CUESUPER SUPERANNUATION DEFINED BENEFITS PLAN

(A PLAN IN NGS SUPER)

REPORT TO THE TRUSTEE ON THE ACTUARIAL INVESTIGATION AS AT 30 JUNE 2018

29 DECEMBER 2018

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Key Results and Recommendations

This report on the actuarial investigation of the Plan as at 30 June 2018 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 and the Employer(s) who contribute to 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.

1.1. Change in Financial Position

The total position for the Plan is set out below. For the figures relating to each of the two sub-groups please refer to the relevant appendices.

	Position at 30 June 2018		Position from 30 June 2014 investigation
Defined Benefits Only*	**$000**	**Asset Coverage**	**Asset Coverage**
Assets^	4,429		
Liability for Vested Benefits	4,400	100.7%	130%
Liability for Actuarial Value of Accrued Benefits	4,161	106.4%	124%
Discounted Accrued Retirement Benefits (DARB)	4,463	99.2%	106%
Liability for SG Minimum Benefits	3,368	131.5%	159%

The above totals exclude additional accumulation balances for defined benefit members $1,316,000 as at 30 June 2018.

^The assets at 30 June 2018 include $112,169.19 credited to the Plan after the investigation date, see Section 1.3 for information.

The coverage levels for Vested Benefits at 30 June 2018 were lower than the levels at the previous actuarial investigation, due to the following items of negative experience:

- Wind-up of the QT Mutual Bank sub-group (QTMB sub-group) as at 31 March 2016 (this sub-group was well funded);
- Although employer top-ups were received where required when a member exited the Cue (Schedule 1B) sub-group, because overall the sub-group was still in an underfunded position, with a lower asset base, the asset coverage declined;
- The increase in final average salary of 5.2% for salary based members was higher than the assumption of 4.5%;
- Change in the actuarial assumptions used to value the CUNA pensioners which has increased their value in all of the liability measures; and
- Some members of the Cue (Schedule 1B) sub-group have reached age 55 over the period and received (as part of the standard benefit design of the sub-group) a significant increase in their Vested Benefits.

This has been partially offset by the following items of positive experience:

- Investment earnings of 8.4% p.a., which were higher than the average investment return over the period (6.4% p.a. – although note the return on the CUNA assets was lower as they were invested in cash)

The coverage level for the Discounted Accrued Retirement Benefits (DARB) at 30 June 2018 is lower than the level at the previous actuarial investigation due to similar experience items.

Further details and discussion specific to each sub-group can be found in the relevant appendices.

1.2. Recommended Contribution Rates

At 30 June 2018, the Plan overall was in a satisfactory financial position.

Based on the financial position at 30 June 2018 and the updated position at 30 September 2018 (as set out in the Cue (Schedule 1B) Appendix) and taking into account the actual investment return of -1.0% for the period from 1 July 2018 to 17 November 2018, I recommend that the Employer contributes to the Plan as follows:

	From 1 July 2018
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 2021.

1.3. Data

The Plan's administration has undertaken a reconciliation of the sub-plan's assets since inception in preparation for the potential wind up of the Cuesuper (Schedule 1B) sub-group. As part of this, it was identified that 3 entries transferring a total of $112,169.19 from the Cuesuper (Schedule 1B) sub-group to NGS' bank account were incorrectly duplicated at the time of inception.

In order to rectify this, $112,169.19 was returned from NGS' bank account to the Cuesuper (Schedule 1B) sub-group effective 31 August 2018. The administrator is currently looking at whether an additional amount should be credited to the Cuesuper (Schedule 1B) sub-group to reflect the loss of earnings on this amount. We have not allowed for this loss of earnings in our deficit calculations.

As requested by the Trustee, the $112,169.19 has been included in the financial position at 30 June 2018 and therefore has been allowed for when making the contribution recommendations.

1.4. Requirements of SPS 160: Restoration Plan

An interim actuarial investigation dated 25 January 2017 determined that the CUE (Schedule 1B) sub-group of the Plan was in an Unsatisfactory Financial Position as at 30 September 2016. The financial position of the CUE (Schedule 1B) sub-group at 30 September 2016 is summarised in the Appendix. Subsequently a Restoration Plan dated 21 November 2017 was approved by the Trustee and implemented with the aim to return the sub-group to a Satisfactory Financial Position before 30 June 2018 to facilitate the orderly wind up of the sub-group.

The Trustee has not received all of the contributions set out under the Restoration Plan. This is because the Trustee expected that each of the employers would negotiate with their employees to leave the Cuesuper (Schedule 1B) sub-group before 30 June 2018 and that the lump sum deficit contribution required would be recalculated at the member's date of exit. A deficit contribution was received in respect of all members that have exited with salary-based benefits. However, the negotiations are still underway for the remaining members and therefore their deficit contributions have not been made.

The contributions required for the remaining members have been updated to reflect the updated financial position and are summarised in Appendix C.

As the sub-group is still in an Unsatisfactory Financial Position, and the Trustee has taken the view that it should comply with SPS 160 fully regarding the sub-group, the Trustee will need to take various actions after receipt of this report, as required by SPS 160, including:

- providing a copy of this report to APRA within 15 business days of receipt;
- consulting with the Employer about implementing the recommended contribution program;
- appointing an actuary to be responsible for advice to the trustee during the restoration period
- updating and approving the Restoration Plan within 3 months;
- providing a copy of the updated Restoration Plan to APRA within 15 business days of approval; and
- implementing the Restoration Plan.

1.5. Other Findings and Recommendations for the Trustee

Suitable Policies

- The crediting policy for the defined benefit section of the Plan is suitable.
- The insurance for the defined benefit section of the Plan is suitable.
- The Trustee's monitoring process is suitable.
- The Shortfall Limits for both sub-groups are suitable.

Recommendations

- We understand that the Cue (Schedule 1B) sub-group will be wound up shortly and therefore we recommend moving the investment strategy for this sub-group to Cash to protect the financial position and reduce the risk that the required contributions from the Employers will increase above those recommended in this report. Consideration should also be given the impact of such a change on the remaining account-based member.

- As there is no sponsoring Employer in the CUNA sub-group, and given the cost of running this sub-group and the expected increase in cost if the Cue (Schedule 1B) sub-group is wound up, we recommend that the Trustee consider whether it is possible to secure the payment of pensions with an annuity provider or otherwise wind-up the CUNA sub-group.

- We recommend that when a member exits the Cue (Schedule 1B) sub-group, that the Trustee does not process their benefit payment until the recommended lump sum contribution in respect of that member (as set out in Appendix C) is received from the Employer.

1.6. Action Required

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.

Ongoing Costs of the Plan

30 June 2018 (30 June 2014)	CUE (Schedule 1B)	CUNA Mutual	Total*
Number of members	7 (14)	2 (2)	9 (26)
Salary	$912,000 ($1,686,000)	-	$912,000 ($2,384,000)
Annual Pension	-	$28,000 ($28,000)	$28,000 ($28,000)

As can be seen from this table, the membership of the Plan is small and declining. Most of the costs of running the Plan are fixed and therefore as the members continue to leave the costs per remaining member will increase.

The estimated costs for the three years from 1 July 2018 are as set out in the table below. At 30 September 2018, there are only 6 members left in the Plan. Therefore the costs per member are significant. When the Cue (Schedule 1B) sub-group winds-up, the costs for the CUNA sub-group are likely to increase further.

	Cue (Schedule 1B)	CUNA	Total
Administration	$57,000 pa	$12,000 pa	$69,000 pa
Actuarial	$27,000 pa	$4,000 pa	$31,000 pa
Total	$84,000 pa	$16,000 pa	$100,000 pa

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Past Service Benefit Measures as at 30 June 2018

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.

2.1. Vested Benefits

At 30 June 2018 Plan assets were greater than Vested Benefits. Accordingly the Plan was considered to be in a "satisfactory financial position" under SIS legislation.

At the individual sub-group level, plan assets were less than the Vested Benefits for the CUE (Schedule 1B) sub-group. Please refer to Appendix C for further information. The assets were greater than Vested benefits for the CUNA sub-group.

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.

2.2. SG Minimum Benefits

Plan assets at 30 June 2018 were greater than SG Minimum Benefits and hence the Plan was considered to be "solvent "under SIS legislation.

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.

2.3. Actuarial Value of Accrued Benefits

Plan assets at 30 June 2018 were greater than the Actuarial Value of Accrued Benefits.

The Actuarial Value of Accrued Benefits is the actuarial 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 actuarial methods and assumptions. In determining the value, I have not applied a minimum of the vested 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.

2.4. Discounted Accrued Retirement Benefits (DARB)

At the total Plan level, plan assets at 30 June 2018 were less than the Discounted Accrued Retirement Benefits (DARB). These benefits are often used on windup of a fund.

At the individual sub-group level, plan assets were less than the Discounted Accrued Retirement Benefits (DARB) for the CUE (Schedule 1B) sub-group. Please refer to Appendix C for further information. Plan assets were higher than the DARB measure for the CUNA sub-group.

2.5. Summary of Method of Attributing Benefits to Past Membership

2.5.1. 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.

2.5.2. Defined Benefits

The past membership components of all defined benefits payable in the future from the Plan 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 each type of benefit is:

Retirement:	based on the member's accrued benefit multiple or relevant account balances at the investigation date
Resignation:	based on the member's accrued benefit multiple or relevant account balances at the investigation date, allowing, where applicable, for future vesting to the projected date of resignation

2.5.3. Changes in 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.

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Experience

3.1. Change in Financial Position since Previous Investigation

The table below shows the coverage of assets over Vested Benefits, the Actuarial Value of Accrued Benefits and the SG minimum benefits as at 30 June 2018, and the corresponding values at the previous investigation date.

	Position at 30 June 2018		Position from 30 June 2014 investigation
Defined Benefits Only*	**$000**	**Asset Coverage**	**Asset Coverage**
Assets^	4,429		
Liability for Vested Benefits	4,400	100.7%	130%
Liability for Actuarial Value of Accrued Benefits	4,161	106.4%	124%
Discounted Accrued Retirement Benefits (DARB)	4,463	99.2%	106%
Liability for SG Minimum Benefits	3,368	131.5%	159%

The above totals exclude additional accumulation balances for defined benefit members $1,316,000 as at 30 June 2018.

^The assets at 30 June 2018 include $112,169.19 credited to the Plan after the investigation date, see Section 1.3 for information.

The coverage levels at 30 June 2018 were lower than the levels at the previous actuarial investigation, due to negative experience.

The reasons for the changes in the financial position since the previous investigation are detailed below.

3.1.1. Investment Returns and Crediting Rates

The table below shows the rates of investment earnings (after tax, investment fees and asset based administration fees) for assets supporting defined benefits for the Cue (Schedule 1B) sub-group over the period since the previous investigation.

Year Ending	Investment Return (pa)
30 June 2015	9.9%
30 June 2016	1.5%
30 June 2017	11.9%
30 June 2018	10.7%
Compound Average	**8.4%**

The average investment return for the three year period to 30 June 2018 was 8.4% p.a. compared to our longer term assumption at the last actuarial investigation of 6.3% p.a. Allowance for the actual return in the first year following the previous investigation was also previously made and varied across the individual sub-groups. For Cue (Schedule 1B) we assumed 6.8% in the first year, giving an average annual return over the four year period of 6.4% p.a. The higher than assumed return had a positive impact on the Plan's financial position.

The average investment return of the CUNA Mutual sub-group for the four year period to 30 June 2018 was 2.1% p.a. compared to our longer term assumption at the last actuarial investigation of 3.5% p.a. The lower than assumed return had a negative impact on the Plan's financial position.

3.1.2. Salary Increases

Final average salaries for the current defined benefit members with salary based benefits increased by an average of 5.2% pa over the period compared to our longer term assumption at the last actuarial investigation of 4.5% pa. The higher than assumed salary increases had a negative impact on the Plan's financial position.

3.1.3. Changes in Membership/Decrements

During the period under review the number of defined benefit members within the Plan decreased. The exiting members were all Cue (Schedule 1B) members. Where a top-up payment was required, the Trustee received this from the Employer before the member's benefit was paid, as required under the Restoration Plan.

However, because overall the Cue (Schedule 1B) sub-group was still in an underfunded position, with a lower asset base, the asset coverage declined;

3.1.4. Wind-up of QT Mutual Bank sub-group

The QTMB sub-group was wound up with effect from 31 March 2016 and the benefits of all remaining members were transferred out of the Plan at this date. Some surplus assets remained and they were repatriated to the employer. Whilst this does not directly impact the remaining sub-groups, it does impact the overall Plan's financial position as some of the surplus has been removed.

3.1.5. Contributions

The ongoing Employer contribution rates were in accordance with the prior actuarial investigation and subsequent contribution recommendations. Further details for each individual sub-group can be found in the relevant appendix. An interim actuarial valuation was carried out in respect of the Cue (Schedule 1B sub-group) at 30 September 2016 and a Restoration Plan was established on 21 November 2017. The deficit contributions in the Restoration Plan were only made in respect of salary-based members that exited the Cue (Schedule 1B) sub-group (Refer Section1.4).

3.2. Change in Assumptions since the Previous Investigation

The change in the actuarial assumptions has resulted in a change in the actuarial value of the accrued benefits and DARB. The impact of this is examined in the assumptions section of this report in the relevant appendices.

3.3. Recommendations in Previous Actuarial investigation

The previous actuarial investigation made the following recommendations and the status of these is shown in the table below:

Recommendation	Status
The investment policy for the defined benefit section of the Plan is suitable but should be reviewed in conjunction with the Employers and their plans for the future.	The investment policy has not changed since the previous actuarial investigation.
The Shortfall Limit for the Cue (Schedule 1B) sub-group should be changed from a Defined Benefit Vested Benefit Index of 100.0% to 99.0%.	The shortfall limit for the Cue (Schedule 1B) sub-group has been changed to 99.0%.

4

Contribution Requirements

4.1. 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%		Target 100% of Discounted Accrued Retirement Benefits
CUNA Mutual	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 the relevant Appendix for further information.

It is noted that achieving the financing objective for defined benefit members would also result in a satisfactory margin of coverage over 100% of both SG Minimum Benefits and Vested 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.

4.1.1. 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 the Cue (Schedule 1B) sub-group will be wound-up in the short term.

4.1.2. 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.

4.2. 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 objective (minimum 100% coverage of DARB).

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

4.2.1. Changes in Financing Method

The Target Funding method was also adopted at the last investigation.

4.3. Recommended Contributions

Based on the Trustee’s financing objective described and the results of this investigation, I recommended that Employer contributes as follows:

	From 1 July 2018
CUE (Schedule 1B)	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 over each sub-group over the period to 30 June 2021.

5

Investment Policy and Related Risks

5.1. Investment Policy

The investment strategy and other related risks have been analysed separately for each sub-group and can be found in the relevant appendices. Investment risk is relevant to both sub-groups.

5.2. Crediting Policy

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

CUE (Schedule 1B) 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) 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 Plan'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 Plan 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 Plan 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 this Plan 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 Plan (i.e. a market shock or sudden downturn in investment markets).

6

Insurance Policy and Related Risks

There is no insurance in the CUNA sub-group. For details of the insurance in the Cue (Schedule 1B) sub-group please refer to Appendix C.

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

7

Other Risks

There are a number of other risks relating to the operation of the Plan. The more significant financial risks, other than investment, pension and insurance risk, relating to the defined benefits are:

7.1. 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.

This is only relevant to the CUE (Schedule 1B) sub-group, therefore please refer to Appendix C for more information.

7.2. Legislative risk

The risk is that legislative changes could be made which increase the cost of providing the defined benefits – for example an increase in the rate of tax on superannuation funds or an increase in the Superannuation Guarantee (SG) rate. This risk is borne by the Employer.

7.3. 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. If members with large benefits or groups of members leave the Plan, this may have an impact on the financial position of the Plan, 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.

7.4. Longevity Risk

As the CUNA sub-group has pensioners, there is a risk that the members may live longer than expected and the assets will not be sufficient to cover the ongoing expenses and pension amounts. Refer Appendix D for further information.

7.5. Expense Risk

As mentioned in Section 1, the ongoing expenses are significant per member and they may increase over time. This is particularly so if the Cue (Schedule 1B) sub-group winds up. This is considered further in both Appendices.

8

Assets

8.1. Assets

The net market value of the Plan's assets as at 30 June 2018 amounted to $5,633,000 (based on unaudited data provided by the Plan's administrator at 30 June 2018.

Calculation of Defined Benefit Assets at 30 June 2018	$
Net market value of the Plan's assets as at 30 June 2018	**$5,633,000**
Plus adjustment (see section 1.3 for detail)	$112,169
Adjusted Net market value of the Plan's assets as at 30 June 2018	**$5,745,000**
Less accumulation accounts for defined benefit members	$1,316,000
Assets to support the defined benefit liabilities of the Plan	**$4,429,000**

The split of the assets between the two sub-groups as at 30 June 2018 was:

	CUE (Schedule 1B)	CUNA	Total
Defined Benefit Assets	$3,832,000	$597,000	**$4,429,000**
Accumulation Accounts	$1,316,000	-	**$1,316,000**
Total	**$5,148,000**	**$597,000**	**$5,745,000**

8.2. Operational risk reserves

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

9

Actuarial Assumptions

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

- the amount of benefits paid out; plus
- 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 investigation assumptions or methods used to determine the recommended Employer contribution rate, 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, crediting rates, rates at which members cease service for different reasons, and various 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 Appendix C and D for the assumptions used for each of the sub-groups.

9.1. 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.

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

	Assumption
Investment returns (after tax where applicable and investment fees)	
- Cue (Schedule 1B) sub-group	5.7% p.a.
- CUNA sub-group	0.1% p.a.
Crediting rate (after tax and investment fees)	5.7% p.a.
General salary increases (CUE (Schedule 1B sub-group only)	
- salary based members	4.5% p.a.
-account based members	3.0% p.a.
Pension increase rate (CUNA sub-group only)	0.0% p.a.

Please see the appendices for details of the assumptions used in the last valuation and any changes made.

9.2. Other assumptions

New members

The Plan is closed to new entrants. No allowance has been made for new members.

Expenses

Details for each sub-group can be found in the relevant appendices.

The investment fees have been allowed for in setting the investment return assumption (refer Section 9.1).

10

The Regulator and Prudential Standards

The 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 a number of the requirements arising from SPS 160.

10.1. 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 a percentage coverage level of defined benefit vested benefits by defined benefit assets and it is appropriate to consider the following when determining if the shortfall limit remains appropriate:

- The guidance provided in the Actuaries Institute Information Note: Shortfall Limit in Prudential Standard 160 dated June 2013;
- The investment strategy for defined benefit assets, particularly the benchmark exposure to "growth" assets (70% for the assets backing CUE (Schedule 1B), 0% for assets backing the CUNA sub-group);
- The results of this investigation regarding the extent to which the current and projected defined benefit 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 no change to the shortfall limits:

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.

10.2. 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 defined benefit 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:

- A broad estimate of the defined benefit vested benefits coverage for each Plan is prepared each quarter using an approximate approach which takes into account key factors such as the investment return and top-up contributions (if any) for the quarter ("Trustee's estimate");
- 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 plans 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 plans 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.

10.3. Requirements due to Unsatisfactory Financial Position

10.3.1. 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 is in an unsatisfactory financial position and the Trustee has determined that it will comply with SPS 160 fully in relation to the sub-group. The recommendations in this report have therefore been framed to meet the requirements of SPS 160 in these circumstances.

As we have determined that the Cue (Schedule 1B) sub-group is in an “unsatisfactory financial position”, a Restoration Plan is required to be put in place. However, as there is a current Restoration Plan in place, the Trustee could update this Restoration Plan to reflect the recommendations made in this Report. The recommendations in this report take into account the requirements of SPS160:

- the recommended contribution program is expected to result in at least 100% coverage of Vested Benefits by 30 June 2019, which is inside the maximum period of 3 years from the date the Trustee determined an Interim Investigation was required (in a meeting on 22 November 2016);
- there are recommendations in regard to the monitoring program;
- the Restoration Plan is not expected to have any impact on benefit payments; and
- we consider that the “unsatisfactory financial position” does not necessitate any change to the investment strategy. However, given the intention to wind up the Cue (Schedule 1B) sub-group imminently, we recommend that the investment strategy be switched to Cash to protect the position worsening further. However, consideration should be given to the impact on the one member that has an account-based benefit.

The Trustee will need to take various actions after receipt of this report, as required by SPS 160, including:

- providing a copy of this report to APRA within 15 business days of receipt;
- consulting with the Employer about implementing the recommended contribution program (we confirm that the Employer has indicated its willingness to accept the recommendations);
- appointing an actuary to be responsible for advice to the trustee during the restoration period
- updating and approving the Restoration Plan within 3 months;
- providing a copy of the updated Restoration Plan to APRA within 15 business days of approval; and
- implementing the Restoration Plan.

10.3.2. 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 regulator (APRA) in writing immediately (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 overall is satisfactory.

The Plan's assets are sufficient to fully cover the SG Minimum Benefits at 30 June 2018 therefore the Plan is not considered to be technically insolvent.

10.4. 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 2018 was $5,745,000. 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 2018 was $5,477,000. Hence I consider that the value of the assets at 30 June 2018 is adequate to meet the value of the accrued benefit liabilities of the Plan as at 30 June 2018. 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 Employer operates, 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 Section 2 and 9 of this report. Assuming that the Employer contributes in accordance with my recommendations, then, based on the assumptions made for this actuarial investigation which I consider to be reasonable expectations for the Plan, I expect that assets will remain sufficient to cover the value of accrued benefit liabilities over the period to 30 June 2021.

(c) In my opinion, the value of the liabilities of the Plan in respect of vested benefits as at 30 June 2018 was $5,716,000. Hence, I consider that the value of the assets at 30 June 2018 is adequate to meet the value of the vested benefit liabilities of the Plan as at 30 June 2018. Assuming that the Employer contributes in accordance with my recommendations, then, 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 2021. Hence I consider that the financial position of the overall 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 2018 was $4,684,000. Hence the Plan was not technically insolvent at 30 June 2018.

(e) Based on the results of this investigation, I consider that the Shortfall Limit does not require review. Comments are set out in Section 10.1 of this report.

(f) In respect of the 3-year period following 30 June 2018, I recommend that the Employer contribute to the Plan at least:

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

(g) 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 2018;
- 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 2018.

(h) In my opinion, there is a "high degree of probability", as at 30 June 2018 that the Plan will be able to meet the pension payments as required under the Plan's governing rules.

11

Actuarial Certification

11.1. Purpose

I have prepared this report exclusively for the Trustee of the Cuesuper Superannuation Defined Benefits Plan for the following purposes:

- to present the results of an actuarial investigation of the Plan as of 30 June 2018;
- to review Plan experience for the period since the previous actuarial investigation (effective at 30 June 2014). It should be noted that NGS and APRA reached agreement that the intervaluation period could be extended to 4 years;
- to recommend contributions to be made by the Employer 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 2014 by me, on behalf of Mercer, and the results are contained in a report dated 31 October 2014.

11.2. Background information of the Plan

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.

11.3. Governing Documents

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

11.4. Additional information

Significant events since the investigation date – The recommendations take into account the following items of actual experience since the valuation date:

- CUE (Schedule 1B):
    - The actual investment return of -1.0% for the period from 1 July 2018 to 17 November 2018.
    - The updated financial position at 30 September 2018 (refer Appendix C) which allows for there being only 4 members left at this date
    - $34,500 that was received at the end of August 2018 in respect of the exit of an Employer and its 3 members of the sub-group
    - $112,169.19 that was credited to the sub-group on 30 August 2018 (and included in assets at 30 June2018, refer Section 1.3 for information).

I am not aware of any other significant events that have occurred since 30 June 2018 which would have a material impact on the recommendations in this report.

Next actuarial investigation - Required at a date no later than 30 June 2021. 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.

Next Funding and Solvency Certificate – A new Funding and Solvency Certificate has been completed as part of this valuation and it needs to be replaced at the latest by 30 June 2020. The recommendations in this report do not impact the Certificate.

Next Benefit Certificate – required at or before 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.

11.5. Actuary’s certifications

Professional standards and scope

This report has been prepared in accordance with generally accepted actuarial principles, Mercer 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 and the Employer(s) who contribute to 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 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 inflation 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.

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 future possibilities and scenarios.

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

Data and Plan 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. We have reviewed the financial and participant data for internal consistency and general reasonableness and believe it is suitable for the purpose of this report. We have not verified or audited any of the data or information provided. 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 valuation results may differ significantly from the results that would be obtained with accurate and complete information; this may require a revision of this report.

Further Information

If requested, the actuary is available to provide any supplementary information and explanation about the actuarial investigation.

Prepared by

....
Angela Hartl
Fellow of the Institute of Actuaries of Australia

29 December 2018

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

....
Esther Conway
Fellow of the Institute of Actuaries of Australia

APPENDIX A

Membership Information

The membership of the Plan at 30 June 2018 was as follows:

30 June 2018 (30 June 2014)	CUE (Schedule 1B)	CUNA Mutual	Total
Number of members	7 (14)	2 (2)	9 (26)
Salary	$912,000 ($1,686,000)	-	$912,000 ($2,384,000)
Annual Pension	-	$28,000 ($28,000)	$28,000 ($28,000)

The defined benefit section is closed to new members.

The membership data used for this investigation was taken from the database used to administer the Plan. I have carried out some broad “reasonableness” checks on the data and I am satisfied with the quality of the data and its suitability for this purpose. The Appendices include information about the member age and benefit profiles.

APPENDIX B

Plan Design

B.1. 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 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
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	
Description and Deed Reference	**Historical Prevalence**
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.

B.2. 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.

The SG rate remains at 9.5% until 1 July 2021 and is the scheduled to increase by 0.5% pa until it reaches 12% from 1 July 2025.

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