Otis Elevator Superannuation Plan

Actuarial Valuation as at 1 July 2023

7 December 2023

Towers Watson Australia Pty Ltd
ABN 45 002 415 349 AFSL 229921

Table of Contents

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Section 1: Purpose and Summary

The Otis Elevator Superannuation Plan ("the Plan") is a sub-plan within the Australian Retirement Trust ("ART"). The Plan is a successor fund to the United Technologies Corporation Retirement Plan ("Previous Plan") which transferred to ART (formerly known as the Sunsuper Superannuation Fund) under successor fund arrangements on 1 July 2020.

The Plan provides benefits which are of the *"defined benefit"* type where benefits are defined by salary and period of membership. There are also a significant number of Accumulation Members. Additional accumulation benefits are also provided for Defined Benefit Members.

With such a plan, a regular actuarial investigation is necessary to:

- examine the sufficiency of the assets in relation to members' accrued benefit entitlements;
- determine the recommended Company contribution rate required to ensure that the Plan maintains a satisfactory financial position;
- examine the suitability of the Plan's insurance and investment arrangements;
- satisfy Trust Deed requirements, and
- meet legislative and prudential standard requirements, in particular paragraph 23 of Prudential Standard 160 Defined Benefit Matters ("SPS 160"). Under SPS 160 an actuarial investigation is required at least every three years.

This report has been prepared for the Trustee, Australian Retirement Trust Pty Ltd in my capacity as RSE Actuary to the Plan. The Effective Date of this actuarial valuation is 1 July 2023.

This report has been prepared in accordance with Professional Standard 400, dated March 2021, issued by the Institute of Actuaries of Australia. The previous investigation of the Plan, conducted by Phil Patterson of WTW, was carried out at 1 July 2020 with the results set out in a report dated 22 December 2020.

Reliance statement and data

This report is provided subject to the terms set out herein and in our Statement of Work dated 2 November 2020 and the accompanying Master Services Agreement. This report is provided solely for the Trustee's use and for the specific purposes indicated above. It may not be suitable for use in any other context or for any other purpose.

This report may be disclosed in unmodified form to Plan members and Plan employers, but except where we expressly agree in writing, this report should not be disclosed or provided to any third party, other than as provided below. In the absence of such consent and an express assumption of responsibility, no responsibility whatsoever is accepted by us for any consequences arising from any third party relying on this report or any advice relating to its contents.

The Trustee may make a copy of this report available to its auditors, the Company and to any person to whom the Trustee may be required to provide a copy under relevant legislation, but we make no representation as to the suitability of this report for any purpose other than that for which it was originally provided and accept no responsibility or liability to the Trustee's auditors the Company or any third party in this regard. The Trustee should draw the provisions of this paragraph to the attention of its auditors and the Company when passing this report to them.

In preparing this valuation, we have relied upon information and data provided to us orally and in writing by the Trustee and other persons or organisations designated by the Trustee. We have relied on all the data and information provided, including Plan provisions, membership data and asset information, as being complete and accurate. We have not independently verified the accuracy or completeness of the data or information provided, but we have performed limited checks for consistency. A summary of the data and information we have relied upon is shown in Section 2.

In our opinion, all calculations are in accordance with requirements of applicable legislative requirements, and the procedures followed and the results presented conform to applicable actuarial standards of practice.

Company Contributions & Other Recommendations

In the absence of any special circumstances, we recommend that the Companies contribute to the Plan at the following rates of Salaries for the three year period commencing 1 July 2023.

Defined Benefit Members

Company	Company Contribution Rate (% of Plan Salary**)	
	1 July 2023 to 30 June 2024	From 1 July 2024
Otis	14.2% + $26,500 pm	14.9% + $28,000 pm
Carrier Australia	Nil	Nil
Carrier Air Conditioning	Category Specific rates* + $500 pm	Category Specific rates* + $500 pm
Pratt & Whitney	Nil	Nil
AHIC	Nil	Nil
Chubb	Category Specific rates* + $500 pm	Category Specific rates* + $500 pm

* Category Specific Rates are set out in the table below.

Category	Category Specific Contribution Rates (% of Plan Salary**)	
	1 July 2023 to 30 June 2024	From 1 July 2024
Category 1	12.4%	13.2%
Category 2	12.4%	12.8%
Category 3	13.3%	13.5%
Category 4	23.6%	23.6%

** Plan Salary is generally base salary and is defined fully in Appendix A. Where “Plan Salary” for Category 4 members includes bonus, contributions at the relevant percentage of Salary including Bonus are required.

The recommended contributions above include fixed monthly contributions to cover operational expenses:

Company	Monthly Fixed Expense Contribution	
	1 July 2023 to 30 June 2024 ($)	From 1 July 2024 ($)
Otis**	26,500	28,000
Carrier Australia	1,500*	1,500*
Carrier Air Conditioning	500	500
Pratt & Whitney	500*	500*
AHIC	500*	500*
Chubb	500	500

* Expense contributions as assumed in Section 4 will be financed from Plan surplus attributable to each Company.

The Companies will also pay the contributions of defined benefit members who have elected to pay their compulsory contributions by salary sacrifice.

Accumulation Members

Company	Company Contribution Rate (% of Ordinary Time Earnings)	
	1 July 2023 to 31 December 2023	From 1 January 2024
Otis	SG Rate	SG Rate
Carrier Australia	SG Rate	Nil
Carrier Air Conditioning	SG Rate	SG Rate
Pratt & Whitney	SG Rate	SG Rate
AHIC	SG Rate	SG Rate
Chubb	SG Rate	SG Rate

As recently discussed, we recommend that Carrier Australia can extend its contribution holiday to also cover SG contributions in respect of its Accumulation members. This holiday in respect of Accumulation members is currently recommended for the period 1 January 2024 to 31 December 2026. However, this holiday will be subject to change depending on the progression of Carrier Australia's VBI, and may need to cease early if the VBI reduces more quickly than expected. Further details on this arrangement and its impacts have been discussed in our letter dated 25 October 2023.

The funding position, and in particular the coverage of vested benefits by Plan assets, should continue to be monitored quarterly and more frequently if required. Additional supplementary contributions may be required should the funding position deteriorate.

If the recommended Company contributions set out above are paid, then I expect the VBI and AVABI to remain above 100% over the 3 years to 30 June 2026, assuming the valuation assumptions are borne out in practice. See Section 7 for the Plan's projected VBI.

Funding Status Measures

Vested Benefits

Vested benefits are the benefits payable if all Members voluntarily resigned from service. As at the valuation date, the net assets of the Plan are sufficient to cover the vested benefits. The ratio of the Plan's assets to vested benefits (including Otis sick leave) is 107.3% over the whole Plan and 110.0% in respect of defined benefits only at 1 July 2023.

Assuming:

a. the benefits described in the Trust Deed remain unchanged;

b. Company contributions are paid at the recommended rates; and

c. the future experience of the Plan is in accordance with the assumptions made in this actuarial valuation,

then the assets of the Plan should remain in excess of the vested benefits up to 30 June 2026. On this basis, the financial position of the Plan is expected to remain satisfactory.

Present Value of Accrued Benefits

The present value of accrued benefits is the actuarial value (using the assumptions and methodology detailed in this report) of the expected future benefits payable from the Plan to the current members and their dependents in respect of Plan membership completed up to the date of the actuarial investigation.

The Plan's net assets are adequate to cover the present value of the accrued benefits of all members of the Plan at the valuation date. The ratio of the Plan's assets to the present value of accrued benefits is 110.6% for the whole Plan and 114.8% in respect of defined benefits only.

From time to time, the value of the Plan's assets may be greater than, or less than, the present value of accrued benefits. These excesses, or shortfalls, arise when the actual experience of the Plan differs from the assumptions used to determine contribution rates.

Minimum Benefits

The Plan is *"solvent"* if the net realisable value of the assets of the Plan exceeds the Minimum Requisite Benefits (MRB).

As at the valuation date the net assets of the Plan exceeded the MRB and the Plan was in a solvent financial position. The ratio of the Plan's net assets to the total MRB is 120.6% for the whole Plan. At the previous valuation, this ratio was 118.9%.

Shortfall Limit

As required under SPS 160 we have recommended that the Trustee set the Shortfall Limit for the Plan at 97% of vested defined benefit liabilities. Given the current investment strategy, we consider this Shortfall Limit is appropriate for the Plan.

Superannuation Guarantee

The Companies' Superannuation Guarantee obligations are fully met for all Members by the minimum benefits provided under the Plan. The required Benefit Certificate is dated 13 April 2022.

A Funding and Solvency Certificate dated 13 April 2022 has been issued to the Trustee corresponding to the above-mentioned Benefit Certificate. The purpose of this certificate is to specify the required Company contributions needed to fund the MRBs used to offset the Superannuation Guarantee charge. All necessary Funding and Solvency Certificates have been issued to the Trustee during the three years to 1 July 2023.

A superannuation fund is *"solvent"* if the net value of its assets exceeds the minimum Superannuation Guarantee benefits. At 1 July 2023, the Plan is solvent and based on the actuarial assumptions, we see no reason why it would be unlikely that an actuary will not be able to certify the solvency of the Plan in three years' time.

Investments

The Trustee has developed formal objectives and a policy for the investment of the Plan's assets.

At 1 July 2023, the investment policy was to have the assets supporting the Plan's defined benefit liabilities invested around 70% in growth assets such as shares and property, and 30% in income assets such as cash and bonds.

The current investment policy is considered suitable to the Plan's liabilities in respect of defined benefit membership at 1 July 2023.

We understand that the Trustee regularly monitors the investment managers' performance and we recommend that this continues.

Insurance

In comparison with the Plan's net assets, the total amount of insurance protection against death and total and permanent disablement benefits is adequate as at 1 July 2023. We continue to recommend that Insured benefits be calculated as:

Death or TPD Benefit less Vested Benefit

Next Valuation

The next valuation should be held no later than 1 July 2026. Vested Benefits coverage should continue to be monitored quarterly and more frequently if warranted.

Luke Carroll
Fellow of The Institute of Actuaries of Australia
as Actuary to the Otis Elevator Superannuation Plan

7 December 2023

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Section 2: Background and Data

The Plan commenced on 1 July 2020 following the transfer of assets and liabilities of the Previous Plan under a successor fund transfer.

The Plan is governed by a Participation Deed and Benefit Deed both dated 16th June 2020 that were executed under the Trust Deed of Sunsuper dated 1 October 1987, as amended. The Previous Plan was governed by a Trust Deed dated 23 May 1963 as amended.

Under Clause 4.1 of the Participation Deed, the Employer shall contribute to the Plan at such rates as agreed between the Employer and the Trustee having regard to any actuarial advice and such other matters as the Trustee considers relevant.

To the best of our knowledge ART is currently a regulated complying superannuation fund under the SIS Act and for taxation purposes. The Plan is closed to new defined benefit members.

A summary of the main Plan benefits is included as Appendix A to this report.

Previous Recommendations

Company contributions paid to the Plan over the three year period from 1 July 2020 to 1 July 2023 have been in line with the recommendations of the Actuary as follows.

Defined Benefit Members

	Company Contribution Rate (% of Plan Salary)**	
Company	**1 July 2020 to 30 June 2021**	**From 1 July 2021**
Otis	14.2% + $48,000 pm	14.2% + $26,500 pm
Carrier Australia	Nil	Nil
Carrier Air Conditioning	Category Specific rates* + $1,000 pm	Category Specific rates* + $500 pm
Pratt & Whitney	Nil	Nil
AHIC	Nil	Nil
Chubb	Category Specific rates* + $500 pm	Category Specific rates* + $500 pm

* Category Specific Rates are set out in the table below.

	Category Specific Contribution Rates (% of Plan Salary)**	
Category	**1 July 2020 to 30 June 2021**	**From 1 July 2021**
Category 1	11.5%	12.4%
Category 2	11.6%	12.4%
Category 3	13.0%	13.3%
Category 4	21.3%	23.6%

** Plan Salary is generally base salary and is defined fully in Appendix A. Where “Plan Salary” for Category 4 members includes bonus, contributions at the relevant percentage of Salary including Bonus are required.

Otis made a one-off contribution in November 2020 designed to pre-pay company defined benefit contributions to 31 December 2021, after which a 12 month contribution holiday commenced until 31 December 2022.

Accumulation Members

Company	Contribution Rate (% of Ordinary Time Earnings)
All	SG Rate

Changes since the last valuation of the Plan

The following events have occurred since the last valuation at 1 July 2020:

- Effective 28 February 2022, the Sunsuper Superannuation Fund ("Sunsuper") merged with QSuper to form the Australian Retirement Trust ("ART") – the Otis Elevator Superannuation Plan ("the Plan") is a sub-plan of ART. The Trustee of the Plan, previously known as Sunsuper Pty Ltd, was subsequently renamed to Australian Retirement Trust Pty Ltd.

Changes to benefits since the last valuation of the Plan

Since the last valuation the minimum SG Rate increased from 9.5% to 10.0% effective 1 July 2021, and then progressively increased to 11.0% effective 1 July 2023. The SG Rate is scheduled to progressively increase further, to 12.0% effective 1 July 2025.

Sources of Information

We have relied on the administrative records at 1 July 2023, as currently stored on ART's administration system, as well as benefit payment information and membership changes over the period from 1 July 2020 to 30 June 2023. This includes actual Sick Leave benefits paid for eligible Otis members over the three years to 30 June 2023.

We have relied on the Plan's 1 July 2023 financial information provided by ART at 1 July 2023.

Where possible the information provided has been checked for reasonableness and is considered suitable for the purposes of this investigation.

Data

The membership details are summarised in Appendix B. In brief, there were 594 Members as at 1 July 2023, of which 344 were active Defined Benefit Members with total Plan Salaries of $42 million.

In addition to the defined benefit members of the Plan, there were 250 active accumulation members,

The Plan does not have any lifetime pensioners.

We have checked a sample of the membership data for internal consistency and we are satisfied as to the accuracy of this sample.

Since the previous valuation, the average attained age of Defined Benefit Members has increased from 52.5 years to 54.3 years. The average completed membership of Defined Benefit Members has also increased from 22.7 years to 25.5 years.

The salaries for defined benefit members have increased over the period since the last valuation on average by 3.8% p.a.

Section 3: Assets and Investment Strategy

Accounts

We have been supplied with unaudited financial information effective 1 July 2023.

Net market value

The net market value of assets used for this valuation is $229,251,151, determined as follows:

Market Value of Assets at 1 July 2023	$
Defined Benefit Assets	170,380,912
Contributions receivable (net of contributions tax)	-
Total benefits for accumulation members	32,434,665
Total additional accumulation balances for defined benefit members*	26,435,575
Net Market Value of Assets in the Plan	229,251,151

* Negative offset account balances for defined benefit members have been included with their additional accumulation accounts.

The market value of the Plan's total assets are based on redemption unit prices. The Market value of Net Assets shown above is the net assets available to meet the Plan's liabilities including Defined Contribution liabilities as used in determining the contribution recommendations and Funding Status Measures at the valuation date.

The Trustee holds a separate operational risk financial reserve (ORFR).

Investment managers

At the valuation date, the Plan's Defined Benefit assets are invested in the ART Super Savings Diversified Options' Balanced option, which uses a multi-manager investment approach with a blend of investment managers. The managers are selected and managed by ART and may vary over time.

Accumulation Benefits – Member Investment Choice

Members can choose from an extensive range of investment options available in ART for their accumulation accounts. These investment options are unitised and distribute investment returns to members through movements in unit prices.

Under investment choice, the returns credited to each option directly reflect the investment earnings of the option. No reserves are maintained to smooth returns credited to members.

Suitability of Crediting Rate Policy and Reserving Policy

The Trustee credits members' accumulation accounts with actual investment returns (net of taxes and investment fees) from the underlying assets. No reserves are maintained to smooth returns credited to members. I consider this crediting rate policy to be suitable.

Nature of Defined Benefit Liabilities

The level of the Defined Benefit liabilities does not bear the same direct relationship with the defined benefit assets as exists with accumulation liabilities (where the assets and liabilities are generally matched).

The Defined Benefit liabilities reflect membership and salary growth whereas, the supporting assets depend on a range of factors including:

a. the level of Company contributions; and

b. the level of investment returns.

In this case, it is the Company which bears the investment risk as the level of contributions required depends on the level of investment returns achieved.

An investment strategy for the Defined Benefit Section which is framed to take a long-term view will often adopt relatively high levels of equity investment in order:

a. to secure attractive long term investment returns; and

b. to provide an opportunity for capital appreciation and dividend growth, which gives some protection against inflation (as benefits are linked to Salary growth which is also influenced by inflation).

The main constraint is that potential fluctuations in asset values mean the total asset value could fall below the level of Vested Benefits, placing the Plan in an unsatisfactory financial position.

While the impact of a sudden sharp fall in asset values can be limited by maintaining a buffer of assets over and above the level of vested benefits, the level of the buffer may never be sufficiently high to safeguard against all possible investment outcomes. However, the buffer should be at a level where the risk of the asset values falling below the level of vested benefits under a particular investment strategy is acceptable to the Trustee and the Company.

In this regard a lower buffer may be acceptable where the Company is willing and able to accept short term variations in contributions as part of underwriting the defined benefits of the Plan. In this case, short term variations in Company contributions may result from:

a. reducing a buffer that has grown too large; or

b. rebuilding a buffer that has fallen or become negative.

An alternative for a plan which does not have a sufficient asset buffer above the level of Vested Benefits is to adopt a more conservative investment strategy. While this may reduce short-term fluctuations in asset values, it is also likely to reduce long term returns and hence result in increased Company contributions in the long term.

In summary, a balance needs to be achieved between these short term and long term considerations in funding the defined benefit liabilities.

Defined Benefits – Investment Objectives and Strategy

The objective set for the ART Super Savings Diversified Options' Balanced option, in which the Plan's defined benefit assets are invested, is to outperform inflation by 3.5% p.a. (after investment tax) over periods of 10 years.

The table below shows the current benchmark asset allocation of ART Super Savings Balanced.

Asset Class	Benchmark Asset Allocation	(Allowable Range)
Australian shares	24.0%	(0-50%)
International shares	30.0%	(0-70%)
Private capital	6.5%	(0-15%)
Property	8.5%	(0-30%)
Infrastructure	10.5%	(0-20%)
Fixed Interest	18.5%	(0-30%)
Alternative strategies	0.0%	(0-25%)
Cash	2.0%	(0-25%)

Suitability of Investment Strategy

The defined benefit categories within the Plan were closed to new members effective December 2008. The age profile of these categories is therefore gradually increasing. At 1 July 2023, the average age was 54.3 years old, and the average expected future working lifetime 5.9 years, so the investment timeframe remains medium to long-term at present.

As will be demonstrated in Section 5, at the valuation date of 1 July 2023, the Plan's assets were sufficient to cover Vested Benefits.

On the basis that Vested Benefits coverage and funding requirements will continue to be reviewed quarterly, I consider the current investment strategy to be suitable.

Section 4: Valuation Method, Plan Experience and Actuarial Assumptions

To carry out an actuarial valuation for defined benefit liabilities, it is necessary to decide on:

a. the valuation method to be adopted; and

b. the assumptions as to the factors which will affect the cost of the benefits to be provided by the Plan in the future.

The information in this Section relates to the defined benefit section of the Plan.

Valuation Method

The funding method adopted at previous valuation was the Attained Age method. This funding method remains appropriate for the Plan and we have retained it for this valuation.

The calculation of the Employer contribution by this method consists of two parts.

The **first part** is the "normal cost". The total normal cost is expressed as a level % of expected future salaries and is equal to the sum of:

- the cost based on actuarial assumptions of the benefits accruing to the members in respect of all future membership following the valuation date, plus
- the cost of insurance premiums, administration and taxation expenses.

The **second part** is the Employer contribution required to amortise any surplus or deficiency at the valuation date.

The surplus or deficiency in respect of completed membership is then calculated as the difference between:

- the actuarial value of the Plan's assets attributable to the defined benefit section, and
- the present value of all benefits accrued to the date of the valuation in respect of defined benefit section members based on the valuation assumptions adopted.

The total Employer contribution for the year is the Employer's normal cost less (plus) any amortisation of surplus (deficit).

However, the contribution rate required to maintain vested benefits coverage above 100% in three years' time based on the valuation assumptions has also been considered.

Plan Experience and Valuation Assumptions

It is important when setting the valuation assumptions to examine the experience of the Plan to see whether the previous assumptions have been borne out in practice. A summary of the major items of experience over the last three years is given in the following paragraphs.

Investment Return

The assumption for investment returns at the last valuation was 5.0% p.a.

The Plan's investment returns over the three years to 30 June 2023 in respect of the Defined Benefit assets have been as follows:

Period	Net Investment Return
Year to 30 June 2021	20.7% p.a.
Year to 30 June 2022	-1.0% p.a.
Year to 30 June 2023	10.0% p.a.
3 years ending 30 June 2023	**9.6% p.a.**

The average investment return was 4.6% p.a. higher than the assumed rate. This out-performance has had a positive effect on the Plan's financial position.

For this valuation, we have increased the assumed long term future investment return to 6.5% p.a. (net of investment expenses and tax) based on our modelling of expected long term returns of the asset classes utilised by the Plan.

Salary Inflation

The assumed rate of salary inflation was 3.0% p.a. at the last valuation. The average rate of growth of Plan Salaries for defined benefit members who were present at both the last and current valuation dates was 3.8% p.a. The actual increase in salary growth is 0.8% p.a. higher than the assumed rate. This has increased the accrued liabilities of the Plan by more than expected.

For this valuation we have increased the assumed salary inflation rate slightly to 3.75% p.a..

Over the long term, it is the "gap" between the investment return (net of tax) and salary inflation assumption that is important when valuing members' liabilities. In this valuation we have increased the gap from 2.0% p.a. used in the previous valuation, to 2.75% pa. Increasing the gap has reduced the long term contribution rate required to fund members' future benefit accrual by approximately 0.6% of Plan Salary.

Over the review period, the actual "gap" was 5.8% p.a. (relative to an assumed gap of 2.0% p.a.) which has had a positive impact on the Plan's financial position.

Rates at which Members Leave Service and Retire

We have retained the assumptions used at the previous valuation. Statistically significant results based on actual experience are not available from a fund of this size.

Rates at which Members Leave due to Death or Total and Permanent Disablement (TPD)

In view of the small size of the Plan membership, we have retained the long term assumptions from the previous valuation.

Cost of Sick Leave Benefits

At the previous valuation, we assumed that sick leave benefits paid to Otis employees would increase the standard retirement benefit formula amounts by 9.0%. Based on experience over the three years to 30 June 2023, this additional sick leave benefit has remained at around 9.0% of retirement defined benefits. For this valuation, we have retained the same assumption.

New Members

All Defined Benefit Categories have been closed to new entrants since December 2008. Since then, all new Members have joined the Accumulation Section.

Expenses and Insurance Premiums

Administration Expenses

As was the case for the last valuation, we recommend the assumption for ongoing administration expenses to be a fixed dollar amount split between the Companies on a salary weighted basis. The assumed administrative and consulting fees at the last valuation and this valuation are set out in the table below. The assumed fees for this valuation have been determined using the administration basis set by ART, with an allowance for assumed actuarial fees.

We have therefore assumed monthly expenses as follows for the three years from 1 July 2023:

Company	Assumed Monthly Cost of Administration Fees (payable monthly) ($)	
	1 July 2020	1 July 2023
Otis	26,500	28,000
Carrier Australia	1,500	1,500
Carrier Air Conditioning	500	500
Pratt & Whitney	500	500
AHIC	500	500
Chubb	500	500
Total	**30,000**	**31,500**

Insurance Premiums

Our previous assumption for the cost of insurance premiums was 0.7% of defined benefit members' Plan Salaries. Current insurance premiums to be funded by the Companies represent around 0.8% of defined benefit members' Plan Salaries. We have therefore increased our assumed long term rate of insurance premium expense to 0.8% of Plan Salaries.

Summary of Valuation Assumptions

A summary of our valuation assumptions is set out in Appendix D to this report.

Section 5: Insurance Arrangements

Adequacy of Insurance

The insurance coverage of the Plan is considered adequate if the net assets of the Plan are sufficient to cover the Death and Total and Permanent Disablement (TPD) benefits of the Plan after any insured components have been allowed for.

The Plan currently has death and total and permanent disablement insurance with Zurich. Cover is generally provided up to the Automatic Acceptance Level (AAL), with cover above this level subject to underwriting. Where cover is not provided, the death or disablement benefits payable to the member are appropriately reduced.

The current level of insurance in respect of Defined Benefit Members is calculated as:

Insured Benefit = Death and TPD Benefit less Vested Benefit

The following table shows the adequacy of the Plan's insurance cover at 1 July 2023:

	Amount $,000
Lump Sum Death and Disablement Benefits (A)	331,849
Less Aggregate Group Life Insurance (B)	118,135
Plan's Exposure (A – B)	213,714
Plan's Total Net Assets	229,251

The Total Net Assets as at 1 July 2023 of $229.251 million are sufficient to meet the Plan's Exposure of $213.714 million. The current insurance arrangements are considered adequate and no changes are recommended.

Section 6: Solvency and Funding Status Measures

There are several methods used to assess the current financial position (i.e. funding status measures) of the Plan. These measures are dealt with below.

In line with legislative and actuarial requirements, the net assets used to calculate the funding status measures was $229.251 million, being the Net Market Value of assets as described in Section 3. Assets in respect of Defined Benefit liabilities are $170.381 million.

Vested Benefits

Pursuant to superannuation law and SPS 160, a fund (or a section of a fund) is in a *"satisfactory"* financial position if the net assets of the fund cover the Vested Benefit entitlements of the members of the fund.

The Vested Benefits represent the benefit entitlements of Members should they voluntarily leave the Plan. The Vested Benefits Index is a test of the Plan's solvency if all Members voluntarily resigned (if under 55) or retired (if over 55) on the review date.

The Vested Benefits Index (VBI) is the ratio of the net assets of the Plan to the Vested Benefits.

Vested benefits can be separated into accumulation accounts, the defined benefits which are related to the member's final average salary, and the provision required in respect of sick leave payments which have already accrued to members.

The Vested Benefit position at 1 July 2023, was as follows:

Vested Benefits	Total $,000
Accumulation Members	32,435
Additional Accumulation Accounts (Defined Benefit members)	26,436
Total Accumulation Benefits	58,870
Defined Benefit Liabilities	146,951
Vested Sick Leave Provision	7,893
Total Defined Benefits	154,844
Total Benefits	**213,714**
Value of Assets	229,251
VBI (total)	107.3%
VBI (defined benefits only)	110.0%

The Vested Benefit position in respect of defined benefits only at 1 July 2023, split by Company, was as follows:

	Vested Benefits at 1 July 2023						
	Otis $,000	**Carrier Australia $,000**	**Carrier Air Conditioning $,000**	**Pratt & Whitney $,000**	**AHIC $,000**	**Chubb $,000**	**Total $,000**
Defined Benefits	135,362	7,491	1,537	1,182	310	1,069	146,950
Vested Sick Leave Provision	7,893	0	0	0	0	0	7,893
Total Defined Benefits	**143,255**	**7,491**	**1,537**	**1,182**	**310**	**1,069**	**154,844**
Value of Assets	155,348	9,747	1,737	1,925	486	1,138	170,381
VBI (defined benefits only)	108.4%	130.1%	113.0%	162.8%	157.0%	106.4%	110.0%

The vested liability for the Otis sick leave provision shown above has been estimated using the assumed cost of sick leave applied to the defined vested benefits for Otis members over age 55.

The following table shows the progression of the Vested Benefits Index over the review period.

	Vested Benefits			
	Last Valuation Defined Benefits Only* $'000	**This Valuation Defined Benefits Only* $'000**	**Last Valuation All Benefits $'000**	**This Valuation All Benefits $'000**
Net Assets	150,326	170,381	197,782	229,251
Vested Benefits	144,605	154,844	192,062	213,714
Vested Benefits Index	104.0%	110.0%	103.0%	107.3%

* The "Defined Benefits Only" figures illustrate the financial position of the Plan in respect of the Defined Benefit liabilities, excluding additional accumulation accounts for defined benefit members. As a result, an amount in respect of accumulation liabilities (after an allowance for surcharge and family law offset accounts) has been excluded from the Net Assets and the Vested Benefits respectively.

As at 1 July 2023, the net assets of the Plan exceeded the Vested Benefits and the Plan was in a satisfactory financial position. The ratio of the Plan's net assets supporting defined benefits to the Vested defined benefits was 110.0%. At the previous valuation, this ratio was 104.0%. The ratio has improved due to the favourable economic experience (chiefly investment returns being higher than expected) over the three years to 30 June 2023, which was slightly offset by the contribution holiday in respect of some Companies' defined benefit funding contributions, and slightly higher than expected salary growth.

Actuarial Value of Accrued Benefits

An indication of the funding status of the Plan is given by the ratio of the Plan's net assets to the Actuarial Value of Accrued Benefits (AVAB). This is called the Actuarial Value of Accrued Benefits Index (AVABI).

AVAB represents the value in today's dollars of future benefits based on membership completed to the review date, allowing for future salary increases, investment earnings and expected incidence of payment. *"Accrued Benefits"* has the meaning given in Regulation 9.27 of the SIS Regulations.

It is important that the Actuarial Value of Accrued Benefits Index is not used to compare the level of funding between superannuation funds but is used as a measure to assess the funding status of a superannuation fund from time to time. Different superannuation funds can be expected to have different Actuarial Value of Accrued Benefits Indexes depending on the age and employment history of the members.

A fully secured position is represented by a ratio of 100.0%. At this level, if the Plan 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.

The Actuarial Value of Accrued Benefits position for the total Plan is shown below.

Accrued Benefit Liabilities	Total $,000
Total Accumulation Liabilities	58,870
Accrued Defined Benefit Liabilities (including sick leave)	148,796
Total Accrued Benefits	**207,666**
Value of Assets	229,251
AVABI	110.4%
AVABI (defined benefits only)	114.5%

The Actuarial Value of Accrued Benefit position in respect of defined benefits only at 1 July 2023, split by Company, was as follows:

	Actuarial Value of Accrued Benefits at 1 July 2023						
	Otis $,000	Carrier Australia $,000	Carrier Air Conditioning $,000	Pratt & Whitney $,000	AHIC $,000	Chubb $,000	Total $,000
Total DB Accrued Benefit	137,510	7,301	1,474	1,161	281	1,069	148,796
Value of Assets	155,348	9,747	1,737	1,925	486	1,138	170,381
ABI (defined benefits only)	113.0%	133.5%	117.9%	165.8%	173.3%	106.4%	114.5%

The following table shows the progression of the Actuarial Value of Accrued Benefits Index over the review period.

	Actuarial Value of Accrued Benefits			
	Last Valuation Defined Benefits Only* $'000	This Valuation Defined Benefits Only* $'000	Last Valuation All Benefits $'000	This Valuation All Benefits $'000
Net Assets	150,326	170,381	197,782	229,251
Actuarial Value of Accrued Benefits	147,490	148,796	194,947	207,666
Actuarial Value of Accrued Benefits Index	101.9%	114.5%	101.5%	110.4%

* The "Defined Benefits Only" figures illustrate the financial position of the Plan in respect of the Defined Benefit liabilities, excluding additional accumulation accounts for defined benefit members. As a result, an amount in respect of accumulation liabilities (after an allowance for surcharge and family law offset accounts) has been excluded from the Net Assets and the Actuarial Value of Accrued Benefits respectively.

As at 1 July 2023, the net assets of the Plan are adequate to cover the Actuarial Value of Accrued Benefits.

Minimum Benefits

The Minimum Requisite Benefits Index (MRBI) is the ratio of the Plan's assets to the Minimum Requisite Benefits, as described in the Plan's current Benefit Certificate. The required Benefit Certificate is dated 13 April 2022.

A Funding and Solvency Certificate dated 13 April 2022 has been issued to the Trustee corresponding to the above mentioned Benefit Certificate (this Certificate will be updated in conjunction with this valuation). The purpose of this certificate is to specify the required company contributions needed to fund the minimum benefits used to offset the SG charge.

The Plan is *"solvent"* if the net assets of the Plan, less the value of the benefit entitlements of former members, exceed the Minimum Requisite Benefits (MRB) of all members in service.

The following table shows the progression of the Minimum Benefits Index over the review period.

	Last Valuation Defined Benefits Only* $'000	This Valuation Defined Benefits Only* $'000	Last Valuation All Benefits $'000	This Valuation All Benefits $'000
Net Assets	150,326	170,381	197,782	229,251
Minimum Benefits	118,865	131,183	166,321	190,054
Minimum Benefits Index	126.5%	129.9%	118.9%	120.6%

* The "Defined Benefits Only" figures illustrate the financial position of the Plan in respect of the Defined Benefit liabilities, excluding additional accumulation accounts for defined benefit members. As a result, an amount in respect of accumulation liabilities (after an allowance for surcharge and family law offset accounts) has been excluded from the Net Assets and the Minimum Benefits respectively.

As at 1 July 2023, the net assets of the Plan exceeded the Minimum Benefits and the Plan was in a solvent financial position. The ratio of the Plan's net assets supporting defined benefits to the minimum defined benefits was 129.9%. At the previous valuation, this ratio was 126.5%.

Shortfall Limit

As required under SPS 160 we have recommended that the Trustee set the Shortfall Limit for the Plan at 97% of vested defined benefit liabilities. The Shortfall Limit is defined in paragraph 10 of SPS 160 as:

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

Should the financial position of the Plan breach the Shortfall Limit, additional interim Actuarial investigations will be required with rectification plans to be put in place to address the unsatisfactory financial position.

We consider the Shortfall Limit is appropriate given the nature of the defined benefit assets and liabilities.

Discretionary Benefits

The sick leave benefit paid to Otis members when ceasing service with the employer after age 55 is a discretionary benefit. We have assumed all Otis defined benefit members ceasing service after age 55 will receive a sick leave benefit proportional to their vested benefit at the date of exit. This assumption is detailed in Appendix D.

Benefits Payable on Termination of the Plan

On termination of the Plan, the Participation Deed states that assets should be applied in the following order:

a. To meet all expenses and costs of winding up the Plan to the extent they are not paid by the Companies.

b. To meet, in respect of each Member, a benefit equal to the Member's own contributions to the Plan.

c. To increase each Member's benefit under b., to:

    i. any benefit that was payable to the Member prior to the date the notice of Termination was given to the Trustee;

    ii. if (i) does not apply, any Normal Retirement benefit, Death benefit or Total and Permanent Disablement benefit that became payable during the 30 days following the date the notice of Termination was given to the Trustee;

    iii. if neither (i) nor (ii) apply, the Member's share of the Plan assets as determined by the Plan Actuary.

d. To increase each member's benefit under b. and c. by the Member's share of any remaining Plan assets as determined by the Plan Actuary.

The termination provisions do not require a minimum benefit to be paid but to apply assets in an order of priority. A minimum of the Vested Benefit should be available. The Plan's assets are sufficient to meet Vested Benefits at the valuation date.

Summary

Actual investment returns since the last valuation will, in isolation, have had a positive impact on the Plan's funding measures. This will have been offset slightly by greater than expected salary inflation, as well some companies being on holiday from regular defined benefit funding as shown in Section 2.

Section 7: Valuation Contribution Results

It should be emphasised that the funding measures shown in Section 6 relate to the current position at the review date. A projection of the Plan is required to assess the adequacy of Company contribution rates to provide defined benefits in the future.

Such a projection has been carried out using the funding method and assumptions discussed in Section 4 and set out in Appendix D. The results of the valuation are summarised in this Section.

Long Term Defined Benefit Contribution Rate (before adjustment for current surplus)

As described in Section 6, the total value of accrued defined benefits of $148.8 million represent the present value of all expected future benefits in respect of defined benefit membership accrued up to the valuation date. We have similarly calculated the present value of all expected future benefits in respect of expected defined benefit membership after the valuation date ("future service defined benefits").

The amount of long term Company contributions needed is calculated as the present value of Future Service Defined Benefits less the present value of expected future member contributions.

		$,000
Future Service Defined Benefits (including Sick Leave)		26,386
Less	Value of future member contributions	5,735
Defined Benefit Liability to be funded from future Company contributions		20,651
Value of 1% of future defined benefit members' Plan Salaries		1,743
Future Company contribution rate required		11.8%
Plus	Allowance for 15% contributions tax	2.1%
Plus	Allowance for insurance costs	0.8%
Total Gross Company Contribution Rate required		**14.7%***

* Excludes cost of expenses. We recommend that the Company contributions to fund the cost of expenses be paid as a fixed dollar amount as opposed to a percentage of Salary.

Long Term Contribution Rates Split by Company

The overall contribution rate of 14.7% of Plan Salaries has been split to allow for differences between the Companies. The principal differences being:

a. the Sick Leave provision which applies only to Otis employees;

b. Carrier Air Conditioning, Pratt & Whitney, AHIC and Chubb have a very small number of participating defined benefit members in the Plan. Due to the small membership, we recommend category specific contribution rates which should be applied to the Plan Salary of each participating member.

If no allowance is made for the current surplus in the Plan's financial position, the long term contribution rates for each Company including allowances for sick leave for Otis, but excluding allowances for expenses, are:

Company	Long term contribution rate - excluding allowance for expenses - including allowance for Sick Leave
Otis	14.9% of Salaries payable monthly
Carrier Australia	13.2% of Salaries payable monthly
Carrier Air Conditioning	As per category rates below
Pratt & Whitney	As per category rates below
AHIC	As per category rates below
Chubb	As per category rates below

Long Term Contribution Rates by Category

If no allowance is made for the current surplus in the Plan's financial position, the contribution rates applicable to each benefit category, before allowance for sick leave for Otis, and excluding allowances for expenses are:

Category	Long term contribution rate (excluding allowance for expenses)	
	2020 Valuation	2023 Valuation
Category 1	12.4%	13.2%
Category 2	12.4%	12.8%
Category 3	13.3%	13.5%
Category 4	23.6%	23.6%
Additional Sick Leave Cost (Otis only – all categories)	1.0%	1.2%

For Category 4 members, the applicable Company contribution is 23.6% of Base Salary plus 23.6% of any bonus amounts included in the definition of Final Average Salary.

Where a Category 4 member makes compulsory 5% member contributions, the Company contribution rate should be reduced by 5.88%.

The cost of Sick Leave benefits for Otis is approximately 1.2% of defined benefit members Plan salaries. This allowance should therefore be added to the Category specific rates above to determine the Category specific rates for Otis.

Changes in Long Term Contribution Rates

As shown in the previous table, the long term contribution rates have risen for most categories. These increases can be attributed to a number of factors including:

- the increase in the minimum SG Rate;
- the increased average age leading to a higher proportion of remaining members being likely to be eligible for the more generous defined benefits after age 55, which increases contribution rates;
- offset slightly by the change in economic assumptions from a 2.0% gap to a 2.75% gap which has, on average, reduced the long term rate by around 0.6%

Adjustment for Surplus at 1 July 2023 and subsequent experience

The VBI in respect of defined benefit liabilities for the Plan's defined benefit members was 110.0% at 1 July 2023. Investment returns between 1 July 2023 and 30 November 2023 have however been lower than expected, decreasing the VBI to an estimated 108.8% at 30 November 2023. The estimated VBI split by company is set out in the table below.

	VBI (Defined Benefits only)						
	Otis	**Carrier Australia**	**Carrier Air Conditioning**	**Pratt & Whitney**	**AHIC**	**Chubb**	**Total**
1 July 2023	108.4%	130.1%	113.0%	162.8%	157.0%	106.4%	110.0%
30 November 2023 (estimate)	107.3%	126.9%	113.3%	157.6%	152.3%	105.1%	108.8%

Some company specific comments are included below in relation to these adjustments.

Otis

We do not consider that any further adjustment to the Otis long term rate set out in previous sections is warranted due to the need to maintain some buffer against poor short term investment returns. We would therefore recommend that Otis move to the new long term rate of 14.9%, as set out above.

Carrier Air-Conditioning and Chubb

We do not consider that any further adjustment to the long term rates set out above is warranted due to the need to maintain some buffer against poor short term investment returns. We therefore recommend that Carrier Air-Conditioning and Chubb move to the new company specific rates set out above (plus their respective fixed monthly dollar contributions to fund expenses) from 1 July 2024.

Pratt & Whitney and AHIC

The VBIs for Pratt & Whitney and AHIC are all at such a level that the current contribution holiday may continue until 31 December 2026.

Carrier Australia

The VBI for Carrier Australia is also at such a level that the current contribution holiday in respect of defined benefit members may continue until 31 December 2026. Further, we recommend that Carrier Australia can extend its contribution holiday to also cover SG contributions in respect of its Accumulation members. This holiday in respect of Accumulation members is currently recommended for the period 1 January 2024 to 31 December 2026. However, this holiday will be subject to change depending on the progression of Carrier Australia's VBI, and may need to cease early if the VBI reduces more quickly than expected. Further details on this arrangement and its impacts have been discussed in our letter dated 25 October 2023.

Recommended Company Contributions

In the absence of any special circumstances, we recommend that the Companies contribute to the Plan at the following rates of Salaries for the three year period commencing 1 July 2023.

Defined Benefit Members

Company	Company Contribution Rate (% of Plan Salary**)	
	1 July 2023 to 30 June 2024	From 1 July 2024
Otis	14.2% + $26,500 pm	14.9% + $28,000 pm
Carrier Australia	Nil	Nil
Carrier Air Conditioning	Category Specific rates* + $500 pm	Category Specific rates* + $500 pm
Pratt & Whitney	Nil	Nil
AHIC	Nil	Nil
Chubb	Category Specific rates* + $500 pm	Category Specific rates* + $500 pm

* Category Specific Rates are set out in the table below.

Category	Category Specific Contribution Rates (% of Plan Salary**)	
	1 July 2023 to 30 June 2024	From 1 July 2024
Category 1	12.4%	13.2%
Category 2	12.4%	12.8%
Category 3	13.3%	13.5%
Category 4	23.6%	23.6%

** Plan Salary is generally base salary and is defined fully in Appendix A. Where "Plan Salary" for Category 4 members includes bonus, contributions at the relevant percentage of Salary including Bonus are required.

The recommended contributions above include fixed monthly contributions to cover operational expenses:

Company	Monthly Fixed Expense Contribution	
	1 July 2023 to 30 June 2024 ($)	From 1 July 2024 ($)
Otis**	26,500	28,000
Carrier Australia	1,500*	1,500*
Carrier Air Conditioning	500	500
Pratt & Whitney	500*	500*
AHIC	500*	500*
Chubb	500	500

* Expense contributions as assumed in Section 4 will be financed from Plan surplus attributable to each Company.

The Companies will also pay the contributions of defined benefit members who have elected to pay their compulsory contributions by salary sacrifice.

Accumulation Members

Company	Company Contribution Rate (% of Ordinary Time Earnings)	
	1 July 2023 to 31 December 2023	From 1 January 2024
Otis	SG Rate	SG Rate
Carrier Australia	SG Rate	Nil
Carrier Air Conditioning	SG Rate	SG Rate
Pratt & Whitney	SG Rate	SG Rate
AHIC	SG Rate	SG Rate
Chubb	SG Rate	SG Rate

As recently discussed, we recommend that Carrier Australia can extend its contribution holiday to also cover SG contributions in respect of its Accumulation members. This holiday in respect of Accumulation members is currently recommended for the period 1 January 2024 to 31 December 2026. However, this holiday will be subject to change depending on the progression of Carrier Australia's VBI, and may need to cease early if the VBI reduces more quickly than expected. Further details on this arrangement and its impacts have been discussed in our letter dated 25 October 2023.

The funding position, and in particular the coverage of vested benefits by Plan assets, should continue to be monitored quarterly and more frequently if required. Additional supplementary contributions may be required should the funding position deteriorate.

If the recommended Company contributions set out above are paid, then I expect the VBI and AVABI to remain above 100% over the 3 years to 30 June 2026, assuming the valuation assumptions are borne out in practice.

Projected Funding Levels

We have tested the impact of the adoption of the above contribution rates by projecting the Plan's assets and vested benefits over the next 5 years to give the estimated projected VBI shown in the following table:

	Vested Benefits Index (VBI*) (Defined Benefit Only) %
1 July 2023	110.0%
1 July 2024	114.6%
1 July 2025	115.7%
1 July 2026	118.3%
1 July 2027	120.1%

* Note that this includes Otis Sick Leave.

The projections above have been calculated on the basis of a continuation of all the current assumptions in this valuation, with the exception of the investment return assumption for 2023/24 where we have recognised the actual investment returns to 30 November 2023 of 1.45% which combined with assumed future returns from 1 December 2023 of 6.50% pa result in 2023/24 assumed investment returns of 5.24%. If the recommended Company contributions shown in this Section are paid, then I expect the VBI to remain above 100% over the 3 years to 30 June 2026, assuming the valuation assumptions are borne out in practice.

Future Review

The financial status of the Plan is sensitive to actual financial experience (principally, investment returns and salary increases) and membership movements. Further, if Carrier Australia are to extend its contribution holiday to cover SG contribution in respect of its Accumulation members, its financial position will also be sensitive to the actual level of SG contribution funding drawn from the defined benefit surplus. We therefore recommend that a check is placed on the Vested Benefits Index each quarter, and also at any time if the Defined Benefit membership reduces significantly, in order to confirm that the Plan maintains coverage of vested benefits.

The next actuarial valuation is due at 1 July 2026.

Section 8: Sensitivity Analysis and Material Risks

Sensitivity Analysis

For the purpose of this investigation the “gap” between the investment return (net of tax) and salary inflation assumption is 2.75% p.a. Other assumptions could be used and the table below shows the impact of varying the “gap” between these assumptions on the Plan’s financial position and long term contribution rate. No changes have been made to the demographic assumptions adopted for this valuation in the scenarios below.

	This Valuation Basis	Scenario 1	Scenario 2
“Gap” between investment return and salary inflation assumptions	2.75% p.a.	3.75% p.a.	1.75% p.a.
Actuarial Value of Accrued Benefits Index (defined benefit liabilities only)	114.5%	118.7%	110.3%
Long Term Contribution Rate (Attained Age)	14.7%*	13.9%*	15.4%*

* Note that the Accrued Benefits include Otis Sick Leave.

It should be noted that the variations selected in the sensitivity analysis above do not indicate upper or lower bounds of all possible outcomes. Further analysis can be carried out if required.

Material Risks

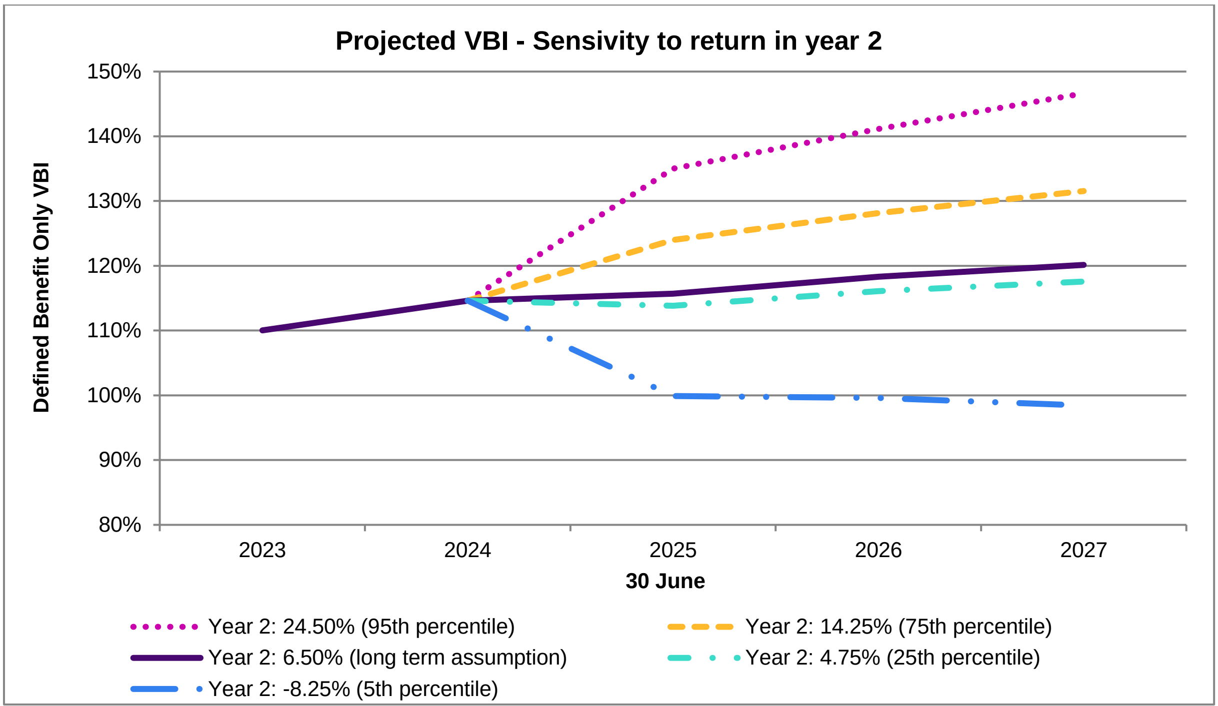
Salary Growth

For this valuation I have adopted a salary inflation assumption of 3.75% p.a. However, if actual salary increases are greater than this, with all other actuarial assumptions borne out, then the funding position (Vested Benefits Index) will worsen and increased Company contributions may be required. Further analysis can be carried out if required.

Investment Returns

For this valuation I have adopted an investment return assumption (net of tax and investment management expenses) of 6.5% p.a. However if actual investment returns are less than this, with all other actuarial assumptions borne out, then the funding position (Vested Benefits Index) will worsen and increased Company contributions may be required.

For example, the following graph highlights the sensitivity of the Plan's funding position (Vested Benefits Index) to an investment return different to that expected in the year to 30 June 2025 (year two of the projection). In year 1 we have assumed actual returns to 30 November 2023 then 6.5% p.a. for the remainder of the year. Returns for all other years are assumed to be the long term expected return of 6.5% p.a.



If the Trustee would like further analysis of the risks, in particular a quantitative analysis, we would be pleased to carry out further analysis and scenario testing.

Changes to investment strategy

Any change to the investment strategy that impacts the future expected return on assets supporting the defined benefit liabilities will potentially have a material impact on the financial position of the Plan. If the Trustee is considering changing the investment strategy, we recommend that we be asked to assess the potential impact on the financial position of the Plan and future Company contribution requirements.

Appendix A: Summary of Benefits

Summary of Benefits as at 1 July 2023

Eligibility

The categories of membership in the Plan are outlined below:

Category	Description
1	Defined Benefit – Members electing not to contribute
2	Defined Benefit – Members electing to contribute 2.5% (post tax) of salary
3	Defined Benefit – Members electing to contribute 5.0% (past tax) of salary
4	Defined Benefit – Executives (generally non-contributory)
5	Accumulation Members

All defined benefit categories of the Plan were closed to new members effective December 2008. All new employees now enter the Plan as accumulation members.

Definitions

“Normal Retirement Age” is 65.

“Final Average Salary” (FAS) is the average of a member’s highest consecutive 3 years salaries during the 10 years prior to termination of employment.

“Membership” means period of continuous service as a member of the Plan and may include such other periods as is decided by the employer in respect of periods of membership in prior plans.

“Plan Salary” is the member’s normal annual remuneration excluding bonuses, commissions, overtime or other similar payments except in the case of Executive members where bonuses are included.

For the purposes of calculating the Minimum Requisite Benefit under Superannuation Guarantee legislation, an Ordinary Time Earnings (OTE) Salary definition is used. For employees of all Companies other than Carrier Air Conditioning, Carrier Australia and AHIC, OTE is used only in respect of service post 1 July 2008 (with Plan Salary used in respect of service prior to 1 July 2008). For employees of Carrier Air Conditioning, Carrier Australia and AHIC, OTE is used in respect of all service.

Defined Benefit Categories

Normal Retirement Benefit

On retirement at Normal Retirement Age, a lump sum equal to a percentage of FAS for each year of membership determined as follows:

Category	Percentage
1	11.0%
2	15.0%
3	18.5%
4	20.0%

Early Retirement Benefit

On retirement after age 55 the benefit is calculated as for normal retirement but reduced by 1/6% for each month by which the age at retirement is below age 60.

Death in Service

A lump sum benefit equal to the following multiple of Plan Salary:

Category	Multiple
1	2
2, 3, 4	4

The death benefit is subject to a minimum of the Leaving Service Benefit or the Early Retirement Benefit (if the member is over age 55) and is subject to a minimum insured benefit of 2 times Salary up to age 55 reducing to zero at age 65.

Total and Permanent Disablement Benefit

A lump sum benefit equal to the death benefit except the multiple of salary is reduced by 10% for each year that age is over 55.

Leaving Service Benefit

A percentage of FAS for each year of membership determined as follows:

Category	Percentage
1	9.0%
2	11.5%
3	14.0%
4	17.0%

These percentages apply for membership after 1 July 2002. Lower percentages apply for some categories for earlier periods.

The leaving service benefit is subject to a minimum of the Minimum Requisite Benefit detailed in the Benefit Certificate of the Plan dated 13 April 2022.

Accumulation Category

Leaving Service Benefit

Company contributions at the Superannuation Guarantee Rate applied to Ordinary Time Earnings, and accumulated with investment returns.

Death and Total & Permanent Disablement Benefit

The vested benefit plus an insured benefit of 2 times Salary up to age 55 reducing to zero at age 65.

Additional Benefits

Some members who transferred in from previous plans are entitled to receive additional accumulation amounts on leaving service or retirement. Others receive an additional vested benefit on leaving service (although in most cases this benefit is now fully vested) and an additional accrued multiple of FAS on retirement.

Members may also make voluntary contributions into the Plan, which are accumulated with investment returns.

Surcharge

Any surcharge tax paid by the Plan on behalf of a member is deducted from the member’s benefit when the member leaves service.

Sick Leave

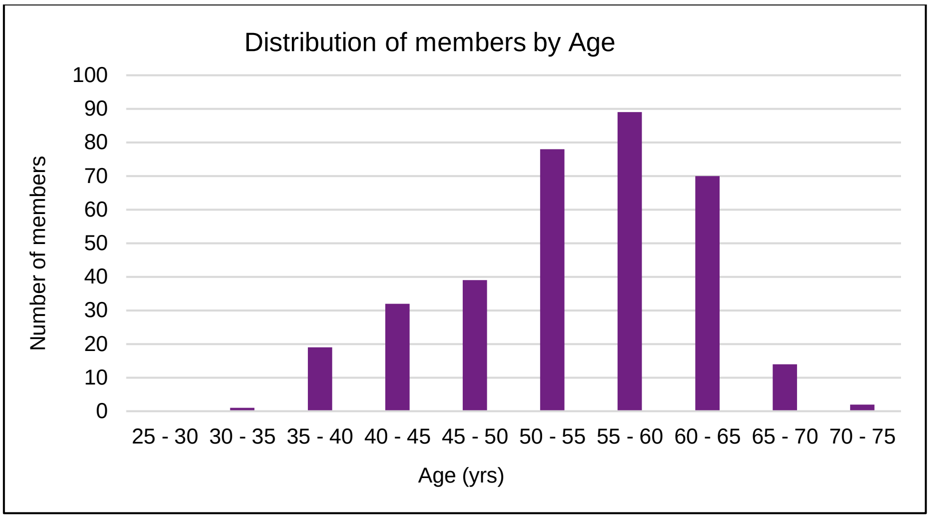
Otis employees who leave service over age 55 receive a discretionary additional benefit in lieu of untaken sick leave calculated as if the lump sum employer payment had been rolled over into the Plan. The additional benefit is calculated as untaken sick leave reduced by 15% contributions tax.

Appendix B: Details of Defined Benefit Membership at 1 July 2023

Company	Number of Members	Salaries $,000	Average Age	Average Completed Membership
Otis				
Category 1	77	9,204	51.2	21.4
Category 2	26	2,928	50.1	23.8
Category 3 & 4	212	25,950	55.7	27.0
Total	**315**	**38,082**	**54.1**	**25.4**
Carrier Australia				
Category 1	4	443	53.3	28.6
Category 2	3	331	58.1	27.4
Category 3	11	1,332	56.4	29.1
Total	**18**	**2,106**	**56.0**	**28.7**
Carrier Air Conditioning, Pratt & Whitney, AHIC and Chubb				
Total	**11**	**1,498**	**55.7**	**22.2**
Grand Total	**344**	**41,686**	**54.3**	**25.5**

In addition to these 344 members with defined benefit liabilities, there were 250 active Accumulation members.

Appendix C: Distribution of Defined Benefit Membership at 1 July 2023



Appendix D: Actuarial Method and Assumptions

Valuation Method

Attained Age

Asset Value

Market value taken from unaudited financial information at valuation date and adjusted for contributions receivable.

Interest Rate

6.5% p.a. (net of investment expenses and taxes).

Inflationary Salary Increase

3.75% p.a.

Promotional Salary Increase Rate

Nil

Rates of Mortality, Total and Permanent Disability (TPD) and Leaving Service

Examples of rates at which members leave the Plan per year per 10,000 members:

Age	Death	TPD	Leaving Service
25	4	0	1,800
35	4	1	1,352
45	10	5	903
55	31	25	Nil

Rates of Early Retirement

The number of members reaching a given age who are expected to retire in the following year are as follows:

Per year per 10,000 Members	
Age	Number
55 to 64	1,500

Rates of Retrenchment

No allowance.

Future Expense Allowance

Investment expenses are allowed for in the investment returns shown above which are assumed to be net of investment expenses.

Plan operational expenses for each Company are assumed to be as follows:

Company	Monthly Fixed Fee (payable monthly) $
Otis	28,000
Carrier Australia	1,500
Carrier Air Conditioning	500
Pratt & Whitney	500
AHIC	500
Chubb	500

Group Life insurance costs are assumed to equal 0.8% of Plan Salaries.

Sick Leave Benefits (Otis only)

9.0% of Defined Retirement benefit.

New Entrants

No allowance for new entrants.

Taxes

Tax on investment income is allowed for in the Investment Returns shown above.

Tax on contributions has been allowed for as 15% of Company contributions reduced by allowable deductions (administration and insurance costs). No allowance has been made for GST or Reduced Input Tax Credits.

Surcharge Tax and Excess Contributions Tax

No allowance has been made for the Surcharge Tax and Excess Contributions Tax as the Trustee offsets any tax payable by the Plan against the benefits of the relevant Members, if the Member does not reimburse the Plan for the tax payable.

Composition of Membership

It has been assumed that Members remain in their current Category.

It has also been assumed that the same proportion of current membership remains in each defined benefit category as at present in determining the Company contribution rate for Otis and Carrier Australia.

Appendix E: Statements required under Regulation 23 of SPS160

The statements required under paragraphs 23(a) to (h) of SPS 160 for regular investigations are set out below. Note, these are provided in relation to the Plan's defined benefit liabilities only.

(a) Plan Assets

The net market value of the Plan's assets attributable to the defined benefit liabilities at 1 July 2023 was $170.381 million. This amount is the amount set out in unaudited financial information adjusted for contributions receivable and excludes assets attributable to accumulation members and the accumulation balances of defined benefit members as well as the Operational Risk Financial Requirement Reserve.

This value of assets at 1 July 2023 was used to determine the recommended Company contribution rates and assess the funding status measures and is also referred to as the "actuarial value" of the assets.

(b) Projection of Vested Benefits

The expected projected financial position of the defined benefit section of the Plan during the three years following the valuation date, based on best estimate assumptions is as follows:

Date	Assets ($'000)	Vested Benefits* ($'000)	Vested Benefits Index (%)
1 July 2023	170,381	154,844	110.0%
1 July 2024	148,447	129,507	114.6%
1 July 2025	135,804	117,368	115.7%
1 July 2026	124,952	105,625	118.3%
1 July 2027	116,529	96,992	120.1%

* Note that Vested Benefits and the Accrued Benefits include Otis Sick Leave.

(c) Accrued Benefits

In my opinion, the value of the assets of the defined benefit members of the Plan (excluding any amount held to meet the ORFR) at 1 July 2023 was adequate to meet the liabilities in respect of the accrued benefits of defined benefit members of the Plan (measured as the value of members' accrued entitlements using the valuation assumptions). We consider that the assumptions and valuation methods set out in this report are appropriate for determining the accrued liability.

(d) Vested Benefits

At 1 July 2023 the Plan was in a satisfactory financial position, as defined in SPS 160. In my opinion, the Plan does not need to be treated as being in an unsatisfactory financial position. The shortfall limit does not need to be reviewed.

(e) Minimum Benefits

At 1 July 2023 the value of the minimum benefits of the defined benefit members of the Plan were less than the defined benefit assets at that date. Minimum benefits are as defined in Regulation 5.04 of the Superannuation Industry (Supervision) Regulations.

The coverage of the MRBs for all defined benefit members of the Plan as at 1 July 2023 was 129.9%, and for all Plan members (including accumulation members) was 120.6%.

(f) Funding and Solvency Certificates

Funding and Solvency Certificates for the Plan covering the period from 1 July 2020 to 1 July 2023 have been obtained. The Plan was solvent, as defined in the Superannuation Industry (Supervision) Regulations at 1 July 2023. In my opinion, the solvency of the Plan will be able to be certified in any other Funding and Solvency Certificate required under the Regulations during the three year period to 1 July 2026.

(g) Recommended Company Contributions

In the absence of any special circumstances, we recommend that the Companies contribute to the Plan at the following rates of Salaries for the three year period commencing 1 July 2023.

Defined Benefit Members

	Company Contribution Rate (% of Plan Salary**)	
Company	1 July 2023 to 30 June 2024	From 1 July 2024
Otis	14.2% + $26,500 pm	14.9% + $28,000 pm
Carrier Australia	Nil	Nil
Carrier Air Conditioning	Category Specific rates* + $500 pm	Category Specific rates* + $500 pm
Pratt & Whitney	Nil	Nil
AHIC	Nil	Nil
Chubb	Category Specific rates* + $500 pm	Category Specific rates* + $500 pm

* Category Specific Rates are set out in the table below.

Category	Category Specific Contribution Rates (% of Plan Salary**)	
	1 July 2023 to 30 June 2024	From 1 July 2024
Category 1	12.4%	13.2%
Category 2	12.4%	12.8%
Category 3	13.3%	13.5%
Category 4	23.6%	23.6%

** Plan Salary is generally base salary and is defined fully in Appendix A. Where "Plan Salary" for Category 4 members includes bonus, contributions at the relevant percentage of Salary including Bonus are required.

The recommended contributions above include fixed monthly contributions to cover operational expenses:

Company	Monthly Fixed Expense Contribution	
	1 July 2023 to 30 June 2024 ($)	From 1 July 2024 ($)
Otis**	26,500	28,000
Carrier Australia	1,500*	1,500*
Carrier Air Conditioning	500	500
Pratt & Whitney	500*	500*
AHIC	500*	500*
Chubb	500	500

* Expense contributions as assumed in Section 4 will be financed from Plan surplus attributable to each Company.

The Companies will also pay the contributions of defined benefit members who have elected to pay their compulsory contributions by salary sacrifice.

Accumulation Members

Company	Company Contribution Rate (% of Ordinary Time Earnings)	
	1 July 2023 to 31 December 2023	From 1 January 2024
Otis	SG Rate	SG Rate
Carrier Australia	SG Rate	Nil
Carrier Air Conditioning	SG Rate	SG Rate
Pratt & Whitney	SG Rate	SG Rate
AHIC	SG Rate	SG Rate
Chubb	SG Rate	SG Rate

The funding position, and in particular the coverage of vested benefits by Plan assets, should continue to be monitored quarterly and more frequently if required. Additional supplementary contributions may be required should the funding position deteriorate.

If the recommended Company contributions set out above are paid, then I expect the VBI and AVABI to remain above 100% over the 3 years to 30 June 2026, assuming the valuation assumptions are borne out in practice.

The Company should also pay pre-tax member contributions for members who have elected to make voluntary contributions by salary sacrifice.

About WTW

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