APSS Plan in Australian Retirement Trust

Report on the Actuarial Investigation as at 30 June 2024

13 December 2024

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

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Section 1: Executive summary

1.1 Superannuation legislation requires the APSS Plan in Australian Retirement Trust ("APSS Plan" or "the Plan") to be the subject of an actuarial investigation at intervals of no more than 3 years. Australian Prudential Regulation Authority's ("APRA") Prudential Standard 160 ("SPS 160") and the Actuaries Institute's Professional Standards also prescribe certain information to be included in an actuarial investigation report. This report is to satisfy the formal requirements of the superannuation legislation, SPS 160 and the Actuaries Institute Professional Standards.

1.2 The purpose of this actuarial investigation is to:

a. assess the current financial position of the APSS Plan;

b. assess the adequacy of future Australian Postal Corporation ("Australia Post" or "the Corporation") contributions and make a recommendation on the level of future contributions;

c. review the self-insurance arrangements and recommend an amount of assets to be held for pending and Incurred But Not Reported (IBNR) claims; and

d. meet other legislative requirements.

1.3 This investigation is the initial actuarial investigation carried out for the Plan, as required under paragraph 15 of SPS 160. Members and assets of the former Australia Post Superannuation Scheme ("the Scheme") were transferred to Australian Retirement Trust ("ART") by successor fund transfer ("SFT") on 29 April 2022, providing continuity of the APSS Plan. We have been advised that a determination by APRA stated that the initial actuarial investigation for the Plan required after the SFT must be carried out by 1 July 2024.

1.4 References in this report to APSS Plan or the Plan prior to 29 April 2022 relate to the former Australia Post Superannuation Scheme. [redacted] FIAA, conducted the final actuarial investigation of the Scheme as at 30 June 2021 in his report dated 17 December 2021 ("2021 Actuarial Report"). While the current investigation and this final investigation had been conducted on distinct schemes, continuity in various aspects of the defined benefit arrangements from the transfer means that the final investigation as at 30 June 2021 remains highly relevant and we have referenced this throughout the report. For the sake of brevity and conciseness, we have referred to the actuarial investigation as at 30 June 2021 as the "previous investigation" in this report.

Membership

1.5 The total number of defined benefit members of the APSS Plan has decreased from 18,006 as at 30 June 2021 to 14,042 as at 30 June 2024.

	30 June 2024	30 June 2021
Permanent Employees • Full Members • CSS Members • Opt-out Members	 13,795 58 102 13,955	 17,676 99 102 17,877
Non-Permanent Employees	87#	129#
Total	**14,042**	**18,006**

\# Non-Permanent Employees are Class A Statutory Benefit members who receive the SG accrual rates. It includes some permanent employees of StarTrack.

Experience and Assumptions

1.6 During the three years to 30 June 2024, the investment return on defined benefit assets was lower than expected and in isolation, has resulted in the deterioration in short-term solvency as measured by the Vested Benefits Index ("VBI"). Salary increases have been higher than expected when both inflationary and promotional salary increases are considered. Overall, the financial experience has been less favourable. The actual investment returns and salary increases over the inter-valuation period are shown in the following table.

	Investment Return % p.a.	Average Superannuation Salary Increase % p.a.
3 years to 30 June 2024	1.1%	4.7%

1.7 The financial assumptions adopted in this investigation and the previous investigation are set out below:

	Actuarial investigation at 30 June 2024 (of the APSS Plan)	Actuarial investigation at 30 June 2021 (of the Scheme)
Investment return	6.00% p.a.	3.50% p.a.
Short-term salary inflation Long-term salary inflation	4.5 % p.a. for year to 30 June 2025 3.25% p.a.	3.0% p.a. for 3 years to 30 June 2024 2.5% p.a.
Long term real return	2.75% p.a.	1.0% p.a.

1.8 The most financially significant assumption change since the previous investigation is the increase in the expected investment return from 3.5% p.a. to 6.00% p.a.. This is reflective of the improved economic outlook as at 30 June 2024.

1.9 We have also increased the long-term salary inflation from 2.50% p.a. to 3.25% p.a. and included a higher short-term salary inflation assumption for the year to 30 June 2025 of 4.50% p.a.. These assumptions are based on our expectations of inflationary superannuation salary increases and are derived consistently with the expected investment return. The short-term assumption reflects the expected Enterprise Bargaining Agreement which has a higher short-term salary increase rate. Separate promotional salary increases are applied.

1.10 After reviewing the demographic experience, we have also revised the rates of mortality and total and permanent disablement in this investigation. These changes have had a small unfavourable impact on the expected future funding. A detailed summary of the analysis can be found in Section 4.

Assets

1.11 The fair value for the Plan defined benefit assets at 30 June 2024 is $3,709.8 million.

Solvency

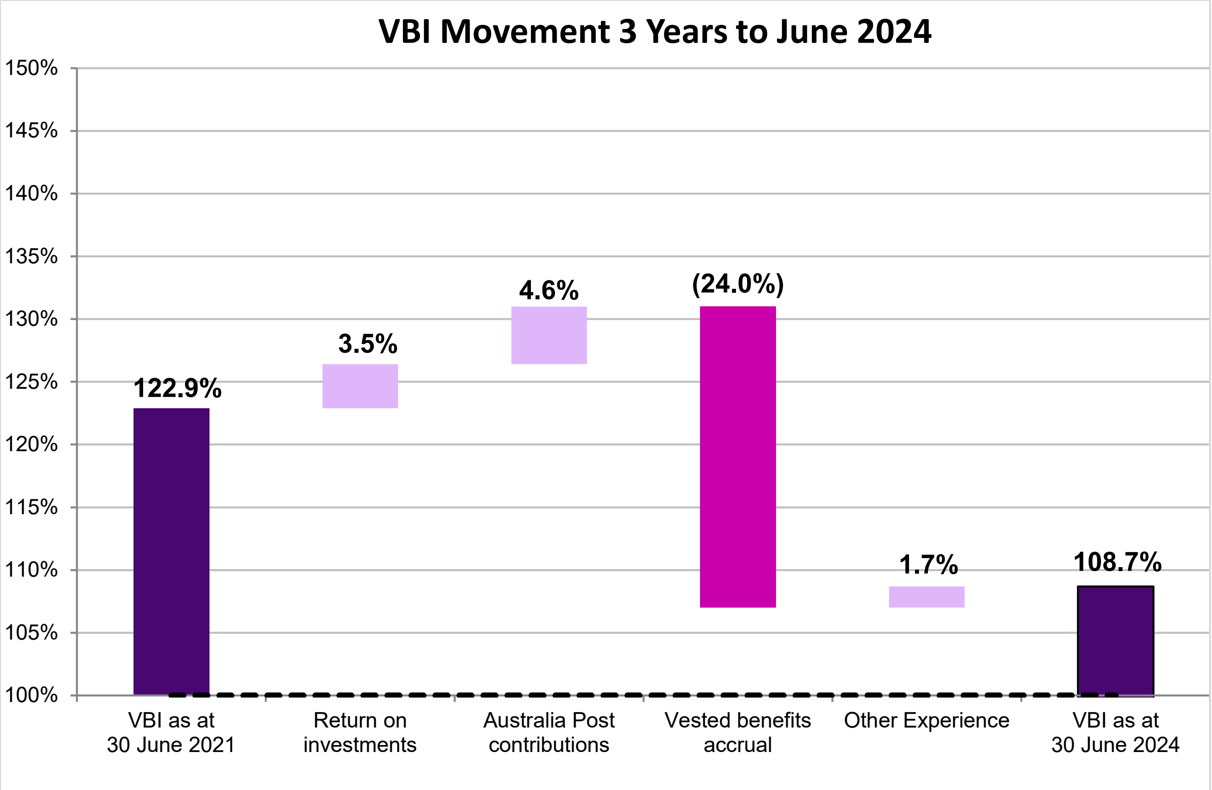
1.12 The VBI measures the adequacy of assets to cover the benefits that would be due and payable if all members had received withdrawal benefits or (if eligible) the retirement benefits at the calculation date.

1.13 The long-term measure of the Plan's financial position at 30 June 2024 is the adequacy of its assets to provide members' Accrued Benefits (benefits payable in future years which have accrued as a result of membership up to 30 June 2024). This measure assumes the APSS Plan continues as an ongoing entity.

1.14 The following table sets out these two solvency measures of defined benefits in the APSS Plan as at the valuation date, as well as that as at the previous valuation date for the Scheme.

Defined Benefit Assets	30 June 2024	30 June 2021
Vested Benefit Index (VBI)	108.7%	122.9%
Accrued Benefit Index (ABI)	121.7%	127.7%

1.15 The VBI has reduced over the period since the previous actuarial investigation largely because the actual real return above salary increases achieved over the three-year period has been lower than expected. However, the reduction in the ABI over the period has not been as large because of the increase in the discount rate (i.e. expected future investment return) used to discount benefits payable in future years. The following chart reconciles the movement in the VBI from 30 June 2021 to 30 June 2024. In the chart below, the "Vested Benefit accrual" item includes both the impact of superannuation salary increases as well as the accrual of members' benefits with additional service.



Long Term Funding

1.16 In Section 9, we assess the level of recommended contributions for the Corporation.

1.17 We recommend that the Corporation continue to contribute at 5% of superannuation salaries from 1 July 2024. This remains unchanged from the recommended 5% contribution of superannuation salaries since 1 July 2021 to date.

1.18 We recommend that the Corporation increase the contribution rate to 8.6% of superannuation salaries if the VBI reduces to 105% or below, or at another rate as agreed with the Actuary that is intended to reflect the long-term cost of benefit accrual. This rate is slightly higher than the long-term cost of benefit accrual 8.3% of superannuation salaries in this investigation as it was based on an investment strategy and contribution review in early 2024. The Corporation may revert back to 5% when the VBI increases to 110% or above.

1.19 This approach reflects the preferences of Australia Post and is expected to be sufficient to fully fund the Plan benefits and meet short-term solvency requirements over the period to the next actuarial investigation.

1.20 Based on the data, assumptions and method adopted in this report, the minimum required long term contribution rate as at 30 June 2024 is 3.4% of superannuation salaries. This contribution rate spreads the surplus assets as at 30 June 2024 over the future working life time of members if experience is as expected. If the VBI were 100% the required long term contribution rate would increase to 8.3% of superannuation salaries.

1.21 We also recommend that should the VBI increase to 120% or above, at that time the Trustee and Corporation should consider and agree on whether contribution arrangements and investment strategy should be reviewed.

Sensitivities

1.22 Actual future contribution requirements are very dependent on future experience, and in particular, the investment returns. The sensitivity of contributions to key drivers is considered in Section 10.

1.23 Because the assets are currently in excess of Vested Benefits, if Australia Post continues to contribute at 5% of superannuation salaries effective from 1 July 2024, then an investment return of 6.00% p.a. would be expected to be sufficient to provide members' benefits. This assumes all other experience is as expected.

Death and TPD Benefits

1.24 Our analysis concluded that the death and Total and Permanent Disablement ('TPD') benefits self-insured by the Plan in respect of employee members are well diversified amongst a large group of members. Whilst the self-insurance risk is low, the Trustee and Corporation need to be comfortable with this risk, particularly in the case of a catastrophe. SPS 160 requires the Trustee to attest annually that self-insurance is in members' best interests. In summary:

- Random annual variation in death and TPD payments is unlikely to have more than a 0.1% impact on the VBI; however
- A large catastrophe could have a several percentage point impact on the VBI (and potentially tens of million or even more impact on Australia Post's contributions).

1.25 We consider the current self-insurance arrangements for the Plan to be reasonable. We see no reason as to why the Trustee would not be able to attest that the Trustee continues to act in the best interests of the beneficiaries by continuing the current self-insurance arrangements, but the Trustee should make this decision after reviewing the risks set out in Section 11. We recommend that the self-insurance experience continue to be monitored annually in accordance with APRA's request.

1.26 In our 30 June 2021 actuarial investigation we determined that it was appropriate to include a $15 million allowance for pending and incurred but not reported claims in the vested benefits and other liability calculations. This is to particularly allow for TPD benefits incurred in the past that are yet to be paid. Based on analysis conducted for this investigation we have retained this amount at $15 million.

Material Risks

1.27 The key actuarial risks relating to the Plan funding are discussed in Section 12.

1.28 Based on our knowledge of the Plan and analysis of the risks we do not recommend any changes in the Trustee's approach to the management of such risks.

Shortfall Limit

1.29 The shortfall limit is the VBI trigger at which top-up contributions are likely to be required from the Corporation between actuarial investigations. We believe the short fall limit of 98% remains appropriate.

Experience since 30 June 2024

1.30 Since 30 June 2024, investment markets have produced positive returns. ART calculates the VBI quarterly for the Plan, and as at 30 September 2024, the investment return for the defined benefit assets for the financial year to date has been higher than expected, with an estimated VBI as at 30 September 2024 of around 108.5%. While this is slightly lower than the VBI of 108.7% at 30 June 2024, we do not expect the experience or any other event post the valuation date would have a material effect on the recommendations contained in this report.

Summary of Recommendations

1.31 Based on the results of this investigation, we recommend:

- The Corporation continue to contribute monthly at 5% of superannuation salaries per annum, or a reasonable estimate thereof, effective from 1 July 2024.
- The Corporation increase the contribution rate to 8.6% of superannuation salaries (or at another rate as agreed with the Actuary that is intended to reflect the long-term cost of benefit accrual) per annum should the VBI reduce to 105% or below and revert back to 5% if the VBI increases to 110% or above;
- Should and when the VBI increases to 120% or above, at that time the Trustee and the Corporation consider and agree whether contribution arrangements and investment strategy be reviewed.
- Australia Post should also contribute members' salary sacrifice contributions.
- The Trustee considers the self-insurance risks as documented in Section 11 of this report and use this as input into considering whether to continue to self-insure. We consider current self-insurance arrangements to be suitable for the Plan;
- The death and TPD experience continues to be monitored annually;
- The Trustee continues to adopt a short fall limit of 98%;
- The Trustee continues to regularly consider the appropriate investment strategy for the defined benefit assets, taking into account the defined benefit liabilities and funding.

1.32 The next full actuarial investigation of the Plan is required to be undertaken no later than as at 30 June 2027, or earlier if required by superannuation law.

[redacted]

[redacted]
Actuary to the APSS Plan

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Section 2: Introduction

Purpose

2.1 This actuarial investigation has been carried out for the Trustee (Australian Retirement Trust Pty Ltd) of the APSS Plan in order to meet the requirements of superannuation law. The report is also relevant to Australia Post and other Associated Employers.

2.2 The purpose of this actuarial investigation is to:

a. assess the current financial position of the Plan;

b. assess the adequacy of future contributions and make a recommendation on the level of future Corporation contributions;

c. review the self-insurance and recommend an amount of assets to be held for pending and Incurred But Not Reported (IBNR) claims; and

d. meet any other legislative requirements.

2.3 The APSS Plan is a "regulated fund" under the provisions of the Superannuation Industry (Supervision) Act 1993 ("SIS"). The Plan is treated as a complying defined benefit superannuation fund for taxation purposes.

2.4 This actuarial investigation has been prepared in accordance with Professional Standards 400, 402 and 404 issued by the Actuaries Institute.

Trust Deed

2.5 The governing rules of the Plan are set out in the following documents:

- The Trust Deed of Australian Retirement Trust, dated 28 June 2023;
- The Plan's Benefit Deed, Participation Deed and Services Agreement, dated 3 March 2022.

Requirements of Superannuation Prudential Standards

2.6 Prudential requirements covering actuarial investigations of defined benefit superannuation plans is contained in Prudential Standard 160 (SPS 160).

2.7 Paragraph 14(a) of SPS 160 requires that the trustee of a defined benefit superannuation plan must cause actuarial investigations of the fund to be conducted at intervals of not more than 3 years. Paragraph 21 requires that the trustee receive a report on each actuarial investigation conducted, and that this report be issued within six months of the date of the actuarial investigation. APRA has required the initial investigation of the APSS Plan to be conducted as at 30 June 2024, which would require a report be provided to the Trustee by 31 December 2024.

Previous Reports

2.8 [redacted] completed the final actuarial investigation for the Australia Post Superannuation Scheme as at 30 June 2021 (the 2021 actuarial report) and the results are in a report dated 17 December 2021. As noted earlier, in this report, the report dated 17 December 2021 is being referred to as the "previous report". Whilst this current investigation is not a continuation of the previous investigations, they remain of material importance due to the continuity in a number of aspects in the defined benefit arrangements following the transfer of the Scheme into ART.

2.9 The main conclusions in the two most recent actuarial investigations of the Scheme were as follows:

	2021 Actuarial Report	2018 Actuarial Report
Employer Contribution Rate	5.0% of Salary	7.5% of Salary
Vested Benefit Index	122.9%	114.5%
Solvency position of the Scheme	Satisfactory	Satisfactory

2.10 All employer contributions have been made in accordance with the recommendations.

2.11 The other recommendations from the 2021 actuarial investigation and the actions taken in respect of the recommendations are:

a. Recommendation: Australia Post review its contribution arrangement and investment strategy, based on actuarial advice, should the Vested Benefit Index (VBI) reduce to 110% or below, or increase to 130% or above. The VBI reduced to below 110% during the year to 30 June 2024 and a review of these arrangements was completed in April 2024. It was determined that Australia Post will continue to contribute at 5% of superannuation salaries which reflects the preference of Australia Post, and maintain the current investment arrangements.

b. Recommendation: The Scheme's Trustee considers the self-insurance risks as documented in Section 11 of the 2021 report and use this as input into considering whether to continue to self-insure. Also, to include an allowance of $15 million allowance for pending and incurred but not reported claims in the vested benefits and other liability calculations.

   Response: The Scheme's Trustee has considered the 2021 report and has determined annually to continue to self-insure and that it is in members' best interest. After the Scheme was transferred into ART, the ART Trustee continued to attest annually that self-insurance is in members' best interests.

   The amount of $15 million continues to be added to all aggregate defined benefit liability calculations.

c. Recommendation: The death and TPD experience continues to be monitored annually.

   Response: As well as being reviewed in this report, the ART Trustee requested reviews of the self-insurance experience be completed as at 29 April, 31 October 2022 and 31 October 2023.

d. Recommendation: The Trustee continues to regularly consider the appropriate investment strategy for the defined benefit assets.

Response: the Scheme Trustee, as well as the ART Trustee, continued to regularly consider the appropriate investment strategy for the defined benefit assets. A review of the contribution arrangement and investment strategy was recently completed in April 2024 and it was determined that the defined benefit assets will continue to be invested in a mix of assets with approximately 40% in growth assets, which reflects the preferences of Australia Post.

Events since the previous actuarial investigation

Real investment returns

2.12 The investment returns achieved over the three years to 30 June 2024 were lower than were assumed in the previous actuarial investigation (refer to Section 4). Also, salary increases were higher than expected and both these factors have led to an unfavourable impact on the Plan's financial position.

Solvency Triggers

2.13 The VBI has remained above 100% over the three year period since 30 June 2021. However, it has dropped below the 110% trigger for review of Australia Post's contribution rate.

Liquidity

2.14 ART applies an upper limit of 40% to its unlisted assets allocated in the APSS Plan. As at 30 June 2024, the illiquid assets within the Plan does not exceed this limit.

Changes to Plan Benefits

2.15 As noted earlier, this is the first actuarial investigation made since the transfer of the Scheme into ART. Because the defined benefit design has been retained, no material changes that are relevant to the scope or purpose of this investigation have been made in relation to the Plan defined benefits since the actuarial investigation of the Scheme at 30 June 2021.

2.16 From 1 July 2024 the Superannuation Guarantee was increased to 11.5% of Ordinary Time Earnings (base) and this is reflected in the Plan's Benefit Certificate.

Successor fund transfer to Australian Retirement Trust

2.17 On 29 April 2022, the Australia Post Superannuation Scheme successfully transferred into Australian Retirement Trust via a successor fund transfer.

Section 3: Membership data

3.1 Membership data was provided by Australian Retirement Trust in their capacity as the Trustee and Administrator of the APSS Plan. Data provided included both the members of the Plan as at 30 June 2024 and all exits from the Plan over the period from 29 April 2022 to 30 June 2024. We also received membership data at each 30 June during the inter-valuation period. Membership data prior to 30 April 2022, including exits from 30 June 2021 to 29 April 2022, was obtained from the Scheme's benefits administrator.

3.2 We have relied on the data provided in our calculations, and the findings in this report are limited to the accuracy of the data provided. However, we have performed reasonableness data checks and have satisfied ourselves that the data is suitable for the purposes of this investigation.

3.3 The number of defined benefit members in the Plan decreased from 18,006 as at 30 June 2021 to 14,042 as at 30 June 2024. The Plan has been closed to new employed members since 1 July 2012.

3.4 Employed members are currently employed by the Corporation or an Associated Employer and have defined benefits. They can be divided into the following categories (as notified by the Corporation or Associated Employer):

- Permanent employees who can be further sub-divided into:
  - Full members, the majority of permanent employees who accrue benefits of 14.3% of final average salary for each year of membership;
  - Permanent employees with less than three months service (also called probationary members). These members accrue benefits at the same accrual rate as the SG percentage during their probationary period applied to final average salary until the three month period of probationary employment is completed and they become Full members. The Plan has no probationary members as at 30 June 2024 because it is closed to new members;
  - CSS Members who continue to contribute to the CSS and only accrue benefits of 3% of final average salary in the APSS Plan. No new employees have joined this category of members since 1 July 1990; and
  - Opt-out members who no longer accrue a benefit in the APSS Plan in respect of future employment because they have elected that their Superannuation Guarantee contributions be paid to another superannuation fund, in accordance with the Commonwealth Government choice of fund legislation; and
- Non-permanent employees who accrue benefits at the same accrual rate as the SG percentage applied to final average salary for each year of membership. This actuarial investigation allows for the increase in the accrual rate from the current SG percentage of 11.5% to 12% as the SG percentage increases according to the latest legislation.

Employed Members

3.5 The table below shows that the total number of defined benefit members of the APSS Plan has decreased from 18,006 as at 30 June 2021 to 14,042 as at 30 June 2024.

	30 June 2024	30 June 2021
Permanent Employees		
• Full Members	13,795	17,676
• CSS Members	58	99
• Opt-out Members	102	102
	13,955	17,877
Non-Permanent Employees	87#	129#
Total	**14,042**	**18,006**

Non-Permanent Employees are Class A Statutory Benefit members who receive the SG accrual rates. It includes some permanent employees of StarTrack.

3.6 The number of employed members at each 30 June since the previous investigation is summarised in the following table:

As at 30 June	Number of Employed Members
2021	18,006
2022	17,092
2023	15,445
2024	14,042

3.7 Over the inter-valuation period the total employed membership has decreased by 3,964 members. Appendix B contains a full reconciliation of the employed membership of the Plan over the three year inter-valuation period.

3.8 The most financially significant group of members are permanent employees, excluding the CSS members and opt-out members. This is because they comprise the largest group of members and have the largest benefit accrual rates. Once they have completed the three month probationary period these members accrue benefits annually at 14.3% of final average salary which is higher than for CSS members, and non-permanent employees who currently accrue benefits at the lower rates of 3% and 11.5% (or other SG rate) of final average salary respectively. Non-permanent employees also often have only a short period of membership and given the Plan has been closed to new entrants for many years they do not make up a significant portion of the Plan's membership.

3.9 A summary of the key statistics of this financially significant membership group is set out in the following table:

	Number		Average Age		Average Membership	
	30 June 2024	**30 June 2021**	**30 June 2024**	**30 June 2021**	**30 June 2024**	**30 June 2021**
Males	8,424	10,786	56	54	23.4	20.7
Females	5,371	6,890	55	53	22.1	19.4
All	13,795	17,676	56	53	22.9	20.2

3.10 It can be seen from the above table that over the inter-valuation period the number of the permanent employees (excluding CSS members and opt-out members) has decreased by 3,881.

3.11 The proportion of males and females has only changed slightly with the proportion of males increasing from 61.0% as at 30 June 2021 to 61.1% as at 30 June 2024.

3.12 The average ages have increased over the inter-valuation period because of the closure of the Plan to new members. The average period of membership has also increased. These trends would be expected to continue.

3.13 As at 30 June 2024, 63.6% of permanent employees (excluding CSS members and opt-out members) were making regular before or after tax contributions to their accumulation accounts in the Plan. This percentage has increased from 57.9% as at 30 June 2021. Since 1 July 2000, member contributions have been voluntary.

3.14 The average member contribution rate, for those contributing, has increased from 4.3% of salary at 30 June 2021 to 4.7% of salary on 30 June 2024, including both after-tax and salary sacrifice contributions.

Section 4: Financial and demographic experience

General

4.1 We have examined the experience of the APSS Plan membership and have compared the actual experience to that expected on the basis of the long-term actuarial assumptions used in the previous investigation.

4.2 This section investigates the continued appropriateness of those long-term actuarial assumptions.

4.3 Demographic assumptions and financial assumptions have the greatest importance for employed members with a defined benefit because the assets and liabilities are not matched. Hence the analysis of the Plan's experience considers only the defined benefits. In addition, the defined benefit assets also meet the administration expenses of the Plan.

4.4 The experience can be divided into two components:

- Financial (salary increases, discount rates, investment returns and expenses); and
- Demographic (rates of withdrawal, retrenchment, death, total and permanent disablement, and retirement).

4.5 This section summarises the results of the analysis of the Plan's experience. Appendix D contains a detailed summary of the assumptions used.

Financial Experience and Assumptions

Investment return

4.6 The investment returns for the defined benefit assets are relevant to actuarial investigations because increases or decreases in returns impact the assets available to meet the defined benefit liabilities.

4.7 As at 30 June 2024 the defined benefit assets were invested in accordance to a 40% growth asset investment strategy.

4.8 The median net of tax and investment fees return is 6.0% p.a. based on the WTW model, which is also in line with the Trustee's expectations of defined benefit asset growth due to investment returns. Overall we consider it reasonable to assume a 6.00% p.a. return for the future. This was unchanged from the assumption used for determining the AASB 1056 accrued benefits liability disclosed for the 30 June 2024 financial statements because it was based on the same growth asset allocation which was the applicable strategy at the time those statements were prepared.

4.9 The return assumption of 6.0% p.a. compares to a "best estimate" expected return of 3.5% p.a. assumed in the previous investigation. The increase in expected investment return is largely attributable to the improved financial outlook at 30 June 2024.

4.10 The following table sets out the actual investment return of the defined benefit assets for each of the three years over the inter-valuation period.

Year ending	Net of tax and indirect investment costs rate of investment return on defined benefit assets
30 June 2022	-2.3%
30 June 2023	1.6%
30 June 2024	4.0%
Average for the 3 year period	**1.1% p.a.**

4.11 Over the three-year period, the net return on the defined benefit assets was 1.1% p.a., which was lower than the best estimate investment return assumption of 3.5% p.a. from the previous investigation at 30 June 2021.

Inflationary salary increases

4.12 The two factors which influence superannuation salary increases are inflationary salary increases and promotional salary increases. Unless stated otherwise, all references to salary are to Salary as defined in the Plan's Benefits Deed, which can also be known as superannuation salary and differs from salary for other purposes.

4.13 For inflationary salary increases, we have considered the next year separately to the long term because increases in the short term will be influenced by agreements that Australia Post has committed to, as well as changes that Australia Post has made to the calculation of superannuation salary. Only Full members (i.e. those accruing 14.3% of final average salary) are considered because the vast majority of the benefit liability relates to these members.

Short term salary inflation

4.14 Prior to 30 June 2014, when an award employee's superannuation salary decreased, or remained constant, from one year to the next Australia Post's policy was to index superannuation salary to Average Weekly Ordinary Time Earnings (AWOTE). Over time a significant number of the defined benefit members were simply receiving an indexed superannuation salary that was higher than their salary for other purposes.

4.15 From 1 July 2014, Australia Post ceased to apply the AWOTE indexation to superannuation salary. No member's superannuation salary was reduced as part of this change, but those members whose actual salary is less than their superannuation salary will not receive an increase in superannuation salary until their actual salary catches up with their superannuation salary.

4.16 Members receive increases in superannuation salaries on their birthdays. We have examined the superannuation salary increases that members received on their birthdays between 1 July 2021 (seven years after the indexation change was introduced) and 30 June 2024. The following table includes only Full members that remained members of the Plan as at 30 June 2024.

All employees	Number	Average Salary 30 June 2021 ($)	Average Salary 30 June 2024 ($)	Average increase % p.a.
No salary increase	674	78,437	78,437	0.0%
Salary increase	13,117	70,490	81,567	5.0%
All relevant members	13,791	70,879	81,414	4.7%

Superannuation salaries are shown. Salaries have not been adjusted for part-time hours.

4.17 Approximately 95% of all relevant employees received a superannuation salary increase over the three year period to 30 June 2024, with an average increase of 5.0%. The average increase including both members who received an increase and those that did not receive an increase was 4.7%. These increases include both inflationary and promotional increases.

4.18 Overall, we believe that the inflationary component of superannuation salary increases for all employees will have been approximately 4.3% p.a. for the three years to 30 June 2024. This is higher than the assumed increases in the previous actuarial investigation and in isolation will have led to a deterioration in the financial position.

4.19 The current Enterprise Bargaining Agreement (EBA), applying to salary increases to 30 June 2025, allows for increases in line with price inflation where short term measures of inflation remain high, therefore we will assume a 4.5% p.a. salary increase for the first year to 30 June 2025.

Long term salary inflation

4.20 Beyond 30 June 2025, a long term salary inflation assumption is required.

4.21 Salary inflation tends to be higher than price inflation because employees generally share in productivity increases. In the 2021 Actuarial Investigation a long term salary inflation assumption of 2.5% p.a. was assumed, which was calculated to be about 0.4% p.a. higher than our long term price inflation forecast at the time and was equivalent to the mid-point of the Reserve Bank's target for price inflation.

4.22 Based on the 31 March 2024 WTW model, the best estimate of long-term future price inflation is 2.6% p.a., which is similar to the mid-point of the RBA target range of 2% to 3%. Given the current level of salary increases, the need to be consistent with the assumed investment return and Australia Post's and Australia's business environment we consider it reasonable to increase the long term salary inflation assumption to 3.25% p.a. from the 2.50% p.a. used in the previous actuarial investigation. The proposed long-term rate of 3.25% p.a. is 0.65% p.a. higher than the long-term price inflation assumed in the derivation of the expected investment return.

Promotional salary increases

4.23 We considered the individual rates of salary increase for each Full member who was active at both 30 June 2021 and 30 June 2024. This removes the effect of exits over the period. We have also only considered members who have had an increase in superannuation salaries over the three years to 30 June 2024 to account for the cessation of AWOTE indexation from 1 July 2014.

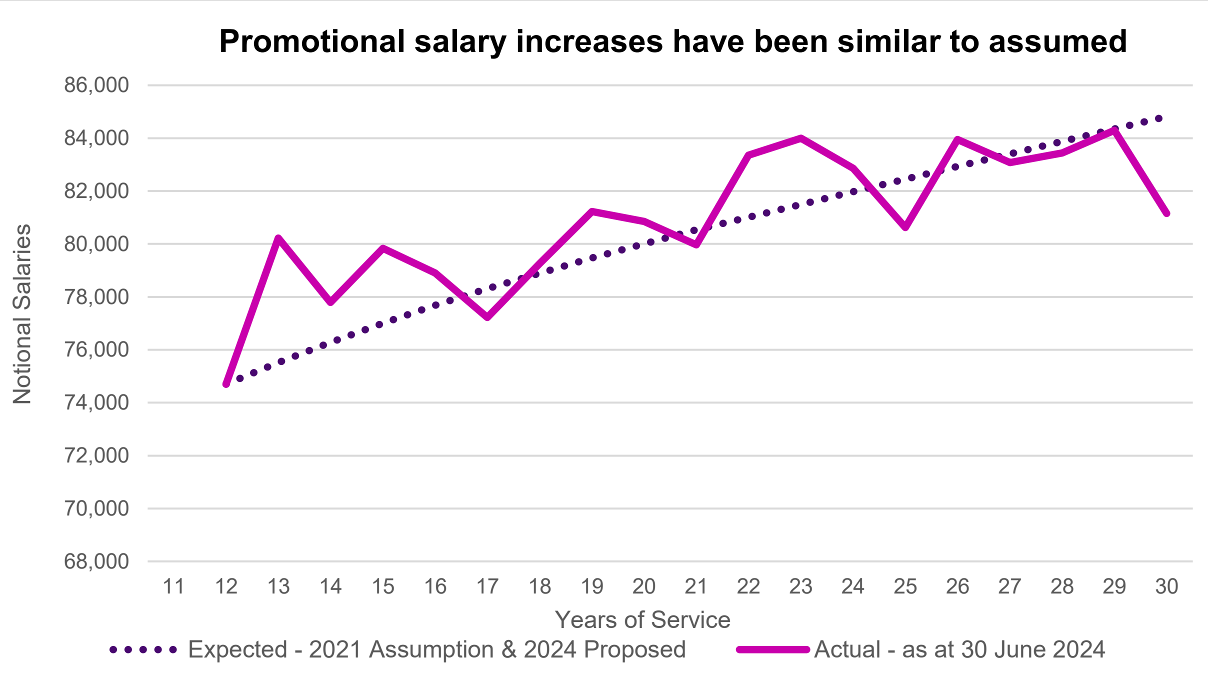
4.24 The table below shows the same analysis, as performed in 4.16 but considers only members with increases in superannuation salaries during the three years to 30 June 2024:

	Average Salary 30 June 2024 ($)	Average Salary 30 June 2021 ($)	Average increase % p.a.
Male Employees	82,455	71,254	4.99%
Female Employees	80,167	69,284	4.98%
All Employees	81,567	70,490	4.99%

4.25 To determine the appropriate promotional salary increase scale across all employees, we derived expected notional salaries by years of service using a $50,000 notional salary amount and applying the current promotional salary scale as at 30 June 2024. As shown in the chart below, this is then compared against the actual salaries as at 30 June 2024.

4.26 As the Plan has been closed to new members for over eleven years, the comparison focuses on members with more than 11 years of service.

4.27 The current promotional salary scale is in line with the actual salary amounts, as demonstrated in the chart below, and suggests that the promotional salary assumption remains consistent with the experience of Australia Post employees. Therefore, the current scale has been retained for all members.



Real Return

4.28 In calculating the present value of the Plan's liability the two most important assumptions are the discount rate and the rate of salary growth due to inflation. The difference between these two rates, known as the assumed real discount rate or 'gap' has a major impact on the financial performance of the Plan. With investment returns averaging 1.1% p.a. and the total of promotional and inflationary salary growth averaging 4.7% p.a. during the investigation period, the resulting gap of -3.6% p.a. was lower than both the short and long term assumed gaps in the last actuarial investigation.

4.29 The long-term "best estimate" real returns represent the "best estimate" return less the assumed rate of long-term salary inflation excluding salary promotions. This measure is useful for considering the average rate of employer contributions needed in the future. The long term "best estimate" real returns are:

	Actuarial investigation at 30 June 2024 ("Best Estimate")	Actuarial investigation at 30 June 2021 ("Best Estimate")
Investment Return	6.0% p.a.	3.5% p.a.
Salary Growth due to inflation	3.25% p.a.	2.5% p.a.
Real Return	2.75% p.a.	1.0% p.a.

4.30 The increase in the real return assumed in this actuarial investigation will have a favourable impact on long term funding of the Plan and decrease the contributions that would be expected to be required by Australia Post if no other assumptions were changed. We have investigated the impact of the assumption change and the sensitivity of the valuation results to variations in the assumed real rates of return. The results of these investigations are set out in Sections 9 and 10 of this report respectively.

Expenses

4.31 The assumption for the expected investment return includes an allowance for investment related costs (i.e. the expected investment return of 6.0% p.a. is net of investment related expenses). Therefore, in this section, we only consider administration expenses.

4.32 The current administration expense assumption has been agreed between ART and Australia Post and set out in the Services Agreement. It remains unchanged from that assumed in the 2021 Actuarial Investigation for the period post transfer to ART, therefore we have retained this assumption to be used for the 30 June 2024 investigation. The present value of these expenses was determined to be $16m.

Demographic Experience and Assumptions

4.33 The demographic assumptions are required to estimate the number of members that leave the APSS Plan by withdrawal, retrenchment, death, total and permanent disability and retirement.

4.34 We have examined the experience of the APSS Plan's membership over the period from 1 July 2021 to 30 April 2024 and have compared the actual experience to that expected on the basis of the long-term actuarial assumptions used in the previous investigation. We have provided a separate report entitled "Review of Actuarial Assumptions" dated 15 July 2024 setting out the results of our analysis. We have also reconciled the movement in membership over the two months to 30 June 2024 and considered the experience over this period.

4.35 A summary of the withdrawal actual to expected (A/E) ratios compared to the assumptions used in the previous investigation for defined benefit members over the two year and ten month period to 30 April 2024 is set out in the following table:

Withdrawals	Actual	Expected	A/E ratio
Males			
1 July 2021 - 30 June 2022	210	203	104%
1 July 2022 - 30 June 2023	247	178	139%
1 July 2023 - 30 April 2024	143	130	110%
Females			
1 July 2021 - 30 June 2022	151	142	106%
1 July 2022 - 30 June 2023	179	125	143%
1 July 2023 - 30 April 2024	160	91	176%

4.36 A summary of the retirement A/E ratios for all defined benefit members over the two year and ten month period to 30 April 2024 is set out in the following table:

Retirements	Actual^	Expected	A/E ratio
Males			
1 July 2021 - 30 June 2022	565	641	88%
1 July 2022 - 30 June 2023	542	667	81%
1 July 2023 - 30 April 2024	474	553	86%
Females			
1 July 2021 - 30 June 2022	294	383	77%
1 July 2022 - 30 June 2023	323	405	80%
1 July 2023 - 30 April 2024	298	350	85%

^ Analysis excludes 137 members who were aged over 70 at exit date

4.37 The following table sets out the A/E ratio for the number of deaths for defined benefit members over the two year and ten month period to 30 April 2024:

Deaths	Actual	Expected	A/E
Males	37	48	77%
Females	11	19	59%
Total	48	67	72%

^ Analysis excludes 9 members who were aged over 65 at exit date

4.38 We have calculated the expected number of Total and Permanent Disablements (TPDs) in the APSS Plan who were paid over the two year and ten month period to 30 April 2024. The following table sets out, for all defined benefit members the A/E ratios for TPDs:

Total and Permanent Disablements	Actual	Expected	A/E
Males	20	115	17%
Females	11	63	17%
Total	31	178	17%

4.39 The experience was generally within a reasonable margin of what was expected. An examination of the retirement experience at each age suggests that the actual rate of retirements for both males and females follow a very similar pattern at all ages. The number of deaths and disablements was lower than expected, but particularly for disablement benefits the lags between the date of disablement and date of making a claim made it hard to draw any firm conclusion.

4.40 After reviewing the demographic experience we have made the following changes to the assumptions:

a. Updated the mortality rates for all APSS Plan members to be consistent with the current premium rates charged under the AustralianSuper Select for Australia Post employees (the default fund for new Australia Post employees) within that fund which have increased since 2021; and

b. Updated the disablement rates for all APSS Plan members to more closely reflect actual disablement payments over the last few investigation periods, noting that they had been lower than expected.

4.41 The revised A/E ratios for deaths are shown below. Considering the longer term experience we consider the rates appropriate.

Deaths (Revised Assumption)	Actual^	Expected	A/E
Males	37	69	54%
Females	11	27	41%
Total	48	96	50%

^Analysis excludes 9 members who were aged over 65 at exit date

4.42 The revised A/E ratios for disablements are shown below. Considering the longer term experience we consider the rates appropriate.

Total and Permanent Disablements (Revised Assumption)	Actual	Expected	A/E
Males	20	87	23%
Females	11	48	23%
Total	31	135	23%

Summary of Assumptions

4.43 A detailed summary of the assumptions used for this actuarial investigation is contained in Appendix D.

Section 5: Assets

Background

5.1 In this section we consider the appropriate value of defined benefit assets to use for the actuarial investigation.

5.2 We have used the value of defined benefit assets provided by the Plan's administrator for our analysis.

Value of Assets

5.3 We have used the fair value of assets in this valuation. The fair value is universally accepted by the business community as being a relatively objective measurement of value, particularly where the value of underlying investments can be (or has been) subject to independent audit. For this reason, it is an appropriate value to place on the assets for the purposes of this investigation and for considering funding by the Employer. Costs of sale are not deducted from the fair value of assets, but we understand that these are not material. The fair value is appropriate in an ongoing plan context and its use is consistent with actuarial Professional Standard 404.

5.4 For the actuarial investigation, we have used the fair value for the Plan defined benefit assets at 30 June 2024 of $3,709.761 million, which is the value of defined benefit assets provided by Australian Retirement Trust in their capacity as the Plan's Trustee and administrator.

5.5 This amount has been provided prior to the deduction of offset accounts. Because the various liability measures are also determined prior to the deduction of such accounts, they have been determined on a consistent basis.

Section 6: Investments

Investment Policy

Defined Benefit Portfolio

6.1 In this report we are primarily concerned with the investment policy of the defined benefit assets because these are for the funding of members' defined benefits. Variability in investment returns will result in variability of the Vested Benefit Index (VBI) and potentially Australia Post's contributions.

6.2 The following table illustrates the actual allocation as at 30 June 2024 compared to the long-term target asset allocation as at that date:

Asset Class	Actual Allocation as at 30 June 2024	Long Term Target Asset Allocation as at 30 June 2024
Australian Shares	8.5%	8.5%
International Shares	4.6%	5.3%
Private Equity	16.8%	15.0%
Property	8.3%	10.0%
Infrastructure	11.0%	10.0%
Fixed Interest	19.6%	32.8%
Alternative Strategies	4.2%	5.0%
Cash	25.6%	13.5%
Other	1.5%	0.0%
Total	**100%**	**100%**

6.3 The long term target asset allocation as at 30 June 2024 had around 40% allocated to growth assets. This is a small reduction in the growth asset allocation since the 30 June 2021 actuarial investigation which was based on an investment strategy with a 45% growth allocation.

6.4 The appropriate investment policy for the defined benefit assets is a balance between a high allocation to growth assets that are expected to provide higher investment returns, resulting in a lower employer contribution being required by Australia Post, and a high defensive allocation that would be expected to reduce the variability of Australia Post's contributions. The Trustee continues to engage with Australia Post in respect of this balance and the current investment policy has been determined considering Australia Post preferences.

6.5 In considering the Plan's investment policy it is also important to consider the level of liquid assets. Because the APSS Plan is a sub-fund within ART, we would expect that ART would be able to share some illiquid assets across other portfolios to manage its liquidity position should such a need arise.

6.6 The APSS Plan contains a number of illiquid assets that cannot be shared with other sub-funds. However, given its relatively small allocation within the APSS, very large market movements or very large number of benefit payments would need to be made from the APSS Plan for the Plan's liquid assets target to be breached.

6.7 There is a range of investment policies that would be reasonable, depending on the preferences of the Trustee and Australia Post. Taking all the above into consideration, we consider the policy to be within this reasonable range.

Shortfall Limit

6.8 We consider the current shortfall limit of 98% to be reasonable and recommend it be retained. If the Plan VBI falls below this limit between actuarial investigations the Trustee is required, in consultation with Australia Post, to implement a restoration plan that is expected in usual circumstances to restore solvency within three years.

6.9 The shortfall limit is a requirement of SPS 160 and is defined to be:

"the extent to which an RSE Licensee considers that a fund can be in an unsatisfactory financial position with the RSE licensee still 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."

6.10 The shortfall limit will depend upon the investment policy adopted for the defined benefit assets, with a higher short fall limit (i.e. closer to 100%) for more defensive asset allocations. This is because more variability is expected in investment returns with higher growth asset allocations so there is a higher probability of the VBI returning to 100% within a year. Because the proportion of growth assets of the defined benefit assets has only slightly reduced it is appropriate to maintain the Short fall limit of 98%.

6.11 The Actuaries Institute has issued a Practice Guideline entitled "Shortfall Limit Required under APRA Prudential Standard SPS 160". This suggests that a shortfall limit of 98% is usually reasonable for a defined benefit fund like the APSS Plan with:

a. No material accumulation components within the defined benefit design;

b. Minimum Requisite Benefits that are well below the Vested Benefits; and

c. A 40% allocation to growth assets.

6.12 We recommend that the Trustee maintain a shortfall limit of 98%, which in our opinion would be reasonable for the APSS Plan.

Section 7: Funding methodology

Background

7.1 This Section considers the funding approach for the defined benefits provided by the APSS Plan.

7.2 Upon leaving employment, defined benefits are provided to Employee members. Because the timing or cause of exit or the amount of the benefit cannot be predicted in advance with any certainty, the cost of providing these benefits is unknown, and will remain unknown until the last defined benefit member of the Plan has left employment.

7.3 The Corporation and Associated Employers make contributions to the defined benefit assets to fund benefits. The rate of contributions is not fixed, and is determined from time to time by the Corporation after obtaining the advice of the Actuary and after consultation with the Trustee.

7.4 One purpose of the actuarial investigation is to make recommendations as to the future rates that the Corporation and Associated Employers should contribute.

7.5 Actuaries have developed a range of projection and discounting techniques to enable the determination of contribution rates that are appropriate for the funding of benefits of this nature. Most employers prefer contribution rates that are relatively constant (relative to remuneration costs of employees who have defined benefits) over time. To achieve this, "best estimates" for long term financial and demographic outcomes are used.

7.6 Prudential Standard SPS 160 requires:

- the actuary to recommend top-up contributions if the VBI is found to be below 100% at an actuarial investigation (or below a pre-determined shortfall limit at other times – 98% for the APSS Plan);
- the contributions recommended in an actuarial investigation when the VBI is less than 100% to be expected to be sufficient to restore the VBI to 100% in no more than three years;
- that if experience is worse than expected during the period of the funding plan, that the actuary recommends additional contributions required to restore the VBI to 100% within the original three years (the Trustee can only extend the three year period with APRA approval, and APRA's views to granting such extensions is unknown); and
- an Operational Risk Reserve to be excluded from the assets used for the VBI and funding calculations and provision to be made for pending and incurred but not reported self-insurance death and disablement benefits. No further deduction to the amount of assets is necessary as ART meets the requirements of the Operational Risk Reserve outside of the APSS Plan.

7.7 In Section 9, we consider the Corporation's funding of the defined benefit in terms of:

- 'Normal contributions' to fund defined benefits based on a VBI of 100%;
- 'Adjusted contributions' that allow for the current funding position of the Plan, which would include additional 'top-up contributions' if the VBI were below 100%, in order to meet the requirements in APRA's Prudential Standard SPS 160.

7.8 This Section sets out the method used to determine the Corporation's 'Normal contributions' and 'adjusted contributions' respectively.

Method for determining the Corporation's normal contributions

7.9 In this investigation, the aggregate funding method is used to determine the Corporation's normal contributions based on a VBI of 100%. Because the VBI was above 100% as at 30 June 2024 and the date of completing this report, top-up contributions have not been recommended in this report. However, there are alternative contribution options open to the Corporation based on the excess of assets above Vested Benefits. The Corporation may also consider contributing more than the normal contributions in order of reduce the risk of having to make top-up contributions in future.

7.10 The aggregate funding method is a method that projects the membership of the Plan into the future to derive expected future cash flows (typically benefit payments and contributions that take into account both past and future service). These projected cash flows are then discounted to present value terms and are used to assess an average future contribution rate. The aggregate funding method aims to have the last dollar of Plan assets used to pay the last dollar of member benefits.

7.11 The process used to determine a present value involves:

- Projecting the defined benefits expected to be paid in the future for today's members, allowing for future salary growth and other relevant factors;
- Projecting the expenses expected to be paid in the future;
- Discounting these projected benefits and expenses to a present value using the expected future net investment earning rate; and
- Similarly projecting and discounting to calculate the expected present value of 1% of members' future salary.

7.12 The difference between:

a. The present value of future benefits and expenses; and

b. The fair value of assets.

represents the present value of the liability that is required to be financed by the Corporation. The net of tax Corporation contribution rate can be set as this liability divided by the present value of 1% of members' future salary. The Corporation contribution rate is then calculated by increasing this rate to allow for contribution tax.

7.13 The aggregate funding method determines contribution rates that are expected to be adequate to provide all future benefit payments made to current members, and which are expected to remain constant as a percentage of future expected total salaries over time. As described above, to determine the normal contributions this assumes the VBI is 100%.

Method for determining aggregate contributions

7.14 Because the VBI is over 100%, the Corporation has some flexibility in respect of both the contributions it pays and the investment strategy.

7.15 In Sections 9 we consider the contribution rate that would be required, if the excess of assets over the Vested Benefits was spread over the expected future life-time of the APSS Plan. This is done by calculating an ‘aggregate contribution rate’ (using the aggregate funding method as described above) based on the actual defined benefit assets of the Plan, rather than assuming a VBI of 100%.

Section 8: Financial position as at 30 June 2024

8.1 This Section considers the financial position of the Plan as at 30 June 2024. In order for the Trustee to ensure that the benefits of the members are adequately secured, a number of measures are normally considered. These are:

- The financial position if all members were to voluntarily leave the Plan at the valuation date (the Vested Benefit Index);
- The Actuarial Value of Accrued Benefit Index, which means the adequacy of existing assets to pay accrued benefits assuming benefits are paid in future in accordance with the actuarial assumptions;
- The level of assets relative to members' Minimum Requisite Benefits (technical solvency); and
- The financial position if the Plan were to be terminated at the valuation date.

8.2 This section sets out the calculations of these measures as at 30 June 2024 for the defined benefit assets and liabilities.

8.3 In this report, all measures of financial position and funding position are shown in aggregate for all defined benefit members.

8.4 We believe the assumptions and methodology used to calculate the funding indices and the actuarial value of accrued benefits are appropriate.

Vested Benefit Index (VBI)

8.5 Vested benefits are defined as the benefits that would be due and payable if all members had received withdrawal benefits or (if eligible) their retirement benefits. It does not include any discounting or allowance for future death or TPD benefits. It includes an estimate of the amount of death and TPD benefits already incurred.

8.6 The VBI for the defined benefit assets and liabilities is defined as follows:

$$\text{VBI} = \frac{\text{Fair Value of Assets backing the defined benefits}}{\text{Total of all Defined Benefit Vested Benefits}}$$

8.7 The VBI is an indicator of the short-term solvency of the defined benefits and for the Plan as a whole. The VBI is an important measure to consider because it is the measure used by SPS 160 to measure the Plan's financial position.

8.8 For the purpose of assessing the adequacy of funding, the focus of this report is on VBI.

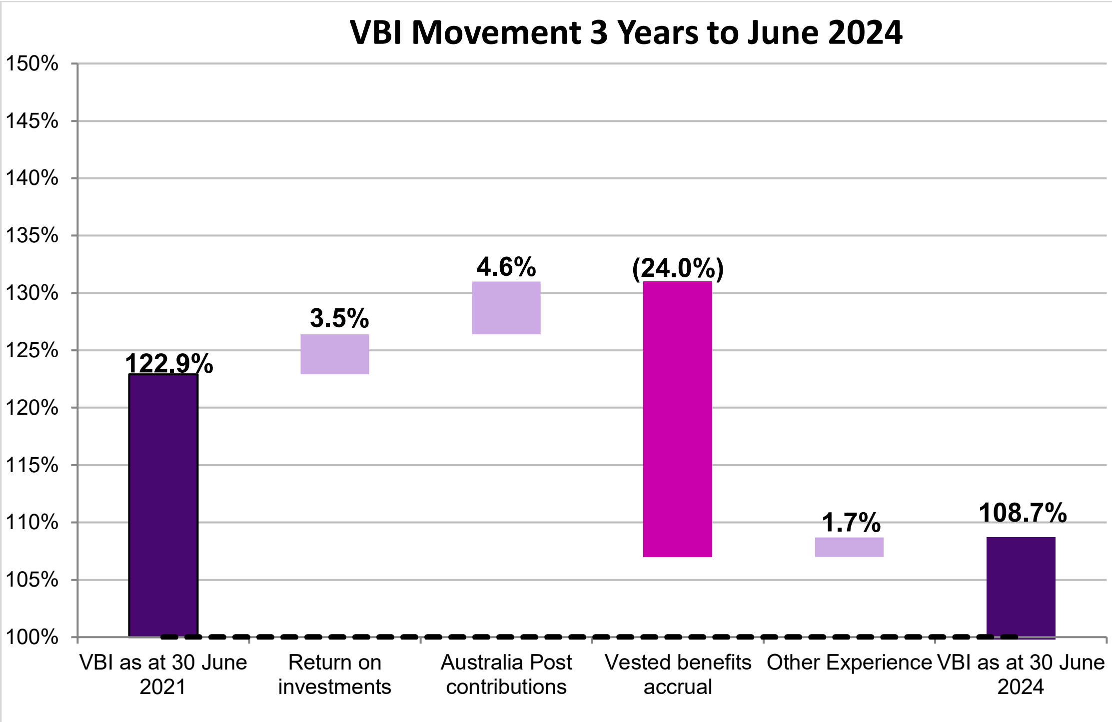
8.9 With the Plan's VBI above 100%, the Plan was in a satisfactory financial position as at 30 June 2024 under the meaning given in SPS 160.

8.10 We have calculated the VBI as shown in the following table:

Vested Benefit Index as at 30 June 2024	
Defined Benefits	
Fair Value of Assets	$3,709.8m
Vested Benefits	$3,412.2m
VBI	108.7%

8.11 The Defined Benefit VBI decreased from 122.9% as at 30 June 2021 to 108.7% as at 30 June 2024. The decrease in the VBI is mainly attributable to the Corporation contributing at a rate lower than the normal contribution rate and the lower than expected excess of investment return above salary increases.

8.12 The following chart shows the reasons for the change in VBI over the three year period ended 30 June 2024. The Vested Benefit accrual includes both the impact of superannuation salary increases as well as the accrual of members' benefits with additional service.



Actuarial Value of Accrued Benefits

8.13 The long term measure of the Plan's financial position at 30 June 2024 is the adequacy of its assets to provide members' Accrued Benefits (benefits payable in future years which have accrued as a result of membership up to 30 June 2024). This measure assumes the APSS Plan continues as an ongoing entity and the form of benefits provided is unchanged.

8.14 In this investigation, the ratio of Plan assets to the actuarial value of accrued benefits is known as the Accrued Benefits Index (ABI). The actuarial value of members' Accrued Benefits is the proportion of future benefit payments in respect of service to 30 June 2024 discounted to 30 June 2024. The proportion of benefits arising due to past service as at 30 June 2024 is:

a. Retirement and Resignation – the past membership benefit as at 30 June 2024, with allowance for future salary increases to the assumed exit date;

b. Death and TPD benefits – the total projected benefit multiplied by service to 30 June 2024 divided by service to the assumed date of death or TPD.

8.15 The funding surplus or deficit is defined as the fair value of defined benefit assets less the present value of the future expected benefit payments in respect of service already completed by current members. As at 30 June 2024, there was a funding surplus of $660.3 million in the Plan, which confirms that the Plan's assets were sufficient to cover accrued benefits as at 30 June 2024.

Accrued Benefits Index as at 30 June 2024	
Defined Benefits	
Fair Value of Assets	$3,709.8m
Liability for Accrued Benefits	$3,049.5m
Ratio of Fair Value of Assets to Accrued Benefits (ABI)	121.7%

8.16 The ABI decreased from 127.7% as at 30 June 2021 to 121.7% as at 30 June 2024. The following factors have contributed most significantly to the movement in the ABI to 30 June 2024:

a. The Corporation contributing at a lower rate than the normal contribution rate;

b. The real investment return above salary increases over the three years to 30 June 2024 has been lower than expected, decreasing the ABI; partially offset by,

c. The increase in the real return assumption (taking into account changes in the assumed promotional salary increases) has caused an increase in the ABI by increasing the discounting applied to future payment of accrued benefits.

8.17 The other changes to assumptions have also acted to decrease the ABI. This includes changes in demographic assumptions that mean that on average members are expected to remain in the Plan for slightly shorter duration.

Minimum Requisite Benefits

8.18 Minimum Requisite Benefits (MRBs) are the minimum benefits required to satisfy Superannuation Guarantee legislation. Regulation 9.06(3) of the Superannuation Industry (Supervision) Regulations defines a superannuation fund to be technically insolvent if its fair value of assets is not larger than its accrued MRBs.

8.19 If, while carrying out an actuarial function, an actuary determines that a superannuation fund is technically insolvent he or she must declare in writing that this is the case and provide the declaration to the Trustee.

8.20 When a defined benefit fund has been declared technically insolvent it must either:

- Initiate a program designed by an actuary to return the fund to technical solvency within five years; or
- Wind-up the fund.

8.21 The MRB is configured on the administration system. At exit, the member's benefit is compared to the MRB to ensure the minimum benefits are paid. The Minimum Requisite Benefits Index (MRBI) is defined as:

$$\text{MRBI} = \frac{\text{Fair Value of Assets backing the defined benefits}}{\text{Total of all Defined Benefit Minimum Requisite Benefits}}$$

8.22 For most Permanent Employees, the MRB is expected to be significantly lower than their leaving service benefit, due to the accrual rate of 14.3% on their leaving service benefit being higher than the current Superannuation Guarantee rate, which increased to 11.5% from 1 July 2024. As the majority of the members in the Plan are Permanent Employees, in aggregate, the Plan's MRB is expected to be much less than the Plan's leaving service benefits.

Minimum Requisite Benefit Index as at 30 June 2024	
Defined Benefits	
Fair Value of Assets	$3,709.8m
Minimum Requisite Benefits	$2,232.4m
Ratio of Fair Value of Assets to Minimum Requisite Benefits (MRBI)	166.2%

8.23 The ratio of assets to MRBs for the defined benefits was 166.2% as at 30 June 2024. It has decreased from 193.8% as at 30 June 2021. The main reasons for the decrease in the MRBI were the same as for the VBI, as well as the gap between the benefit accrual rate of 14.3% and the SG rate narrowing over time.

Termination State

8.24 Although a very large number of exit patterns could possibly occur, there is only one that can be made to occur, namely the termination of the Plan by the Trustee. In this circumstance, the liability required to be met is that set out in Clause 11 of the Participation Deed.

8.25 On termination, the benefits required to be paid are amounts determined by the Trustee on the advice of the Actuary making allowance for the costs and expenses likely to be incurred. These amounts are not to exceed the greater of the Member's Accrued Retirement Benefit and the Member's MRB at the date of termination.

8.26 A practical measure of the termination position is therefore the asset coverage of the maximum level of benefits that would be payable to members and beneficiaries at the date of termination.

8.27 The maximum liabilities for members and beneficiaries on termination is equal to the Vested Benefits. Therefore, the ratio of fair value of assets to the maximum termination state liabilities may be measured by the VBI, if the Plan assets were fully available to pay benefit liabilities upon termination. Because the VBI is over 100%, the defined benefit assets are currently sufficient to meet the maximum benefits payable if the Plan was terminated.

Section 9: Long term funding

9.1 This Section considers the Corporation's funding of the defined benefits. The Trust Deed requires the Corporation to determine the contribution rate after obtaining the advice of the actuary and in consultation with the Trustee.

9.2 All analysis includes the small number of members employed by other Associated Employers where the Corporation is responsible for their funding, and the required contributions recommended are the same for the Corporation and all subsidiaries, including StarTrack Express. We have been advised that Australia Post would prefer a single contribution rate for all employed members.

9.3 This funding plan was prepared earlier in 2024 following detailed discussions between representatives of the Trustee and the Corporation, after the VBI had fallen below 110%. A large number of funding approaches were discussed and several alternatives modelled. Findings from this investigation confirmed the appropriateness of this funding plan.

Normal contributions and aggregate contributions

9.4 To determine the Normal Contribution Rate and Aggregate Contribution Rate, we have performed an aggregate valuation on the membership as at 30 June 2024, using the methodology outlined in Section 7 and the assumptions described in Appendix D.

9.5 In Section 8 the VBI was calculated to be 108.7% as at 30 June 2024. This means that the fair value of assets was more than enough to pay the benefits of all members if they ceased service at that date (assuming all assets were liquid). The aggregate valuation method spreads the excess assets over the future expected membership period of the defined benefit members. Hence, the Aggregate Contribution rate calculated using this approach is lower than the Normal Contribution rate calculated assuming a VBI to 100%. For comparison we have calculated both the Aggregate Contribution Rate, based on the fair value of assets, as well as what the Normal Contribution Rate would have been if the VBI was 100%.

9.6 The following table sets out the results as at 30 June 2024:

Defined Benefit Assets and Liabilities Position as at 30 June 2024	**Assuming VBI is 100%**	**Based on actual value of assets**
A. Fair Value of Assets	$3,412.2m*	$3,709.8m
B. Present Value of Total Service Liabilities	($3,903.0m)	($3,903.0m)
C. Present Value of Future Expenses	($16.0m)	($16.0m)
D. Present Value of benefits (yet to be funded by employer contributions) (=A – B – C)	($506.8m)	($209.3m)
E. Present Value of contributions tax on future contributions	($86.6m)	($34.1m)
F. Present Value of future employer contributions (=D – E)	($593.4m)	($243.4m)
G. Present Value of 1% of members' future Salaries	$71.7m	$71.7m
H. **Required Contribution Rate (% of Salaries) (= F / G)**	**8.3%**	**3.4%**

* Value of assets is set equal to the Defined Benefit Vested Benefits assuming VBI is 100%

9.7 The Aggregate Contribution Rate calculated using the aggregate funding method is 3.4% of superannuation salaries. Implicit in this calculation is the assumption that the surplus as at 30 June 2024 would be spread over the future life time of the APSS Plan, and if the Corporation were to contribute at this rate, there would not be any opportunity to further “de-risk” the defined benefit assets by reducing the proportion of growth assets in the defined benefit assets from the current 40% growth investment strategy if experience was as expected.

9.8 If Australia Post were to contribute at the Aggregate Contribution Rate of 3.4%, and experience was as expected, then the contributions would be expected to be sufficient to pay benefits and expenses as they fall due. However, in practice experience will be different from expected. It is likely that at some time experience will be worse than expected and Australia Post could need to increase its contribution rate, potentially materially. In a closed superannuation fund, contribution rates expressed as a percentage of salary can become more variable over time because the present value of future contributions becomes smaller relative to members’ vested benefits and the assets.

9.9 Australia Post has advised that it prefers to continue to contribute at 5% of superannuation salary, slightly higher than the Aggregate Contribution Rate of 3.4% of superannuation salary under the current investment strategy.

9.10 For comparison, assuming a VBI of 100% at 30 June 2024, the Normal Contribution Rate would have been 8.3% of superannuation salary. This is the contribution rate expected to be sustainable if the VBI is 100% and all experience is as expected. This provides an indication of what the recommended Normal Contribution Rate may be if the VBI were to reduce to 100% over the next few years. This is higher than Australia Post’s preferred and current contribution rate of 5% of superannuation salary because the current surplus enables it to contribute at a lower rate.

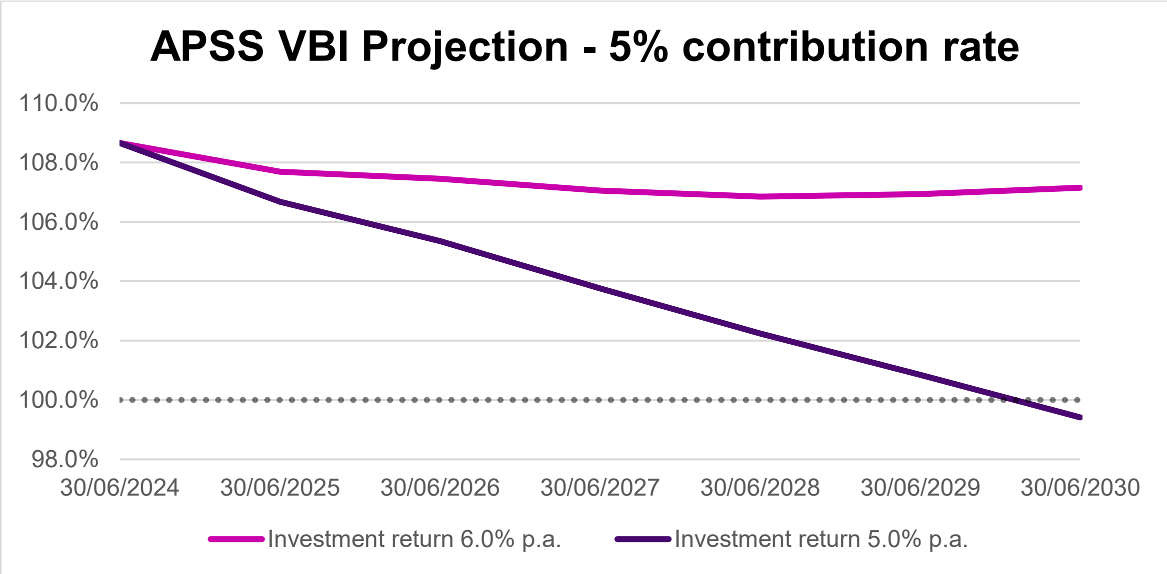
9.11 The Normal Contribution Rate assuming a VBI of 100% has decreased from 14.6% at the previous actuarial investigation to 8.3% in this investigation. The primary driver of this decrease is the increased expected investment return resulting primarily from the improved financial outlook. The increase is also attributable to changes in membership and the increased maturity of the closed Plan, as well as changes to the salary increase and demographic assumptions. The changes to demographic assumptions resulted in a very small increase to the contribution rate. The net impact of the changes to the financial assumptions, was to decrease the contribution rate by approximately 7.2% (i.e. materially all of the increase from 14.6% to 8.3%) of superannuation salary.

Strategy

9.12 Based on the current investment strategy with a 40% allocation to growth assets, we expect that Australia Post’s preference to contribute at 5% of superannuation salary to be sustainable in the long-term, as it is higher than the Aggregate Contribution Rate of 3.4% of salaries as calculated in Section 9.6.

9.13 The following graph also shows that the Corporation’s preferred contribution rate of 5% of superannuation salary is appropriate in the short to medium term, as it shows the Plan is expected to remain in a satisfactory financial position when the Corporation is contributing at this level. It also shows that, if investment returns were 1% p.a. lower than at the assumed rate, the VBI is expected to maintain above 100% over the next five years, but then fall below

100% after that. We note that in practice, if investment returns persist at this level, contributions higher than 5% of salaries is likely to be required at some point in time.



9.14 We note however, other than illustrating the VBI when investment return is 1% p.a. lower than expected, that the above analysis does not allow for any variability of experience:

- If experience is more favourable than expected, the VBI may increase. This may result in significant surplus being accrued in the Plan, which may not be easily returned to the Corporation;
- If experience is less favourable than expected, the VBI may reduce and the Plan could be in an unsatisfactory financial position. In such a situation, the Corporation would very likely be required to make additional top-up contributions, as well as making long-term contributions at a rate higher than 5% of salaries based on the current investment strategy.

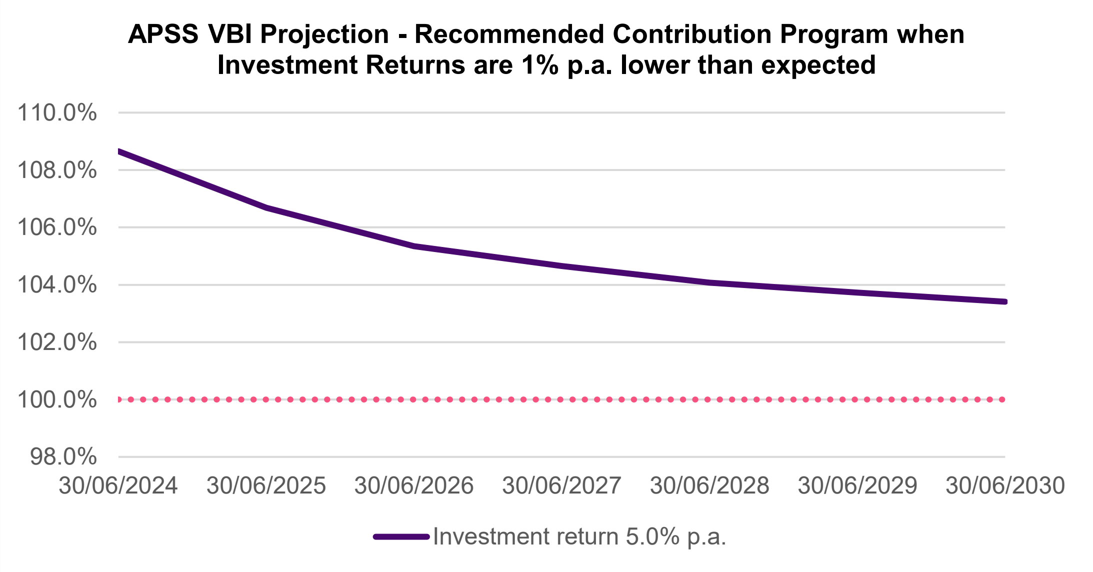
9.15 To assist in managing the risk of these outcomes emerging, it would be desirable to put in place VBI triggers so that the contribution program, along with the investment policy, could be reviewed to increase the likelihood that the VBI would remain in an appropriate range.

9.16 Given the current financial position, as well as the maturity of the Plan, I consider a range of 105% to 120% to be a reasonably appropriate range. Should the VBI exceed 120%, the Trustee and the Corporation should consider and agree whether there is a need for a review of its contribution arrangements, along with the investment strategy, at that time.

9.17 Based on previous analysis and discussions with the Trustee and the Corporation, should the VBI reduce to 105% or below, we recommend that the contribution rate be increased to 8.6% of superannuation salaries, or at another rate as agreed with the Actuary that is intended to reflect the long-term cost of benefit accrual. The contribution rate could then revert back to 5% when the VBI increases to 110% or above.

9.18 We note that or the rate of 8.6% is slightly higher than the long-term cost of benefit accrual 8.3% of superannuation salaries in this investigation, as it was based on an investment strategy and contribution review in early 2024.

9.19 The following graph shows that the VBI is expected to remain above 100% if the contribution rate is increased to 8.6% when the VBI falls to 105% due to investment return being 1% p.a. lower than expected.



Additional Top-up contributions

9.20 With the VBI above 100%, additional top-up contributions are not currently required. If the VBI falls below 100% while an actuarial investigation is being completed, or below the shortfall limit of 98% at any other time we will recommend that the Corporation make any required additional-top up contributions in accordance with prudential and legislative requirements.

Experience since 30 June 2024

9.21 Since 30 June 2024, investment markets have produced positive returns. As at 30 September 2024, the investment return for the defined benefit assets for the financial year to date has been higher than expected, and the estimated VBI as at the date of writing was around 108.5%. While the VBI has decreased slightly, we do not expect this investment experience, or any other experience, post the valuation date would have a material effect on the recommendations contained in this report.

Recommendation

9.22 Based on the analysis set out in this section and also taking into account the Corporation's preferences, we recommend that the Corporation continue to contribute at 5% of superannuation salaries, or a reasonable estimate thereof, effective from 1 July 2024 with respect to defined benefit liabilities in the APSS Plan,.

9.23 We recommend that the Corporation increase the contribution rate to 8.6% of superannuation salaries (or at another rate as agreed with the Actuary that is intended to reflect the long-term cost of benefit accrual) if the VBI reduces to 105% or below, and revert back to 5% when the VBI increases to 110% or above.

9.24 We further recommend that the Trustee and Corporation agree to consider the need to review its contribution rate and investment strategy should and when the VBI increase to 120% or above, to manage the risk of significant surplus being accrued in the Plan.

9.25 In addition, Australia Post should also contribute members' salary sacrifice contributions.

9.26 This approach reflects the preferences of Australia Post and is expected to be sufficient to fully fund the Plan benefits.

Section 10: Sensitivity to long term assumptions and short term investment experience

10.1 In this Section we investigate the impact of changes to:

a. the long term financial assumptions, principally investment returns, as the results are most sensitive to these assumptions;

b. a large reduction in the number of Post's employees; and

c. a catastrophic event.

10.2 The sensitivities included are provided as illustration and examples, and their use as examples do not ascribe our views as to the likelihood of these scenarios occurring. They do not represent the best or worst cases that could occur. More extreme outcomes are possible.

Sensitivity to expected long-term investment return

10.3 Of most significance in the long-term funding position is the assumed real return which is the assumed long-term rate of net investment return less the assumed long-term rate of salary inflation. This rate is used to determine the expected present value of the Plan's benefit liabilities. The impact of higher or lower investment returns or salary increases is similar. The long-term expected investment return can increase or decrease because of changes in the Plan's asset allocation, or because of changes in the Plan's investment consultant's long-term outlook of investment markets.

10.4 The following table shows the impact of a higher and lower investment return on Australia Post's contribution rates.

Required Aggregate Total Service Contribution Rates (% of Superannuation Salary)	Base case: Long-term Real return of 2.75% p.a.	Scenario 1: Real return 1% p.a. higher	Scenario 2: Real return 1% p.a. lower
Based on financial position as at 30 June 2024	3.4%	0.0%*	7.8%
Assuming VBI was 100% as at 30 June 2024	8.3%	4.4%	12.4%

* No contributions are required under this scenario and an aggregate total service contribution rate of 0.0% is shown.

10.5 This table shows that the required contribution rate is very sensitive to the long term investment return. Because the proportion of benefit liabilities to be funded by future contributions will reduce over time because the APSS Plan is closed, the contribution rates will become even more sensitive to the investment return.

10.6 The table below shows the expected movement in the Plan's VBI if there is a 1% p.a. change in the real return, if the Corporation continue to contribute at a rate of 5.0% of superannuation salaries from 1 July 2024. Whilst in practice the recommended contribution program would require contributions to be increased after 30 June 2026 under Scenario 2, this is not reflected in the below for the sake of comparison of the expected financial position between the scenarios.

Date	Base case: Real return of 2.75% p.a.	Scenario 1: Real return 1% p.a. higher	Scenario 2: Real return 1% p.a. lower
30 June 2024	108.7%	108.7%	108.7%
30 June 2025	107.7%	108.7%	106.7%
30 June 2026	107.5%	109.6%	105.3%
30 June 2027	107.1%	110.4%	103.8%
30 June 2028	106.8%	111.6%	102.2%
30 June 2029	106.9%	113.3%	100.9%
30 June 2030	107.2%	115.3%	99.4%

Reduction in the number of Australia Post's Employees

10.7 The benefit payable on retrenchment is equal to either a resignation or retirement benefit, so the retrenchment of an employee does not create an additional strain on funding in addition to any strain that would be otherwise created if they left voluntarily (i.e., resigned or retired).

10.8 A large number of retrenchments would worsen the VBI and the funding for remaining members where the VBI is below 100%, as the remaining deficit would be spread across fewer remaining members. On the contrary, where the VBI is above 100%, a large number of retrenchments would have the opposite effect.

Catastrophic Event

10.9 A flu pandemic or similar event has the potential to cause significant disruption to the operation of the Plan, and this analysis considers the funding aspects of such an event if a large number of death and/or TPD benefits may need to be paid. In practice, investment returns would also be significantly impacted in this scenario.

10.10 As set out in Section 11.6, the Plan had 9,202 members with death benefits in excess of their resignation or retirement benefit as at 30 June 2024. If 30% of these members were assumed to contract a pandemic flu and 5% of these were assumed to die then approximately 138 death payments would need to be met. These are indicative figures only, as a range of assumptions can be adopted to reflect the nature and degree of specific events. The impact would be in the order of $17 million, or 0.4% of the VBI.

10.11 The financial impact of a catastrophe or pandemic is considered further in Section 11.

Section 11: Death and TPD benefits

Background

11.1 The defined benefits become payable on the occurrence of specific events such as resignation, retirement, death or Total and Permanent Disablement (TPD). The benefits payable on death or TPD benefits are in most cases higher than members' resignation benefits.

11.2 On death or TPD a permanent or non-permanent employee in the APSS Plan is entitled to:

a. Their resignation or retirement benefit; plus

b. An additional "future service" lump sum benefit based on his or her potential future service to age 60 for permanent employees. For non-permanent employees, an additional benefit is payable on death only and is equal to a fixed amount based on the members' age as prescribed under legislation.

11.3 Because the Plan self-insures these death and TPD benefits, there is a risk that the cost of death and TPD benefits for employee members may be higher than expected, either due to the profile of deaths and disablements being different to expected, or greater numbers of payments than expected.

11.4 If the amount of death and TPD benefits is higher than expected then the Corporation's future superannuation contributions will be higher than they otherwise would have been to take the additional benefit payments into account. Similarly, if the amount of death and TPD benefits is lower than expected then Australia Post's future contributions will be lower than they otherwise would have been to take the reduced benefit payments into account.

11.5 Only death and TPD defined benefits provided within the APSS Plan have been considered in this section. Other death and TPD benefits are not self-insured by the APSS Plan or paid for by the Corporation, and therefore do not affect Australia Post's future contributions and hence not included in this analysis.

Position at 30 June 2024

11.6 The following table summarises the Plan's exposure to death and TPD risk as at 30 June 2024.

Exposure to death and TPD risk as at 30 June 2024	
Net Assets Available (Defined benefit assets available to meet benefits)	$3,709.8 million
Defined Benefit Vested Benefits	$3,412.2 million
Total death and TPD benefits above the resignation or retirement benefits across all members	$1,111.1 million
Expected payment of death and TPD benefits above the resignation or retirement benefits for the year to 30 June 2025	$3.0 million
Total number of permanent and non-permanent Members	14,042
Number of Members with death and TPD benefits which exceed the resignation or retirement benefit	9,202

11.7 The amount of expected "future service" benefits paid (death and TPD benefits which exceed the resignation or retirement benefit) for the year to 30 June 2025 is expected to be around $3.0 million and represents only 0.08% of the net available assets. This is lower than the expected claims of $3.4 million for the year to 30 June 2022 based on membership as at 30 June 2021 and the reduction reflects that the APSS Plan is closed to new members. In deriving the recommended normal contributions, we have allowed for amounts for the funding of expected death and TPD benefits, including the "future service" component of the benefit.

11.8 Whilst the expected annual amount of claims represent only a small proportion of total APSS Plan assets, the actual amount of claims will vary around the expected level from year to year, as discussed below.

Experience

11.9 Section 4 of this report noted:

a. Over the two year and ten month period to 30 April 2024 the assumed rates of death were higher than the actual number of deaths; and

b. Over the two year and ten month period to 30 April 2024 the assumed rates of TPD were higher than the actual number of TPDs.

11.10 As discussed in Section 4, we have increased the death assumptions and reduced the TPD assumptions.

11.11 We have also analysed the death and TPD benefit data for the period 1 July 2014 to 30 June 2024. A summary is shown in the following table.

Death and TPD Statistics				
Financial Year / Self-Insurance Review Period	**Number of Benefits**	**Annual "Rate" of Death and TPD**	**Average Future Service Benefit ($)**	**Total Future Service Benefits ($)**
2014/2015	90	0.316%	76,475	6,882,737
2015/2016	74	0.281%	66,576	4,926,609
2016/2017	62	0.246%	70,242	4,354,978
2017/2018	70	0.303%	81,324	5,692,703
2018/2019	50	0.232%	68,791	3,439,571
2019/2020	59	0.294%	65,531	3,866,310
2020/2021	73	0.385%	52,843	3,857,517
1/07/21 - 31/03/22	33	0.247%	69,112	2,280,689
30/04/22 - 31/10/22	20	0.239%	63,775	1,275,501
31/10/22 - 31/10/23	63	0.392%	57,823	3,642,861
31/10/23 - 30/06/24	39	0.401%	56,544	2,205,202
Average (Annual)	**64**	**0.300%**	**67,022**	**4,278,119**

Notes:
1. Claims are based on claims paid so the estimates assume constant membership and underlying risk.
2. Due to the successor fund transfer at 29 April 2022, death and TPD claims data was not available for the period between 31 March 2022 and 30 April 2022.

11.12 This table shows that:

a. The number of benefits and the amount of future service benefit payments both show some fluctuation from year to year;

b. The "rate" of death and TPD (i.e. the number of benefits each year as a percentage of total membership at the start of that year) is generally within the range of 0.2% to 0.4%; and

c. The annual future service death and TPD benefit payments have averaged approximately $4.3 million and that they have not exceeded $6.9 million over the period examined. The maximum excess of benefit payments above the average over the period was $2.6 million ($6.9 million less $4.3 million) that represents 0.07% of the defined benefit assets.

11.13 Although the benefit experience fluctuates from year to year, the level of fluctuation is small relative to the size of the Plan's defined benefit assets. For this reason fluctuation in the death and TPD experience is not expected to significantly affect the Plan's overall solvency position. Extreme experience would be required to impact the VBI materially.

Incurred but not Reported claims reserve

11.14 In considering the Plan's self insurance arrangements it is important to consider Incurred but not Reported (IBNR) claims. These refer to claims that have incurred, but not yet reported as at the valuation date. In the context of disablement claims, they include future claims where the future claimant would have already suffered the injury as at 30 June 2024 that would eventually lead to the claim being made, but had not yet reported (or in some cases, the claimant realising such injury has occurred). Future claimants would include APSS Plan members, and former members of the Plan and the Scheme. Because of the long-tailed nature of these claims as described above, it is important to make a separate allowance for such costs.

11.15 The number of death and TPD claims for 2023/2024 and earlier years, and hence the ultimate "rate" of death and TPD and total future service benefits in respect of exits from those years, may increase as IBNR death and TPD claims emerge.

11.16 In estimating a provision in respect of IBNR claims, we have considered the lag period ('IBNR lag') between when a death and TPD claim was incurred ('Date Incurred') and when the claim commences payment. The provision for IBNR claims is also estimated to be sufficient to cover pending claims.

11.17 The data that we have been provided does not identify the Date Incurred with respect to disability benefits. Consistent with previous analysis, we have assumed that the Date Incurred was 12 months before the member's date of exit from employment recorded in their TPD claims records. We are satisfied that the adoption of this assumption is unlikely to result in an understatement of our estimate of the provision required. Pending claims were also considered.

11.18 The derived provision for pending and IBNR TPD claims is $13.3 million. However, this provision is sensitive to the IBNR data and the derived lag distribution, which is based on an industry standard lag distribution table. The lag distribution used is shown in the table below:

IBNR lag (years)	Proportion of claims (based on claim amounts)
0	0%
1	14%
2	31%
3	22%
4	13%
5	8%
6	5%
7	3%
8 or greater	4%
Total	**100%**

11.19 A provision for pending and IBNR death claims has been estimated separately to be $0.6m. It is reasonable to expect death claims to be settled within a significantly shorter period, but experience has shown some claims to experience potential delays until payment. The provision was derived based on the lag distribution observed from claims over the three years to 30 June 2024 shown in the table below from the assumed Date Incurred (which is the date of exit from employment for death claims).

IBNR lag (years)	Proportion of claims (based on claim amounts)
0	60%
1	38%
2	0%
3	2%
4	0%
5 or greater	0%
Total	**100%**

11.20 In determining the final IBNR reserve that should be adopted, we have also considered whether it is reasonable to incorporate a risk margin to reflect uncertainties in the data and assumptions used in determining the derived provisions.

11.21 Based on the above analysis, we have therefore retained the IBNR reserve of $15.0 million, which we consider a reasonable estimate. Ultimately, the amount of IBNR claims at any point in time could fluctuate widely from this estimate, and will only be known as those claims emerge.

11.22 The estimated IBNR reserve of $15.0 million is included in the vested benefits and funding calculations, which is the same provision that was adopted prior to this investigation.

Insurance Reserve Requirements of SPS 160

11.23 SPS 160 requires the Plan to either maintain a segregated self-insurance reserve or other arrangements approved by APRA from 1 July 2013.

11.24 The Trustee has received approval from APRA to apply other arrangements in accordance with paragraph 36(a) of SPS 160. The alternative arrangements (in lieu of maintaining a self-insurance reserve) approved by APRA require:

a. A self-insurance provision be added to the vested benefits in determining the VBI for the APSS Plan. The amount is in respect of pending and IBNR claims as advised by the Plan Actuary. In practice this self-insurance provision is added to all liability calculations and reflected in all funding and financial position calculations; and

b. That the contribution rate paid by Australia Post and Associated Employers includes funding of the self-insured benefits.

11.25 These requirements have been met in the methodologies used in this actuarial investigation.

11.26 In approving the alternative arrangements for the APSS Plan, APRA also requested that an actuarial review of the self-insurance arrangement be made annually. SPS 160 also requires ongoing actuarial oversight of the self-insurance arrangements and for the Trustee to attest annually that self-insurance is in members' best interests. To assist the Trustee in making this attestation, we discuss below the appropriateness of the Plan's self-insurance.

Appropriateness of Self-Insurance

11.27 In our opinion, we consider the current self-insurance arrangements for the Plan to be reasonable, and we see no reason as to why the Trustee would not be able to attest that the Trustee continues to act in the best interests of the beneficiaries by continuing current self-insurance arrangements,

11.28 As demonstrated above, the risk of deviations in payment of death and TPD benefits from those expected is not likely to have a significant impact on the solvency position of the Plan except in the case of a catastrophe. Thus, self-insurance is reasonable.

11.29 However, it would be possible to remove this risk from the Plan if the death and TPD benefits were insured by an external insurer. This approach has not been adopted in the past because:

a. Insurance is expected to be more costly than the current arrangements due to the inclusion of expenses, contingency and profit margins embedded in the insurer's premium rates;

b. The current arrangements allow the APSS Plan to fully control its level of benefit, TPD definition, underwriting and claim assessment; and

c. There is a large number of members involved with a broad spread of future service cost risk, the potential impact for solvency and employer contributions materially is low.

11.30 In summary, the death and TPD benefits provided by the APSS Plan are well diversified amongst a large group of members, and the self-insurance risk remains low. However, the risk exists, particularly in the case of a catastrophe, and the Trustee and employers need to be comfortable with this risk.

11.31 We recommend that the self-insurance experience continues to be monitored annually in accordance with APRA's requirement.

Self-insurance risks

11.32 We consider below the key risks that may affect future insurance experience and the management of those risks.

Poor claims experience

11.33 There are two causes of poor claims experience – the number of claims is higher than expected and the amount of claims is higher than expected. Short term increases in claims may be expected as a result of normal fluctuation in claims experience. Where poor claims experience persists over longer periods it may be indicative of a change in claim trends, however this usually occurs gradually.

11.34 Because of the large number of members with future service death and TPD benefits, it is unlikely that the numbers of death and TPD will vary materially from year to year due to individual (independent) events. This is also illustrated by the past history of claims from 2014 to 2024 shown above.

11.35 Although unlikely, if the annual future service benefits were to be twice the expected levels, the impact would be additional payments of 0.08% of the defined benefit assets available (i.e. $3.0 million). This means that the impact of the defined benefit Vested Benefit Index would also be in the order of 0.08%. The impact of non-independent events, such as a pandemic, is considered under 'Catastrophe Risk' below.

11.36 It is reasonable to expect that, in the event of extremely poor experience in terms of the number of claims and amount of claims caused by normal volatility, even though remedial action may be required through increased funding, such experience would not significantly affect the Plan's long term financial position.

Distribution and skewness

11.37 The following table shows the distribution of the future service benefits for employee members:

Distribution of Future Service Benefits as at 30 June 2024				
	Total Future Service Benefits $ million	**% of Total Future Service Benefits**	**Number of Members**	**% of Total Defined Benefit Membership**
Nil	-	0.0%	4,840	34.5%
$1 - $99,999	246	22.1%	4,738	33.7%
$100,000 – $249,999	572	51.5%	3,596	25.6%
$250,000 - $499,999	267	24.0%	823	5.9%
$500,000 - $999,999	26	2.3%	45	0.3%
$1,000,000+	-	0.0%	-	0.0%
TOTAL – all Full members	**1,111**	**100.0%**	**14,042**	**100.0%**
TOTAL – excluding members with nil future service benefit	**1,111**	**100.0%**	**9,202**	**65.5%**
Oldest 10% of members	-	0.0%	1,406	10.0%
Youngest 10% of members	367	33.0%	1,406	10.0%
Highest (part-time adjusted) salaried 10% of members	264	23.8%	1,466	10.4%

11.38 We find that:

a. 93.8% of members have future service death and TPD benefits of less than $250,000 and that the aggregate for these members is 73.6% of the total amount; and

b. the average future service benefit (excluding those with no future service benefit) is approximately $121,000; and

c. As at 30 June 2024, there were no members with future service benefits over $1 million.

11.39 The distributions show that there are only a very small number of members with relatively large sums insured and so a small probability that there is skewing to these large sums insured (and an extremely low risk that all claims are from the highest sums insured).

11.40 Overall, normal volatility of claims experience is unlikely to materially impact the funding of the APSS Plan.

Higher than expected IBNR

11.41 The IBNR provision is sensitive to the assumed lag in claim reporting.

11.42 There are inherent difficulties in determining the appropriate size of an IBNR provision (which by its nature cannot be known precisely), including the limitations of the available data and the sensitivity of the results to the assumptions. Ultimately, the IBNR provision cannot be known until all claims emerge over time. This risk is similar to there being higher than expected claim amounts or higher than expected claim rates (albeit in relation to past periods).

11.43 It is also possible that the IBNR provision we have calculated above is inadequate because claim reporting for those past periods were anomalous over a short period – for example, if claims are emerging slower than observed from past experience, or that there are more claims than expected based on past experience, even if past experience were accurately known.

11.44 Although future changes to the IBNR provision may require remedial action by way of increased funding, it is not expected to significantly affect the Plan's long term financial position.

Catastrophe Risk

11.45 The APSS Plan membership is spread over many locations in each State, reflecting the distribution of Post office locations. The highest concentration of risk in respect of employees is in the Victorian head office.

11.46 Thus, should a catastrophe occur at the location of the Victorian head office there might be a considerable number of death or TPD claims. For example, in the unlikely event that a catastrophe were to occur, leading to the payment of 500 death or TPD benefits:

a. the total future service payments could be approximately $60m, if each member that died or became disabled were entitled to the average future service death or TPD benefit of $121,000. Extra payments of this magnitude would require 1.6% of defined benefit assets and cause a similar reduction to the VBI; and

b. the total future service payments could be approximately $181m or higher, if each member that died or became disabled were entitled to a payment approximately three times the average future service death or TPD benefit or more (head office employees are typically higher paid, and therefore may have larger sums insured). Extra payments of this magnitude would require 4.9% of defined benefit assets and cause a similar reduction to the VBI.

11.47 The Corporation would need to fund the amount of additional future service components paid because of a catastrophe.

11.48 Another example of catastrophe risk that the APSS Plan is exposed to is that of a pandemic, where an infection spreads through the Australian population and might therefore also be expected to have a proportional impact on the Plan membership. The probabilities of such an event are difficult to estimate and the implications of a pandemic on the Australian economy and life insurance providers would also be significant.

11.49 As an example, suppose hypothetically that 30% of members contract a pandemic flu, and 5% of these are assumed to die, there would be in the order of 138 deaths and additional payments of approximately $17 million. This would lead to a 0.4% reduction in the VBI. In the case of a pandemic flu the proportion of members who die is very uncertain. In an extreme scenario where 50% of those members who contracted the pandemic flu were assumed to die or become eligible for TPD the reduction in VBI would be in the order of 4.5%. This would significantly increase the required employer contributions at a time when the whole Australian society would be devastated by such an event. There is also likely to be an impact on investment returns that is not considered in this analysis.

11.50 In the case of certain catastrophes, such as a pandemic, there is likely to be a material economic impact, which may cause lower than expected returns. As the COVID-19 experience has demonstrated, the economic impact on the APSS Plan's funding can be very significantly larger than the self-insurance impact and occur at the same time.

Stop-Loss and Catastrophe Insurance

11.51 To help manage the financial impact of a catastrophe or extremely poor experience, the Trustee could consider either stop-loss or catastrophe insurance cover:

- Stop-loss cover insures the Plan against claims that exceed a pre-determined annual limit and so provides financial protection against extremely poor claims experience;
- Catastrophe cover insures the Plan against claims arising from a single catastrophic event.

11.52 In the past, these types of cover have not always been easily available to superannuation funds or have been expensively priced. While catastrophe insurance is usually expensive for the amount of cover provided, the premium is small relative to employer-financed assets.

11.53 We have been advised that several years ago Australia Post and the Trustee of the Scheme completed a review of the catastrophe risk and decided not to purchase external insurance in respect of a catastrophe. The review took place in around the financial year ended 30 June 2018. The catastrophe risk has not materially changed since then and is expected to reduce over time.

11.54 In our opinion, due to the nature of the catastrophe risk, the general availability and cost of such insurance in the market, and that the employer has previously confirmed that they do not require insurance for such risk, it is reasonable to consider that catastrophe insurance is not required at this time. Nevertheless, we recommend that periodic consideration to such insurance be made in conjunction with Australia Post.

Selection risk

11.55 There is virtually no risk that unhealthy members could select against the APSS Plan defined benefit, because the death and disablement benefits for Employee members are compulsory and there are no new members.

11.56 Until 30 June 2012, members who opted out of the Scheme posed a potential selection risk as those members had the option to opt back into the Scheme and recommence eligibility for death and TPD benefits, subject to any restrictions against pre-existing conditions. From 1 July 2012, opt out members generally cannot opt back into the Plan at a future date, so this risk is removed. If Australia Post allows a material number of members to opt back into the Plan then the selection risk should be considered.

Conclusion

11.57 In our opinion, self-insurance with respect to its employee members is reasonable for the APSS Plan. We recommend that the Trustee consider this analysis set out in this section of the report as part of its determination of whether it continues to self-insure.

Section 12: Material risks

12.1 In this section, we consider the material risks relating to the funding of the APSS Plan.

Ongoing funding to maintain financial position

12.2 At 30 June 2024, the APSS Plan's VBI was estimated to be 108.7%, and the Plan was in a satisfactory financial position.

12.3 If in future the Plan's VBI is determined to be below 100% at an actuarial investigation (or below a pre-determined "shortfall limit" at other times, which is 98%), SPS 160 requires the Trustee to consult with the Corporation and set out a plan to return the Plan VBI to 100% within a period no longer than 3 years. The restoration plan would need to be approved by the Trustee Board and provided to APRA.

12.4 There may be occasions where the Corporation is unwilling to (or unable to) make recommended top-up contributions within the required time-frame of SPS 160. In this situation the Trustee may need to apply to APRA for an extension of the three year funding program. APRA's view on providing such extensions is not known.

12.5 Whilst SPS 160 binds the APSS Plan Trustee and the Actuary to take certain actions, it does not bind Australia Post. The future viability of the APSS Plan is dependent on Australia Post agreeing and being able to make contributions sufficient to fund all future benefits. If Australia Post does not make required contributions then the APSS Plan is unlikely to be able to provide members' resignation and retirement benefits.

Risk of poor experience

12.6 There is a risk that the Plan's financial position could deteriorate in the future. The Plan's VBI is closely monitored.

12.7 A significant factor that could lead to deterioration of the Plan's financial position is poorer than expected investment returns on the Plan's assets. There is a material risk that lower than expected investment returns could create a funding shortfall of hundreds of millions of dollars. Section 10 considered sensitivity of the funding to certain elements of experience. This risk has been reduced because of the reduction in growth assets in the investment strategy since the previous investigation.

12.8 The value of the Plan's liabilities could also increase as a result of a change in assumptions, although any changes to assumptions will impact the Plan's accrued benefit liabilities rather than vested benefits. Financial assumptions are reviewed on an ongoing basis to reflect changes in the economic environment or any relevant changes in the Plan's structure. Demographic assumptions are reviewed at each actuarial investigation.

12.9 On the upside, there is also a possibility that investment returns could be stronger than expected. Given the current surplus and the potential for it to increase, there may be opportunity to manage the Plan's future funding risk by further de-risking the investment strategy (i.e. by moving to a more defensive asset allocation with higher allocation to defensive assets). Doing so, however, would likely cause a reduction in the Plan's coverage of accrued benefit liabilities. If favourable experience is not managed there is the risk of a large surplus emerging.

12.10 The Corporation and the Trustee have been jointly considering the trade-off between investment risk and expected investment return. This process should continue to ensure that the investment strategy is set based on an understanding of this trade off, which is appropriate.

12.11 The Plan's financial position may also be worsened by higher than expected salary growth.

12.12 Apart from poor financial experience, the Plan's funding could also deteriorate due to poor demographic experience. In particular, a large number of exits (e.g., a redundancy program) when the VBI is below 100% would further erode the VBI (this is not the case as at 30 June 2024, when the VBI was over 100%).

Managing change resulting from APSS Plan closure to new members

12.13 With the closure of the Scheme to new members at 30 June 2012, the Plan's membership profile will change in future. Instead of a stable membership profile, the number of members will decline over time and the average age and membership of the membership will increase. With higher average member benefits, this means that the normal contributions being made will become a smaller proportion of the Plan's assets. If the Plan is invested in a high growth investment strategy this would be expected to lead to more variability in the required employer contributions over time.

12.14 The Plan's contribution strategy must be appropriate given the expected changes to the Plan's future membership profile. We are aware that the Trustee does consider the membership profile in setting investment strategy.

Liquidity risk

12.15 Generally speaking, because the APSS Plan is a sub-fund within ART, we expect that ART would be able to manage its liquidity by sharing certain illiquid assets within other portfolios within ART. However, as discussed previously, the APSS Plan also hold other illiquid assets that cannot be shared with other portfolios.

12.16 The Trustee has established a 40% upper limit on unlisted assets. We would not expect this limit to be breached, although it is possible if there is very large market movements or very large benefit payments.

12.17 Large benefit payments could occur if material retrenchment programs and structural changes (i.e. transfer offers, fund merger or sales) would also have liquidity implications. Such changes should only be made after a satisfactory assessment of the associated liquidity risks.

12.18 In addition, with the Plan's closure to new members, net cashflows (i.e. contributions less benefit payments) into and out of the APSS Plan will become increasingly negative over time, and the level of available liquid assets held to meet those negative cashflows will therefore also need to increase. While the illiquid assets that the APSS Plan hold and cannot be shared with other portfolios are also expected to reduce over time, the pace at which it reduces could vary from expected and any material timing differences could result in a liquidity mismatch. We understand that the Trustee regularly monitors the run-off of such assets to manage this risk and recommend that they continue to do so.

Risk of higher than expected death and disability benefits

12.19 The death and disability benefits for the Plan's employee members are not externally insured. If death and disability benefits are higher than expected, this would put a strain on the Plan's funding. The risk of a catastrophic event is reduced due to the geographic spread of APSS Plan members, but the risk of a pandemic or other catastrophe still exists and the impact could be significant.

12.20 The Plan's self-insurance risk is considered in Section 11. We believe self-insurance with respect to its employee members continues to be reasonable for the Plan but the Trustee should review the analysis in Section 11 in forming its view. One option for the Trustee would be to retain self-insurance but take out catastrophe insurance. We recommend that the Trustee of the Plan periodically consider, in conjunction with Australia Post, whether catastrophe insurance is appropriate for the current Plan.

Operational risk

12.21 Under APRA's Prudential Standard SPS 114, operational risk is defined as the risk of loss resulting from "inadequate or failed internal processes, people and systems, or from external events".

12.22 The Trustee maintains an operational risk reserve to meet the prescribed Operational Risk Financial Requirement. This reserve is held outside of the APSS Plan, and provides coverage for ART as a whole.

12.23 It is possible a large operational risk event could exhaust the operational risk reserve held, and impact on the funding of the APSS Plan defined benefits. In our opinion the probability of such an event materially impacting funding is very low.

Legislation Risk

12.24 There is the risk that future legislative changes may impact on the Corporation's funding and the APSS Plan.

Section 13: Reliance statement and data

This report is provided subject to the terms set out herein and in our Statement of Work for actuarial services dated 3 June 2024 (signed on 5 June 2024), the referenced Master Agreement dated 2 November 2020 and accompanying Terms and Conditions of Engagement. This report is provided solely for the Trustee's use and for the specific purposes indicated in this report. It may not be suitable for use in any other context or for any other purpose.

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.

We consent to the Trustee making a copy of this report available on the Plan's website where required in accordance with the relevant legislation.

The Trustee may make a copy of this report available to its auditors, the Corporation 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 Corporation, or any third party in this regard. The Trustee should draw the provisions to this paragraph to the attention of its auditors, the Corporation, or any person when passing this report to them.

In preparing this report 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, as well as information provided by the Scheme and its service providers. 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.

The results presented in this report are directly dependent upon the accuracy and completeness of the underlying data and information. Any material inaccuracy in the data, assets, plan provisions or other information provided to us may have produced results that are not suitable for the purposes of this report and such inaccuracies may produce materially different results that could require that a revised report be issued.

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

Appendix A: Benefits and conditions

The benefits and conditions considered in this report and summarised below are set out in the Trust Deed of the Australian Retirement Trust and the Plan's Participation Deed and Benefit Deed dated 3 March 2022.

Categories of Membership

Full Members

All permanent and probationary full or part time employees who have completed three (post 30 June 2000) or six (pre 1 July 2000) months service with the Corporation must become Full Members. Other employees may apply to become Full Members.

Class A Statutory Benefit Members (Statutory Benefit Members)

All non-permanent employees and permanent employees during any probationary period of membership. This group excludes Full Members and employees who elected to remain in the Commonwealth Superannuation Scheme ("CSS"). It therefore includes all other employees for whom a statutory benefit is provided.

Class B Statutory Benefit Members (CSS Members)

All of those employees who elected to remain in the CSS, and for whom a productivity benefit is provided from the APSS Plan.

Definitions

Accrued Retirement Multiple

The APSS Plan multiple is determined as the Former Fund Retirement Multiple as defined in the Benefit Deed, plus the sum of the multiples in Column A below, for each year of membership (in complete days) as a Full Member at the percentage of salary set out in Column B from 30 April 2022.

APSS Plan Multiple	
Column A APSS Multiple (%)	**Column B Contribution Rate (%)**
14.3	0
15.3	1
16.3	2
17.3	3
18.3	4
19.3	5 or more

Note that the APSS Plan multiple may not exceed an average of 14.3% (adjusted for periods of part-time service) based on membership as a Full Member, including membership in the Australia Post Superannuation Scheme.

The multiple is determined as the Pre 1 July 1990 multiple plus the APSS Plan multiple.

Only members classified as Full Members will accrue an Accrued Retirement Multiple. Other members, however, may have a non-zero Accrued Retirement Multiple if they were previously a Full Member.

Pre 1 July 1990 Multiple

The multiple is calculated as 14.6% for years (counting complete days) of membership in the CSS prior to the inception of the Australia Post Superannuation Scheme. The multiple is as advised by the APSS to the Trustee as defined in the Benefits Deed.

Accrued Retirement Benefit

The accrued retirement benefit is the Accrued Retirement Multiple multiplied by Final Average Salary, plus the Member Financed Benefit, plus the Accrued Statutory Benefit.

Member Financed Benefit

The accumulation of member contributions with interest, including accumulated contributions transferred to the APSS Plan from the Australia Post Superannuation Scheme.

Accrued Statutory Benefit

The Former Fund Statutory Multiple as defined in the Benefit Deed multiplied by Final Average Salary; plus

- 3% of Final Average Salary for each year of membership as a Class B Statutory Benefit Member (counting complete days) from 30 April 2022; plus
- The SG Charge Percentage multiplied by Final Average Salary for each year of membership as a Class A Statutory Benefit Member (counting complete days) from 30 April 2022.

Minimum Requisite Benefit (MRB)

Minimum Requisite Benefits are set out in the APSS Plan's Benefit Certificate dated 10 May 2022.

Salary

Salary as certified by the Corporation with the approval of the Trustee, having regard to the relevant provisions of the *Superannuation Act 1976* applicable for determining the salary of a Member for the purposes of the CSS.

Final Average Salary (FAS)

FAS is determined as the average of the Member's Equivalent Full-Time Salaries on the three birthdays immediately prior to the date of calculation. If the member retires on the day prior to his/her 65th birthday, then the date of exit shall count as the current birthday for FAS purposes (i.e. salaries at exit and as at the two prior birthdays shall be used).

For the Accrued Retirement Benefit payable after age 55, and the Accrued Statutory Benefit the FAS is subject to a minimum of $20,000 (indexed from 1 July 1990).

Total and Permanent Disablement

In relation to a member who became a member of the Australia Post Superannuation Scheme on or before 30 June 2014, is defined as an illness or injury as a result of which a member either:

a. has suffered the loss of two limbs or the sight of both eyes or the loss of one limb and the sight of one eye (where "limb" is defined as the whole hand or the whole foot), or

    i. has been continuously absent from work for a period of not less than 6 months or such lesser period (if any) as may be agreed between the Corporation and Trustee from time to time, either generally or in any particular case; and

    ii. the Trustee receives a certificate signed on behalf of the Claims Assessor to the effect that (in the opinion of the Claims Assessor) the member is incapacitated to such an extent as to render the member unlikely ever to engage in regular employment that the member is, for the time being, reasonably qualified by reason of education, training or experience.

Benefit on Retirement or Resignation

A lump sum is payable on retirement equal to the Accrued Retirement Benefit, subject to a minimum of the Minimum Requisite Benefit.

Benefit on Death in Service

In the event of death for Full Members in service a lump sum benefit equal to that payable on retirement (as described above) is payable consisting of:

- The employer-financed part of the member's retirement benefit. This part of the benefit is projected until age 60 at an accrual rate of 14.3%, regardless of the contribution rate the member was actually paying at the date of death.
- The member's own accumulated contributions and interest (if applicable).

For Full Members, FAS is determined at age 60 assuming that the member's salary at date of death would have continued to be paid to age 60.

For Statutory Benefit Members in the event of death in service a lump sum is paid equal to:

- The employer-financed part of the member's retirement benefit.
- An additional lump sum equal to the minimum amount of death cover required to be offered by legislation; and
- The member's own accumulated contributions and interest (if applicable).

For CSS Members the death benefit is equal to the employer-financed part of the member's retirement benefit plus the member's own contributions and interest (if applicable).

A minimum of the Minimum Requisite Benefit applies.

Benefit on Total and Permanent Disablement

For Full Members the benefit payable in the event of total and permanent disablement is equal to the death benefit as described above. For other members it is equal to the employer-financed part of the member's retirement benefit.

Part Time Service

For individuals with part time service, the accumulation of Accrued Retirement Multiples and Accrued Statutory Benefit Multiples, excluding CSS multiple, is based on periods while employed on a part time basis, multiplied by the Service Fraction (i.e. proportion of normal full time hours worked).

Opt Out Members

Post's employees can elect for Post not to provide their Post financed benefit in the APSS Plan. When this occurs the member's multiples in the APSS Plan cease to accrue, but they remain as members of the APSS Plan. Future contributions are redirected to a superannuation arrangement of their choice. These members have no self-insured death or TPD benefits.

Appendix B: Reconciliation of membership

The following table sets out a full reconciliation of the employed membership of the Plan from 1 July 2021 to 30 June 2024.

	Permanent employees (excluding CSS members)	Non-permanent employees	CSS Members	Opt-Out Members	All Employed Members
Members at 1 July 2021	17,676	129	99	102	18,006
Plus					
New Entrants	-	-	-	-	-
Adjustments[1]	1	-	-	-	1
Less Exits					
• Retirement[2]	(2,674)	(21)	(30)	(20)	(2,745)
• Withdrawal[2]	(1,088)	(13)	(11)	(9)	(1,121)
• Death	(60)	(1)	-	(1)	(62)
• Disablement	(37)	-	-	-	(37)
• Internal transfers	(23)	(7)	-	30	-
Members at 30 June 2024	13,795	87	58	102	14,042

1. Adjustments relates to 1 member who the Scheme administrator advised had ceased employment as at 30 June 2021, and then subsequently they advised that their employment was re-instated.

2. Retirement figures include retrenchments over age 55 and withdrawal figures include retrenchments under age 55.

Appendix C: Summary of assumptions

This Appendix sets out the long-term assumptions expected to be used in the actuarial investigation as at 30 June 2024.

Financial Assumptions - Long-term Investigation

The long-term average future rates are assumed to be:

- Best estimate investment returns (net of tax) 6.0% p.a.

Salary Growth:

- due to inflation 4.5% p.a. to 30 June 2025
  3.25% p.a. thereafter
- due to promotion as illustrated in the scale below

Administration fees: Present value equal to $16.0m

Promotional Salary Increases

The assumed rates of salary progression (in excess of the general increases due to inflation) are referred to in this report as promotional salary increases. An extract from the assumed rates of promotional salary increase is set out below. All references to salary are to Salary as defined in the Plan's Benefit Deed, which may differ from salary for other purposes.

The factors in the table are solely intended to indicate relativities between salary levels for different duration of service and are not intended to indicate assumed salary levels in dollar terms. Promotional salary increases are assumed to depend on duration of service only. Identical promotional salary increase assumptions apply to males and females.

Contract & Non-Contract Employees		
Years of Membership	**Salary Scale**	**% growth in coming year**
8	14,764	1.46%
10	15,181	1.24%
15	16,028	0.88%
20	16,652	0.66%
25	17,161	0.58%

Demographic Assumptions

Death

The table below illustrates the decrement rates assumed for deaths. The figures represent the number of deaths in the years of age shown per 10,000 members at each age:

Year of Age	Deaths - Male	Deaths- Female
20	9	3
30	5	2
40	7	6
50	17	12
60	42	25

The average mortality rates assumed for males are higher than those of females. This is observed from the general Australian population as well as within the APSS.

Individuals who are gainfully employed tend to exhibit lower mortality than the general population. The above rates derived from past APSS membership is consistent with this.

Total and Permanent Disablement

The table below illustrates the decrement rates assumed for total and permanent disablements. The figures represent the number of total and permanent disabilities in the years of age shown per 10,000 members at each age:

Year of Age	TPD - Male	TPD- Female
20	2	2
30	2	2
40	3	3
50	14	12
60	61	53

As with mortality rates, disablement rates within the working community tend to be lower than rates experienced by the general population.

The rates of disablement assumed for males and females are the best estimate rates. The above assumptions are indicative of the experience of the Plan over prior inter-valuation periods and are generally comparable to private sector rates.

Retirement

The table below illustrates the decrement rates assumed for retirement.

The figures are expressed per 10,000 members at each age shown.

Year of Age	Retirement
55	400
56	400
57	400
58	400
59	400
60	1,400
61	1,100
62	1,300
63	1,300
64	2,500
65	2,500
66	2,500
67	2,500
68	2,500
69	2,500
70	10,000

These rates are indicative of the experience of the Plan over the inter-valuation period.

Resignations

The table below illustrates the decrement rates assumed for withdrawal per 10,000 members at each age. These decrement rates do not include retrenchments.

Year of Age	Resignation - Male	Resignation – Female
20	940	694
25	783	634
30	538	504
35	304	369
40	243	268
45	215	234
50	194	207

Retrenchment

The table below illustrates the decrement rates assumed for retrenchment. Again. the figures are expressed per 10,000 members at each age shown.

Year of Age	Retrenchment
20	91
25	91
30	91
35	91
40	130
45	130
50	130

Appendix D: Statutory Statements under Prudential Standard SPS 160

APSS Plan in Australian Retirement Trust 30 June 2024

As the Actuary to the Plan, I hereby certify that:

a. The market value of the defined benefit assets of the Plan (excluding any amounts held to meet the Operations Risk Financial Requirement) as at the investigation date, 30 June 2024, was $3,709.8 million.

b. The projected likely future financial position of the APSS Plan during the three years following the valuation date and based on my best estimate assumptions is as follows.

Date	Vested Benefits Index (%)
30 June 2024	108.7%
30 June 2025	107.7%
30 June 2026	107.5%
30 June 2027	107.1%

The projected financial position is shown only for the defined benefit asset and liabilities.

c. In my opinion, the value of the assets of the APSS Plan at 30 June 2024, was adequate to meet the liabilities in respect of the accrued benefits of members of the Plan (measured as the actuarial value of members' accrued entitlements using the valuation assumptions). I consider that the assumptions and valuation methods used are appropriate for determining the accrued benefit liability.

d. At 30 June 2024 the APSS Plan was in a satisfactory financial position, as defined in SPS 160. In my opinion the financial position is likely to have remained in a satisfactory financial position at the date of signing this report. In my opinion the APSS Plan does not need to be treated as being in an unsatisfactory financial position. Given the current investment strategy, the shortfall limit of 98% remains appropriate.

e. At 30 June 2024 the value of the liabilities of the APSS Plan in respect of minimum benefits of the members with defined benefits is $2,232.4 million. Minimum benefits are as defined in Regulation 5.04 of the Superannuation Industry (Supervision) Regulations.

f. Funding and Solvency Certificates for the Fund covering the period from 1 July 2021 to 30 June 2024 have been obtained. The Plan was solvent, as defined in the Superannuation Industry (Supervision) Regulations, at 30 June 2024. In my opinion, I expect that the solvency of the Fund will be able to be certified in any other Funding and Solvency Certificate required under the Regulations during the three year period to 30 June 2027 if contributions are made in accordance with the recommendations in this report.

g. It is recommended that the employer contributes at 5% of superannuation salaries, or a reasonable estimate of the amount, effective from 1 July 2024. The contributions are made in monthly instalments. Australia Post should also contribute members' salary sacrifice contributions and it is reasonable for its contributions to be reduced for administration expenses collected from members (if any).

[redacted]

[redacted]
Actuary to the APSS Plan in Australian Retirement Trust

13 December 2024

About WTW
At WTW (NASDAQ: WTW), we provide data-driven, insight-led solutions in the areas of people, risk and capital. Leveraging the global view and local expertise of our colleagues serving 140 countries and markets, we help you sharpen your strategy, enhance organisational resilience, motivate your workforce and maximise performance. Working shoulder to shoulder with you, we uncover opportunities for sustainable success — and provide perspective that moves you. Learn more at wtwco.com.