			
- eligibility for a Retirement Benefit from age 60 [1]	$46,271	100.7%	100.9%
- eligibility for a Retirement Benefit from age 55 [1]	$46,271	100.7%	100.6%
Actuarial Value of Accrued Benefits [2]	$46,308	100.6%	99.3%
Accrued Retirement Benefits	$46,491	100.3%	98.1%

Note 1. Members are eligible for a Retirement benefit from age 60, or with Employer consent from age 55.

2. The Actuarial Value of Accrued Benefits has been calculated based on the assumptions set out in Appendix A.

Defined Benefit Liabilities Only

To consider the financial position of the Plan with respect to the defined benefit liabilities only, the assets and the liabilities relating to the defined benefits are considered. The asset value was determined as:

	$000’s
Total Plan Assets	46,608
Less Accumulation member’s accumulation balances	44,860
Less Defined Benefit members’ additional balances	58
Asset value used in the assessment of the defined benefit liabilities	1,690

Benefit Type	Value at 30 June 2018 (‘000s)	Index at 30 June 2018	Index at 30 June 2015
Plan Assets	$1,690	-	-
Minimum Requisite Benefits	$1,353	125%	113%
Vested Benefits			
- eligibility for a Retirement Benefit from age 60 [1,2]	$1,353	125%	106%
- eligibility for a Retirement Benefit from age 55 [1]	$1,353	125%	104%
Actuarial Value of Accrued Benefits [3]	$1,390	122%	96%
Accrued Retirement Benefits	$1,573	107%	90%

Notes 1. Members are eligible for a Retirement benefit from age 60, or with Employer consent from age 55.

2. If a member leaves the employer on account of illness, injury, retrenchment or redundancy, members may be entitled to an increased withdrawal benefit. Based on eligibility for a retirement benefit from age 60 for defined benefit members, the total of the illness, injury, retrenchment or redundancy benefits as at 30 June 2018 was $1,353,000.

3. The Actuarial Value of Accrued Benefits has been calculated based on the assumptions set out in Appendix A.

Comment on the Financial Position as at 30 June 2018

The minimum requisite benefits for members continue to be covered by the Plan assets thereby maintaining the solvency of the Plan as defined in Regulation 9.06 of the SIS Regulations.

Based on the above, the financial position of the Plan as at 30 June 2018 is “satisfactory” as defined in the Superannuation (Industry) Supervision (SIS) Regulations. That is, the assets of the Plan held in respect of the defined benefit liabilities are greater than the vested benefits with a ratio of assets to vested benefits of 125%.

Allowance for experience since 1 July 2018

Since 1 July 2018, the overall investment return (net of investment fees and tax) for the defined benefit assets (which are invested in the Balanced investment option) has been approximately *negative* 2% for the period to mid-December 2018. We have allowed for this experience in setting the investment return assumption for the 2018/2019 financial year.

3.6 Prudential Standard SPS 160

Prudential Standard SPS 160 sets out a number of requirements in the management of the defined benefit funds.

One of the important requirements of the Prudential Standard is that if in conducting an actuarial investigation the actuary finds that a fund is in an unsatisfactory financial position then the actuary must prepare a statement to the Trustee that provides a recommendation on the contributions that, on reasonable expectations, will restore the fund to, and maintain it in, a satisfactory financial position, within a time period that is reasonable in the circumstances of the fund but which must not exceed three years from the valuation date. As noted above, the financial position of the Plan is "satisfactory".

Another important requirement from the Prudential Standard SPS 160 is the setting of a Shortfall Limit for the Plan. The Shortfall limit is the extent to which a Trustee considers that the Plan can be in an unsatisfactory financial position without the necessity for immediate action with the Trustee still being able to reasonably expect that the Plan can be restored to a satisfactory financial position within one year.

The current Shortfall limit for the Plan is 98%. Based on a defined benefit Vested Benefits Index of 125%, the Shortfall Limit has not been breached. We have reviewed the Shortfall limit and recommend no change.

3.7 Insurance Cover

Part of each member's death and disablement benefit is insured with an external insurer. The insurance arrangements are underwritten by AIA Australia Limited. This protects the Plan against fluctuating claims experience. As part of this investigation, we investigated the adequacy of the existing level of group life cover on the death and disablement benefits.

The current basis for calculating the amount insured for each defined benefit member is:

Death/TPD benefit less Vested Benefit (eligibility for early retirement from age 60)
(Subject to a minimum insured amount of nil).

The following table compares the Plan's Assets (excluding accumulation benefit assets) and sums insured for defined benefit members at the investigation date against total death and disablement benefit entitlements as at 30 June 2018:

Insurance Arrangements	**$ 000's**
Defined Benefit Plan Assets	1,690
Insured Amount	1,041
Total	2,731
Death/TPD Benefits	2,451
Over/(under) Insurance	280

The above table shows that as at 30 June 2018 the Plan would be over insured by around $280,000 under the current formula.

I consider that the Plan's current insurance arrangements are suitable and provide adequate protection for the Plan and recommend no change to the method of calculating the insurance cover.

Insurance for income protection benefits is provided through a policy with an external insurer. The income protection benefit is fully insured, with premiums currently being met by the Employer. The cost of these premiums have been incorporated into the recommended Employer contribution rate.

Section 4 Long term adequacy of Employer contributions

4.1 Results of the Actuarial Projection

To assess the likelihood that the Plan will be able to meet the anticipated benefit payments into the future, we have undertaken a projection of benefits, assets and contributions. The projection is used to determine the required employer contribution rate for defined benefit members into the future. We have undertaken a projection in respect of defined benefit members only.

The projection has been performed on the actuarial valuation basis (Basis 1) and on a sensitivity basis (Basis 2).

	Basis 1 (Actuarial Investigation Basis)	**Basis 2 (Sensitivity Basis)**
Assumed investment return (net of investment fees and tax)	Year 1: 1.5% p.a. Thereafter: 6.5% p.a.	Year 1: 1.5% p.a. Thereafter: 5.5% p.a.
Assumed salary inflation rate	4.5% p.a.	4.5% p.a.

The remaining assumptions are set out in Appendix A. For the purpose of this investigation, the assumed long term gap between the investment return (net of investment fees and tax) and salary increase rate is 2.0% per annum. Other assumptions could be used and basis 2 shows the impact of varying the "gap" by reducing the assumed long term investment return (net of investment fees and tax) to 5.5% per annum. Please note that the basis selected for the sensitivity analysis does not indicate upper or lower bounds of all possible outcomes.

Based on the above assumptions and assuming the Employer continues to contribute 20% p.a. of salaries, the projection results at 30 June 2018 can be summarised as follows:

Defined Benefit Members		**Basis 1 $ millions**	**Basis 2 $ millions**
Plan Assets		1.7	1.7
Plus	Present value of future member contributions for current members	0.1	0.1
Plus	Present value of future Employer contributions (net of tax and insurance costs) for current members [1]	0.4	0.4
Less	Present value of expenses and benefits for current members [1]	2.1	2.2
Excess/(Shortfall)		**0.1**	**0.0**

Note 1. Excludes the future Employer contributions and the resulting benefits in respect of the 3% Award contribution and contributions required to meet the Superannuation Guarantee obligation on Ordinary Time Earnings above superannuation salary.

The projection of the Plan's benefits, assets and contributions, assuming the Employer continues to contribute at the current contribution rates, showed that as at 30 June 2018 the Plan would be in a balanced financial position on basis 1 and basis 2 with respect to funding the benefits over the remaining lifetime of defined benefit members.

The projection of the Vested Benefits Index (assuming eligibility for early retirement from ages 55 and 60 respectively) for the defined benefit liabilities under Basis 1 is shown in the table below:

	Vested Benefits Index (early retirement from age 60)	**Vested Benefits Index (early retirement from age 55)**
30 June 2018	125%	125%
30 June 2019	125%	105%
30 June 2020	125%	107%
30 June 2021	124%	109%
30 June 2022	124%	110%
30 June 2023	124%	110%
30 June 2024	114%	114%

The projection of the Vested Benefits Index (eligibility for a Retirement benefit from age 55 with Employer consent) shows that there is expected to be a significant impact on the index in the year 2019 as the member reaches age 55.

It is important to note that the total salary of the defined benefit member is small relative to the size of the defined benefit assets. As a result, any adverse experience will consequently have a large impact on the level of the Employer contributions required to fund any shortfall arising from poor experience. For example, an investment return that is 1% lower than the expected investment return for a year would require an additional Employer contribution of the order of 6% of the defined benefit salary to cover the shortfall.

4.2 Recommended Employer Contribution Program

In view of the financial position of the Plan as at 30 June 2018 and the projection results we recommend that the Employer continue to contribute at the current rates as set out below.

Defined Benefit Members

- 20% p.a. of salaries; plus
- 3% p.a. award contributions (where applicable); plus
- contributions required to meet the Superannuation Guarantee obligation on Ordinary Time Earnings above superannuation salary.

Accumulation Members: Employer contributions should continue to be paid at the rate or rates agreed.

Members' contributions (including salary sacrifice contributions) should continue to be made in accordance with the Benefit Agreement. The recommended Employer contribution rates include an allowance for expenses and contribution tax.

As noted in Appendix A, the Plan has been valued using the *Aggregate* funding method. An Aggregate funding method used for a declining number of defined benefit members can be expected to produce some volatility in the recommended Employer contribution rate over time, particularly if the investment return or salary increase rate differs from the assumed rate.

4.3 Comment on Investment Strategy

The defined benefit assets are invested in the Sunsuper Balanced Investment Option. The strategy adopted has approximately 70% invested in growth assets such as shares and property and approximately 30% invested in defensive assets such as fixed interest and cash. While the strategy adopted has an emphasis on growth assets (which have higher expected long-term returns) the associated risks should be considered.

The implications for a very small closed defined benefit plan needs to be considered. At 30 June 2018 the average age of the defined benefit member was 54.6 years and the average future-working lifetime was 7 years.

A move to an investment strategy with less growth assets can reduce the volatility of the investment returns and therefore reduce the probability of a significant increase in the Employer contributions as a result of low investment returns. However, the trade-off is that a more conservative investment strategy has a lower expected long-term investment return. The impact of a 1% reduction in the long term investment return on the projected financial position of the Plan is shown in Section 4.1.

Taking into account the nature and term of the liabilities as well as the Plan's current financial position, we recommend that the Trustee commence discussions with the Employer on a possible move of the defined benefit assets to a more conservative investment strategy. Some of the investment options available include the Retirement option (approximately 50% invested in growth assets) or Conservative option (approximately 30% invested in growth assets).

4.4 Next Actuarial Investigation

The next actuarial investigation is required on or before 30 June 2021 for the Plan to comply with the prescribed actuarial investigation standards for regulated defined benefit funds.

Section 5 Statements Required under Prudential Standard SPS 160

In accordance with Prudential Standard SPS 160, I hereby certify the following in relation to APN Superannuation Plan.

a) The value of the assets held by the Plan as at 30 June 2018 was $46,608,000. This value excludes assets held to meet the Operational Risk Financial Requirement which are held outside of the Plan.

b) I consider that the value of assets of the Plan is adequate to meet the liabilities of the Plan in respect of the actuarial value of accrued benefits at 30 June 2018. Furthermore, based on the recommended Employer contributions, valuation methodology and the assumptions as to future experience, which I regard as reasonable, I consider that the value of the assets will remain adequate to meet the actuarial value of accrued benefits over the three years following 30 June 2018.

c) The vested benefits of the Plan at 30 June 2018 totalled $46,271,000. The value of the assets of the Plan is adequate to meet the liabilities of the Plan in respect of vested benefits as at 30 June 2018, and hence the Plan is in a satisfactory financial position within the meaning of Regulation 9.04. Furthermore, based on the recommended Employer contributions, valuation methodology and the assumptions as to future experience, which I regard as reasonable, I consider that the value of the assets of the Plan will remain adequate to meet the liabilities of the Plan in respect of vested benefits over the three years following 30 June 2018 and hence the Plan is expected to remain in a satisfactory financial position at that time.

d) The value of the liabilities in respect of minimum benefits for the members of the Plan as at 30 June 2018 was $46,271,000.

e) I consider that the current shortfall limit of 98% remains appropriate and does not need to be reviewed.

f) The recommended Employer contribution rates are:

   Defined Benefit Members

   - 20% p.a. of salaries; plus
   - 3% p.a. award contributions (where applicable); plus
   - contributions required to meet the Superannuation Guarantee obligation on Ordinary Time Earnings above superannuation salary.

   Accumulation Members: Employer contributions should continue to be paid at the rate or rates agreed.

   Members' contributions (including salary sacrifice contributions) should continue to be made in accordance with the Benefit Agreement.

g) (i) All Funding and Solvency certificates required by the Superannuation Industry (Supervision) Act and Regulations were issued in respect of the investigation period.

   (ii) I consider that during the 3-year period immediately following 30 June 2018, a Funding and Solvency Certificate can be provided to certify the solvency of the Plan having regard to the notifiable events and the minimum Employer contributions specified in the certificate.

Signed:

S Mather

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20 December 2018

Appendix A Method and assumptions

A.1 The Actuarial Projection

The objective of an actuarial projection is to provide a systematic basis for determining Employer contributions and to promote a build up of assets in the Plan that is in line with the accrued actuarial liabilities. It is an exercise in financial control rather than a forecast of the future.

A.2 The Funding Method

A *funding method* is used to calculate the contribution rates. The method used to value the Plan in this actuarial investigation is the Aggregate funding method. The Plan is closed to new defined benefit members.

Under an Aggregate funding method, future contributions are determined so that their present value is expected to be sufficient to fund the difference between:

- the value of all future benefits for existing defined benefit members; and
- the value of Plan assets attributable to defined benefit members.

The contribution rate is then determined by spreading the present value of future contributions over the future Plan membership of existing members.

The Plan was valued using the Aggregate funding method at the last actuarial investigation.

I confirm that the Aggregate funding method is appropriate for this actuarial investigation.

A.3 Assumptions

The assumptions used in the actuarial investigation are:

Investment Earnings

We consider that an investment return (after investment fees and tax) of 6.5% per annum is an appropriate long term return assumption based on the current investment strategy for defined benefit assets and future investment outlook.

Based on the actual investment performance for the period from 1 July 2018 to mid-December 2018, we have adopted an investment return (after investment fees and tax) assumption of 1.5% per annum for the year ending 30 June 2019.

Salary Inflation Increase

The salary increase rate assumption adopted is 4.5% per annum.

We consider that a salary inflation assumption of 4.5% per annum is an appropriate salary increase assumption and takes into consideration Average Weekly earnings (AWOTE) and the expected salary growth of the Employer.

Rates of exit

Members are assumed to leave service as follows:

(a) Members are assumed to leave the Plan at a certain rate, based on the experience of similar plans. The sample rates below represent the number of members leaving the Plan in one year per 10,000 members at the start of the year for modes of exit including withdrawal, death and disablement.

Age	Withdrawal	Death	Disablement
20	1,200	6	1
25	1,000	4	1
30	800	4	1
35	600	6	2
40	400	9	4
45	200	14	8
50	-	24	18
55	-	40	39
60	-	68	83

(b) The rates below represent the number of members leaving the Plan in one year per 10,000 members for early retirement:

Age	Early Retirement	Age	Early Retirement
55	1,000	61	1,000
56	500	62	1,000
57	500	63	1,000
58	500	64	1,000
59	500	65	10,000
60	2,000		

Early Retirement Eligibility

For members who leave the service between ages 55 and 60, we have assumed an early retirement benefit is payable.

Crediting Interest Rate for Defined Benefit Accounts

Defined Benefit Accounts are credited with the actual investment return (net of investment fees and tax) from the underlying assets.

Expenses

Expenses for defined benefit members are assumed to be $34,000 per annum.

Income Protection

The cost of income protection insurance premiums for all defined benefit members is assumed to be 0.5% of defined benefit members’ salaries.

Surcharge

Any surcharge liability is deducted from the member's benefit.

Tax

The Plan is subject to concessional tax rate of 15% on employer contributions and up to 15% on investment earnings. It is assumed that this will continue.

Superannuation Guarantee (SG) Contributions

For the defined benefit members, the relevant SG rate of 9.5% has been taken into account. We have made no allowance for the subsequent Superannuation Guarantee increases.

Changes in Assumptions

The long term financial assumptions adopted for this investigation are lower than the assumptions adopted in the 30 June 2015 actuarial investigation report. For this investigation, the long term investment earnings assumption has been set at 6.5% p.a. rather than 7.0% p.a. to reflect the lower return outlook and the salary increase assumption has been set at 4.5% p.a. rather than 5.0% p.a. to reflect the lower earnings prospects.

The change in long term financial assumptions would not have a material financial impact on the Plan as the gap between investment returns and salary increases of 2% p.a. has been maintained. The change in assumptions did not materially impact the recommended Employer contribution rate.

A.4 Material Risks

It is stressed that the eventual cost of the benefits will depend on the Plan experience rather than on the assumptions.

As part of this actuarial investigation, I have considered the below material risks associated with the ongoing actuarial management and funding of the Plan. If adverse Plan experience relative to the assumptions occurs, then the financial position of the Plan would be adversely affected and the funding plan might need to be amended.

These material risks are:

- Investment returns being lower than expected;
- Salary increases being higher than expected;
- The employer being unable to make the recommended contributions;
- Any large downsizing of the membership, when the VBI is less than 100%;
- The occurrence of a catastrophic event leading to a significant number of deaths or disablements of members.

The Trustee monitors the VBI on a quarterly basis and as such would identify if the funding position is deteriorating as a result of adverse experience, including adverse investment returns, salary increases and exits.

The Trustee also monitors the employer contributions on a quarterly basis and as such would identify if the employer has not paid contributions at the recommended rate.

Appendix B Data used in the Investigation

B.1 Assets

The value of the Plan’s assets at 30 June 2018 was $46,608,000 as sourced from the administration records held by Sunsuper. This value excludes assets held to meet the Operational Risk Financial Requirement which are held outside of the Plan.

The accumulation members’ accumulation balances as at 30 June 2018 was $44,860,000 and the defined benefit members’ additional accumulation balances as at 30 June 2018 was $58,000. For these accumulation balances, members can choose from a range of investment options. The returns credited to each option directly reflect the investment earnings of the option. No reserves are maintained to smooth returns credited to members. The policy in relation to crediting rates is appropriate.

The asset value used in the assessment of the financial position of the Plan and the assessment of the employer contribution rate has been calculated as follows:

	$000’s
Total asset value	46,608
Less Accumulation member’s accumulation balances	44,860
Less Defined Benefit members’ additional balances	58
Asset value used in the assessment of the defined benefit liabilities	1,690

The Plan’s defined benefit assets are invested in the Sunsuper Balanced option.

B.2 Member Statistics

A summary of the defined benefit members as at 30 June 2018 is set out in the following table.

Category	Number of Members	Average Age (years)	Average M’ship (years)
5	1	54.6	19.6

The defined benefit membership has decreased from 21 members at 1 July 2015 to one member at 30 June 2018.

The expected average future-working lifetime of existing defined benefit members at 30 June 2018 was 7 years.

Appendix C A summary of member benefits

The following is a brief summary of the benefits provided to defined benefit members. For full details of the standard benefits, terms and conditions provided by the APN Superannuation Plan, refer to the Benefit Agreement.

The Plan has three defined benefit categories - Categories 5, 6 and 7, however there is only one member in Category 5.

(a) Definitions

Final Average Salary (FAS): Final Average Salary is the average of the annual salaries relating to the Review dates (1 July) which occur within 3 years immediately prior to the date of leaving service.

Normal Retirement Age The member's Normal Retirement Age is on their 65th birthday.

Accrual Rates:

Category	Accrual rate based on Final Average Salary for each Year of Membership
5	20%

Years of membership is measured in years and complete months.

FFM: The multiple which applies in respect of the member's period of membership of the former scheme and any predecessor fund if applicable.

Additional Credit The additional credit is:

(a) Award account; plus
(b) Additional voluntary contributions account; plus
(c) Roll over account; plus
(d) Spouse contributions and government co-contributions account; less
(e) Surcharge account; less
(f) Family law account.

(b) Contributions

Member contributions: Members are required to contribute to the Plan at the following percentage of salaries:

Category	% of salaries
5	5%

Member contributions are credited to the member's Member Account.

Employer contributions: The Employer contributes the balance required to provide the benefits under the Defined Benefit section of the Plan.

For some members, the Employer contributes an additional 3% of salary to the Award account.

The Employer makes additional SG contributions for the difference between each member's OTE and Plan Salary.

(c) Benefits

Normal Retirement: The benefit payable on Normal Retirement is the sum of:

(a) FFM x FAS;
(b) Accrual Rate x FAS x Period of membership from 1 July 2006; and
(c) The Additional Credit.

Early Retirement: The benefit payable on Early Retirement shall be calculated in the same way as a benefit payable upon normal retirement.

Members may retire early:

- with Employer consent, between 5 and 10 years prior to the normal retirement date; or
- within 5 years of the normal retirement date at the member's option.

Late Retirement: The normal retirement benefit accumulated with interest to the date of late retirement.

Death/TPD: The benefit payable on Death or Total & Permanent Disablement (TPD) will be the sum of:

(a) The amount calculated in the same way as the retirement benefit at age 65 assuming the Member's Salary at the date of death/TPD continues until age 65;
(b) Voluntary Insurance amounts; and
(c) The Additional Credit.

Disability Income:	On total disablement, a member will receive, after three months absence from work, an annual income equal to not less than 75% of salary, payable for up to 2 years.
Illness, Injury, Retrenchment, Redundancy	The benefit payable on illness, injury, retrenchment or redundancy is the aggregate of: (a) Twice the member's contributions with compound interest; (b) The Pre-September 1974 Account (if any); and (c) The Additional Credit.
Resignation	The benefit payable on resignation is the aggregate of: (a) Member's contributions with compound interest; (b) 10% of (a) for each complete year of participation in excess of 4 years, with a maximum of 14 years; (c) The Pre-September 1974 Account (if any); and (d) The Additional Credit. The maximum benefit payable is the Discounted Accrued Retirement Benefit plus the member's Additional Credit. The Discounted Accrued Retirement Benefit is calculated as per the Early Retirement Benefit described above, reduced by 1% for the period (measured in years and complete months) from the current age to age 55, subject to a maximum reduction of 20%.
Minimum Benefit:	All benefits are subject to a Minimum Requisite Benefit. The minimum benefit is defined in the Benefit Certificate.