MERCER

Report to the Trustee on the Actuarial Investigation as at 30 June 2020

Cuesuper Superannuation Defined Benefits Plan

(a plan in NGS Super)

14 December 2020

welcome to brighter

Contents

1 Key Results and Recommendations

This report on the actuarial investigation of the Cuesuper Superannuation Defined Benefits Plan (the Plan) as at 30 June 2020 has been prepared to meet the requirements of the Plan's governing rules and the SIS legislation. This report should not be relied upon for any other purpose or by any party other than the Trustee of the Plan. Mercer is not responsible for the consequences of any other use. This report should be considered in its entirety and not distributed in parts. The Trustee should share this report with the Employers who contribute to the Plan. The Employers may consider obtaining separate actuarial advice on the recommendations contained in the report.

Change in Financial Position

The following table summarises the Plan's financial position, at both this and the previous actuarial investigation.

Defined Benefits Only*	Position at 30 June 2020		Coverage at 30 June 2018
	$000	Asset Coverage	
Assets	2,802		
Liability for Vested Benefits	2,754	101.7%	100.7%
Liability for Actuarial Value of Accrued Benefits	2,482	112.9%	106.4%
Discounted Accrued Retirement Benefits (DARB)	2,754	101.7%	99.2%
Liability for SG Minimum Benefits	2,101	133.4%	131.5%

* The above totals exclude additional accumulation balances for defined benefit members of $759,000 as at 30 June 2020.

Note that the benefit totals also include the actuarial value of the Plan's pension liabilities of $365,000 as at 30 June 2020.

The coverage levels at 30 June 2020 were similar to the levels at the previous actuarial investigation, due to the following items of positive and negative experience:

<u>Positive experience</u>

- The Employers made contributions at a level that would have re-established asset coverage at 100% of CUE (Schedule 1B) vested benefits if experience were as anticipated;
- The increase in Final Average Salary of 2.9% p.a. of remaining CUE (Schedule 1B) members was lower than the assumed increase of 4.5% p.a.;

- The coverage level of the CUE (Schedule 1B) Actuarial Value of Accrued Benefits funding measure has increased as a result of the increase in the gap between the assumed rate of investment earnings and the rate of salary increases used to determine the Actuarial Value of Accrued Benefits from a gap of 1.20% p.a. to 3.25% p.a.; and
- Change in the actuarial assumptions used to value the CUNA pensioners which has decreased their value in all of the liability measures.

Negative experience

- One CUE (Schedule 1B) member reached age 55 over the period and receives (as part of the standard benefit design of the Plan) a significant increase in their Vested Benefit;
- Investment earnings were lower than the assumed long term rates for both CUE (Schedule 1B) and CUNA sub-groups;
- CUE (Schedule 1B) membership reduced when asset coverage of vested benefits was below 100%, thereby spreading the deficit over a reduced number of members; and
- Pension payments made in respect of CUNA pensioners over the past two years, with neither pensioner passing away in the period.

Recommended Contribution Rates

At 30 June 2020, the Plan overall was in a satisfactory financial position.

Based on the financial position at 30 June 2020 and taking into account the actual investment return of 7.6% for the CUE (Schedule 1B) sub-group for the period from 30 June 2020 to 23 November 2020, I recommend that the Employers contribute to the Plan as follows:

	From 1 July 2020
CUE (Schedule 1B)	Please refer to Appendix C
CUNA Mutual	Nil

This recommended contribution program is expected, on the basis of the actuarial assumptions adopted for this investigation, to maintain or achieve the financing objectives for each sub-group over the period to 30 June 2023.

Ongoing Costs of the Plan

The membership of the Plan is small and declining. At 30 June 2020, there are only 3 members left in the CUE (Schedule 1B) sub-group and 2 pensioners in the CUNA sub-group.

Most of the costs of running the Plan are fixed and therefore the costs of operating the Plan for just 5 members are very high. The Trustee and the Employers should:

- Examine whether CUE (Schedule 1B) members' entitlements might be able to be converted to an accumulation basis in an appropriate manner taking account of the Trustee's obligations under superannuation law; and
- Consider securing the payment of pensions in respect of CUNA pensioners with an annuity provider.

Risks

The Trustee should note that the above projection is based on the assumptions adopted, which represent a single scenario from a range of possibilities. The future is uncertain and the Plan's actual experience will differ from these assumptions; these differences may be minor in their overall effect, or they may be significant and material. In addition, different sets of assumptions or scenarios may also be within the reasonable range and results based on those alternative assumptions would be different. However, the coverage ratios will be reviewed by the Plan actuary at least once every year and quarterly on an approximate basis by the Trustee. The Trustee's monitoring of the experience specified in the Notifiable Events section of the Funding and Solvency Certificate will provide a further means of identifying adverse experience which warrants an immediate review of the Plan's financial position.

Appendix C6 provide illustrations for the CUE (Schedule 1B) sub-group of the impact of investment volatility on the projected coverage of Vested Benefits and shows that a 1% pa reduction in the assumed future investment return would result in a 2% increase in the assessed value of liabilities.

Appendices C7 and D3 discuss other risks associated with the liabilities, including longevity risk, small plan and expense risk, legislative risk and the risks associated with the current valuation method whereby it is assumed that the Plan will continue, with the current investment policy and the ongoing support of the Employer sponsor.

Other Findings and Recommendations

Suitability of Policies

I am satisfied that the following current policies for the Plan are suitable:

- The investment policy ;
- The crediting rate policy;
- The insurance arrangements;
- The Shortfall Limit (for the purposes of SPS 160) for the CUNA sub-group; and
- The Trustee's process for monitoring the Plan's financial position.

Recommendations

- The Shortfall Limit for the CUE (Schedule 1B) sub-group be reduced from 99.0% to 96.5%;
- The Trustee to consider whether it is possible to secure the payment of CUNA pensions with an annuity provider; and
- Given the high costs of operating the CUE (Schedule 1B) sub-group on a per member basis, the Trustee and Employers should examine whether members' entitlements might be able to be converted to an accumulation basis in an appropriate manner, taking into account the Trustee's obligations under superannuation law.

Actions Required by the Trustee

The Trustee should consider this report and confirm its agreement (or otherwise) to the contribution and other recommendations. The Trustee should seek formal agreement from the Employers to contribute in line with the recommendations.

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Introduction

Background of the scheme

The Cuesuper Superannuation Defined Benefits Plan is a sub-plan of NGS Super.

The Plan is operated for the benefit of credit union employees, with sub-groups maintained for:

- Former employees of CUNA Mutual (CUNA sub-group); and
- Employees from a collective of credit unions (CUE (Schedule 1B) sub-group).

The Trustee of NGS Super, NGS Super Pty Limited, holds a Registrable Superannuation Entity Licence under the SIS legislation and operates the Plan as required under the Trust Deed.

The Plan is a resident regulated fund and a complying superannuation fund for the purposes of the SIS legislation. The Plan is taxed as a complying superannuation fund.

The advice contained in this report is given in the context of Australian law and practice. No allowance has been made for taxation, accountancy or other requirements in any other country.

The governing rules of the Plan are set out in the NGS Super Trust Deed dated 8 March 2011 (as amended).

Purpose

I have prepared this report exclusively for the Trustee of the Plan for the following purposes:

- To present the results of an actuarial investigation of the Plan as at 30 June 2020;
- To review Plan experience for the period since the previous actuarial investigation as at 30 June 2018;
- To recommend contributions to be made by the Employers intended to allow the Plan to meet its benefit obligations in an orderly manner, and to reach and maintain an appropriate level of security for members' accrued benefit entitlements;
- To satisfy the requirements of the Plan's Trust Deed for actuarial investigations of the Plan's financial position; and
- To meet legislative requirements under relevant Commonwealth superannuation legislation.

It has been prepared in accordance with the requirements of the Trust Deed, the Superannuation Industry (Supervision) Act 1993 and associated regulations (SIS legislation), Prudential Standard SPS 160 issued by APRA and Professional Standard 400 issued by the Actuaries Institute setting out requirements for actuarial investigations of defined benefit superannuation funds under SIS legislation.

The previous actuarial investigation was conducted as at 30 June 2018 by Angela Hartl, on behalf of Mercer, and the results are contained in a report dated 29 December 2018.

Significant events since the investigation date

The recommendations in the report take into account the actual investment return of 7.6% for the CUE (Schedule 1B) sub-group over the period from 30 June 2020 to 23 November 2020. I am not aware of any other significant events that have occurred since 30 June 2020 which would have had a material impact on the findings or recommendations in this report.

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Experience since the last review

For details of the experience since the last review, please refer to Appendices C2 (for the CUE (Schedule 1B) sub-group) and D1 (for the CUNA sub-group).

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Actuarial assumptions

The ultimate cost to the Employer of providing the benefits to members is:

- The amount of benefits paid out; and
- The expenses of running the Plan, including tax;

less

- Members' contributions; and
- The return on investments.

The ultimate cost to the Employer will not depend on the actuarial assumptions or the methods used to determine the recommended Employer contribution, but on the actual experience of the Plan. The financing method and actuarial assumptions adopted will however affect the timing of the contribution requirements from the Employer.

The actuarial process includes projections of possible future Plan assets and benefit liabilities on the basis of actuarial assumptions about future experience.

These assumptions include investment returns, salary/wage increases, pension indexation rates, the rates at which members leave the Plan for various reasons, and other factors affecting the financial position of the Plan.

It is not expected that these assumptions will be precisely borne out in practice, but rather that in combination they will produce a model of possible future experience that is considered a suitable basis for setting contribution rates.

Please refer to Appendices C3 (for the CUE (Schedule 1B) sub-group) and D2 (for the CUNA sub-group) for the assumptions used for each of the sub-groups, and the impact of the changes to the assumptions used from those adopted for the last actuarial investigation of the Plan.

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Assets

Market value

The net market value of the Plan's assets as at 30 June 2020 amounted to $3,561,000 (based on unaudited data provided by the Plan's administrator at 30 June 2020.

Calculation of Defined Benefit Assets at 30 June 2020	$
Net market value of the Plan's assets as at 30 June 2020	**$3,561,000**
Less accumulation accounts for defined benefit members	$759,000
Assets to support the defined benefit liabilities of the Plan	**$2,802,000**

The split of the assets between the two sub-groups as at 30 June 2020 was:

	CUE (Schedule 1B)	CUNA	Total
Defined Benefit Assets	$2,286,000	$516,000	**$2,802,000**
Accumulation Accounts	$759,000	-	**$759,000**
Total	**$3,045,000**	**$516,000**	**$3,561,000**

Operational Risk Reserves

The assets to meet the Trustee's Operational Risk Financial Requirement (ORFR) are held separately from the assets of the Plan.

The scope of this Investigation does not include a review of the adequacy of assets held to meet the Trustee's ORFR or the Trustee's ORFR strategy.

Investment Policy

The investment strategy and other related risks have been analysed separately for each sub-group and can be found in Appendices C4 (for the CUE (Schedule 1B) sub-group) and D3 (for the CUNA sub-group).

Crediting Rate Policy

Main features of the crediting rate policy for the CUE (Schedule 1B) sub-group and our comments on its suitability can be found in Appendix C4.

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The Actuarial Approach

Financing Objective

The financing objective I have adopted for this investigation is to target/maintain the value of the Plan's assets over the period to the next valuation of at least equal to:

Sub-group	Accumulation account balances	Plus	Defined Benefits
CUE (Schedule 1B)	100%		Maintain 100% to 105% of Defined Benefit Vested Benefits
CUNA	n/a		Maintain 130% of liabilities

The financing objectives reflect the different factors relevant to each sub-group including the different benefit designs and sponsoring employers for each sub-group. Please refer to Appendices C5 (for the CUE (Schedule 1B) sub-group) and D1 (for the CUNA sub-group) for further information.

The financing objectives for the Plan also result in a satisfactory margin of coverage over 100% of both SG Minimum Benefits and the actuarial value of accrued benefits. Hence it is not considered necessary to adopt specific financing objectives in relation to these liability measures.

I have taken into consideration the provisions of the Trust Deed and any professional requirements as set out below.

Professional Requirements

Under Professional Standard 400 issued by the Actuaries Institute, the funding method selected by the actuary *"must aim to provide that:*

(a) members' benefit entitlements (including any pension increases provided by the Trust Deed or in accordance with either precedent or the intentions of the Trustee and/or Fund Sponsor) are fully funded before the members retire; and

(b) the assets of the Fund from time to time, after making full provision for the entitlements of any beneficiaries or members who have ceased to be employed, exceed the aggregate of benefits which employed members would reasonably expect to be payable to them on termination of membership, including the expenses of paying those benefits, and having regard to the provisions of the Trust Deed and the likely exercise of any Options or Discretions." (Paragraph 5.5.4 of PS400).

Accordingly the actuary needs to be satisfied that any funding program is expected to provide a level of assets which meets or exceeds immediate benefit entitlements based on members' reasonable expectations. Should assets fall below that level, the funding program needs to aim to lift assets to at least the required level over a reasonable time period and to maintain assets at or above the required level thereafter.

The financing objective has been set on the basis that members' reasonable expectations on termination would be to receive their vested benefit entitlement, including the pensions in payment for the CUNA sub-group.

Provisions of the Trust Deed

The rules of NGS Super include requirements that:

- The Trustee ensures an actuarial investigation of the Plan is conducted when required by legislation. Accordingly actuarial investigations are carried out at three yearly intervals at a minimum; and
- The Employer must contribute at the rate determined by the Trustee, after consulting the Employer, on the advice of the Actuary to the Plan.

Financing Method

There are various financing methods that could be followed in setting the Employer contribution level. This investigation uses a "Target Funding" method.

Under this method, the Employer contribution rate required to provide a target level of coverage of a particular benefit liability measure is determined.

Under this method of financing, the level of the Employer contribution may vary from time to time to ensure that the Plan remains on course towards its financing objectives.

I consider that the Target Funding method is suitable in the Plan's current circumstances as it allows the recommended contribution rates to be determined specifically to meet the Plan's financing objectives.

Changes in Financing Method

The Target Funding method was also used at the previous investigation.

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Financial Position of the Plan

Funding status

The past service benefit measures at the total Plan level are discussed below. Details of the financial position of each sub-group within the Plan can be found in the relevant appendices.

Vested Benefits

Vested Benefits are the benefits payable if all active members resigned or, if eligible, retired at the investigation date. The values of Vested Benefits for pensioners are assumed to equal the Actuarial Value of Accrued Benefits.

At 30 June 2020 Plan assets were greater than Vested Benefits. Accordingly, the Plan as a whole was considered to be in a “satisfactory financial position” under SIS legislation.

However, at the individual sub-group level, Plan assets were less than the Vested Benefits for the CUE (Schedule 1B) sub-group at 30 June 2020, but were above Vested Benefits at the date of this report. Please refer to Appendix C for further information.

The assets were greater than Vested Benefits for the CUNA sub-group.

SG Minimum Benefits

SG Minimum Benefits are the minimum benefits required under SG legislation, as defined in the Benefit Certificate (also referred to as Minimum Requisite Benefits or MRBs). The values of SG Minimum Benefits for pensioners are assumed to equal the Actuarial Value of Accrued Benefits.

The Plan assets at 30 June 2020 were 133.4% of MRBs and hence the Plan was considered to be “solvent” under SIS legislation.

Actuarial Value of Accrued Benefits

The Actuarial Value of Accrued Benefits is the expected value (as at the investigation date) of all future expected benefit payments, based on membership to date, discounted to the investigation date, taking into account the probability of payment. This value is calculated using the actuarial assumptions and method outlined in the previous sections. In determining the value, I have not applied a minimum of the Vested Benefits. Further details concerning the calculation of the Actuarial Value of Accrued Benefits are set out in Appendix B.

The Plan Assets as 30 June 2020 represented 112.9% of the Actuarial Value of Accrued Defined Benefits.

The following table shows these funding measures at both the previous and current valuation dates.

Defined Benefits Only*	Position at 30 June 2020		Coverage at 30 June 2018
	$000	Asset Coverage	
Assets	2,802		
Liability for Vested Benefits	2,754	101.7%	100.7%
Liability for Actuarial Value of Accrued Benefits	2,482	112.9%	106.4%
Discounted Accrued Retirement Benefits (DARB)	2,754	101.7%	99.2%
Liability for SG Minimum Benefits	2,101	133.4%	131.5%

* The above totals exclude additional accumulation balances for defined benefit members of $759,000 as at 30 June 2020.

The coverage levels at 30 June 2020 were similar to the levels at the previous actuarial investigation due to the experience discussed in Appendices C2 (for the CUE (Schedule 1B) sub-group) and D1 (for the CUNA sub-group).

Recommended Contributions

Based on the financial position at 30 June 2020 and taking into account the actual investment return of 7.6% for the CUE (Schedule 1B) sub-group for the period from 30 June 2020 to 23 November 2020, I recommend that the Employers contribute to the Plan as follows:

	From 1 July 2020
CUE (Schedule 1B)	Please refer to Appendix C
CUNA Mutual	Nil

This recommended contribution program is expected, on the basis of the actuarial assumptions adopted for this investigation, to maintain or achieve the financing objectives for each sub-group over the period to 30 June 2023.

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Key Risks

There are a number of key risks relating to the operation of the Plan. Please refer to Appendices C7 (for the CUE (Schedule 1B) sub-group) and D3 (for the CUNA sub-group) for details of these risks.

9 Insurance

For details of the insurance in the CUE (Schedule 1B) sub-group please refer to Appendix C8.

There is no insurance in the CUNA sub-group.

I consider that the Plan's current insurance arrangements are suitable.

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Data

The Trustee is required under the Privacy Act 1988 to protect customers' personal information. Accordingly, information provided on this page has been redacted for this purpose.

Plan membership

The membership of the Plan as at 30 June 2020 was as follows:

30 June 2020 (30 June 2018)	CUE (Schedule 1B)	CUNA	Total
Number of members	3 (7)	2 (2)	5 (9)
Salary	[redacted]	-	[redacted]
Annual Pension	-	[redacted]	[redacted]

The Plan is closed to new members.

Data provisions

To prepare this report, we have relied on financial and participant data provided by the Plan's administrator. The data used is summarised in this report. The Appendices include information about the member age and benefit profiles.

We have not independently verified or audited the data provided but have performed a range of broad "reasonableness" checks and tested for consistency with previous records. We are satisfied that the data is sufficiently accurate for the purposes of this actuarial investigation.

We have also relied upon the documents, including amendments, governing the Plan as provided by the Trustee. The Trustee is ultimately responsible for the validity, accuracy and comprehensiveness of this information. If the data or Plan provisions are not accurate and complete, the investigation results may differ significantly from the results that would be obtained with accurate and complete information; this may require a revision of this report.

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Prudential Standards

The prudential regulator (APRA) has issued a number of Prudential Standards for the superannuation industry, including Prudential Standard (SPS 160) relating to the financial management and funding of defined benefit plans. We have commented below on several requirements arising from SPS 160.

Shortfall Limit

The Trustee must determine a "Shortfall Limit" for each fund, being:

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

We understand that the Trustee has adopted the following Shortfall Limits for the two sub-groups within the Plan:

Plan sub-group	Shortfall Limit
CUE (Schedule 1B)	99.0%
CUNA	100.0%

The Shortfall Limit is expressed as the coverage level of the defined benefits vested benefits by the defined benefit assets. It is appropriate to consider the following factors when determining if the Shortfall Limit remains appropriate:

- The guidance provided in the relevant Actuaries Institute Information Note;
- The investment strategy for defined benefit assets, particularly the benchmark exposure to "growth" assets (71% for the assets backing CUE (Schedule 1B), 0% for assets backing the CUNA sub-group); and
- The results of this investigation regarding the extent to which the current and projected Vested Benefits are not linked to the investment return on defined benefit assets (i.e. salary-based benefits and defined benefit pensions) and the current and projected relativity between Vested Benefits and Minimum Requisite Benefits.

Based on the above, we recommend:

- Reducing the Shortfall Limit from 99.0% to 96.5% for the CUE (Schedule 1B) sub-group to reflect that all benefits are now salary-based; and
- Maintaining the current Shortfall Limit at 100.0% for the CUNA sub-group.

We will reassess the suitability of the adopted Shortfall Limit as part of the next regular actuarial investigation. The Shortfall Limit should be reviewed earlier if there is a significant change to the investment strategy for defined benefit assets – in particular a change to a more defensive strategy - or if the Trustee otherwise considers it appropriate to do so.

Monitoring Process

SPS 160 also requires the Trustee to determine and implement a process for monitoring the defined benefit Vested Benefits coverage against the Shortfall Limit for each plan. If this monitoring process indicates that the vested benefits coverage has (or may have) fallen below the Shortfall Limit, then under SPS 160:

- An "Interim Actuarial Investigation" may be required (depending on the timing of the next regular actuarial investigation).
- A Restoration Plan is required to be put in place if an Interim Actuarial Investigation finds the plan has breached its Shortfall Limit. The Restoration Plan must be designed to return the plan to a "satisfactory financial position", so that the Vested Benefits are fully covered, within a reasonable period that must not exceed 3 years and this must be submitted to APRA.

We understand that the Trustee has adopted a monitoring process which includes the following:

- The defined benefit vested benefits coverage for each sub-group is prepared each quarter;
- If the Trustee's estimate indicates that the Shortfall Limit has, or may have been breached, action will be taken as required by SPS 160;
- For each sub-group in a satisfactory financial position where there has been a significant reduction in the Trustee's estimate of defined benefit vested benefits coverage, the Trustee will request a review of the financial position and formal advice from the Plan actuary as to whether or not the current contribution program remains appropriate; and
- For a sub-group in an unsatisfactory financial position, the Trustee will request a review of the financial position and advice from the Plan actuary each quarter as to whether or not the current contribution program remains appropriate or any other action should be taken.

We consider that the adopted monitoring process is appropriate.

The Trustee should also continue to monitor the "Notifiable Events" specified in the Plan's Funding and Solvency Certificate and advise the Actuary should any actual or potential Notifiable Events occur.

Requirements due to Unsatisfactory Financial Position

Restoration Plan

Under SPS 160, a Restoration Plan is also required to be put in place if the actuary finds in a regular Actuarial Investigation that a plan:

- Is in an unsatisfactory financial position (whether or not the Shortfall Limit has been breached); or
- Is likely to fall into an unsatisfactory financial position.

The Restoration Plan must be designed to return the plan to a "satisfactory financial position", so that Vested Benefits are fully covered, within a reasonable period that must not exceed 3 years from the investigation date.

An SPS 160 Restoration Plan is not required if the plan is technically insolvent (in which case the insolvency rules must be followed). If an SPS 160 Restoration Plan is already in place then any changes to the contribution program (including its period) must be made within the framework of that Restoration Plan.

As indicated by the financial position and the projections, we consider that the Plan overall is in a satisfactory financial position. However, the CUE (Schedule 1B) sub-group was in an "unsatisfactory financial position" as at 30 June 2020, but investment returns since 1 July 2020 have been strong, and the CUE (Schedule 1B) sub-group is now in a satisfactory financial position. Therefore, we consider that:

- The Plan is not in an unsatisfactory financial position; and
- Provided the Employers contribute at the recommended rates, the Plan is not likely to be in an unsatisfactory financial position over the longer term.

Hence, the special requirements of SPS 160 for funds in an unsatisfactory financial position do not apply at this investigation. However, the Trustee should continue to monitor the Plan's financial position on a quarterly basis.

Actuary's Reporting Requirements

Section 130 of the SIS Act requires that if an actuary forms the opinion that a plan's financial position may be unsatisfactory, or may be about to become unsatisfactory, and that opinion was formed in performing an actuarial function, the actuary must advise both the Trustee and the prudential regulator (APRA) in writing immediately. Note: an unsatisfactory financial position applies where assets are less than Vested Benefits.

These requirements do not currently apply as I am of the opinion that the Plan's financial position is not unsatisfactory (or about to become unsatisfactory).

Under Part 9 of the SIS Regulations, I am required to consider the ability of the Plan's assets to cover Superannuation Guarantee Minimum Requisite Benefits (MRBs). If assets are not sufficient, the Plan is considered to be 'technically insolvent'.

The Plan's assets are sufficient to fully cover the SG Minimum Benefits at 30 June 2020. Therefore, the Plan is not considered to be technically insolvent.

Statements Required by SPS 160

This section provides statements required to be made under APRA Prudential Standard SPS 160. Values cited relate to the Plan as a whole (inclusive of all accumulation members and accounts).

(a) The value of the Plan's assets as at 30 June 2020 was $3,561,000. This value excludes assets held to meet the Operational Risk Financial Requirement.

(b) In my opinion, the value of the liabilities of the Plan in respect of accrued benefits as at 30 June 2020 was $3,241,000. Hence, I consider that the value of the assets at 30 June 2020 is adequate to meet the value of the accrued benefit liabilities of the Plan as at 30 June 2020. Taking into account the circumstances of the Plan, the details of the membership and the assets, the benefit structure of the Plan and the industry within which the Employers operate, I consider that the assumptions and valuation methodology used are appropriate in relation to the determination of the accrued benefit liabilities for the purposes of this report. Further comments on the assumptions and valuation methodology are set out in Sections 4 and 6 of this report. Assuming that the Employers contribute in accordance with my recommendations based on the assumptions used for this actuarial investigation, I expect that assets will remain sufficient to cover the value of accrued benefit liabilities over the period to 30 June 2023.

(c) In my opinion, the value of the liabilities of the Plan in respect of vested benefits as at 30 June 2020 was $3,513,000. Hence, I consider that the value of the assets at 30 June 2020 is adequate to meet the value of the vested benefit liabilities of the Plan as at 30 June 2020. Assuming that the Employers contribute in accordance with my recommendations based on the assumptions made for this actuarial investigation, I expect that assets will remain sufficient to cover the value of vested benefit liabilities over the period to 30 June 2023. Hence, I consider that the financial position of the Plan should not be treated as unsatisfactory as defined in SPS 160.

(d) In my opinion, the value of the liabilities of the Plan in respect of the minimum benefits of the members of the Plan as at 30 June 2020 was $2,860,000. Hence, the Plan was not technically insolvent at 30 June 2020.

(e) A projection of the likely future financial position of the CUE (Schedule 1B) sub-group over the 3-year period following 30 June 2020, based on what I consider to be reasonable expectations for the Plan for the purpose of this projection, is set out in Appendix C of this report.

(f) Based on the results of this investigation, I consider that the Shortfall Limit for the CUE (Schedule 1B) sub-group requires review (but the Shortfall Limit for the CUNA sub-group does not require review). Comments are set out earlier in this section.

(g) In respect of the 3-year period following 30 June 2020, I recommend that the Employers contribute to the Plan at least:

- CUE (Schedule 1B) sub-group - as set out in Appendix C
- CUNA sub-group - Nil

(h) The Plan is used for Superannuation Guarantee purposes:

- all Funding and Solvency Certificates required under Division 9.3 of the SIS Regulations have been issued for the period from the date of the last investigation to 30 June 2020;
- I expect to be able to certify the solvency of the Plan in any Funding and Solvency Certificates that may be required in the three year period from 30 June 2020.

(i) In my opinion, there is a “high degree of probability”, as at 30 June 2020, that the Plan will be able to meet the pension payments as required under the Plan’s governing rules.

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Actuarial Certification

Actuary's certifications

Professional standards and scope

This report has been prepared in accordance with generally accepted actuarial principles, Mercer's internal standards, and the relevant Professional Standards of the Actuaries Institute, in particular PS400 which applies to *"...actuarial investigations of the financial condition of wholly or partially funded defined benefit superannuation funds."*

Use of report

This investigation report should not be relied upon for any other purpose or by any party other than the Trustee of the Plan. Mercer is not responsible for the consequences of any other use. This report should be considered in its entirety and not distributed in parts. The Trustee should share this report with the Employers who contribute to the Plan. The Employers may consider obtaining separate actuarial advice on the recommendations contained in the report.

The advice contained in this report is given in the context of Australian law and practice. No allowance has been made for taxation, accountancy or other requirements in any other country.

Actuarial Uncertainty and Assumptions

An actuarial investigation report contains a snapshot of a Plan's financial condition at a particular point in time, and projections of the Plan's estimated future financial position based on certain assumptions. It does not provide certainty in relation to a Plan's future financial condition or its ability to pay benefits in the future.

Future funding and actual costs relating to the Plan are primarily driven by the Plan's benefit design, the actual investment returns, the actual rate of salary growth, the actual rate of pension indexation and any discretions exercised by the Trustee or the Employer. The Plan's actuary does not directly control or influence any of these factors in the context of an actuarial investigation.

The Plan's future financial position and the recommended Employer contributions depend on a number of factors, including the amount of benefits the Plan pays, the cause and timing of member withdrawals, plan expense, the level of taxation and the amount earned on any assets invested to pay the benefits. These amounts and others are uncertain and unknowable at the investigation date, but are predicted to fall within a reasonable range of possibilities.

To prepare this report, assumptions are used to select a single scenario from the range of possibilities. The results of that single scenario are included in this report.

However, the future is uncertain and the Plan's actual experience will differ from those assumptions; these differences may be significant or material. In addition, different assumptions or scenarios may also be within the reasonable range and results based on those assumptions would be different. For this reason, this report shows the impact on the {Plan]'s financial position if alternative assumptions were to be adopted.

Actuarial assumptions may also be changed from one investigation to the next because of mandated requirements, Plan experience, changes in expectations about the future and other factors. We did not perform, and thus do not present, an analysis of the potential range of all future possibilities and scenarios.

Because actual Plan experience will differ from the assumptions, decisions about benefit changes, investment policy, funding amounts and benefit related issues should only be made after careful consideration of possible future financial conditions and scenarios, and not solely on the basis of a set of investigation results.

Additional information

The next **actuarial investigation** is required at a date no later than 30 June 2023. At that time, the adequacy of the Employer contribution levels will be reassessed. Note that the monitoring process recommended may lead to an earlier reassessment ahead of the next full actuarial investigation.

The next **Funding and Solvency Certificate** is required at least 12 months before the expiry of the current Funding and Solvency Certificate (which expires on 31 December 2024).

The next **Benefit Certificate** is required following the expiry of the current Benefit Certificate (which expires 30 June 2023). The current Benefit Certificate is designed to accommodate changes to the legislated Superannuation Guarantee schedule.

Further Information

Please contact me to provide any supplementary information or explanations about this actuarial investigation as may be required.

Tim Jenkins
Fellow of the Institute of Actuaries of Australia

14 December 2020

I have reviewed this report under Mercer's professional Peer Review Policy. I am satisfied that it complies with the applicable professional standards and uses assumptions and methods that are suitable for the purpose.

Clement Cheung
Fellow of the Institute of Actuaries of Australia

Appendix A

Plan Design

Summary of benefits

A summary of the main benefit provisions in respect of defined benefit members within each sub-group can be found in the relevant appendices.

The table below indicates the material discretions available to the Trustee and Employer and the member options specified within the Plan's Participation Agreement, to the extent that these affect benefits. We have not reviewed the NGS Super Trust Deed to determine if there are any additional material discretions (with the exception of insurance arrangements which were required to be reviewed separately). The table also shows the general prevalence of the past exercise of discretions and the options chosen by the members. Please note that past exercises of discretions should not be viewed as precedents which would constrain any future decisions.

Trustee and Employer Discretions	
Description and Deed Reference	**Historical Prevalence**
All members	
Trustee may introduce member investment choice on Supplementary Accounts [Participation Schedule Clause 5.3] (subject to appropriate amendment of the CUE Participation Schedule)	No choice. Invested in Diversified Investment Option
Investment of defined benefit assets (impacts accumulation benefits) [Participation Schedule Clause 5.4.1]	Diversified Investment Option for the accumulation accounts
Trustee has some discretion in the allocation of additional benefits on termination of the Plan [Participation Schedule Clause 11]	Nil
Additional employer contributions for members payable in addition to standard benefits [Participation Schedule 2/3 Clause 4.8/4.7]	Adjustments to benefits to meet changes to SG legislation (including award contributions) are paid in addition to other benefits, and appropriately allowed for in SG minimum benefit calculations.
Transfer of benefits whilst in employment at the request of the member [NGS Super Trust Deed]	Allow the transfer with benefits equal to the Vested Benefit.
Trustee can determine to not reduce benefits payable on death or disability in the event of insurance not being provided by the insurer [NGS Super Trust Deed clause 1.5.2 a)]	Unknown

Trustee and Employer Discretions	
CUE (Schedule 1B)	
Salary definition variations for CUE (Schedule 1B) members [Participation Schedule Schedule 2 Clause 2.1]	Base salary for defined benefit calculations. OTE for SG benefits in excess of 8% of Salary. Not aware of any salary limitations.
Early commencement of disability income benefit [Participation Schedule Schedule 2 Clause 8.2]	No early commencement
CUNA Mutual	
Payment of pensions other than monthly [Participation Schedule Schedule 4 Clause 9.2(c)]	Payable monthly
Reduction of pension benefit if reversionary benefit is requested by the member [Participation Schedule Schedule 4 Clause 9.4]	Both members have elected non-reversionary pensions.

Member Options
Nil

Neither the Trustee nor the Employer has a right within the Trust Deed to review benefits or member contribution rates.

Benefits on leaving service for any reason are subject to a minimum Superannuation Guarantee benefit described in the Plan's Benefit Certificate.

The Superannuation Guarantee (Administration) Act 1992

This Act requires employers to provide minimum superannuation benefits that are fully vested in their employees within a complying superannuation fund.

The contribution rates recommended in this report and the projected financial positions allow for benefits being augmented as necessary to meet the minimum Superannuation Guarantee (SG) benefit described in the Plan's current Benefit Certificate.

Under current legislation the SG rate will be 9.5% until 1 July 2021 and it will then increase by 0.5% pa until it reaches 12% from 1 July 2025.

Appendix B

Calculation of the Actuarial Value of Accrued Benefits

The calculation of the Actuarial Value of Accrued Benefits has been carried out using a method of apportionment of benefits between past and future membership that satisfies the requirements of Professional Standard No. 402 of the Actuaries Institute and is acceptable for Australian Accounting Standard AASB 1056 purposes.

Defined Benefits

The past membership components of all defined benefits payable in the future from the Plan for CUE (Schedule 1B) sub-group members in respect of current membership are projected forward allowing for assumed future salary increases and credited interest rates and are then discounted back to the investigation date at the investment return rate assumed for the investigation.

The past membership component for the retirement benefit is based on the member's accrued benefit multiple or relevant account balances at the investigation date.

The weighted average term of the accrued benefit liabilities is 4.6 years.

Accumulation Benefits

The value of accumulation benefits has been taken as the sum of the balances held in accumulation accounts at the date of the investigation.

Methodology of Calculating the Actuarial Value of Accrued Benefits

The method used for the determination of Accrued Benefits is the same as that used at the previous investigation.

APPENDIX C

Throughout this Appendix the CUE (Schedule 1B) sub-group of the Cuesuper Superannuation Defined Benefits Plan (the Plan) is referred to as the "CUE (Schedule 1B) sub-group". Any reference to the Employers includes each of the three employers who participate in the CUE (Schedule 1B) sub-group.

APPENDIX C1

Key Results and Recommendations

This Appendix sets out the results of the actuarial investigation of the CUE (Schedule 1B) sub-group as at 30 June 2020 and has been prepared for the Trustee for the purposes set out in the main report.

Membership Data

The CUE (Schedule 1B) sub-group consists of three members as at 30 June 2020, having reduced from seven remaining members as at 30 June 2018 when the previous actuarial investigation was undertaken. Each of the three remaining members is employed by a different Employer. Further details of Plan membership are set out in Appendix C2.

Change in Financial Position

The following table summarises the CUE (Schedule 1B) sub-group's financial position, at both this and the previous actuarial investigation.

Defined Benefits Only*	Position at 30 June 2020 $000	Position at 30 June 2020 Asset Coverage	Coverage at 30 June 2018
Assets	2,286		
Liability for Vested Benefits	2,389	95.7%	96%
Liability for Actuarial Value of Accrued Benefits	2,117	108.0%	102%
Discounted Accrued Retirement Benefits (DARB)	2,389	95.7%	95%
Liability for SG Minimum Benefits	1,736	131.7%	130%

* The above totals exclude additional accumulation balances for defined benefit members of $759,000 as at 30 June 2020.

The coverage levels at 30 June 2020 were similar to the levels at the previous actuarial investigation, due to the following items of positive and negative experience:

Positive experience

- The Employers made contributions at a level that would have re-established asset coverage at 100% of vested benefits if experience were as anticipated;
- The increase in Final Average Salary of 2.9% p.a. of remaining CUE (Schedule 1B) sub-group members was lower than the assumed increase of 4.5% p.a.
- The coverage level of the Actuarial Value of Accrued Benefits funding measure has increased as a result of the increase in the gap between the assumed rate of investment earnings and the rate of

salary increases used to determine the Actuarial Value of Accrued Benefits from a gap of 1.20% p.a. to 3.25% p.a.

Negative experience

- One member reached age 55 over the period and receives (as part of the standard benefit design of the CUE (Schedule 1B) sub-group) a significant increase in their Vested Benefit;
- Investment earnings of 3.2% p.a. were lower than the assumed long term rate of 5.7% p.a.;
- CUE (Schedule 1B) sub-group membership reduced when asset coverage of vested benefits was below 100%, thereby spreading the deficit over a reduced number of members.

Recommended Contribution Rates and Projections

At 30 June 2020, the CUE (Schedule 1B) sub-group was in an unsatisfactory financial position. The 95.7% coverage of the Defined Benefit Vested Benefits was below the financing objective of between 100% and 105% coverage adopted for this investigation. However, investment returns since 1 July 2020 have been strong, and the CUE (Schedule 1B) sub-group is in a satisfactory financial position at the date of this report, with asset coverage of 101% as at 23 November 2020.

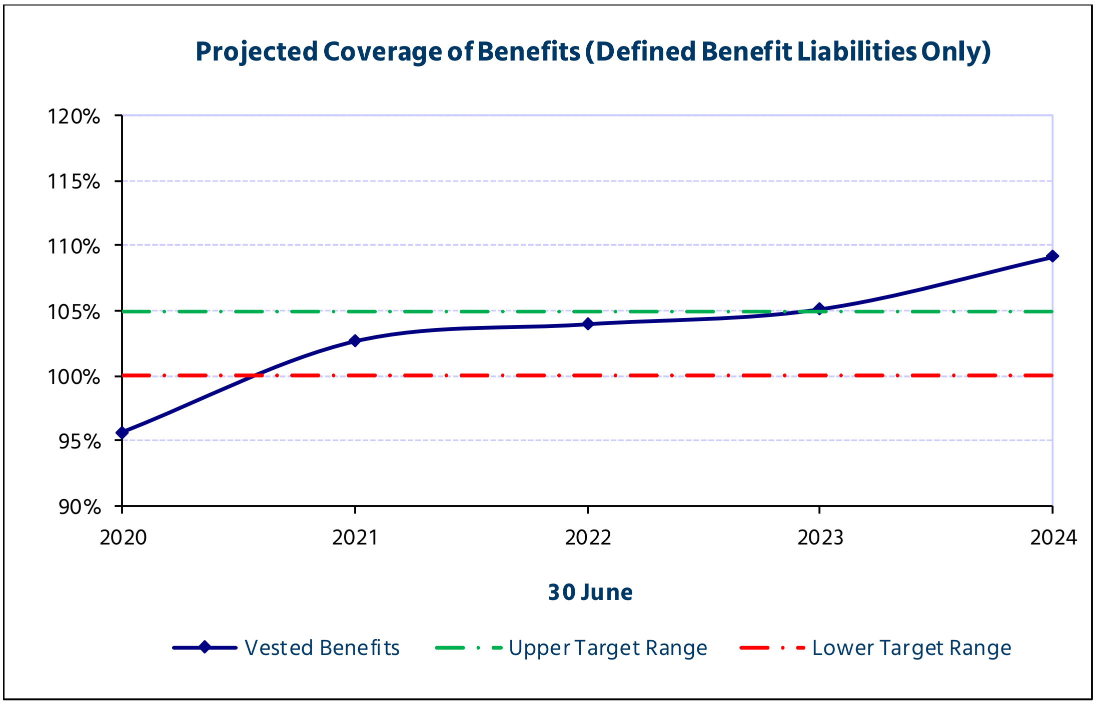
Based on the financial position at 30 June 2020 and taking into account the actual investment return of 7.6% for the period from 30 June 2020 to 23 November 2020, I recommend that the Employers continue to contribute to the CUE (Schedule 1B) sub-group in accordance with the following contribution program:

- 8.0% of Salary for all members; plus
- Top up to SG% of OTE; plus
- CUE (Schedule 1B) sub-group expenses and insurance as advised by the Trustee (currently totalling $80,000 p.a.).

Employers should also ensure that the 5.0% of salary member contributions (or 5.9% of salary if paid via salary sacrifice) are paid to the Plan as well as any additional employer contributions agreed between an Employer and a member (e.g. additional salary sacrifice or employer contributions).

On a member's exit, the Trustee will determine on actuarial advice whether a further top-up payment is required to reflect the financial position at the time of exit.

Based on the assumptions adopted for this investigation and the recommended contribution rate, and allowing for the positive experience after the investigation date as detailed in this report, I have prepared the following projection of the CUE (Schedule 1B) sub-group assets and benefit liabilities:



The graph above shows that the recommended contributions are anticipated to result in assets of between 100% and 105% of Defined Benefit Vested Benefits (which is the financing objective adopted in this investigation) throughout the period to 30 June 2023 given the investment returns from 30 June 2020 to the date of this report. This means the CUE (Schedule 1B) sub-group is projected to remain in a satisfactory financial position throughout this period.

Ongoing Costs of the CUE (Schedule 1B) sub-group

The membership of the CUE (Schedule 1B) sub-group is small and declining. At 30 September 2020, there are only 3 members left in the sub-group.

Most of the costs of running the CUE (Schedule 1B) sub-group are fixed and therefore the costs of operating the CUE (Schedule 1B) sub-group for just 3 members are very high. The Trustee and the Employers should examine whether members' entitlements might be able to be converted to an accumulation basis in an appropriate manner, taking account of the Trustee's obligations under superannuation law.

Requirements of SPS 160: Restoration Plan

Under SPS 160, a Restoration Plan is required to be put in place if the actuary finds that a plan:

- Is in an unsatisfactory financial position; or
- Is likely to fall into an unsatisfactory financial position.

Although the CUE (Schedule 1B) sub-group was in an "unsatisfactory financial position" as at 30 June 2020, investment returns since 1 July 2020 have been strong, and the CUE (Schedule 1B) sub-group is now in a satisfactory financial position. We therefore consider that:

- The CUE (Schedule 1B) sub-group is not currently in an unsatisfactory financial position; and
- The CUE (Schedule 1B) sub-group is not likely to fall into an unsatisfactory financial position.

Hence, the special requirements of SPS 160 for funds in an unsatisfactory financial position do not apply and a Restoration Plan is not required to be put in place.

The Trustee is required under the Privacy Act 1988 to protect customers' personal information. Accordingly, information provided on this page has been redacted for this purpose.

Appendix C2

Experience since the last review

Membership

During the period under review the number of defined benefit members within the CUE (Schedule 1B) sub-group decreased from 7 to 3 members. Details of these 3 members are as follows:

Member Number	Salary as at 30 June 2020	Age as at 30 June 2020
[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]
Total	[redacted]	[redacted]

The membership data used for this investigation was taken from the database used to administer the CUE (Schedule 1B) sub-group. I have carried out "reasonableness" checks on the data and I am satisfied with the quality of the data and its suitability for this purpose.

Investment Returns

The table below shows the rates of investment earnings (after tax and investment fees) for the assets supporting the defined benefits of active members over the period since the previous investigation.

Year Ending	Investment Return (pa)
30 June 2019	7.2%
30 June 2020	-0.7%
Compound Average	**3.2%**

The average investment return for the two year period to 30 June 2020 was 3.2% p.a. compared to our long term assumption at the last actuarial investigation of 5.7% p.a. The lower return than assumed had a negative impact on the CUE (Schedule 1B) sub-group's financial position.

However, returns since 30 June 2020 have been strong, with the CUE (Schedule 1B) sub-group earning 7.6% from 30 June 2020 to 23 November 2020.

Salary Increases

Salaries for the current defined benefit members increased by an average of 1.2% p.a. over the period compared to our longer term assumption at the last actuarial investigation of 4.5% p.a. The lower salary increases than assumed had a positive impact on the CUE (Schedule 1B) sub-group's financial position, as all of the CUE (Schedule 1B) sub-group's liabilities are salary related.

Changes in Membership/Decrements

One member reached age 55 during the period under review and received (as part of the standard benefit design of the CUE (Schedule 1B) sub-group) a significant increase in their Vested Benefit.

Also, during the period under review the number of defined benefit members within the sub-group decreased.

However, because overall the sub-group was still in an underfunded position, with a lower asset base, the asset coverage declined.

Contributions

The Employers have contributed at the rates recommended at the last actuarial investigation of the CUE (Schedule 1B) sub-group. The contributions paid since the date of the previous actuarial investigation were as follows:

- 8.0% of salary for all members; plus
- Top up to SG% of OTE; plus
- Fixed dollar amount as agreed each year (to cover some of the operating costs of the CUE (Schedule 1B) sub-group.

Employers should also ensure that the 5.0% of salary member contributions (or 5.9% of salary if paid via salary sacrifice) are paid to the CUE (Schedule 1B) sub-group as well as any additional employer contributions agreed between the Employer and a member (e.g. additional salary sacrifice or employer contributions).

Impact of the experience on the financial position

The main experience items affecting the CUE (Schedule 1B) sub-group's financial position during the period from 30 June 2018 to 30 June 2020 were as follows:

Item	Assumption at previous review	Plan experience	Comment on effect
Investment returns	5.7% p.a.	3.2% p.a.	Negative effect – investments grew at a lower rate than assumed
Salary increases	4.5% p.a.	1.2% p.a.	Positive effect – benefit liabilities grew at a lower rate than assumed
Membership changes			Negative effect – see above

Appendix C3

Actuarial assumptions

Economic assumptions

The most significant assumption made in estimating the cost of defined benefits is the difference between:

- the assumed rate of investment earnings; and
- the rate of salary increases used in the projections of future benefit payments.

This difference is commonly referred to as the “gap”.

The key economic long term assumptions adopted for this investigation are:

	Assumption
Investment returns (after tax and investment fees)	5.5% p.a.
General salary increases	2.25% p.a.

The assumption for investment returns is based on the expected long-term investment return for the CUE (Schedule 1B) sub-group’s current benchmark investment mix, calculated using Mercer’s assumptions of the means and standard deviations of returns from the various underlying asset classes and the correlations of returns between those asset classes. It has been adjusted to reflect the term of the liabilities and reduced by 0.1% p.a. and 0.2% p.a. to reflect the investment management fee and passive investment fee respectively.

The salary increase assumption is based on long term economic forecasts for future increases in average weekly earnings (AWOTE).

Demographic assumptions

Retirement

The rates at which members are assumed to leave the CUE (Schedule 1B) sub-group due to retirement are set out below. I have maintained the same assumptions as were adopted at the 30 June 2018 actuarial valuation of Cuesuper. Given the small size of the CUE (Schedule 1B) sub-group, these are based on the experience of similar plans administered or advised by Mercer.

Age Last Birthday x	Percentage of members age x at beginning of year assumed to leave the Plan during the year on account of early retirement %
55 to 59	20
60	25
61 to 64	5
65	100

Death and Disablement in Service

No allowance has been made as there are only a few members left in the sub-group and any additional benefit payable on death or disablement is expected to be met by the Plan's insurance.

Resignation

No longer required as all remaining members have reached early retirement age.

Retrenchment

No specific allowance is made for the possibility of future retrenchments.

Other assumptions

New members

The CUE (Schedule 1B) sub-group's defined benefit section is closed to new entrants. No allowance has been made for new members.

Expenses

The Employer will continue to pay the cost of expenses and insurance as advised by the Trustee. These are estimated to be as follows:

- Actuarial consulting fees (estimated to be $30,000 p.a.);
- Administration expenses (estimated to be $35,000 p.a.); and
- Group life insurance premiums (estimated to be $15,000 p.a.).

Tax

It is assumed that the current tax rate of 15% continues to apply to the Plan's assessable income, along with current tax credits and deductions.

All future Employer contributions are assumed to be subject to 15% contribution tax, after deduction of any insurance premiums and administration and management costs. All contribution recommendations quoted in this report are gross of contributions tax.

No allowance has been made for:

- Excess contributions tax, as this is payable by the member.
- Additional tax on contributions (including defined benefit notional contributions) for those with incomes above the threshold (currently $250,000), which is also payable by the member.

Impact of the changes in assumptions

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

Assumption	Investigation at 30 June 2020	Investigation at 30 June 2018	Reason for change
Investment return	5.5%	5.7%	Updated to reflect current investment market outlook.
Salary increase	2.25%	4.5%	Updated to reflect salary experience.
Expenses	Actuarial consulting fees estimated to be $30,000 p.a. Net cost of group life and disablement income insurance estimated to be 3.0% of defined benefit members' salaries. Administration expenses estimated to be $35,000 p.a.	Actuarial consulting fees estimated to be $27,000 p.a. Net cost of group life and disablement income insurance estimated to be 2.2% of defined benefit members' salaries. Administration expenses estimated to be $57,000 p.a.	Updated to reflect Plan experience and future expectations.

The overall impact of the changes in assumptions was to decrease the Actuarial Value of Accrued Benefits by $42,000.

Appendix C4

Assets

Market value

The net market value of the CUE (Schedule 1B) sub-group's assets as at 30 June 2020 amounted to $3,045,000 (based on the data provided by the Plan's administrator) for the CUE (Schedule 1B) sub-group at 30 June 2020.

Calculation of Defined Benefits Assets at 30 June 2020	
Net market value of the CUE (Schedule 1B) sub-group 's assets as at 30 June 2020	**$3,045,000**
Less accumulation accounts for defined benefit members	$759,000
Net assets to support the defined benefit liabilities of the CUE (Schedule 1B) sub-group	**$2,286,000**

Investment Policy

Assets backing defined benefit liabilities

The assets supporting the CUE (Schedule 1B) sub-group's defined benefit liabilities are invested in the NGS Super Diversified investment option. This option currently involves a benchmark exposure of 70% to 'growth' assets such as shares and property and a benchmark exposure of 30% to 'defensive' assets such as cash and fixed interest. Please refer to the table below for the actual and benchmark investment allocations of these assets as at the investigation date. 'Growth' assets are expected to earn higher returns over the long term compared to 'defensive' assets, but at the same time to exhibit more variation in returns from year to year. This option is expected to provide a high level of liquidity in normal circumstances.

The Strategic Asset Allocation and Dynamic Asset Allocation Range for the assets supporting the defined benefit liabilities are as follows:

Asset Class	Strategic Asset Allocation	Dynamic Asset Allocation Range
Australian Shares	25%	15-40%
International Shares	25%	15-40%
Property	9%	0-20%
Infrastructure	10%	0-20%
Growth Alternatives	10%	0-20%
Corporate Bonds	5%	0-20%
Government Bonds	10%	0-20%
Bond Alternatives	3%	0-20%
Cash	3%	0-25%
Total Growth	**71%**	**55-85%**
Total Defensive	**29%**	**15-45%**
Total	**100%**	**100%**

I have reviewed the CUE (Schedule 1B) sub-group's defined benefit investment policy taking into account the sub-group's financial position and the nature and term of the sub-group's defined benefit liabilities and confirm I consider that the investment policy adopted is a suitable policy provided the Trustee and Employers understand and accept the contribution variability associated with the current investment policy.

Given that it is not known when members will take their benefit with certainty, the exact term of the sub-group's liabilities is unknown. However, two of the remaining three CUE (Schedule 1B) sub-group members are now over age 60, and their defined benefit liabilities at age 65 are converted to accumulation liabilities under the CUE (Schedule 1B) sub-group's rules if they remain members at that time. The duration of the remaining defined benefit liabilities is therefore relatively short. Therefore, we would recommend the Trustee consult with the Employers and investigate whether investments might be moved to Cash in order to remove the investment volatility associated with the current strategy and the potential need for the Employers to make further contributions.

Assets backing accumulation benefit liabilities

The additional accumulation accounts for defined benefit members in the CUE (Schedule 1B) sub-group are invested in line with the investment strategy adopted for the defined benefit assets. The actual returns on those investments (whether positive or negative) are passed on to members via changes in the unit prices by which member account balances are determined. Thus the CUE (Schedule 1B) sub-group's accumulation liabilities and related assets are fully matched.

The CUE (Schedule 1B) sub-group's investments are expected to provide a high level of liquidity in normal circumstances.

I consider that the CUE (Schedule 1B) sub-group's investment policy for assets relating to accumulation liabilities is suitable, having regard to the nature and term of these liabilities.

Crediting Rate Policy

NGS Super has a documented Unit Pricing Policy (dated September 2011).

CUE (Schedule 1B) sub-group members' benefits on resignation, as well as their Superannuation Guarantee minimum benefits, are based on the accumulation of member and notional employer contributions with investment earnings. The resignation benefit also applies as a minimum on retirement.

Retirement benefits at age 65 for CUE (Schedule 1B) sub-group members are accumulated with investment earnings. We note this minimum does not apply for any members.

In addition, all additional accounts (Employer Voluntary Account, Voluntary Member Contribution Accounts, Rollover Accounts and negative Surcharge Accounts) payable on resignation or retirement accumulate with investment earnings.

None of the accumulation accounts (real and notional in nature) are subject to Member Investment Choice. The assets are invested in line with the CUE (Schedule 1B) sub-group's investment strategy, currently the Diversified investment option.

The main features of the unit pricing policy in relation to real and notional accumulation accounts of defined benefit members are summarised briefly below:

- Earnings credited are based on the actual net earning rates (i.e. earnings net of investment costs, asset-based administration fees, member protection fees and provisions for tax) of the Diversified investment option. Net earnings are allocated via changes in unit prices. Unit prices are determined on a weekly basis.
- Hard-close unit prices are calculated (monthly and annually) for performance monitoring but are not used for transaction processing or member statements.
- All transactions (real and notional) except switches in and out of investment options are processed using historical unit pricing (i.e. based on the previous week's unit price). Switches in and out of investment options would be processed using forward unit pricing to limit the opportunity for members to select against the Plan; however, the option to switch investment options is currently not available to CUE (Schedule 1B) sub-group members.
- Members' defined benefits are crystallised at the date of leaving service. For the period from the date of leaving service to the date of payment of the benefit (or until transferred to the Industry section of NGS Super), late payment interest is payable on the benefit. This is calculated as the movement in the cash unit price between the date of leaving service and the date of payment/transfer.
- Members' additional accumulation benefits are calculated using the latest unit price at the date of payment/transfer.
- NGS Super Management allows certain member transaction requests to be backdated. That is, certain transactions can be processed with an earlier "business effective date" than the actual "processing date".

- NGS Super maintains a unit pricing reserve. A target fund level of 30 bps of the NGS Super's Net Asset Value is held to cover any potential errors caused by incorrect calculations of unit prices.
- Contingency arrangements are documented for the Trustee to take action if markets become significantly volatile, including the release of additional unit prices and the suspension of member transaction processing.

Comments

I consider that the current frequency of review of unit prices is appropriate. Whilst the use of historical unit pricing can result in members being disadvantaged or advantaged (depending on market movement), when considered alongside the contingency arrangements in place I consider the risk is controlled sufficiently.

Backdating of transactions creates a risk for the CUE (Schedule 1B) sub-group if markets fall between the business effective date and the actual processing date. Generally the contribution information received from the majority of employer sponsors is clean and hence there is little delay in the allocation of contributions. We therefore consider the risk to the CUE (Schedule 1B) sub-group to be minimal. We also understand that there are limitations in amending the administration system to remove backdating of transactions.

Conclusion

The unit pricing policy and related procedures are documented. A detailed review of the policy and related procedures is outside the scope of this investigation.

The general principles of the unit pricing policy are reasonable. Based on a review of the main features, I consider that the unit pricing policy for these benefits is generally suitable taking into consideration the principles of equity between different generations of members and any material risks which may have a significant impact on the CUE (Schedule 1B) sub-group (i.e. a market shock or sudden downturn in investment markets).

Appendix C5

The Actuarial Approach

Financing Objective

The financing objective adopted for this investigation is to maintain the value of the CUE (Schedule 1B) sub-group's assets at least equal to:

- 100% of accumulation account balances; plus
- Between 100% and 105% of Defined Benefit Vested Benefits.

Accumulation account balances are matched by specific assets and do not require any additional margins. However, the defined benefit liabilities are linked to salaries and not to the returns on the underlying assets. A margin of between 100% and 105% coverage of vested defined benefits is therefore desirable to provide some security against adverse experience such as poor investment returns, yet strike a suitable balance between the Trustee's desire to provide security to members and the unreasonable build-up of surplus.

Based on the assumptions adopted for this investigation, achieving the minimum financing objective of 100% of Vested Benefits for defined benefit members would also result in at least 100% coverage of the Actuarial Value of Accrued Benefits and a satisfactory margin of coverage over 100% of SG Minimum Benefits. Hence, it is not considered necessary to adopt specific financing objectives in relation to these benefit liability measures.

Appendix C6

Financial Position

Funding status

Vested Benefits

Vested Benefits are the amounts payable as of right should all active members voluntarily resign or, if eligible, retire at the investigation date.

At 30 June 2020, the CUE (Schedule 1B) sub-group assets represented 95.7% of the vested benefits and hence the CUE (Schedule 1B) sub-group was considered to be in an "unsatisfactory financial position" under SIS legislation. The 95.7% coverage of the Defined Benefit Vested Benefits was also below the financing objective of between 100% and 105% coverage adopted for this investigation.

However, investment returns since 1 July 2020 have been strong, and the CUE (Schedule 1B) sub-group is in a satisfactory financial position at the date of this report, with asset coverage of 101% as at 23 November 2020.

SG Minimum Benefits

SG Minimum Benefits are the minimum benefits required under SG legislation, as defined in the Benefit Certificate (also referred to as Minimum Requisite Benefits or MRBs).

The CUE (Schedule 1B) sub-group assets at 30 June 2020 were 131.7% of MRBs and hence the CUE (Schedule 1B) sub-group was considered to be "solvent" under SIS legislation.

Actuarial Value of Accrued Benefits

The Actuarial Value of Accrued Benefits is the expected value (as at the investigation date) of all future expected benefit payments, based on membership to date, discounted to the investigation date, taking into account the probability of payment. This value is calculated using the actuarial assumptions and method outlined in the previous sections. In determining the value, I have not applied a minimum of the vested benefits.

The CUE (Schedule 1B) sub-group assets as 30 June 2020 represented 108.0% of the Actuarial Value of Accrued Defined Benefits.

Discounted Accrued Retirement Benefits (DARB)

CUE (Schedule 1B) sub-group assets at 30 June 2020 were less than the Discounted Accrued Retirement Benefits (DARB), which are now equal to the Vested Benefits as all remaining members have reached early retirement age.

The following table shows these funding measures at both the previous and current valuation dates.

Defined Benefits Only*	Position at 30 June 2020 $000	Position at 30 June 2020 Asset Coverage	Coverage at 30 June 2018
Assets	2,286		
Liability for Vested Benefits	2,389	95.7%	96%
Liability for Actuarial Value of Accrued Benefits	2,117	108.0%	102%
Discounted Accrued Retirement Benefits (DARB)	2,389	95.7%	95%
Liability for SG Minimum Benefits	1,736	131.7%	130%

* The above totals exclude additional accumulation balances for defined benefit members of $759,000 as at 30 June 2020.

The coverage levels at 30 June 2020 were slightly lower than the levels at the previous actuarial investigation due to:

- The overall negative experience discussed in Appendix C2; and
- The changes in the actuarial assumptions resulting in a decrease in the actuarial value of the accrued benefits as discussed in Appendix C3.

Recommended Contributions

At 30 June 2020, the CUE (Schedule 1B) sub-group was in an unsatisfactory financial position. The 95.7% coverage of the Defined Benefit Vested Benefits was below the financing objective of between 100% and 105% coverage adopted for this investigation. However, investment returns since 1 July 2020 have been strong, and the CUE (Schedule 1B) sub-group is in a satisfactory financial position at the date of this report, with asset coverage of 101% as at 23 November 2020.

Based on the financial position at 30 June 2020 and taking into account the actual investment return of 7.6% for the period from 30 June 2020 to 23 November 2020, I recommend that the Employers continue to contribute to the CUE (Schedule 1B) sub-group in accordance with the following contribution program:

- 8.0% of Salary for all members; plus
- Top up to SG% of OTE; plus
- CUE (Schedule 1B) sub-group expenses and insurance as advised by the Trustee (currently totalling $80,000 p.a.).

The Employer will continue to pay the cost of expenses and insurance as advised by the Trustee.

Employers should also ensure that the 5.0% of salary member contributions (or 5.9% of salary if paid via salary sacrifice) are paid to the CUE (Schedule 1B) sub-group as well as any additional employer contributions agreed between the Employer and a member (e.g. additional salary sacrifice or employer contributions).

On a member's exit, the Trustee will determine on actuarial advice whether a further top-up payment is required to reflect the financial position at the time of exit.

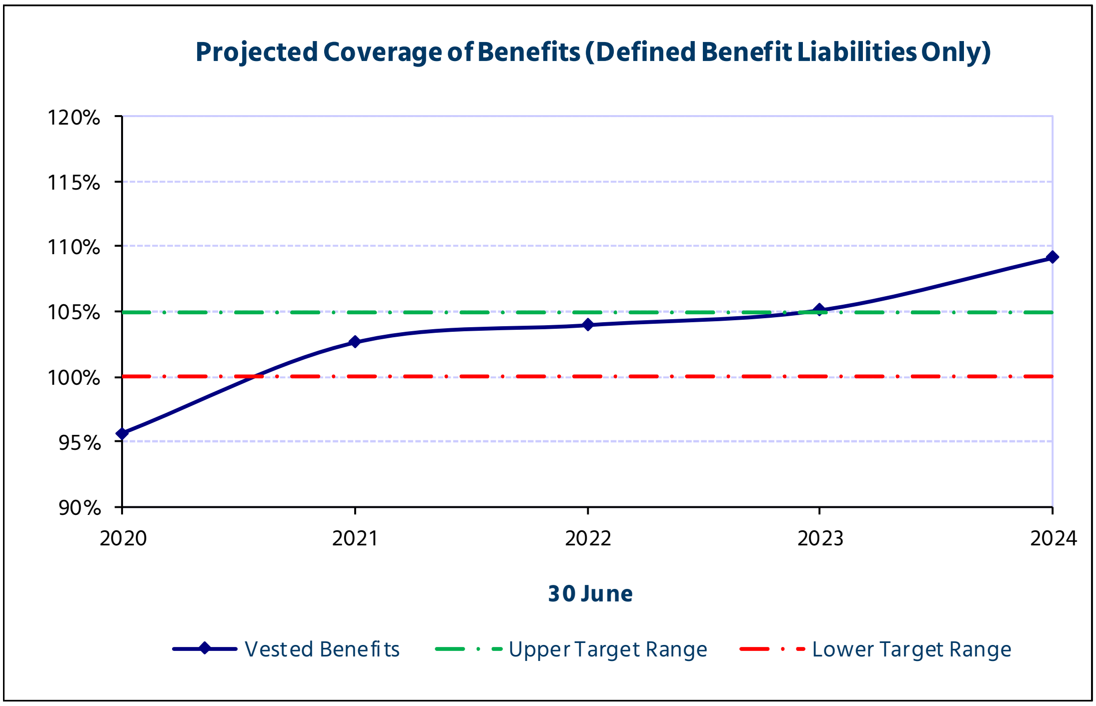
In practice, it is likely to be necessary to vary the Employer contributions at some point in the future to achieve the Trustee's financing objective.

Projected Financial Position

I have prepared a projection of the CUE (Schedule 1B) sub-group assets and benefit liabilities based on:

- the actuarial assumptions adopted for this investigation;
- the actual investment return of 7.6% for the 5 months immediately after 30 June 2020; and
- assuming the recommended Employer contributions will be paid.

The results of the projection are as follows:



The Trustee should note that this projection is based on the assumptions adopted, which represent a single scenario from the range of possibilities. The future is uncertain and the CUE (Schedule 1B) sub-group's actual experience will differ from those assumptions; these differences may be minor in their overall effect, or they may be significant and material. In addition, different sets of assumptions or scenarios may also be within the reasonable range and results based on those alternative assumptions would be different, as discussed below.

The graph above shows that the recommended contributions are anticipated to result in assets of between 100% and 105% of Defined Benefit Vested Benefits (which is the financing objective adopted in this investigation) throughout the period to 30 June 2023. This means the CUE (Schedule 1B) sub-group is projected to remain in a satisfactory financial position throughout this period.

Sensitivity Analysis

We have tested the effect of changes to the key assumptions on the value of liabilities and the CUE (Schedule 1B) sub-group's net financial position.

The liabilities shown in this report have been calculated using our best estimate assumptions for investment return (5.5% per annum) and salary growth (2.25% per annum). As both future investment returns and future salary increases are unknown, it is almost certain that actual experience will differ from these assumptions.

It is the difference between the investment return rate and salary growth rate (commonly referred to as the 'gap') that is crucial rather than the individual assumptions, because the value of the assets move with investment returns while your defined benefit liabilities grow with salaries.

To quantify the sensitivity of the net financial position to our assumptions, we have calculated the change in liability for Actuarial Value of Accrued Benefits based on the following scenarios:

- Decrease the long term investment return assumption by 1% pa; and
- Increase the salary growth assumption by 1% pa.

All other assumptions, including the Employer contribution rates, are assumed to remaining the same.

The effects of these changes are shown below, with the impact of the change as a percentage of assets shown in brackets:

Scenario	Net financial position as at 30 June 2020 ($000)	Change in net financial position ($000)
Base assumptions as shown previously	169	
Decrease investment return by 1% pa	125	(44)
Increase salary increase by 1% pa	147	(22)

Appendix C7

Key Risks

Investment Volatility

Current vested benefits for defined benefit members are fully linked to salaries and not linked to investment returns. Therefore the CUE (Schedule 1B) sub-group's vested benefits coverage is highly sensitive to changes in the investment returns.

I have considered the impact of investment volatility on the CUE (Schedule 1B) sub-group's financial position over the next few years using a "high return" and a "low return" scenario. The returns under both scenarios have been derived from assumptions about the likely risk attached to the CUE (Schedule 1B) sub-group's defined benefit investment strategy.

Using the investment return model and assumptions adopted, there is approximately a 10% chance of the CUE (Schedule 1B) sub-group's cumulative investment return being less than the "low return" scenario over the next 4 years. Similarly, there is approximately only a 10% chance of the CUE (Schedule 1B) sub-group's cumulative investment return being greater than the "high return" scenario over the next 4 years.

The cumulative investment return as at 30 June 2024 under the "low return" and "high return" scenarios are 15.1% and 54.9% respectively (equivalent to 3.6% and 11.6% per annum respectively).

Based on fluctuations in investment returns only, and assuming other experience is in line with the assumptions adopted for this investigation, there is approximately an 80% chance that the coverage of assets over Vested Benefits at 30 June 2024 will fall in the range from 96% to 127.

Please note that the "low return" scenario and the "high return" scenario shown above are illustrations only, and show what may occur under assumed future experiences that differ from our baseline assumptions. These scenarios do not constitute upper or lower bounds and the actual future coverage of Vested Benefits may differ significantly from the range shown above, depending on actual future experience. In fact, there is a 1 in 20 chance that the investment return could be less than minus 11.7% in any year based on the current CUE (Schedule 1B) sub-group asset allocation.

In my view, the Trustee should be satisfied with the expected improvement in the level of security over the next few years if the Employer contributes at the recommended levels.

Salary Growth Risk

The risk is that wages or salaries (on which future benefit amounts will be based) will rise more rapidly than assumed, increasing benefit amounts and thereby requiring additional employer contributions. This risk is borne by the Employer.

For example, if the assumed future salary increase rate was increased by 1% pa with no change in other assumptions, then the CUE (Schedule 1B) sub-group's net financial position would deteriorate by $22,000 as shown in the table in Appendix C6.

The actual rate of future salary increases may vary (positively or negatively) from the rate assumed at this investigation by much more than the (positive) 1% pa illustrated in the example above.

Legislative Risk

This risk is that the Commonwealth Government could make legislative changes that increase the cost of providing the defined benefits – for example, an increase in the rate of tax on superannuation funds. This risk is borne by the Employer and is a real risk in the post COVID-19 environment.

COVID-19 Risks

The COVID-19 pandemic had a significant impact on investment markets in the quarter ending 31 March 2020, which is reflected in the value of the CUE (Schedule 1B) sub-group assets used in assessing the CUE (Schedule 1B) sub-group's financial position at the investigation date. In the projection of the CUE (Schedule 1B) sub-group's financial position in Appendix C6 we have also taken into account known investment returns for the period since 30 June 2020.

It is not clear what, if any, impact COVID-19 will have in the medium to long term. We have therefore not made any specific allowance for the future impact of COVID-19 in the investigation, but any impact on investment markets and the Fund's financial position will continue to be monitored over the period to the next investigation.

Small Plan Risk

This risk relates to supporting a defined benefit plan where there are few remaining defined benefit members meaning the law of averages may no longer apply and the time horizon of the defined benefit liabilities may have become short. As remaining members leave the CUE (Schedule 1B) sub-group, this may have an impact on the financial position of the CUE (Schedule 1B) sub-group, depending on the position at the time that they leave. This impact may be positive or negative depending upon the circumstances and timing of any withdrawals.

The Plan's Risk Management Statement and Risk Management Plan should identify a full range of risks faced by the Trustee.

Expense Risk

As mentioned in Appendix C1, the ongoing expenses are significant per member and they may increase over time.

Appendix C8

Insurance and Related Risks

Insurance

For the CUE (Schedule 1B) sub-group defined benefit members, the group life sum insured formula currently in use (for both death and lump sum total and permanent disablement (TPD) benefits) is:

Sum Insured = Death/TPD Benefit – Vested Benefit

The total amount insured should cover the excess of the death/TPD benefits over the CUE (Schedule 1B) sub-group's assets, unless there is a funding shortfall. Based on the formula in use at the investigation date, the coverage of death/TPD risk as at 30 June 2020 for the CUE (Schedule 1B) sub-group was as follows.

	Defined Benefit members	$000
	Death/Disablement Benefits	2,966
less	Sum Insured	1,132
less	Assets	2,286
	Uncovered Death/Disablement Benefits	(452)

It can be seen that there is a reasonable amount of over insurance at 30 June 2020.

Given the sub-group is expected to be wound-up shortly, I do not consider that a change to the current insurance formula is necessary.

The definition of TPD in the policy is also used to establish a member's eligibility for the benefit under the CUE (Schedule 1B) sub-group's governing rules, thus avoiding any definition mis-match risk.

For disability income benefits – the benefit provisions are entirely matched by the insurance cover provided by TAL. As such there is no funding gap and any claims or adverse experience will have no immediate financial impact on the CUE (Schedule 1B) sub-group.

In my opinion, the current group life insurance arrangements, including the sum insured formula for defined benefit members, are appropriate and provide adequate protection for the sub-group.

Documentation

The insurance arrangements are underwritten by TAL ("the insurer") and outlined in the latest endorsement to the policy (effective 1 June 2017) between the Trustee and the insurer. The purpose of the insurance policy is to protect the CUE (Schedule 1B) sub-group against unexpectedly large payouts on the death or disablement of members.

Appendix C9

Plan Design

Summary of benefits

A summary of the main benefit provisions in respect of the CUE (Schedule 1B) sub-group defined benefit members is set out below. Reference should be made to the formal governing documents for definitive statements.

Benefit	
Resignation	Greater of: (a) 2.3 x Member Account (b) Member Account + Employer Accounts[1] + SG Account[2]
Retirement (from age 55)	Greater of: (a) Multiple x Final Average Salary (b) 2.3 x Member Account (c) Member Account + Employer Accounts[1] + SG Account[2]
Late Retirement	Retirement Benefit at 65 accumulated with investment returns
Ill Health	Multiple x Final Average Salary (FAS) x Discount Factor
Death / Total and Permanent Disablement (TPD)	Greater of: (a) Normal Retirement Multiple x Final Average Salary (FAS) (b) Member Account + Employer Accounts[1] + SG Account[2] + 16% x Salary x Period to age 65
Minimum Requisite Benefit (as per Benefit Certificate)	Member Account + SG Account + MRB Account

Voluntary Accumulation Accounts[3], negative Surcharge and Family Law Accounts are added to all benefits above.

[1] Additional Employer Account (Pre 2008: 8% less SG%) and Employer Allocation Account (Pre 1992 account)

[2] Pre 2008: SG%, since 1 July 2008: 8% only

[3] Voluntary contribution accounts, rollover account, Top up to 9% OTE contribution account, (negative) offset accounts (surcharge, family law, DB offset).

Temporary Disability Benefit	NGS 60 day waiting period unitised cover (max 75% of salary) Payable to age 65, ceasing on earlier return to work, death or Total and Permanent Disablement.

Account	**Contributions**	**Deductions**
Member Account	5.0% of Salary	Tax if paid by salary sacrifice
Employer Accounts	n/a	
SG Account	8.0% of Salary (less amounts to other funds)	Tax Insurance premiums Any exit / withdrawal fees
Employer Voluntary Account	SG% on OTE in excess of 8.0% of Salary (e.g. SG% on bonuses)	Tax Non-payment transactions fees (FL, switch, fin planning)
Accrual Rate (for Multiples)	16.0%	
Investment returns	Actual earnings	
Final Average Salary	The highest average of any 36 consecutive Monthly Salaries in the 10 years prior to leaving service. On death/TPD, salary is assumed to continue unchanged to normal retirement age.	
Discount Factor	1 – 2% /12 x Complete months to age 55	
Normal Retirement Age (NRA)	65	

The Superannuation Guarantee (Administration) Act 1992

This Act requires employers to provide minimum superannuation benefits that are fully vested in their employees within a complying superannuation fund.

The contribution rates recommended in this report and the projected financial positions allow for benefits being augmented as necessary to meet the minimum Superannuation Guarantee (SG) benefit described in the Plan's current Benefit Certificate.

Under current legislation the SG rate will be 9.5% until 1 July 2021 and it will then increase by 0.5% pa until it reaches 12% from 1 July 2025.

APPENDIX D

Throughout this Appendix the CUNA Mutual sub-group of the Cuesuper Superannuation Defined Benefits Plan (the Plan) is referred to as the "CUNA sub-group".

The Trustee is required under the Privacy Act 1988 to protect customers' personal information. Accordingly, information provided on this page has been redacted for this purpose.

APPENDIX D1

Key Results and Recommendations

This Appendix sets out the results of the actuarial investigation of the CUNA sub-group as at 30 June 2020 and has been prepared for the Trustee for the purposes set out in the main report.

Membership Data

The CUNA sub-group consists of two lifetime pensioner members only, aged [redacted] and [redacted] at 30 June 2020, and who are in receipt of pensions totalling $[redacted] per annum. These pensions are not indexed, as per the Plan rules. They are not reversionary pensions; i.e. the pensions will cease in the event of death, and there is no subsequent payment to the widow(er). The CUNA sub-group is closed to new entrants.

The net market value of the CUNA sub-group's assets as at 30 June 2020 amounted to $516,000 (based on unaudited data provided by the Plan's administrator and the split of that data into the assets for the 2 Cuesuper sub-groups at 30 June 2020).

No Employer Support

The sponsoring employer for the CUNA sub-group - CUNA Mutual Australia Limited - ceased to be a Participating Employer with effect from 20 July 2012. The Trustee decided to continue to pay the CUNA lifetime pensions given that, based on reasonable assumptions, there should be sufficient assets to provide adequate funding for these pensions. However, if there is a shortfall of assets, the shortfall will need to be met from NGS Super's reserves, as no employer contributions will be payable.

Change in Financial Position

The following table summarises the CUNA sub-group's financial position, at both this and the previous actuarial investigation.

	Position at 30 June 2020		
	$000	Asset Coverage	Coverage at 30 June 2018
Assets	516		
Liability for Vested Benefits/ Actuarial Value of Accrued Benefits	365	141.4%	140%

The coverage levels at 30 June 2020 were slightly higher than the levels at the previous actuarial investigation mainly due to the positive impact of the change in assumptions used to value the pensioner liabilities, offset by actual investment earnings being lower than the assumed long term rate and the pension payments made over the past two years.

Change in Assumptions used to Value Pensioner Liabilities

Item	2020	2018	Reason
Investment returns*	1.0% p.a.	0.1% p.a.	Updated to reflect current investment market outlook; removed allowance for expenses
Pensioner Mortality	Mercer 2012-17 Retirement Pensioner Mortality	Mercer 2005-09 Retirement Pensioner Mortality	Updated expectations

* Investment return of 0.1% p.a. assumed at the previous investigation allowed for both investment fees and expenses; the investment return of 1.0% p.a. assumed at this investigation is after investment fees but does not allow for expenses.

The overall impact of the changes in assumptions was to decrease the Actuarial Value of Accrued Benefits by $19,000.

Investment Returns

The table below shows the rates of investment earnings (after investment fees but before administration expense) for the cash and term deposit assets supporting the pension benefits over the period since the previous investigation.

Year Ending	Investment Return (pa)
30 June 2019	2.3%
30 June 2020	1.6%
Compound Average	**2.0%**

The average investment return for the two year period to 30 June 2020 was 2.0% p.a. compared to our longer term assumption at the last actuarial investigation of 2.8% p.a. (before administration expenses). The lower than assumed return had a negative impact on the CUNA sub-group’s financial position.

Financing Objective

The financing objective I have adopted for this investigation is to target a value of the CUNA sub-group’s assets at least equal to:

- 130% of pensioner liabilities over the next 3 years.

This has been set bearing in mind the fact that there is no employer sponsor of the CUNA sub-group.

Recommended Contribution Rates and Projections

At 30 June 2020, the CUNA sub-group was in a satisfactory financial position.

Based on the financial position at 30 June 2020 no contributions are required in respect of the CUNA sub-group and we expect that the CUNA sub-group will remain in a satisfactory financial position over the period until 30 June 2023.

Other Recommendation

As there is no sponsoring employer in the CUNA sub-group, and given the cost of running this sub-group, we recommend that the Trustee consider whether it is possible to secure the payment of pensions with an annuity provider.

Given the current low interest rate environment and insurer risk margins, the expectation is that the cost of securing payment would exceed the actuarial value of the pension benefits. Nevertheless, given the CUNA sub-group's funding position, it may be possible to fully secure the payments using the excess of sub-group assets over the actuarial value placed on sub-group liabilities.

Appendix D2

Actuarial assumptions

Economic assumptions

The key economic long term assumptions adopted for the CUNA sub-group are:

Item	Assumption
Investment returns (after investment fees, before expenses)	1.0% p.a.
Pension indexation	Nil

The investment return assumption has been set based on the investment strategy of the CUNA sub-group where assets are invested in cash and term deposits, and the expected term of the liabilities. This has not been reduced to reflect the CUNA sub-group's share of expenses (see below).

Note that the investment return assumption set at the previous investigation was reduced to reflect the CUNA sub-group's share of administration and actuarial expenses.

However, given the CUNA sub-group's share of annual expenses now exceeds the expected investment return (see below), it is more appropriate to separately allow for expenses. Therefore, the investment return assumption has not been reduced to reflect the CUNA sub-group's share of expenses, and separate dollar based expense assumption has been introduced (see below).

Expenses

At the investigation date, the actuarial expenses attributable to the CUNA sub-group were approximately $5,000 per annum and the attributable administration expenses approximately $23,000 per annum. Therefore, we have assumed that expenses will be $28,000 per annum (or approximately 5.4% p.a. of assets).

We have made no allowance for the increase to expenses that would occur if the CUE (Schedule 1B) sub-group were to wind-up, and all the Cuesuper defined benefit section expenses be passed to the CUNA sub-group.

Pensioner Longevity

Primary Pensioners: Mercer 2012-17 Retirement Pensioner Mortality with 25 year Improvement factors from Australian Life Table 2015-2017

Reversionary Pensioners: N/A

	Mercer 2012-17 Pensioner Mortality		ALT15-17 25 year Improvement Factors	
Age	Male	Female	Male	Female
70	0.794%	0.552%	2.9861	2.3961
75	1.526%	1.068%	2.7708	2.3274
80	3.268%	2.262%	2.3497	2.0289
85	7.026%	4.911%	1.6057	1.4483
90	13.584%	10.821%	0.8890	0.8014
95	23.199%	17.923%	0.5187	0.3361
100	34.416%	27.751%	0.0808	0.0000

Appendix D3

Investment Policy and Related Risks

Investment Policy

Assets backing pensioner liabilities

The assets supporting the CUNA sub-group pensioner liabilities are invested in the NGS Super Cash & Term Deposits investment option. It has 100% exposure to cash and term deposits and aims to achieve net positive returns in all monthly periods thus providing a high level of security to the capital value of the investment.

These investments are expected to provide a high level of liquidity in normal circumstances.

Given that the only liabilities within the CUNA sub-group are in respect of lifetime pensioners and considering the fact that there is no sponsoring Employer for the CUNA sub-group, I confirm I consider that the investment policy adopted is a suitable policy in respect of the CUNA sub-group assets.

Investment Risk

There is a risk that net investment returns will be lower than 1% p.a. This risk is normally borne by the Employer but as there is no Employer support in the case of the CUNA sub-group, the risk is borne by the Trustee.

For example, if the assumed future investment return was reduced to 0% pa with no change in other assumptions, then the Actuarial Value of Accrued Benefits would increase by $33,000 with a resulting reduction in the coverage of the Actuarial Value of Accrued Benefits from 141.4% to 129.8%.

Longevity Risk

The liabilities of the CUNA sub-group consist only of two lifetime pensioners. If they live significantly longer than expected, to a point that there are no assets left to meet future pension payments, then the Trustee will presumably (subject to legal advice regarding other options) need to meet any pension payments from NGS Super reserves.

Given the asset surplus and the fact that there is no employer sponsor, we recommend the Trustee consider the possibility of purchasing annuities for the two pensioners with an insurance company and thus removing the longevity risk.

Expense Risk

Over time, the expenses of the CUNA sub-group will erode the surplus and this risk is further exacerbated if the members live longer than expected. Further, if the CUE (Schedule1B) sub-group were to wind-up, then all the costs to run the Cuesuper defined benefits plan will fall on the CUNA sub-group, which has not been allowed for in this investigation.

Legislative Risk

This risk is that the Commonwealth Government could make legislative changes that increase the cost of providing the pension benefits or decreases the returns on CUNA sub-group assets – for example, an increase in the rate of tax on the assets supporting the CUNA sub-group which are currently tax exempt. This risk is borne by the Trustee as there is no sponsoring Employer.

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