Hanson Australia Corporate Superannuation Plan

Actuarial Investigation as at 30 June 2022

Prepared under the advice of

Shane Mather
Fellow of the Actuaries Institute

21 December 2022

This report has been prepared for the Trustee of Australian Retirement Trust and the Principal Employer, Hanson Australia Pty 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.

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Section 1 Introduction

1.1 Introduction

The Hanson Australia Corporate Superannuation Plan (the 'Plan') is a corporate plan within Australian Retirement Trust that provides defined benefits to members.

Australian Retirement Trust was formed as a result of a merger between the Sunsuper Superannuation Fund and QSuper effective 28 February 2022 and under Prudential Standard SPS 160, an actuarial investigation was due as at that date. APRA has provided approval for the Plan's next actuarial investigation date to be effective 30 June 2022.

This report contains the results of the actuarial investigation of the Hanson Australia Corporate Superannuation Plan as at 30 June 2022 and covers the period from 1 July 2019 to 30 June 2022.

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

The Trustee and Employer should be aware that this document must be made available to members of the Hanson Australia Corporate 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 regulatory requirements.

1.3 Source of Information

This investigation has been based on the benefits set out in the Plan's Benefit Agreement dated 29 June 2004 and the Deed of Variation to Benefit Agreement dated 5 October 2005. A summary of the benefits is included in Appendix C.

All asset and membership information as at 30 June 2022 was sourced from the administration records held by Australian Retirement Trust. A summary of asset and membership information as at 30 June 2022 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 the Hanson Australia Corporate Superannuation Plan was prepared by Shane Mather, FIAA of Sunsuper Financial Services Pty Ltd as at 30 June 2019. The report was dated 12 December 2019.

1.5 Plan Structure

The Plan is a corporate plan within Australian Retirement Trust. Australian Retirement Trust 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 Benefit section.

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

Defined Benefit section

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

- A resignation benefit based on the accumulation of Employer contributions and Member contributions.
- A retirement benefit based on length of membership and final average salary subject to a minimum of the resignation benefit plus the Additional Retirement Credit account.

Members are eligible for a retirement benefit from age 60, or with Employer consent from age 55. There are a number of members in the Senior Executive Staff and Executive Staff where the benefit entitlement increases significantly upon attaining age 55 (assuming Employer consent for a retirement benefit) and this is an important feature of the Plan in formulating the recommended Employer contributions.

Accumulation Benefit section

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

This report largely 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 Benefit section have been included.

Section 2 Plan Experience

2.1 Benefit Changes

There were no benefit changes during the actuarial investigation period.

From 1 July 2022, the Superannuation Guarantee (SG) rate, being the minimum rate employers must provide for its employees increased from 10.0% p.a. to 10.5% p.a. This increase in the SG rate is included in the Plan's Benefit Certificate.

2.2 Contributions

As recommended, Hanson has contributed at the following rates:

Defined Benefit Members:

- 17.0% p.a. of defined benefit salaries; plus
- Additional Employer contributions to meet the Superannuation Guarantee obligation on Ordinary Time Earnings above Salary.

In addition, member contributions of 5% p.a. of defined benefit salaries (including salary sacrifice contributions) have been paid to the Plan.

Accumulation Members: at the rate, or rates agreed.

2.3 Financial experience

Investment Return

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

Period	Investment Return (%) (net of investment tax and fees)
1 July 2019 to 30 June 2020	-1.7%
1 July 2020 to 30 June 2021	20.7%
1 July 2021 to 30 June 2022	-1.0%
1 July 2019 to 30 June 2022	5.5% p.a.

The average investment return (net of investment tax and fees) over the investigation period was 5.5% p.a.

At the last actuarial investigation, the average rate of investment return assumed (net of investment tax and fees) for the period from 1 July 2019 to 30 June 2022 was 6.5% p.a.

Salary Increases

The average rate of salary increase during the investigation period for defined benefit members who were defined benefit members at both 1 July 2019 and 30 June 2022 were:

Category	Salary Increase Rate (% p.a.)
Senior Executive Staff and Executive Staff	1.9%
Senior Staff and Other Staff	2.6%
All Staff	2.0%

The above salary increase rate compares with an assumed rate of increase at the 2019 actuarial investigation of:

- 5.5% p.a. for Senior Executive Staff and Executive Staff; and
- 4.0% p.a. for Senior Staff and Other Staff.

Differential between Investment Return and Salary Increases

The key determinant of the cost of providing defined superannuation benefits relating to salary is the ‘gap’ between actual investment returns and actual salary increases.

The actual ‘gap’ for Senior Staff and Other Staff was 2.9% p.a. compared to an assumed ‘gap’ of 2.5% p.a. For these categories, the actual ‘gap’ experience has had a minimal impact on the financial position of the Plan as the benefits for these members are predominantly accumulation style benefits, both on resignation and retirement.

The actual ‘gap’ for Senior Executive Staff and Executive Staff was 3.6% p.a. compared to an assumed ‘gap’ of 1.0% p.a. For these categories, the actual ‘gap’ has had a positive impact on the longer term financial position of the Plan as the retirement benefits for these members are expected to be predominantly defined benefit.

2.4 Membership

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

		Other Staff	Senior Staff	Senior Executive Staff and Executive Staff	Total
Membership at 1 July 2019		2	12	10	24
less	Resignations	0	0	0	0
	Normal/Early Retirements	1	3	1	5
Membership at 30 June 2022		1	9	9	19

Note: The Plan’s defined benefit categories are closed to new members.

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

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

2.5 Changes in Assumptions

The following table sets out changes in the financial assumptions from those used in the previous investigation and the reasons for the changes:

Assumption	30 June 2019 Investigation	30 June 2022 Investigation	Reason for Change
Long-term investment return (pre-retirement)	6.5% p.a.	6.0% p.a.	To reflect the lower investment return outlook and maintain the long-term gap
Salary increase rate			
- Senior Executive Staff and Executive Staff	5.5% p.a.	5.0% p.a.	
- Senior Staff and Other Staff	4.0% p.a.	3.5% p.a.	

Overall, the above changes have not had a material impact on the financial position of the Plan. More detail is included in Appendix A.

2.6 Summary

The overall effect of the Plan experience was that the financial position of the Plan was broadly in line with the position anticipated at the previous actuarial investigation.

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 are looking 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. The Actuarial Value of Accrued Benefits for each member is subject to a minimum of the vested benefit where the vested benefit assumes an early retirement benefit is payable from age 55.

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 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, is entitled to a 15% benefit accrual rate and has a Final Average Salary (FAS) of $50,000, then his/her Accrued Retirement Benefit would be calculated as:

15% of $50,000 times 10 = $75,000
(subject to a minimum of the Resignation Benefit plus Additional Retirement Credit Account).

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

For a plan closed to new defined benefit members, the Accrued Retirement Benefits Index should move towards 100% generally over the remaining lifetime of the Plan.

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

	Value at 30 June 2022 ($000's)	Index at 30 June 2022	Index at 30 June 2019
Plan Assets	251,753	-	-
Minimum Requisite Benefits	242,440	103.8%	103.1%
Vested Benefits - eligibility for a Retirement benefit from age 60 [1]	244,289	103.1%	103.0%
Vested Benefits - eligibility for a Retirement benefit from age 55 [1]	250,559	100.5%	102.1%
Actuarial Value of Accrued Benefits	250,568	100.5%	100.4%
Accrued Retirement Benefits	250,577	100.5%	99.5%

Note 1. Defined benefit members are eligible for a retirement benefit from age 60, or with Employer consent from age 55.

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	251,753
Less Accumulation members' accumulation balances	212,208
Less Defined Benefit members' additional balances (excluding the Additional Retirement Credit Accounts)	2,292
Asset value used in the assessment of the defined benefit liabilities	37,253

	Value at 30 June 2022 ($000's)	Index at 30 June 2022	Index at 30 June 2019
Plan Assets	37,253	-	-
Minimum Requisite Benefits	27,940	133%	128%
Vested Benefits - eligibility for a Retirement benefit from age 60 [1]	29,789	125%	127%
Vested Benefits - eligibility for a Retirement benefit from age 55 [1]	36,059	103%	118%
Actuarial Value of Accrued Benefits [2]	36,068	103%	103%
Accrued Retirement Benefits	36,077	103%	97%

Notes 1. Defined benefit members are eligible for a retirement benefit from age 60, or with Employer consent from age 55.
2. The value of the Actuarial Value of Accrued Benefits as at 30 June 2022 has been calculated based on the assumptions set out in Appendix A.
3. If a member leaves the Employer on account of retrenchment, members may be entitled to an increased benefit. The total retrenchment benefits at 30 June 2022 were $36,059,000. The ratio of Plan assets to retrenchment benefits at 30 June 2022 was 103%.

Comment on the Financial Position

The minimum requisite benefits for members continue to be well 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 2022 remains "satisfactory" as defined in the SIS Regulations. That is, the assets of the Plan are greater than the vested benefits.

During the actuarial investigation period, it is noted that as members reached age 55 (assuming Employer consent for a retirement benefit) the vested benefits increased significantly for some members. This is an important feature of the Plan in formulating the recommended Employer contributions.

The defined benefit Actuarial Value of Accrued Benefits Index of 103% indicates that the Plan is adequately funded in respect of past service benefits if the actuarial assumptions are borne out in practice.

Plan Experience since 1 July 2022

Since 1 July 2022, the overall investment return (net of investment fees and tax) for the defined benefit assets (which are invested in the Australian Retirement Trust Balanced investment option) has been about 5% for the period to mid December 2022. We have not made any special allowance for this experience in setting the investment return assumption for the 2022/2023 financial year for the purposes of the projections.

3.6 Satisfactory Financial Position

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 remains "satisfactory".

3.7 Shortfall Limit

Prudential Standard SPS 160 also requires the Trustee to set 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 (assuming eligibility for a Retirement benefit from age 60) of 125% as at 30 June 2022, the Shortfall Limit has not been breached.

We have reviewed the Shortfall limit and recommend no change.

3.8 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 Benefit *less* maximum (ARM x Salary x 0.99 x 1.02^-YFM, Vested Benefit)

Where:

ARM is accrued retirement multiple

Salary is current salary for members under age 62 or projected Final Average Salary at age 65 (assuming unchanged salary) for members over age 62

YFM is years of future membership to age 65.

The following table compares the Plan's Assets (excluding accumulation benefit assets) and sums insured for all defined benefit members at the investigation date against total death and disablement benefit entitlements as at 30 June 2022:

Insurance Arrangements	$ millions
Defined Benefit Plan Assets	37.3
Insured Amount	9.6
Total	46.9
Death/TPD Benefits	42.9
Over/(under) Insurance	4.0

The above table shows that as at 30 June 2022 the Plan would be over insured by around $4.0 million under the current formula in the unlikely event that all defined benefit members should die or become disabled within a short space of time.

After considering the current and projected financial position shown at this investigation, I 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 rates.

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)	6.0% p.a.	5.5% p.a.
Assumed salary inflation rate	Senior Executive Staff and Executive Staff: 5.0% p.a. Senior Staff and Other Staff: 3.5% p.a.	Senior Executive Staff and Executive Staff: 5.0% p.a. Senior Staff and Other Staff: 3.5% 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 the salary increase rate is 1.0% p.a. for the Senior Executive Staff and Executive Staff and 2.5% p.a. for the Senior Staff and Other Staff. 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% p.a. 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 at 17% p.a. of defined benefit members' salaries until 30 June 2024; and
- reduces contributions from 1 July 2024 to nil;

the projection results at 30 June 2022 can be summarised as follows:

Defined Benefit Members		**Basis 1 $ millions**	**Basis 2 $ millions**
Plan Assets		37.3	37.3
Plus	Present value of future member contributions	1.2	1.2
Plus	Present value of future Employer contributions (net of tax) [1]	1.4	1.4
Less	Present value of expenses and benefits	38.4	38.9
Excess/(Shortfall)		**1.5**	**1.0**

Note 1. Excludes the additional Employer contributions and the resulting additional benefits in respect of the Superannuation Guarantee obligation on Ordinary Time Earnings above Salary.

The projection of the Plan's benefits, assets and contributions, based on the contribution rates above, showed that as at 30 June 2022 the Plan was in a surplus financial position on both 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 for the defined benefit liabilities under Bases 1 and 2 is shown in the table below:

	Vested Benefits Index Eligibility for a Retirement benefit from age 55	**Vested Benefits Index Eligibility for a Retirement benefit from age 55**
	Basis 1	**Basis 2**
30 June 2022	103%	103%
30 June 2023	107%	106%
30 June 2024	111%	110%
30 June 2025	113%	112%
30 June 2026	114%	112%
30 June 2027	114%	111%

The Vested Benefits Index (eligibility for a Retirement benefit from age 55) has decreased from 118% at 30 June 2019 to be 103% in 30 June 2022 due to a number of Senior Executive Staff and Executive Staff members reaching age 55 and becoming eligible for a retirement benefit.

Due to the maturity of the Plan however, it is important to note that the total salaries of the defined benefit members 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, a loss of 1% on the defined benefit assets would require an additional Employer contribution of the order of 7% of the defined benefit salaries to cover the shortfall.

4.2 Recommended Employer Contribution Rates

In view of the current financial position of the Plan as at 30 June 2022 and the projection results for this investigation, the recommended Employer contribution rates are set out below:

Defined Benefit Members:

<u>1 July 2022 to 30 June 2024:</u>

- 17.0% p.a. of defined benefit salaries; plus
- the Employer to contribute any amounts required to meet the Superannuation Guarantee obligation on Ordinary Time Earnings above Salary.

From 1 July 2024:

- Nil; plus
- the Employer to contribute any amounts required to meet the Superannuation Guarantee obligation on Ordinary Time Earnings above Salary.

The recommended Employer contribution rates include an allowance for expenses and contribution tax.

Members' contributions of 5% p.a. of defined benefit salaries (including salary sacrifice contributions) should continue to be made in accordance with the Benefit Agreement.

Accumulation Members**:** at the rate, or rates agreed.

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 salary increase rate and/or the investment return assumption differs from the assumed rate.

The above recommendations make no allowance for any changes to the Plan membership and in particular does not allow for any Retrenchment or Change of Control benefits to be paid. If any Retrenchment or Change of Control benefits are paid to members, then additional Employer contributions may be required.

4.3 Comment on Investment Strategy

The defined benefit assets are invested in the Balanced option. The strategy adopted has approximately 70% invested in growth assets such as shares and property assets 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.

At 30 June 2022 the average age of defined benefit members was 59 years and the average future-working lifetime was 4 years which indicates a medium term time horizon.

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 level of 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 which is expected to increase the Employer contributions.

A change to a more conservative investment strategy can also have an impact on the resignation benefit. This is because the resignation benefit is based on an accumulation of Employer and member contributions plus investment earnings. As at 30 June 2022, a proportion of the defined benefit vested benefits were accumulation style benefits.

At the present time, we consider that the current investments are suitable taking into account the nature and term of the liabilities as well as the Plan's current financial position.

However, over the next 3 years as the number of defined benefit members in the Plan decreases, we consider that a move to a more conservative investment strategy would be appropriate to reduce the probability of a significant increase in the level of Employer contributions as a result of low investment returns.

4.4 Next Actuarial Investigation

The next actuarial investigation is required on or before 30 June 2025 for the Plan to comply with the prescribed actuarial investigation standards for regulated defined benefit funds.

However, should the Plan experience become worse than assumed, we may need to review the Employer contribution program before the next actuarial investigation is due.

Section 5 Statements Required under Prudential Standard SPS 160

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

a) The value of the assets held by the Plan at 30 June 2022 was $251,753,000. 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 accrued benefits at 30 June 2022. Furthermore, based on Employer contributions at the recommended rates, valuation methodology and 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 accrued liabilities of the Plan throughout the three years following 30 June 2022.

c) The vested benefits of the Plan at 30 June 2022 totalled $244,289,000. The value of the assets of the Plan is therefore adequate to meet the liabilities of the Plan in respect of vested benefits, and hence the Plan is in a satisfactory financial position within the meaning of Regulation 9.04. Furthermore, based on Employer contributions at the recommended rates, valuation methodology and 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 2022 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 2022 was $242,440,000.

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 as follows:

   Defined Benefit Members:

   <u>1 July 2022 to 30 June 2024:</u>

   - 17.0% p.a. of defined benefit salaries; plus
   - Additional Employer contributions to meet the Superannuation Guarantee obligation on Ordinary Time Earnings above Salary.

   <u>From 1 July 2024:</u>

   - Nil; plus
   - Additional Employer contributions to meet the Superannuation Guarantee obligation on Ordinary Time Earnings above Salary.

   Members' contributions of 5% p.a. of defined benefit salaries (including salary sacrifice contributions) should continue to be made in accordance with the Benefit Agreement.

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

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 2022, 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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21 December 2022

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 6.0% p.a. is an appropriate long-term return assumption based on the current investment strategy for defined benefit assets and future investment outlook.

Salary Inflation Increase

The salary inflation increase assumptions are:

Senior Executive Staff and Executive Staff:	5.0% p.a.
Senior Staff and Other Staff:	3.5% p.a.

We consider that the above salary inflation assumptions are appropriate salary increase assumptions and takes into consideration Average Weekly earnings (AWOTE) and the expected salary growth of the Employer.

Rates of exit

(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	1,070	7	1
25	1,000	5	1
30	710	5	2
35	460	7	2
40	380	10	4
45	290	18	9
50	170	30	21
55	-	53	48
60	-	89	106
65	-	-	-

(b) The sample 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	2,000	61	1,500
56	500	62	1,500
57	500	63	2,000
58	500	64	5,000
59	500	65	10,000
60	2,000		

Retrenchments

No allowance has been made for retrenchments.

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 incurred in the administration of the Plan for defined benefit members are assumed to be $25,000 p.a.

Disability Income Benefit

Cost is assumed to be 0.5% p.a. of defined benefit 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 has been taken into account. An allowance has been made for future SG increases up to the legislated 12%.

Early Retirement Eligibility

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

Changes in Assumptions

The long-term financial assumptions adopted for this investigation are lower than the assumptions adopted in the 30 June 2019 actuarial investigation report. For this investigation, the long-term investment earnings assumption has been set at 6.0% p.a. rather than 6.5% p.a. to reflect the lower return outlook and the salary increase assumption has been reduced by 0.5% p.a. to maintain the long-term gap.

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

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 2022 was $251,753,000 sourced from the administration records held by Australian Retirement Trust. 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 2022 was $212,208,000 and the defined benefit members' additional accumulation balances as at 30 June 2022 was $2,292,000. 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' investment options. The policy in relation to crediting rates is appropriate.

The asset value used in the assessment of the defined benefit liabilities has been calculated as follows:

	$000's
Total Plan assets	251,753
Less Accumulation members' accumulation balances	212,208
Less Defined Benefit members' additional balances (excluding the Additional Retirement Credit Accounts)	2,292
Asset value used in the assessment of the defined benefit liabilities	37,253

The Plan's defined benefit assets are invested in the Australian Retirement Trust Balanced option.

B.2 Member Statistics

A summary of the defined benefit members as at 30 June 2022 is set out in the following table.

Category	Number of Members	Total Salaries ($)	Average Salary ($)	Average Age (yrs)	Average M'Ship (yrs)
Other Staff & Senior Staff	10	1,320,285	132,029	59.6	33.2
Senior Executive Staff & Executive Staff	9	4,716,090	524,010	58.8	33.8
Total	19	6,036,375	317,704	59.2	33.5

The defined benefit membership has decreased from 24 members at 1 July 2019 to 19 members at 30 June 2022.

The expected average future-working lifetime of existing defined benefit members at 30 June 2022 was 4 years.

Appendix C A summary of member benefits

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

(a) Definitions

Salary As defined in the Benefit Agreement.

Final Average Salary (FAS): means one third of the highest Salary received by the Member during any continuous thirty-six month period prior to the member's Normal Retirement Date or date of exit.

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

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

Accrual Rate:

Category	Accrual Rate based on FAS for each Year of Membership
Senior Executive Staff	20.0%
Executive Staff	17.5%
Senior Staff	15.0%
Other Staff	13.0%

Years of membership is measured in years and complete months.

(b) Contributions

Member Post 92 Account: Members are required to contribute 5% p.a. of the Member's salary.

Employer Contribution Account: The Employer contribution is at the current Superannuation Guarantee rate.

(c) Benefits

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

(1) the sum of:
  (a) FFM x FAS;
  (b) Accrual Rate x FAS x Period of membership; and
  (c) Additional Retirement Credit Account; and

(2) the Resignation benefit plus Additional Retirement Credit Account.

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
- between 5 and 10 years prior to the normal retirement date due to illness or injury; 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) is the Normal Retirement Benefit assuming the member had remained in service until the Normal Retirement date with unchanged salary.

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.

Resignation: On Resignation the benefit payable is the sum of:

(a) twice the Member Pre 92 Account;
(b) the Member Post 92 Account; and
(c) the Employer Contribution Account.

Illness or Injury Benefit: On illness or injury the benefit payable is the greater of:

(1) The sum of:
  (a) twice the Member Pre 92 Account;
  (b) twice the Member Post 92 Account; and
  (c) the Additional Retirement Credit Account.

(2) The Retrenchment Benefit; and

(3) The Resignation Benefit.

Retrenchment: Upon retrenchment the benefit payable shall be the greater of:

(a) the illness or injury benefit; and
(b) the Discounted Accrued Retirement Benefit plus the Additional Retirement Credit Account.

The Discounted Accrued Benefit is calculated as per the Early Retirement Benefit described above, reduced by 2% for the period (measured in years and complete months) from the current age to age 55.

Change of Control:	A Change of Control benefit is payable if Senior Executive Staff or Executive Staff have reached age 45 and cease to be in the service of the Employer on any account within two years after a Change in Control.
Minimum Benefit:	All benefits are subject to a Minimum Requisite Benefit. The minimum benefit is defined in the Benefit Certificate.
Additional Benefits:	The total additional accumulation accounts (including surcharge account) are also payable on all forms of exit.