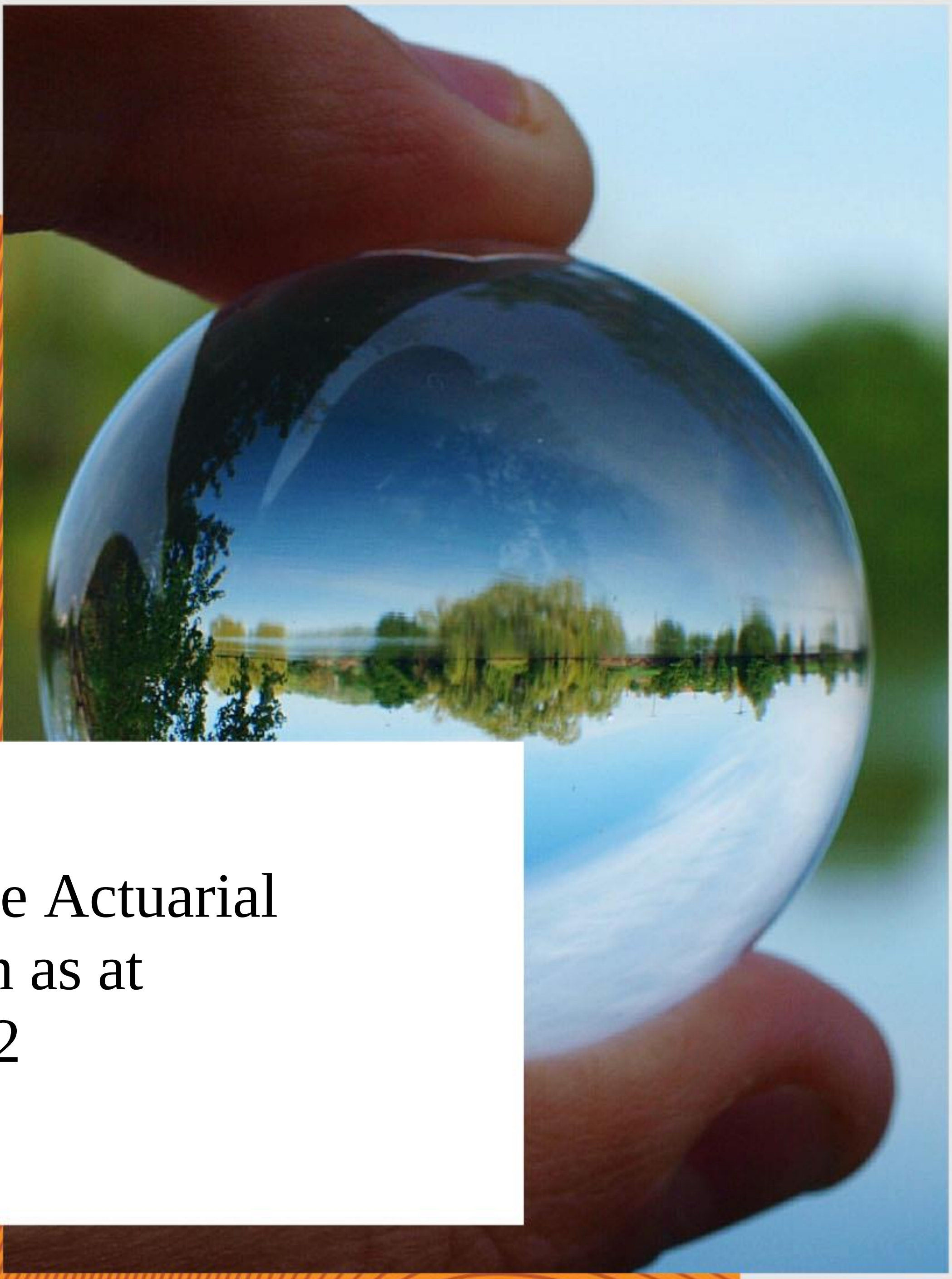

Maritime Super

Report on the Actuarial Investigation as at 30 June 2022

wtwco.com

6 December 2022

Summary

I am pleased to present my summary report to the Trustee of Maritime Super on the actuarial investigations carried out in respect of the defined benefit liabilities of the Fund as at 30 June 2022.

Five separate investigation reports have been prepared in respect of the defined benefit liabilities for each of the following Sections of Maritime Super:

- Section 1;
- Section 2;
- Section 3;
- Section 4; and
- Section 5

This Summary sets out the key results and recommendations contained in this report.

Solvency

The solvency measures as at 30 June 2022 and 30 June 2020 are shown below.

Vested Benefits Index

Section	30 June 2022	30 June 2020
Section 1	122.7%	101.2%
Section 2	121.0%	114.0%
Section 3	119.6%	109.2%
Section 4	104.0%	113.5%
Section 5	125.2%	104.9%

Contents

Throughout this report the following terms are used:

Fund
Maritime Super

Trustee
Maritime Super Pty Ltd, the Trustee of Maritime Super

Trust Deed or Rules
The Fund's Trust Deed dated 1 March 2009

The Investigation Date or Valuation Date
30 June 2022

Present Value Accrued Benefits Index

Section	30 June 2022	30 June 2020
Section 1	122.7%	101.2%
Section 2	115.4%	102.3%
Section 3	137.5%	124.3%
Section 4	103.8%	113.0%
Section 5	127.1%	104.8%

Funding

I recommend the following contributions for the period commencing 1 July 2022:

Section	Recommended Contributions
Section 1	No contributions in respect of defined benefit liabilities are required.
Section 2	Employers: 22.5% of Salaries; plus When a member elects to receive a lifetime pension on retirement, an additional Employer contribution to be determined by the actuary to maintain the funding level at the Trustee's targeted level.
Section 3	Employers: 12.6% of Classification Base Wage Employees: 4.8% of Classification Base Wage
Section 4	No additional Employer contributions required for the defined benefit guarantee.
Section 5	Employers: From 1 July 2022 to 31 December 2022: 15.0% of Salary. From 1 January 2023: nil contributions (i.e. a contribution holiday). In addition, the Employer is also required to pay a contribution of 3% of Salary for certain members which is to be credited to the member's 3% Accumulation Account.

In addition, I continue to recommend that the Employers contribute at the required amounts to meet any Superannuation Guarantee, contractual or any other obligations in respect of accumulation liabilities in the Fund.

Other Matters involving Actuarial Oversight

I further recommend that:

Section	Recommended Shortfall Limit
Section 1	Retain Shortfall Limit of 100%
Section 2	Retain Shortfall Limit of 99%
Section 3	Retain Shortfall Limit of 98%
Section 4	Retain Shortfall Limit of 98%
Section 5	Retain Shortfall Limit of 98%

- The Trustee undertake a review of the current investment strategy of Section 4, including the hedging strategy and the associated expenses.
- The Trustee consider reviewing the current investment strategy of Section 5, in favour of a more conservative strategy in order to protect the current funding surplus against adverse market movements. The Trustee must give consideration to the impact on members' leaving service benefits which are accumulation in nature;
- The Trustee monitor the financial position of the Sections quarterly throughout the following investigation period, with results reviewed by the Actuary;
- The Trustee obtain a letter from the Actuary in the intervening years between regular actuarial investigations which reports to the Trustee on the vested benefit position of the Sections; and
- Current external insurance arrangements for death and disablement benefits be retained.

The next actuarial investigation in respect of the defined benefit liabilities of the Fund should be conducted with an effective date no later than 30 June 2024. The recommended employer contribution rates will be reviewed at that time or at an earlier date if considered appropriate as a consequence of the regular review of the VBI or as required by legislation.

I am not aware of any event since 30 June 2022 that warrants review of the recommendations in this report.

Chris Porter
Fellow of the Institute of Actuaries of Australia

6 December 2022

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DO: EC | TR/ CR/ER: CJP

Section 1: Introduction

Scope

This report represents a summary of the results of the actuarial investigations of the Fund which have been prepared effective 30 June 2022 for Maritime Super Pty Ltd, Trustee of Maritime Super by the actuary to the Fund, Chris Porter, FIAA. The results of the investigation are presented in separate reports for each Section of the Fund.

The Trust Deed governing the Fund requires an actuarial investigation and report to be due at least every three years. Under subparagraph 14(d) of Prudential Standard SPS 160 Defined Benefit Matters, APRA has determined that the Trustee require regular actuarial investigations of the Fund to be made every two years.

This investigation is primarily interested in the defined benefit liabilities of the Fund, and unless otherwise specified, this report relates only to such defined benefit liabilities. The Defined Contribution liabilities of the Fund, including those that relate to defined benefit members, are fully funded and do not impact upon the Defined Benefit liabilities. No investigation is required regarding the Defined Contribution liabilities, although in my recommendations I have continued to recommend that the Employers contribute to meet any Superannuation Guarantee, contractual or any other obligations in respect of such liabilities.

The purpose of this report is to provide a summary of the key information and recommendations set out in the actuarial investigations for the benefit of the Trustee. As such this report does not comply with Professional Standard 400, dated March 2021, issued by the Institute of Actuaries of Australia, and does not meet the requirements of a report prepared for the purposes of APRA Prudential Standard SPS 160. We confirm, however, that the separate actuarial investigation reports provided for each of the respective Sections have been prepared in accordance with these requirements.

Background

The Fund is covered by a Trust Deed which was consolidated as at 1 March 2009 and subsequent amendments. The Fund is a complying superannuation fund for the purposes of the Superannuation Industry (Supervision) Act (SIS Act) and for taxation purposes.

The Fund is composed of three Divisions. These Divisions provide a mixture of accumulation-based benefits, defined benefits, allocated pensions, fixed term pensioners and lifetime pensioners. This actuarial investigation is conducted with respect to the members with defined benefits within the following Divisions. I note that the Section labelling has been updated subsequent to the previous report at 30 June 2022, the corresponding reference has been provided in the table below.

30 June 2022	30 June 2020
General Division	
Section 1	Section E
Section 2	Section F
Division 1	
Section 3	Section A
Division 2	
Section 4	Section B
Section 5	Section C

Previous Actuarial Investigation

The previous actuarial investigations in respect of the defined benefit liabilities of the Fund were carried out by Chris Porter, FIAA, as at 30 June 2020.

The investigations concluded that none of the Sections were in an unsatisfactory financial position at that date, and recommended that the following contributions were paid:

Section	Recommended Contributions
Section 1	Additional contributions in respect of defined benefit liabilities are not required.
Section 2	22.5% of Salaries; plus When a member elects to receive a lifetime pension on retirement, an additional contribution equal to the difference between the value of the pension and the value of the member's vested benefit (i.e. allowing for 30% pension election).
Section 3	Employers: 12.6% of Classification Base Wage Employees: 4.8% of Classification Base Wage
Section 4	No additional contributions required for the defined benefit guarantee.
Section 5	15% of Salaries; plus In respect of any exiting members with Employer consent for a retirement between ages 55 and 60, or as a consequence of retrenchment, an amount to maintain the financial position of the fund equal to the difference between the benefit paid and the vested benefit multiplied by the vested benefit index as measured at the most recent quarter end (if positive) plus contributions tax.

I understand that contributions have been made in line with these rates.

Experience since 30 June 2022

The actual investment returns from 30 June 2022 to 30 September 2022 have, in general, deteriorated the financial position of the Fund. Because of this, I have taken into account experience since 30 June 2022 when carrying out projections from that date.

It is my understanding that the Fund is currently in the process of implementing a Successor Fund Transfer (SFT) to Hostplus Superannuation Fund, with an intended transfer date in 2023. I consider that the recommendations set out in this report remain appropriate with consideration to the Hostplus SFT, however, without a new determination from APRA it is my opinion that actuarial reviews would be required on an annual basis following the SFT.

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Limitations

This report is provided subject to the terms set out herein and in our engagement letter dated 24 July 2009 and signed 3 August 2009, which was originally made with Russell Employee Benefits Pty Ltd and novated in March 2017 to Towers Watson Australia Pty Ltd. This report is provided solely for the Trustee's use and for the specific purposes indicated above. It may not be suitable for use in any other context or for any other purpose.

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 Fund’s website where required in accordance with the relevant legislation.

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

In preparing this valuation, we have relied upon information and data provided to us orally and in writing by the Trustee and other persons or organisations designated by the Trustee. We have relied on all the data and information provided, including Fund 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 data and information we have relied upon is shown in the “Additional Information” section of this report.

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

Section 2: Solvency

Solvency Measures

When assessing the adequacy of the assets and future contribution rates, both the long-term and short-term solvency positions should be considered. To assess the solvency position, I have considered the following funding solvency measures:

- Vested Benefits Index (VBI), the ratio of assets to the vested benefits, which represent the total amount which the Fund would be required to pay if all members were to voluntarily leave service (or are payable for benefits in the form of lifetime pensions or deferred benefits) on the investigation date; and
- The Present Value of Accrued Benefits Index (PVABI), the ratio of assets to the present value of accrued benefits, which represents the value in today's dollars, of expected future benefits payable based on membership completed to the valuation date.[1]

The following table shows the above indices as at the valuation date, as well as the prior valuation date.

Vested Benefit Index

Section	As at 30 June 2022			As at 30 June 2020		
	Value of Liability ($'000)	Value of Assets ($'000)	Index	Value of Liability ($'000)	Value of Assets ($'000)	Index
Section 1	11,817	14,500	122.7%	13,725	13,891	101.2%
Section 2	12,829	15,520	121.0%	13,910	15,855	114.0%
Section 3	34,219	40,936	119.6%	33,176	36,233	109.2%
Section 4	259,520	269,875	104.0%	257,301	292,040	113.5%
Section 5	23,702	29,677	125.2%	39,496	41,416	104.9%

[1] Benefits have been apportioned to past service by calculating the projected benefit payable using only service that is completed to the valuation date in the benefits formula.

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Present Value of Accrued Benefits Index

Section	As at 30 June 2022			As at 30 June 2020		
	Value of Liability ($'000)	Value of Assets ($'000)	Index	Value of Liability ($'000)	Value of Assets ($'000)	Index
Section 1	11,817	14,500	122.7%	13,725	13,891	101.2%
Section 2	13,450	15,520	115.4%	15,506	15,855	102.3%
Section 3	29,769	40,936	137.5%	29,160	36,233	124.3%
Section 4	259,914	269,875	103.8%	258,419	292,040	113.0%
Section 5	23,350	29,677	127.1%	39,510	41,416	104.8%

With the exception of Section 4, the VBI and PVABI of each Section has increased from those at the previous valuation date.

The VBI is above 100% for all Sections at the valuation date, and as such, is to be treated as being in a satisfactory financial position as at that date. For each Section, the vested benefits exceed the minimum requisite benefits and therefore none of the Sections are technically insolvent at the valuation date.

Section 3: Funding

Vested Benefit Projection

I have projected the long-term financial position for each Section in order to determine whether the current contributions will be sufficient to meet the Section's funding objective. Where the contributions are deemed to be insufficient, I have recommended an alternative rate of contributions that is expected to achieve the funding objectives.

Each Section is expected to be maintained in a satisfactory financial position for a period of three years.

Details of these long-term projections, recommended contributions and sensitivity analyses are set out in the separate reports for each Section.

Summary

I recommend the following contributions until at least 30 June 2025 in respect of defined benefit members.

Section	Recommended Contributions
Section 1	No contributions in respect of defined benefit liabilities are required.
Section 2	Employers: 22.5% of Salaries; plus When a member elects to receive a lifetime pension on retirement, an additional Employer contribution to be determined by the actuary to maintain the funding level at the Trustee's targeted level.
Section 3	Employers: 12.6% of Classification Base Wage Employees: 4.8% of Classification Base Wage
Section 4	No additional Employer contributions required for the defined benefit guarantee.
Section 5	Employers: From 1 July 2022 to 31 December 2022: 15.0% of Salary. From 1 January 2023: nil contributions (i.e. a contribution holiday). In addition, the Employer is also required to pay a contribution of 3% of Salary for certain members which is to be credited to the member's 3% Accumulation Account.

I continue to recommend that Employers contribute amounts to meet any Superannuation Guarantee, contractual or any other obligations in respect of accumulation liabilities in the Fund.

I further recommend that the financial position of each Section continue to be monitored quarterly throughout the following investigation period, with the results reviewed by the Actuary, to ensure that prompt action can be taken if the financial condition of any Section deteriorates. I also recommend that the Trustee obtain a letter from the Actuary in the intervening years between regular actuarial investigations which reports to the Trustee on the vested benefit position of each Section of the Fund.

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Section 4: Other Matters involving actuarial insight

Investments

The assets of the Fund are invested in the Hostplus Pooled Superannuation Trust with the exception of Section 4 where the assets of the Defined Benefit Reserve (DB Reserve) are managed by Milliman and invested in a hedging program.

Members of the Fund with accumulation benefits, including Section 4 members with a defined benefit guarantee, have the choice of the following investment options for their benefit accounts.

- Australian Shares
- International Shares
- Shares Plus
- Balanced (MySuper)
- Indexed Balanced
- Socially Responsible Investment
- Conservative Balanced
- Capital Stable
- Cash

As at the investigation date the defined benefit assets of the Fund were invested as follows:

Section	Investment Option
Section 1	20% Cash, 80% Balanced
Section 2	Capital Stable
Section 3	Balanced
Section 4 (DB Reserve)	Cash, with hedging program overlay
Section 5	Balanced

At the date of this report, the assets of Section 1 are in the Fund's Cash option as a short-term risk mitigation strategy.

The net market value of assets is based on the asset values declared by the respective external fund managers at 30 June 2022 which in turn are based on the market value of the assets after allowing for realisation costs.

I note that Professional Standard 404 defines the 'Fair Value' of assets as the value of assets before the deduction of transaction costs. Based on the type of assets held by the Fund I do not expect realisation costs to be material. I have therefore used the net market value of assets for the purpose of this investigation.

Investment Strategy

The investment objectives of the core investment options are as follows:

- Cash Option - to outperform the annual rate of inflation (CPI) by -0.5% p.a. on average over 20 years.
- Capital Stable Option – to outperform the annual rate of CPI by 2.0% p.a. on average over 20 years.
- Conservative Balanced Option – to outperform the annual rate of CPI by 3.0% p.a. on average over 20 years.
- Balanced Option – to outperform the annual rate of CPI by 3.0% p.a. on average over 10 years and by 4.0% p.a. on average over 20 years.
- Shares Plus Option – to outperform the annual rate of CPI by 4.5% p.a. on average over 20 years.

The strategic asset allocations of the Cash, Capital Stable, Conservative Balanced, Balanced and Shares Plus options as at 30 June 2022 are shown in the below table:

Asset Class	Cash	Capital Stable	Conservative Balanced	Balanced	Shares Plus
Australian Shares	0%	8%	16%	21%	30%
International Shares	0%	11%	22%	29%	41%
Property	0%	11%	10%	11%	7%
Private Equity	0%	1%	3%	10%	8%
Infrastructure	0%	11%	9%	11%	7%
Credit	0%	6%	6%	7%	5%
Alternatives	0%	6%	6%	3%	2%
Diversified Fixed Interest	0%	25%	15%	3%	0%
Cash	100%	21%	13%	5%	0%
Total Growth Assets	**0%**	**38%**	**57%**	**76%**	**90%**
Total Defensive Assets	**100%**	**62%**	**43%**	**24%**	**10%**

In my opinion the investment strategy of Section 4, including the hedging program and the associated expenses, should be reviewed as, based on the assumptions adopted in this investigation, I expect that the DB Reserve reduce to less than the DB Guarantee over the next 10 years if no additional contributions are made to the DB Reserve under the current investment arrangements.

Additionally, given the relatively short expected future lifetime of Section 5 and the strong funding position, the Trustee should consider adopting a more conservate investment strategy in order to protect the surplus of the Sub-fund against adverse market movements.

In my opinion, for all other Sections, the investment strategies adopted by the Trustee are suitable for each Section having regard to the financial position, the underlying liabilities and the capacity of the respective employers to meet any funding shortfall.

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Shortfall Limit

I recommend the following with respect to each Section's Shortfall Limit:

Section	Recommended Shortfall Limit
Section 1	Retain Shortfall Limit of 100%
Section 2	Retain Shortfall Limit of 99%
Section 3	Retain Shortfall Limit of 98%
Section 4	Retain Shortfall Limit of 98%
Section 5	Retain Shortfall Limit of 98%

Insurance

The Fund's insurance arrangements in respect of each Section are examined in the respective actuarial investigation reports.

In Summary:

- For all Sections, benefits paid on death and total and permanent disablement (TPD) are insured by MLC Limited.
- The Fund retains an Insurance Reserve. This reserve has been managed by the Trustee for a range of approved purposes. No portion of this reserve has been applied as an asset of a Section for the purpose of preparing the recommendations arising from the actuarial investigation.
- For all Sections, I consider the current insurance arrangement adequate and recommend that the current insurance formulae be maintained.

Section 5: Additional Information

Summary of Data Used in this Investigation

Membership Data

Maritime Super has responsibility for maintaining member records, payment of benefits and other administrative tasks of the Fund.

Maritime Super provided data in respect of members of the Fund as at 30 June 2022.

The following tables show a summary of the membership as at 30 June 2022 and 30 June 2020:

Number of Members	As at 30 June 2022			As at 30 June 2020		
Division / Section	**DB**	**Accum**	**TOTAL**	**DB**	**Accum**	**TOTAL**
General Division						
Accumulation Advantage	-	7,537	7,537	-	7,834	7,834
Allocated Pension and WISP	-	3,535	3,535	-	3,458	3,458
Retained	-	4,443	4,443	-	4,971	4,971
Section 1	11	34	45	11	55	66
Section 2	7	19	26	9	28	37
Division 1						
Accumulation Plus	-	2,935	2,935	-	3,309	3,309
Accumulation Basic	-	1,790	1,790	-	1,935	1,935
Section 3[1]	140	-	140	160	-	160
Division 2						
Inco	-	14	14	-	17	17
AMOU	-	1	1	-	1	1
CSL	-	56	56	-	63	63
Section 4	1,163	829	1,992	1,368	1,042	2,410
Section 5	24	84	108	44	110	154
Other						
Reliance	-	-	-	-	29	29
All other Accumulation Categories	-	3	3	-	5	5
FTP Pensioners	-	-	-	-	3	3
Total	**1,345**	**21,280**	**22,625**	**1,592**	**22,860**	**24,452**

Assets Data

We have been provided with audited accounts for the Fund as at 30 June 2022. The accounts were audited by Ernst & Young.

[1] Includes FTC and LTC pensioners

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In addition to the Fund's accounts, I have also been provided with a breakdown of the Fund's assets into each of the Fund's various Sections which I understand has been subject to audit review. I have relied on this breakdown in determining the net asset relating to defined benefits in each Section.

The net assets exclude any amount held to meet the Operational Risk Financial Requirement.

I am satisfied that there are no material data discrepancies and that the data provided is suitable for the purpose of this investigation. I have relied on the information provided for the purposes of this investigation. Although I have no reason to doubt the quality of asset information provided, the results of this investigation are dependent on the quality of the asset information. Any changes to the asset values above will have an impact on the outcome of the investigation and any resulting recommendations.

Funding Method, Assumptions and Experience

Funding Method

The funding methods and funding objectives vary between each Section. Full details of the funding method and funding objectives used in respect of each of the Sections are set out in the separate actuarial investigation reports.

Assumptions

In order to determine the value of expected future benefits and assets, it is necessary to make assumptions regarding the timing and amount of future benefit payments, expenses and contributions. In doing so it is important to examine the relevant experience since the last valuation to see whether the previous assumptions have been borne out in practice.

While each of the assumptions used is normally the actuary's best estimate of future experience, in practice, the actual experience in any (short) period can always be expected to differ from the assumptions to some extent. However, it is intended that over longer periods, they will provide a reasonable estimate of the likely future experience and financial position of the Fund.

In the short-term, as the actual experience emerges differently to the experience implied by the assumptions, the financial position of the Sections will also vary from that expected. However, adjustments to Employer contribution rates, if any, can be made to reflect these differences in the following actuarial investigation.

Financial Assumptions

Valuation assumptions can be broadly divided into demographic assumptions, which relate to characteristics of current and future members of each Section, and financial assumptions, which are assumptions other than demographic assumptions. The following sections first consider the financial assumptions that are to be adopted for this valuation.

Investment Returns

The rate of return assumptions have been set based on models of future investment returns developed by Willis Towers Watson, the current expectations of investment returns over the remaining lifetime of each Section, net of taxation and investment management expenses and current strategic asset allocation of the Section.

The assumptions adopted as at the valuation date are set out in the tables below, along with the assumptions used for the previous investigation and actual investment returns experience from 30 June 2020 to 30 June 2022.

Assumption Effective	Section 1	Section 2	Section 3	Section 5
	20% Cash, 80% Balanced[1]	**Capital Stable**[2]	**Balanced**[3]	**Balanced**[3]
30 June 2022	6.4% p.a. (gross)	4.0% p.a. (net) 5.1% p.a. (gross)	5.6% p.a.	4.6% p.a.
30 June 2020	5.3% p.a. (gross)	2.4% p.a. (net) 3.6% p.a. (gross)	4.4% p.a.	4.4% p.a.
Experience 30 June 2020 to 30 June 2022	9.4% p.a. (gross)	4.2% p.a. (net) 4.8% p.a. (gross)	10.4% p.a.	10.4% p.a.

For the Sections shown above, over the two-year period to 30 June 2022 the assets experienced returns which were higher than the assumed rate in the previous investigation. In isolation, this has had a positive impact on the financial position of these Sections.

Section 4 accumulation account balances are subject to member investment choice. The rate of return assumed for each member reflects the weighted average of the rate of return assumptions and the member's selected investment choice. The rate of return assumption in respect of the Balanced and Shares Plus investment options (the two most commonly selected Fund investment options) are set out in the table below, along with the assumptions used for the previous investigation and actual investment returns experience from 30 June 2020 to 30 June 2022.

Assumption Effective	Balanced Option[4]	Shares Plus Option[5]
30 June 2022	5.6% p.a.	6.1% p.a.
30 June 2020	4.2% p.a.	4.6% p.a.
Experience 30 June 2020 to 30 June 2022	11.0% p.a.	9.7% p.a.

Over the two-year period to 30 June 2022 the Balanced and Shares Plus options experienced returns which were higher than expected. However, the value of the DB Reserve, which is invested in the hedging program, decreased by 44% p.a. over the period. While the return on the hedging program has not been made available to me, the reduction in the DB Reserve indicates that the return is significantly less than the neutral position assumed in the previous investigation which has weakened the financial position of Section 4.

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[1] Based on the returns of the previous Maritime Super Moderate option from 30 June 2020 to 31 April 2021, and the weighted returns of the Balanced and Cash options thereafter.
[2] Based on the returns of the previous Maritime Super Conservative option from 30 June 2020 to 31 April 2021, and the Capital Stable option thereafter.
[3] Based on the returns of the previous Maritime Super Growth MVP option from 30 June 2020 to 31 April 2021, and the Balanced option thereafter.
[4] Based on the returns of the previous Maritime Super Balanced option from 30 June 2020 to 31 April 2021, and the Balanced option thereafter.
[5] Based on the returns of the previous Maritime Super Growth option from 30 June 2020 to 31 April 2021, and the Shares Plus option thereafter.

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Salary Increases

The average salary increases during the investigation period for the members remaining in the Section as at 30 June 2022, as well as the assumptions adopted in this investigation and the previous investigation are shown in the table below.

Assumption Effective	Section 2	Section 3	Section 4	Section 5
30 June 2022	6.1% in 2022/23 4.6% in 2023/24 Plus individual scale	2.9% p.a.	2.9% p.a.	2.9% p.a.
30 June 2020	2.0% p.a.	2.0% p.a.	2.0% p.a.	2.0% p.a.
Experience 30 June 2020 to 30 June 2022	3.0% p.a.	2.6% p.a.	3.1% p.a.	0.0% p.a.

The average salary inflation over the intervaluation period was lower than assumed for all Sections. In isolation, this has had a positive impact on the financial position of the respective Sections.

I note that as Section 1 no longer includes any active members, no salary increase assumption is required.

Other Assumptions

Other assumptions adopted in respect of each of the Sections are set out in the separate actuarial investigation reports.

Section 6: Section Summary

Section 1

This Summary sets out the key results and recommendations of the actuarial investigation for Section 1.

Solvency

Measure	30 June 2022	30 June 2020
VBI	122.7%	101.2%
PVABI	122.7%	101.2%

- The Section was not in an unsatisfactory financial position at the valuation date.
- The indices of the Section increased since the previous investigation date, primarily as a result of changes in the financial assumptions adopted in the valuation, as well as positive experience since 30 June 2020, in particular, higher than expected investment performance over the period.
- The indices have increased by 13.2% as a result of assumption changes in isolation, which was compounded by gains due to experience.
- In my opinion, at the valuation date, there is a high degree of probability that the Section will be able to pay the pensions in respect of current pensioner members as required under the governing rules.

Funding

- I consider that no additional Employer contributions are required to meet the funding requirements of the Section at the current time.

Other matters

- The strategic asset allocation in respect of the Section is to invest 80% in the Fund's Balanced option and 20% in the Fund's Cash option through the Hostplus Pooled Superannuation Trust. At the date of this report, the assets of Section 1 are in the Fund's Cash option as a short-term risk mitigation strategy.
- In my opinion the investment strategy adopted by the Trustee is suitable for a Section of this type having regard to its financial position, the underlying liabilities and the capacity of the respective employers to meet any funding shortfall.
- In my opinion the shortfall limit of 100% remains reasonable for the Section.
- As there are no active members, the Section has no insurance arrangements with respect to defined benefits.
- Finally, I recommend that the Trustee monitor the financial position quarterly, with results reviewed by the Actuary. The Trustee should also obtain a letter from the Actuary in the intervening years between regular investigations which reports to the Trustee on the vested benefit position of the Section.

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Section 2

This Summary sets out the key results and recommendations of the actuarial investigation for Section 2.

Solvency

Measure	30 June 2022	30 June 2020
VBI	121.0%	114.0%
PVABI	115.4%	102.3%

- The Section was not in an unsatisfactory financial position at the valuation date.
- The indices of the Section increased since the previous investigation date, primarily as a result of positive experience since 30 June 2020, in particular, higher than expected investment performance. Additionally, a higher discount rate used in the valuation of pensioner liabilities has resulted in an increase (in isolation) of all indices, partially offset by the impact of an increase in the pension uptake assumption
- In my opinion, at the valuation date, there is a high degree of probability that the Section will be able to pay the pensions in respect of current pensioner members as required under the governing rules. I note that this certification does not extend to lifetime pension options available to current active members.

Funding

- I recommend the following contributions are paid to the Sub-fund by the Employer for the period commencing 1 July 2022:
  - 22.5% of Salaries; plus
  - Where a member elects to receive a lifetime pension on retirement, an additional contribution to be determined by the actuary to maintain the funding level at the Trustee’s targeted level.

Other matters

- The assets in respect of the Section are invested in the Fund's Capital Stable option through the Hostplus Pooled Superannuation Trust.
- In my opinion the investment strategy adopted by the Trustee is suitable for a Section of this type having regard to its financial position, the underlying liabilities and the capacity of the respective employers to meet any funding shortfall.
- In my opinion the shortfall limit of 99% remains reasonable for the Section.
- I consider the current insurance arrangements adequate and recommend that the current arrangements be maintained.
- Finally, I recommend that the Trustee monitor the financial position quarterly, with results reviewed by the Actuary. The Trustee should also obtain a letter from the Actuary in the intervening years between regular investigations which reports to the Trustee on the vested benefit position of the Section.

Section 3

This Summary sets out the key results and recommendations of the actuarial investigation for Section 3.

Solvency

Measure	30 June 2022	30 June 2020
VBI	119.6%	109.2%
PVABI	137.5%	124.3%

- The Section was not in an unsatisfactory financial position at the valuation date.
- The VBI of the Section increased since the previous investigation date, primarily as a result of positive experience since 30 June 2020, in particular, higher than expected investment performance, partially offset by higher than expected salary increases over the period.
- The PVABI of the Section increased since the previous investigation date. The higher gap between the expected level of future investment returns and salary increases has reduced the level of the present value of accrued benefits. This was compounded by gains due to experience over the intervaluation period.
- In my opinion, at the valuation date, there is a high degree of probability that the Section will be able to pay the pensions in respect of current pensioner members as required under the governing rules.

Funding

- The Section had an actuarial surplus of $8.7 million in respect of the long-term funding position at the valuation date.
- I recommend the Employers continue to contribute at the full rate of 12.6% of Classification Base Wage (CBW) for all Permanent Members and member contributions continue at 4.8% of CBW until at least 30 June 2023.
- Additionally, I recommend that the Trustee continues to maintain the defined benefit contingency funding component of the insurance reserve previously established for the purpose of meeting any emerging funding strain.

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Other matters

- The assets in respect of the Section are invested in the Fund's Balanced Option through the Hostplus Pooled Superannuation Trust.
- In my opinion the investment strategy adopted by the Trustee is suitable for a Section of this type having regard to its financial position, the underlying liabilities and the capacity of the respective employers to meet any funding shortfall.
- In my opinion the shortfall limit of 98% remains reasonable for the Section.
- I consider the current insurance arrangements adequate and recommend that the current arrangements be maintained.
- Finally, I recommend that the Trustee monitor the financial position quarterly, with results reviewed by the Actuary. The Trustee should also obtain a letter from the Actuary in the intervening years between regular investigations which reports to the Trustee on the vested benefit position of the Section.

Section 4

This Summary sets out the key results and recommendations of the actuarial investigation for Section 4.

Solvency

Measure	30 June 2022	30 June 2020
VBI	104.0%	113.5%
PVABI	103.8%	113.0%

- The Section was not in an unsatisfactory financial position at the valuation date.
- The indices of the Section reduced since the previous investigation date. This is primarily a result of negative experience of the Section since 30 June 2020, in particular the effects of the hedging program held by the Section, but also the higher than expected salary increases over the period. The DB Reserve decreased by 44% p.a. over the intervaluation period. The decrease was mostly attributable to the effects of the hedging program held by the Section.

Funding

- I believe that there are no current requirements to make additional contributions above the standard contributions required for accumulation members.
- If no additional contributions are made to the DB Reserve the financial position of the Section is expected to deteriorate over the next 10 years. A large factor in this deterioration is the expenses deducted from the DB Reserve, in particular the cost of the hedging program and the fixed administration fees.

Other matters

- The assets in respect of the DB Reserve are managed by Milliman and invested in a hedging program which has the intended aim of reducing the probability of the DB Guarantee becoming more onerous than the DB Reserve.
- This is achieved by trading derivatives in quantities which offset the sensitivity of the DB Guarantee to certain market exposures, including:
  - Changes in the underlying asset values, including changes due to foreign exchange movements which result in a higher DB Shortfall applying i.e. poor investment returns which reduce the accumulation benefits to which the DB guarantee applies;
  - Changes in the risk-free rates used to measure the Sub-fund DB liability;
  - Changes in inflation which impact the Benchmark Salary and subsequently the DB liability i.e. high inflation which increases the value of the DB Guarantee.
- The assets held in respect of defined benefit Sub-fund members' account balances that are subject to the DB Guarantee are invested in the investment options selected by members from the available choices.
- In my opinion the investment strategy as described above, including the hedging program and the associated expenses, should be reviewed, as based on the assumptions adopted in this investigation I expect that the DB Reserve will reduce to be less than the DB Guarantee over the next 10 years if no additional contributions are made to the DB Reserve under the current investment arrangements.

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- In my opinion the shortfall limit of 98% remains reasonable for the Section.
- I consider the current insurance arrangements adequate and recommend that the current arrangements be maintained.
- Finally, I recommend that the Trustee monitor the financial position quarterly, with results reviewed by the Actuary. The Trustee should also obtain a letter from the Actuary in the intervening years between regular investigations which reports to the Trustee on the vested benefit position of the Section.

Section 5

This Summary sets out the key results and recommendations of the actuarial investigation for Section 5.

Solvency

Measure	30 June 2022	30 June 2020
VBI	125.2%	104.9%
PVABI	127.1%	104.8%

- The Section was not in an unsatisfactory financial position at the valuation date.
- The indices of the Section increased since the previous investigation date, primarily as a result of positive experience since 30 June 2020, in particular, higher than expected investment performance lower than expected salary increases, and exits while the Section was in surplus.

Funding

- I recommend that the following contributions are paid to the Section by the Employer:
  - From 1 July 2022 to 31 December 2022: 15% of Salaries,
  - From 1 January 2023: nil contributions (i.e. a contribution holiday).
- In addition to the above contributions the Employer is also required to pay a contribution of 3% of Salary for certain members which is to be credited to the member's 3% Accumulation Account.

Other matters

- The assets in respect of the Section are invested in the Fund's Balanced option through the Hostplus Pooled Superannuation Trust.
- In my opinion, given the relatively short expected future lifetime of the Section and the strong funding position, the Trustee should consider adopting a more conservative investment strategy in order to protect the surplus of the Section against adverse market movements. The Trustee must give consideration to the impact on members' leaving service benefits which are accumulation in nature.
- In my opinion the shortfall limit of 98% remains reasonable for the Section.
- I consider the current insurance arrangements adequate and recommend that the current arrangements be maintained.
- Finally, I recommend that the Trustee monitor the financial position quarterly, with results reviewed by the Actuary. The Trustee should also obtain a letter from the Actuary in the intervening years between regular investigations which reports to the Trustee on the vested benefit position of the Section.

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