Mercer

Report to the Trustee on the Actuarial Investigation as at 30 June 2021

Catholic Church Staff Superannuation Plan (South Australia)

(a plan in NGS Super)

3 December 2021

welcome to brighter

Contents

1. Key Results and Recommendations 1

2. Introduction 6

3. Experience since Last Review 7

4. Actuarial assumptions 11

5. Assets 15

6. The Actuarial Approach 19

7. Financial Position of the Plan 21

8. Key Risks 26

9. Insurance and Related Risks 29

10. Prudential Standards 31

11. Actuarial Certification 36

Appendix A: Plan Design 39

Appendix B: Data 43

Appendix C: Calculation of the Actuarial Value of Accrued Benefits 44

Appendix D: Information for AASB 1056 Purposes 45

1

Key Results and Recommendations

This report on the actuarial investigation of the Catholic Church Staff Superannuation Plan (South Australia) **(the Plan)** as at 30 June 2021 has been prepared to meet the requirements of the Plan's governing rules and the Superannuation Industry (Supervision) Act and Regulations (**SIS legislation**).

It has been prepared for NGS Super Pty Limited (**the Trustee**). 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 or a summary of the 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 Plan has been closed to new members throughout the period since the previous actuarial investigation. The following table summarises the Plan's financial position, at both this and the previous actuarial investigation.

Defined Benefits Only*	Position at 30 June 2021		Coverage at 30 June 2018
	$000	Asset Coverage	
Assets	83,740		
Liability for Vested Benefits (Employer consent assumed for early retirement)^	71,920	116.4%	113.2%
Liability for Vested Benefits (no consent)^^	69,845	119.9%	120.5%
Liability for Actuarial Value of Accrued Benefits	71,916	116.4%	115.4%
Liability for SG Minimum Benefits	64,399	130.0%	133.8%

* Excludes accumulation accounts (member investment choice), defined benefit surcharge, offset and family law accounts, and the accumulation benefit of the Category 4(g) member. These total $36,375,000 as at 30 June 2021.

^ Trustee and Employer consent is required for members to receive defined benefits on retirement from age 55. Vested Benefits (Employer consent assumed for early retirement) is the total of the retirement benefits with consent for those aged 55 and over and the account based leaving service benefits for those under 55.

^^ Vested Benefits (no consent) is the total of account based resignation benefits for all members.

The coverage levels at 30 June 2021 were higher than the levels at the previous actuarial investigation, due to the following items of positive experience:

- Investment earnings of 7.4% p.a., which were higher than the assumed long term rate of 5.3% p.a.;
- Salary growth of 2.9% pa which was marginally lower than the expected Salary growth of 3.0% p.a.; and
- A significant reduction in the Plan membership from 281 members to 204 members, thereby spreading the excess assets over a reduced number of members.

This has been partially offset by the payment of Employer contributions (in accordance with the recommendations made at the previous actuarial investigation) at a rate lower than the long-term costs of defined benefit accrual, and actual expenses being higher than assumed.

Significant Events since Investigation Date

I am aware of the following events that have occurred since 30 June 2021 which have a material impact on the findings in this report:

Investment returns

The actual investment return was 2.4% for the 3 months immediately after 30 June 2021. I have taken this into account when making my recommendations in this report.

Allocation from NGS Super timing reserve

I have been advised that, as part of the ongoing reconciliations of the NGS Super timing reserve conducted by the NGS Super administrator, approximately $13.1m of assets in the timing reserve should be allocated to the Plan. This represents the accumulation of Employer contributions paid to NGS Super for several years, but which were not then allocated to the Plan. I understand that administrative and accounting processes have been uplifted to prevent this occurring in future.

The revised funding position as 30 June 2021 allowing for this allocation from the timing reserve is as follows:

Defined Benefits Only*	Position at 30 June 2021		Coverage at 30 June 2018
	$000	Asset Coverage	
Revised Assets	96,811		
Liability for Vested Benefits (Employer consent assumed for early retirement)^	71,920	134.6%	113.2%
Liability for Vested Benefits (no consent)^^	69,845	138.6%	120.5%
Liability for Actuarial Value of Accrued Benefits	71,916	134.6%	115.4%
Liability for SG Minimum Benefits	64,399	150.3%	133.8%

* Excludes accumulation accounts (member investment choice), defined benefit surcharge, offset and family law accounts, and the accumulation benefit of the Category 4(g) member. These total $36,375,000 as at 30 June 2021.

^ Trustee and Employer consent is required for members to receive defined benefits on retirement from age 55. Vested Benefit (Employer consent assumed for early retirement) is the total of the retirement benefits with consent for those aged 55 and over and the account based leaving service benefits for those under 55.

^^ Vested Benefits (no consent) is the total of account based resignation benefits for all members.

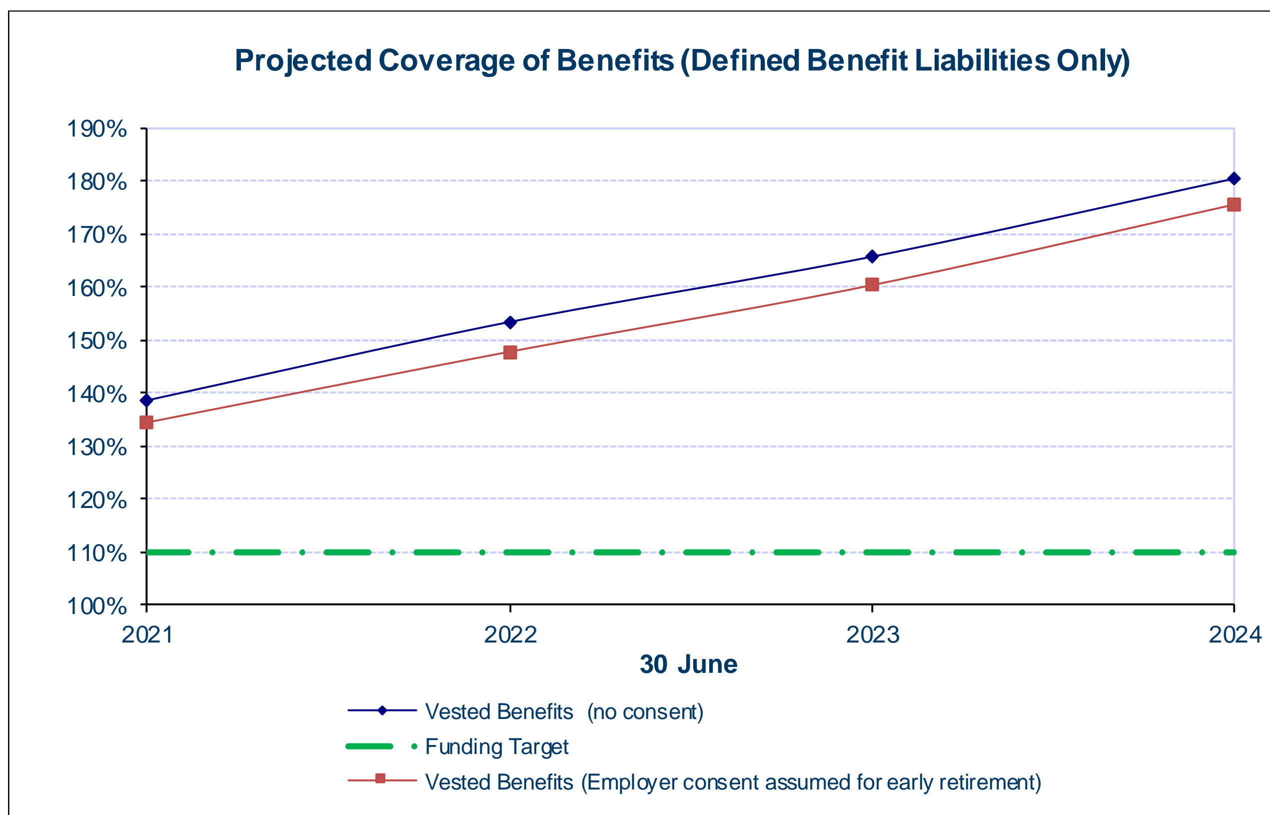
Recommended Contribution Rates and Projections

At 30 June 2021, the Plan was in a satisfactory financial position. The 116.4% coverage of Liability for Vested Benefits (Employer consent assumed for early retirement) in respect of the defined benefits was above the financing objective of 110% coverage adopted for this investigation. The revised funding position after allowing for the allocation from the timing reserve was 134.6% of Vested Benefits (Employer consent assumed for early retirement).

Based on the revised financial position at 30 June 2021 and taking into account the actual investment return of 2.4% for the 3 months immediately after 30 June 2021, I recommend that the Employers contribute to the Plan in accordance with the following contribution program from 1 July 2021:

- 7% of members' Salaries from 1 July 2021 to 31 December 2021 (i.e. Superannuation Guarantee [SG] rate less 3%);
- Nil contributions from 1 January 2022 in respect of all categories of defined benefit members;
- 3% Occupational Superannuation contributions to the extent these are paid to the Plan (note: some Plan members instead have their 3% contributions paid to the Industry Section of NGS Super or another fund);
- Employer contributions in respect of the Category 4(g) member at the rate agreed between the member, their Employer and the Trustee; and
- All compulsory and voluntary member pre-tax (salary sacrifice) contributions.

Based on the assumptions adopted for this investigation and the recommended Employers' contributions as above, and allowing for any material experience after the investigation date as detailed in this report, I have prepared the following projection of Plan assets and benefit liabilities:



The graph above shows that the recommended contributions are expected to maintain the Plan in a satisfactory financial position in the long term with coverage of defined benefits at a level above 110% of the Liability for Vested Benefits (Employer consent assumed for early retirement) throughout the period to 30 June 2024. This is the financing objective adopted in this investigation.

Indeed, with the expected reduction in Plan membership, the coverage of the Vested Benefits is expected to increase, with the excess assets spread across a reducing liability base. The Trustee should consider whether there may be opportunities to use the excess assets for broader purposes within the Plan; e.g. to meet any additional accumulation contributions allocated to members, to finance compulsory insurance costs or to admit new members, potentially in a new accumulation category.

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. The Trustee monitors the experience of the coverage ratios based on annual financial position updates prepared by the Plan actuary, together with interim updates prepared on an approximate

basis. 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.

Sections 7 and 8 provide illustrations of the impact of investment volatility on the projected coverage of Defined Benefit Vested Benefits (Employer consent assumed for early retirement) and shows that a 1% p.a. reduction in the assumed future investment return would result in a 0.5% increase in the assessed value of liabilities.

Sections 8 and 9 discuss other risks associated with the liabilities, including legislative risk, insurance 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 sponsors.

Investment Policy

There is scope to change the investment policy for the excess assets over vested benefits to be invested in a less growth oriented investment strategy. This option was considered by the Trustee when addressing the findings from the last triennial actuarial investigation of the Plan, the Trustee ultimately decided to maintain the existing investment strategy. The Trustee should continue to review the Plan's investment policy from time to time, noting I remain comfortable with the current investment policy provided the Trustee and Employers are comfortable with the associated investment risks.

Other Findings and Recommendations

Suitability of Policies

I am satisfied that the following current policies for the defined benefit section of the Plan are suitable:

- The investment policy, noting the Trustee could choose to invest surplus assets in a less growth oriented investment strategy if it wishes;
- The crediting rate policy;
- The insurance arrangements, noting the Trustee could choose to reduce the levels of insurance coverage if it wishes;
- The Shortfall Limit (for the purposes of SPS 160); and
- The Trustee's process for monitoring the Plan's financial position, but recommend that the Trustee moves from quarterly to half-yearly monitoring given the Plan's financial position.

Actions Required by the Trustee

The Trustee should consider this report and confirm its agreement (or otherwise) to the contribution and other recommendations. It should also consider whether there may be opportunities to use the excess assets for broader purposes within the Plan, and the treatment of Plan members who are age 75 or older.

In addition, the Trustee should seek formal agreement from the Employers to contribute in line with the recommendations.

2

Introduction

Plan Background

The Plan is operated for the benefit of employees of a number of participating employers. The Plan is a sub-plan of NGS Super and is closed to new members. 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.

All Plan members receive lump sum benefits where defined benefits apply on retirement, death or disablement. Appendix A provides a high level summary of the benefits provided. The governing rules of the Plan are set out in the NGS Super Trust Deed (as amended).

Purpose

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

- To present the results of the actuarial investigation of the Plan as at 30 June 2021;
- 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 her report dated 20 December 2018.

3

Experience since Last Review

Membership

The Plan is closed to new members. Plan membership has changed since the previous actuarial investigation as at 30 June 2018 as follows:

Active members at 30 June 2018	281
Exits	77
New Entrants	0
Active members at 30 June 2021	**204**

	30 June 2021	30 June 2018
Total Salaries at 30 June 2021	**$25,254,000**	$32,399,000
Average Salaries at 30 June 2021	**$123,800**	$115,300
Average age at 30 June 2021	**59.1 years**	57.5 years

During the period under review the number of Plan members decreased from 281 to 204 members. This means that any excess assets are spread over a smaller number of members, and that the coverage of the benefit liabilities (when expressed as a percentage) will have increased.

The Plan's defined benefit membership has changed over the period since the last actuarial investigation as follows:

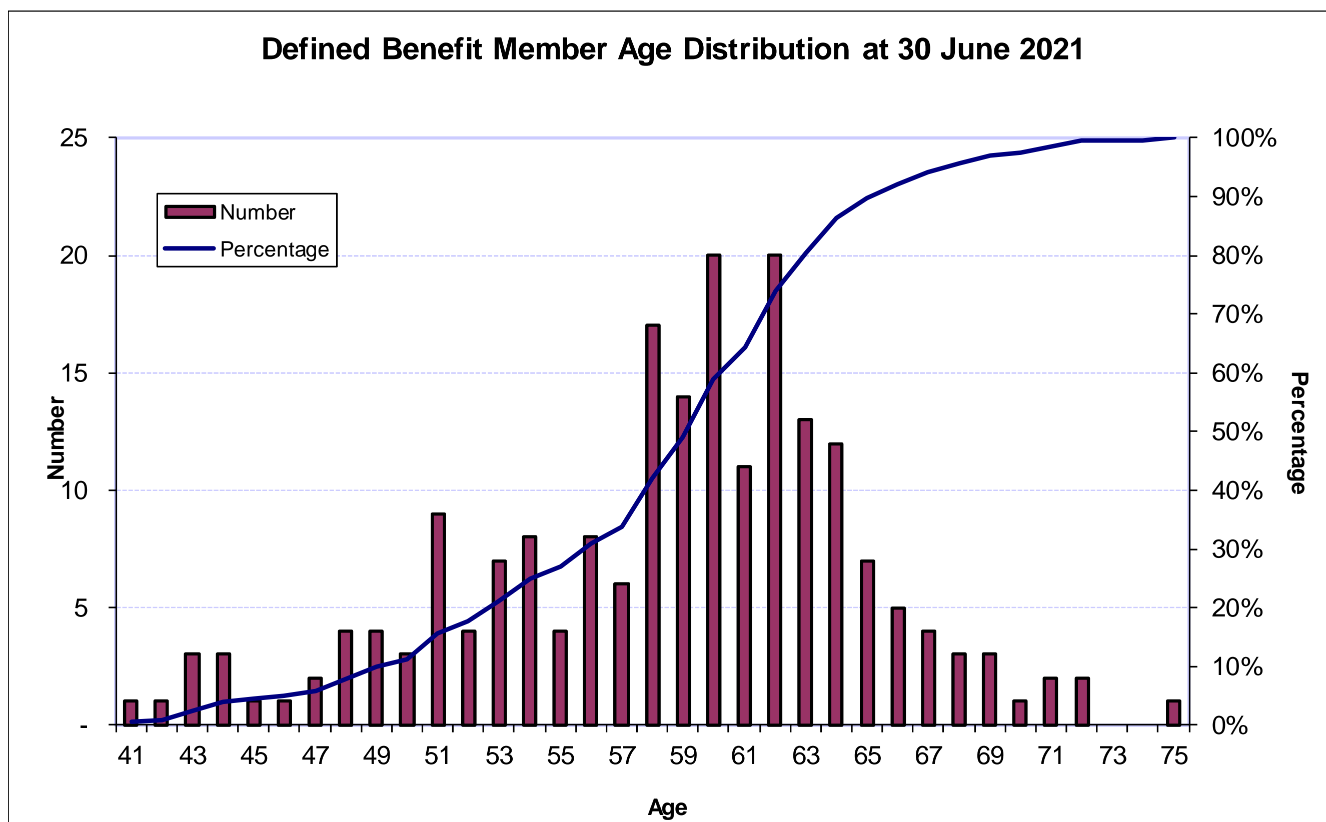
Category	Number of Members at 30 June 2021	Number of Members at 30 June 2018	Average Age at 30 June 2021	Average Age at 30 June 2018
Category 1	161	217	60.0	58.9
Category 1BC	0	1	-	60.6
Category 1C	1	1	62.4	59.4
Category 1D	0	1	-	60.7
Category 2	20	26	55.5	52.9
Category 3	2	5	69.0	58.9
Category 4*	20	30	54.4	51.4
Total	**204**	**281**	**59.1**	**57.5**

* Category 4 members (as defined by the administrator) include former members of Categories 1 or 2 who have ceased paying member contributions.

In addition, there is one Category 4(g) member (as defined in the Participation Schedule) at 30 June 2021. This member's defined benefit accrual is frozen in the Plan. The member's future contributions are currently paid to the Industry section of NGS Super.

Members can change categories in certain circumstances, as set out in Clause 3.2 of the Participation Schedule.

The defined benefit membership split by age as at the 30 June 2021 is shown in the following graph:



Investment Returns

The table below shows the rates of investment earnings (after tax, investment fees and asset based administration fees) for the assets supporting the defined benefits.

Year Ending	Investment Return (p.a.)
30 June 2019	6.9%
30 June 2020	-1.0%
30 June 2021	17.1%
Compound Average	**7.4%**

The average investment return for the three year period to 30 June 2021 was 7.4% p.a. compared to the long term assumption at the last actuarial investigation of 5.3% p.a. The higher return than assumed had a positive impact on the Plan's financial position.

Salary Increases

Salaries for the remaining Plan members increased by an average of 2.9% p.a. over the period compared to the assumption at the last actuarial investigation of 3.0% for the first three years (and 4.0% p.a. thereafter). The slightly lower Salary increases than assumed had a minor positive impact on the Plan's financial position.

Contributions

The Employers contributed at the rates recommended in the previous actuarial investigation, as follows:

- All Categories – Superannuation Guarantee (SG) rate as legislated, minus 3%. The SG rate was 9.5% of Salary up to 30 June 2021 and so the Employer contributions paid since the previous actuarial investigation were (9.5% - 3%) = 6.5% of Salary;
- 3% Occupational Superannuation contributions to the extent these are paid to the Plan (note: some Plan members instead have their 3% contributions paid to the Industry Section of NGS Super or another fund);
- Employer contributions in respect of the Category 4(g) member at rates agreed between the member, Employer and Trustee ensuring that the Employer's SG obligations were met; and
- All compulsory and voluntary member pre-tax (salary sacrifice) contributions.

As these recommended rates are lower than the long-term costs of defined benefit accrual, this had a negative impact on the Plan's financial position.

Further, the ongoing reconciliations of the NGS Super timing reserve conducted by the NGS Super administrator have revealed that the Employer contributions paid to NGS Super were not allocated from the timing reserve to the Plan. This had a negative impact on the Plan's financial position which has been reversed subsequent to 30 June 2021. This subsequent reversal has been allowed for in this actuarial investigation.

Expenses

There is a flat fee charged for the Plan of 0.4% of assets, consisting of an asset based fee deduction of 0.3% for administration and actuarial expenses, plus the standard NGS Super unit price deduction of 0.1% of assets for general operational expenses. The expenses charged were allowed for at these rates in the last triennial actuarial investigation of the Plan. Therefore, there was no impact on the Plan's funding position from Plan expenses.

Impact of Experience on Plan's Financial Position

The main experience items affecting the Plan's financial position during the period from 30 June 2018 to 30 June 2021 were as follows:

Item	Assumption at previous review	Plan experience	Comment on effect
Investment returns	5.3% p.a.	7.4% p.a.	Positive effect – investments grew at a higher rate than assumed
Salary increases	3.0% p.a.	2.9% p.a.	Small positive effect – benefit liabilities grew at a lower rate than assumed
Contributions			Negative effect – contributions paid were lower than long term funding costs
Membership changes			Positive effect – reduction in membership has spread excess assets over smaller membership base
Timing reserve allocation			Positive effect – additional assets allocated to Plan
Expenses			No impact

The overall impact of this experience was an improvement in the asset coverage of the Liability for Vested Benefits (Employer consent assumed for early retirement) of 21.4% (inclusive of the timing reserve allocation).

4

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 increases, 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.

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, investment and asset based administration fees)	4.5% p.a.
General Salary increases	2.5% p.a.

The assumption for investment returns is based on the expected long-term investment return for the Plan'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.

The Salary increase assumption is based on long term economic forecasts for future increases in average weekly earnings (AWOTE) and input from the Trustee. A separate allowance for promotional increases is not considered necessary.

Demographic Assumptions

Assumptions regarding the rate at which members leave the Plan have been retained unchanged from the previous actuarial investigation and are summarised below.

<table>
<tr><td>Resignation</td><td>1% p.a. before age 55</td></tr>
<tr><td>Retirement</td><td>Employer consent is assumed for early retirements from age 55. Retirement is assumed to occur at the following rates:
<table>
<tr><th>Age at Retirement</th><th>Proportion of members assumed to retire</th></tr>
<tr><td>55</td><td>20%</td></tr>
<tr><td>56</td><td>5%</td></tr>
<tr><td>57</td><td>5%</td></tr>
<tr><td>58</td><td>5%</td></tr>
<tr><td>59</td><td>5%</td></tr>
<tr><td>60</td><td>20%</td></tr>
<tr><td>61</td><td>15%</td></tr>
<tr><td>62</td><td>15%</td></tr>
<tr><td>63</td><td>20%</td></tr>
<tr><td>64</td><td>50%</td></tr>
<tr><td>65</td><td>100%</td></tr>
</table>
</td></tr>
<tr><td>Retrenchment</td><td>Nil</td></tr>
<tr><td>Mortality</td><td>Mercer standard decrements (1997) - white collar</td></tr>
<tr><td>Disability</td><td>Mercer standard decrements (1997) - white collar</td></tr>
</table>

Other Assumptions

New Members

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

Expenses

Insurance premiums

The premiums for death cover and disability income benefits are deducted from Employer Accounts at the age based rates set out in the Plan's insurance policy. As part of this investigation, I have analysed the actual premium amounts currently being paid by each member. Our analysis suggests the average cost of insurance cover for these benefits is approximately 1% of member Salaries and I have allowed for this cost in our projections.

Premiums for additional voluntary insurance cover are also deducted from Employer Accounts at age based rates and I have allowed for these actual deductions in our projections.

Administration and actuarial expenses

The expected investment return has been reduced by 0.4% of assets to allow for the administration, operational and actuarial expenses applicable to the Plan allocated as follows:

- Administration and actuarial expenses are assumed to be met through the asset based fee deduction of 0.3% of assets.
- General operational expenses are assumed to be met through the standard NGS Super unit price deduction of 0.1% of assets.

Tax

This investigation assumes 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; or
- 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 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 2021	Investigation at 30 June 2018	Reason for change
Investment returns	4.5% p.a.	5.3% p.a.	Updated to reflect current investment market outlook
Salary increase	2.5% p.a.	3.0% p.a. for first three years; and 4.0% p.a. thereafter	Updated to reflect Salary expectations

The overall impact of the changes in assumptions was to increase the Actuarial Value of Accrued Benefits at 30 June 2021 by $0.1 million.

5

Assets

Market Value

The net market value of the Plan's assets as at 30 June 2021 amounted to $120,115,000 (based on the data provided by the Plan's administrator for the Plan at 30 June 2021). After deducting Plan members' accumulation accounts, the net assets to support the defined benefit liabilities of the Plan were $83,740,000, as follows:

Calculation of Defined Benefits Assets at 30 June 2021	
Net market value of the Plan's assets as at 30 June 2021	**$120,115,000**
Less accumulation accounts for defined benefit members and the benefit of the category 4(g) member.	$36,375,000
Net assets to support the defined benefit liabilities of the Plan	**$83,740,000**

Impact of timing reserve allocation

The timing reserve allocation of approximately $13,071,000 has increased the net assets to support the defined benefit liabilities in the Plan subsequent to 30 June 2021. With this allocation, the defined benefit Plan assets at 30 June 2021 are increased to $96,811,000.

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

Assets backing Defined Benefit Liabilities

The Plan's investment strategy for assets supporting defined benefit liabilities is the NGS Super Diversified (MySuper) investment option within NGS Super. This currently involves a benchmark 71.5% exposure to 'growth' assets such as shares and property and a benchmark 28.5% exposure to 'defensive' assets, such as cash and fixed interest (refer to the table below for the 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.

The strategic asset allocation for the assets supporting the defined benefit liabilities are as follows:

Asset Class	Strategic Asset Allocation As at 30 June 2021
Australian shares	23%
International shares	27%
Property	9%
Infrastructure	10%
Growth alternatives	8%
Bond alternatives	8%
Corporate bonds	5%
Government bonds	4%
Cash and term deposits	6%
Total	**100%**

The Plan's leaving service benefit and SG minimum benefit are account based benefits and so are affected by the investment return on the Plan's assets. However, the retirement benefit is a salary based benefit which is not affected by investment returns. Assuming Employer consent is granted for early retirement from age 55, the Vested Benefits (Employer consent assumed for early retirement) for members under 55 is the greater of the resignation and SG minimum benefit, while for over 55 members it is the greater of the resignation, SG minimum and retirement benefits. At the investigation date, around a third of the Plan's liabilities were salary based; i.e. this portion of the liabilities are not affected by the investment return on the Plan's assets. The volatility of the Plan's investment returns will therefore affect the financial position of the Plan from year to year and is likely to impact on the required level of Employer contributions.

It was recommended at the previous actuarial investigation that the investment strategy for assets backing defined benefit liabilities should be reviewed and a review was completed in March 2019. The Trustee determined that the investment strategy should remain unchanged.

There is scope to change the investment policy for the excess assets over Vested Benefits to be invested in a less growth oriented investment strategy. The Trustee should continue to review the Plan's investment policy from time to time.

I am satisfied that the current investment strategy is appropriate in view of the Plan's financial position and the financial support provided by the Employers. This conclusion assumes that the Trustee and Employers understand the possible variability in future contributions associated with the current investment policy. If the Trustee and Employers have a different view, then this policy should be reviewed.

Assets backing Accumulation Benefit Liabilities

The Plan provides members with a range of investment options for their accumulation benefits (including the additional account balances of defined benefit members). The assets supporting the Plan's accumulation benefit liabilities are invested according to members' selected investment options and 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 Plan's accumulation liabilities and related assets are fully matched.

The Plan's investments are expected to provide a high level of liquidity in normal circumstances.

I consider that the Plan's investment policy for assets relating to accumulation liabilities is suitable, having regard to the nature and term of these liabilities.

Unit Pricing Policy

NGS Super has a documented unit pricing policy. The main features of the unit pricing policy 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 particular investment options. Net earnings are allocated via changes in unit prices. Unit prices are determined on a daily basis. Any further asset-based administration fees not already allowed for in unit pricing are deducted via reduction in units.
- 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 option unit price between the date of leaving service and the date of payment/transfer.
- Members' additional accumulation benefits (subject to member investment choice) 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.
- Members leaving service for any reason will be automatically transferred to the Industry Section of NGS Super (unless alternative payment instructions have been received).

  Termination of service can result in an automatic change in a member's investment option. If transferred to the Industry section (on exit for any other reason):

- If the member has selected an investment option or options for any additional accounts, the former defined benefit is to be invested according to the nominated investment choice from the date the conversion is processed.
- If the member has not selected an investment option for the additional accounts or does not have any additional accounts, the former defined benefit is to be invested in the default investment option for accumulation members from the date the conversion is processed.
- The member may switch investment options at any time after the processing date.

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 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

The Actuarial Approach

Financing Objective

Additional accumulation account balances are matched by specific assets and do not require any additional margins. However, some of the defined benefit liabilities are linked to Salaries and not to the returns on the underlying assets. A margin in excess of 100% coverage of Defined Benefit Vested Benefits (Employer consent assumed for early retirement) is therefore desirable to provide some security against adverse experience such as poor investment returns. I consider a target margin of 110% strikes a suitable balance between the Trustee’s desire to provide security to members and the build-up of excess assets.

Accordingly, the financing objective I have adopted for this investigation is to maintain the value of the Plan’s assets at least equal to:

- 110% of Liability for Vested Benefits (Employer consent assumed for early retirement) in respect of defined benefits; plus
- 100% of accumulation account balances.

This is similar to the financing objective adopted for the last actuarial investigation of the Plan. It takes into consideration the provisions of the Trust Deed and any professional requirements as set out below.

A financing objective against the Liability for Vested Benefits (Employer consent assumed for early retirement) recognises that historical prevalence has been for members aged 55 and over to be given Trustee and Employer consent to receive the defined benefit retirement benefit if higher than their accumulation based leaving service benefit.

Based on the assumptions adopted for this investigation, achieving the financing objective of 110% of the Liability for Vested Benefits (Employer consent assumed for early retirement) in respect of defined benefits would also result in at least 100% coverage of the Actuarial Value of Accrued Benefits (which becomes important if the Plan were to be wound up), the Vested Benefits (no consent) and a satisfactory margin of coverage over 100% of Superannuation Guarantee Minimum Benefits. Hence, it is not necessary to adopt specific financing objectives in relation to these benefit liability measures.

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 Net 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."

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

The financing objective has been set on the basis that members' reasonable expectations on termination is to receive their vested benefit entitlements, with Employer consent for early retirement.

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 Employers must contribute at the rate determined by the Trustee, after consulting the Employers, 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.

Using this method, the Employers' contribution rate required to provide a target level of coverage of a particular benefit liability measure is determined. Under this method, the level of the Employers' contributions may vary from time to time to ensure that the Plan remains on course towards its financing objective of 110% coverage of the Liability for Vested Benefits (Employer consent assumed for early retirement) in respect of defined benefits.

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

Changes in Financing Method

The previous investigation used both a Target Funding method and the "Attained Age Normal" method.

7

Financial Position of the Plan

Funding status

Vested Benefits (Employer consent assumed for early retirement)

The benefits payable if all members resigned or, if eligible, retired at the valuation date and consent were given for members aged 55 or over to receive the higher defined benefit if it applies.

Plan assets at 30 June 2021 were greater than Vested Benefits (Employer consent assumed for early retirement). The financing objective adopted for this investigation is to maintain coverage of at least 110% of Vested Benefits (Employer consent assumed for early retirement). This financing objective was also met as at 30 June 2021.

Vested Benefits (no consent)

The benefits payable as of right if all members resigned or, if eligible, retired at the valuation date before applying any higher benefits on retirement from age 55, which are subject to the approval of the Trustee and the Employer.

At 30 June 2021, the Plan assets were greater than the Vested Benefits (no consent) and hence the Plan was considered to be in a "satisfactory financial position" 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 C.

The coverage of the Actuarial Value of Accrued Benefits at 30 June 2021 was also above 100%.

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 Plan assets at 30 June 2021 were also greater than SG Minimum Benefits and hence the Plan was considered to be "solvent" under SIS legislation.

The following table shows these funding measures at both the previous and current valuation dates. The position as 30 June 2021 has allowed for the allocation from the timing reserve.

Defined Benefits Only*	Position at 30 June 2021		Coverage at 30 June 2018
	$000	Asset Coverage	
Revised Assets	96,811		
Liability for Vested Benefits (Employer consent assumed for early retirement)^	71,920	134.6%	113.2%
Liability for Vested Benefits (no consent)^^	69,845	138.6%	120.5%
Liability for Actuarial Value of Accrued Benefits	71,916	134.6%	115.4%
Liability for SG Minimum Benefits	64,399	150.3%	133.8%

* Excludes accumulation accounts (member investment choice), defined benefit surcharge, offset and family law accounts, and the accumulation benefit of the Category 4(g) member. These total $36,375,000 as at 30 June 2021.

^ Trustee and Employer consent is required for members to receive defined benefits on retirement from age 55. Vested Benefit (Employer consent assumed for early retirement) is the total of the retirement benefits with consent for those aged 55 and over and the account based leaving service benefits for those under 55.

^^ Vested Benefits (no consent) is the total of account based resignation benefits for all members.

The coverage levels at 30 June 2021 were higher than the levels at the previous actuarial investigation, due to the overall positive experience discussed in Section 3.

Employer Future Service Cost

Based on the assumptions adopted for this investigation, I estimate that the Employer's long-term defined benefit funding costs (i.e. the normal cost of funding future service defined benefit accruals for each category) are as follows:

Defined Benefit Membership Group	Employer long-term cost (of future benefit accrual) (% of Salary)
Category 1	7.4%
Category 1C	6.6%
Category 2	7.7%
Category 3	SG less 3%
Category 4*	SG less 3%

* Category 4 members (as defined by the administrator) include former members of Categories 1 or 2 who have ceased paying member contributions.

The 3% Occupational Superannuation contributions need to be paid in addition to the above rate.

The contribution requirement applicable to the Category 4(g) member is the rate agreed between the member, the Employer and the Trustee. This rate must at least meet the Employer's Superannuation Guarantee obligations (currently 10.0%).

The average Employer normal cost for current members (excluding the Category 4(g) member) is 7.4% of Salaries.

However, given the Plan's strong financial position (see above), the Employer does not need to contribute at the long-term funding costs.

Recommended Contributions

Based on the revised financial position at 30 June 2021 and taking into account the actual investment return of 2.4% for the 3 months immediately after 30 June 2021, I recommend that the Employer contributes to the Plan in accordance with the following contribution program from 1 July 2021:

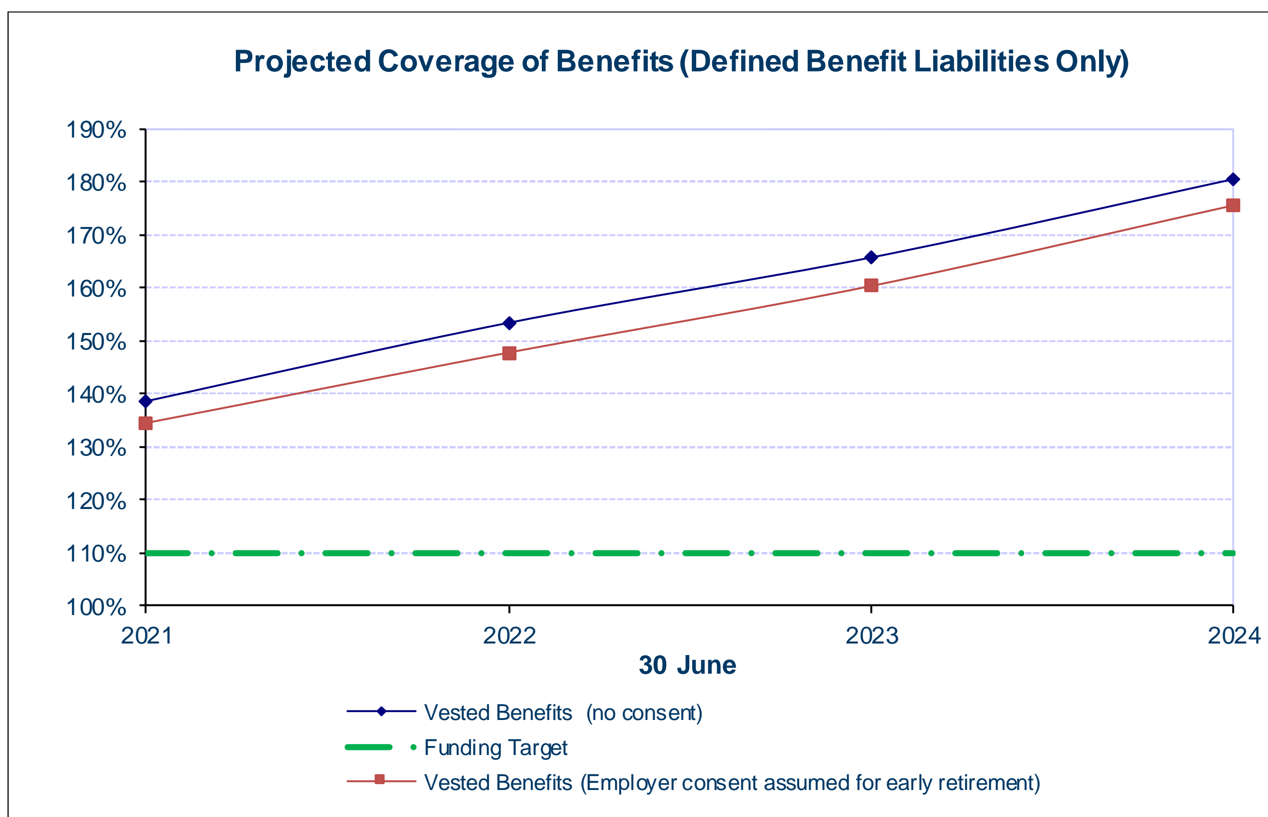
- 7% of members' Salaries from 1 July 2021 to 31 December 2021 (i.e. Superannuation Guarantee [SG] rate less 3%);
- Nil contributions from 1 January 2022 in respect of all categories of defined benefit members;
- 3% Occupational Superannuation contributions to the extent these are paid to the Plan (note: some Plan members instead have their 3% contributions paid to the Industry Section of NGS Super or another fund);
- Employer contributions in respect of the Category 4(g) member at the rate agreed between the member, their Employer and the Trustee; and
- All compulsory and voluntary member pre-tax (salary sacrifice) contributions.

Projected Financial Position

I have prepared a projection of Plan assets and benefit liabilities based on:

- The actuarial assumptions adopted for this investigation;
- The actual investment return for the period to 30 September 2021; and
- Assuming the recommended contributions will be adopted.

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 Plan'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 projection above shows that the recommended contributions are anticipated to result in assets of at least 110% of Defined Benefit Vested Benefits (Employer consent assumed for early retirement) over the next three years (one of the financing objectives adopted in this investigation).

Indeed, with the expected reduction in Plan membership, the coverage of the Vested Benefits is expected to increase, with the excess assets spread across a reducing liability base. The Trustee should consider whether there may be opportunities to use the excess assets for broader purposes within the Plan; e.g. to meet any additional accumulation contributions allocated to members, to finance compulsory insurance costs or to admit new members, potentially in a new accumulation category.

Sensitivity Analysis

I have tested the effect of changes to the key assumptions on the value of liabilities and the Plan's net financial position.

The liabilities shown in this report have been calculated using our best estimate assumptions for investment return (4.5% p.a.) and Salary growth (2.5% p.a.). 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 a portion of your defined benefit liabilities grow with Salaries.

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

- Decrease the long term investment return assumption by 1% p.a.; and
- Increase the Salary growth rate assumption by 1% p.a.

All other assumptions, including the recommended contribution rates, are assumed to remain 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	Accrued Benefits $M	Change in Accrued Benefits $M
Base assumptions as shown previously	71.916	
Decrease investment return by 1% pa	72.271	+0.355
Increase Salary increase by 1% pa	72.022	+0.106

8

Key Risks

Investment Volatility

Around a third of the current defined benefit liabilities are linked to Salaries and not linked to investment returns. Therefore the Plan's benefits coverage is somewhat sensitive to changes in the investment returns.

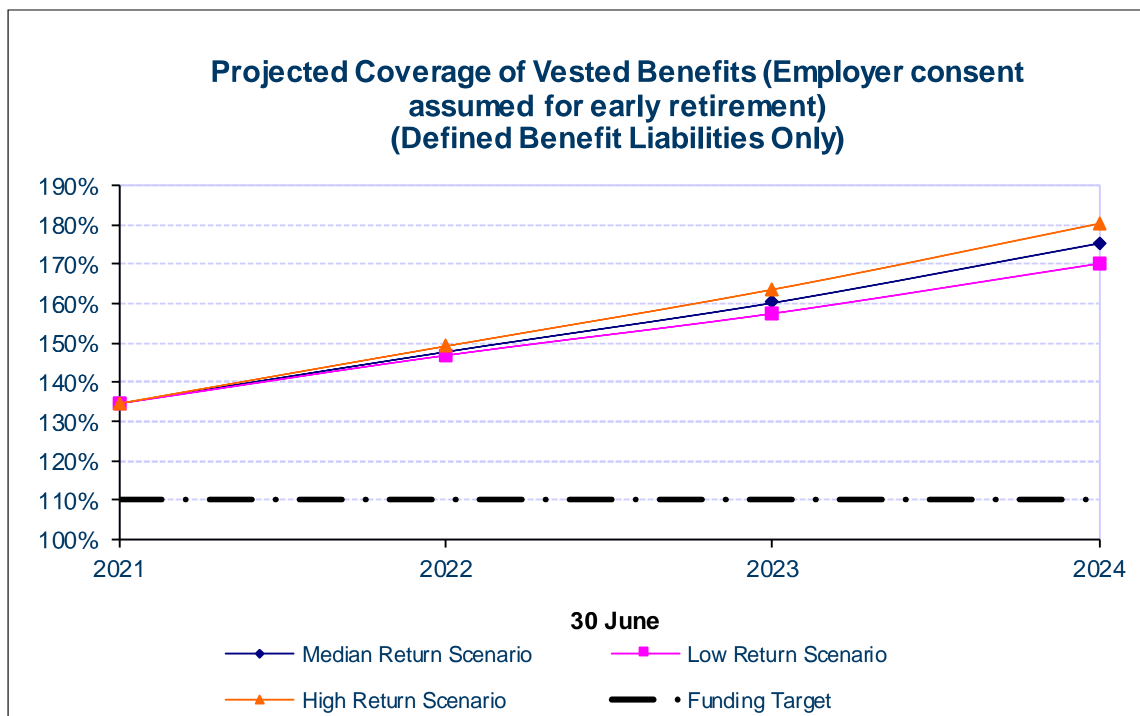
I have considered the impact of investment volatility on the Plan's financial position over the next few years using a "High return" and a "Low return" scenario. The returns under both scenarios have been derived from assumptions about the likely risk attached to the Plan's defined benefit investment strategy.

Using the investment return model and assumptions adopted, there is approximately a 10% chance of the Plan'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 Plan's cumulative investment return being greater than the "High return" scenario. Allowance has been included for the actual return on assets of 2.4% during the 3 month period immediately following 30 June 2021.

1 July 2021 to 30 June	Assumed Cumulative Investment Return (%)		
	"Low Return"	Valuation	"High Return"
2022	3.7%	5.9%	10.1%
2023	5.4%	10.7%	21.2%
2024	7.0%	15.6%	33.5%
2025	8.8%	20.8%	46.9%
2026	10.5%	26.3%	61.8%

The cumulative investment return is the total return from 1 July 2021 up to 30 June in the year shown. The extent of variation allowed for in these projections reflects the Plan's asset mix and Mercer's views on potential variability in investment results in various investment sectors.

The graph below shows the effect on the projected ratio of assets to Vested Benefits (Employer consent assumed for early retirement) for defined benefit members under the "High return" and "Low return" scenarios, with all other investigation assumptions remaining unchanged.



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 (Employer consent assumed for early retirement) at 30 June 2024 will fall in the range from 170% to 180%.

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 (Employer consent assumed for early retirement) 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 12.8% in any year based on the current Plan asset allocation.

In my view, the Trustee should be satisfied with the expected level of security over the next few years if the Employers contribute at the recommended levels, and should consider whether there may be opportunities to use the excess assets for broader purposes within the Plan.

Salary Growth Risk

The risk is that 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 Actuarial Value of Accrued Benefits would increase by $106,000 (Employer funding cost impact $106,000/0.85 = $125,000), with a resulting reduction in the coverage of the Actuarial Value of Accrued Benefits from 134.6% to 134.4%, and
- The estimated cost of future service benefits to the Employer would increase from 7.4% to 7.6% of Salaries under this scenario.

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% p.a. 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.

9

Insurance and Related Risks

The Plan is not permitted to self-insure.

Death and Total and Permanent Disablement (TPD) Benefit

The benefits on TPD and death are:

TPD Benefit: Resignation Benefit (without consent) + Voluntary Insurance

Death Benefit*: Resignation Benefit (without consent) + 1 x Salary + Voluntary Insurance

*** Subject to a minimum of the Retirement Benefit at date of death.**

The 1 x Salary benefit and the Voluntary Insurance are fully insured. Member's accumulation accounts and voluntary accounts are payable in addition.

As there is a minimum of a member's retirement benefit (based on service to date of death) applied to the death benefit (irrespective of the member's age), the benefit payable for some members may be higher than the member's sum of accounts plus insurance. In this regard, I note that the 'notional' accrued retirement benefit was greater than the death benefit for 7 out of 204 members (excluding genuine Category 4 (g) member) as at 30 June 2021. This is not significant in the context of the funding of the Plan.

Amount Insured

The total amount insured should cover the excess of the death benefits over the Plan's assets, unless there is a funding shortfall. Based on data provided by the Plan's administrator and the formula in use at the investigation date, the coverage of death risk as at 30 June 2021 for the Plan was as follows.

	Defined Benefit members*	$'000
	Death Benefits	91,002
less	Sum Insured	21,158
less	Assets	83,740
less	Timing reserve allocation	13,071
	Over Insurance of Death Benefits	26,967

* Excluding Category 4(g) member.

There is a large amount of over-insurance due to the strong financial position of the Plan. Whilst this protects the Plan from insurance risks, there is scope for the Trustee to reduce the level of insurance cover if it wishes.

Income Protection

The Plan provides for an income protection benefit of 75% of Salary (indexed) plus 5.5% of Salary to cover member contributions to the Plan.

The benefit is payable for a 5 year period or to the earlier of death, recovery or age 65.

There is a 3 month waiting period and the Automatic Acceptance Limit for this benefit is $9,000 per month.

Insurance Deductions

Currently, premiums for defined benefit members for both voluntary and compulsory insurance cover are deducted from Employer Accounts at age based premium rates as detailed in the Plan insurance policies.

Members without compulsory insurance

A small number of members in the Plan do not have standard insurance (around 55 members at 30 June 2021 had neither standard death nor income protection insurance). Some members only have standard income protection insurance (3 members at 30 June 2021) only. It was noted by the previous actuary that, whilst some members do not have insurance as a result of them not being accepted for insurance or because the insurance cover is provided through the Industry Section of NGS Super, it is expected that some members have in the past elected to opt out of insurance cover. We understand that the Trustee no longer allows for members to opt out of compulsory insurance cover.

Based on the data, some of the members that have opted-out of insurance still seem to be entitled to a death benefit. However, the amounts involved are small in the context of the Plan as a whole. Given the funding status of the Plan, we believe that this is a small risk for the Trustee and do not recommend any further action.

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 Plan.

Documentation

The compulsory death and other voluntary insurance arrangements are underwritten by TAL Life Limited (“the insurer”) and outlined in the latest endorsement to the policy (dated 1 July 2017) between the Trustee and the insurer. The purpose of the insurance policy is to protect the Plan against unexpectedly large pay-outs on the death or disablement of members.

The disability income benefits insurance arrangements are also underwritten by TAL.

Conclusion

Whilst I consider that the Plan’s current insurance arrangements provide suitable protection from insurance risks, there is scope for the Trustee to reduce the level of insurance cover if it wishes.

11

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. I 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".*

I understand that the Plan's Shortfall Limit, determined by the Trustee on the basis of previous actuarial advice, is a coverage level of the Vested Benefits (Employer consent assumed for early retirement) of **98.5%**.

The Shortfall Limit is expressed as the coverage level of the defined benefits Vested Benefits (Employer consent assumed for early retirement) 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 of 71.5% to "growth" assets;
- The results of this investigation regarding the extent to which the current and projected defined benefit Vested Benefits (Employer consent assumed for early retirement) are not linked to the investment return on defined benefit assets (i.e. salary-based benefits) and the current and projected relativity between Vested Benefits (Employer consent assumed for early retirement) and Minimum Requisite Benefits;
- The option open to the Employer to grant benefits of a greater value than Vested Benefits (no consent). For this Plan, the Employer has a history of granting consent to the Vested Benefit on early retirement and therefore the Shortfall Limit refers to the Vested Benefits (Employer consent assumed for early retirement).

Based on the above, I recommend maintaining the current Shortfall Limit.

The projections also indicate that the level of Minimum Requisite Benefits is not expected to be a constraint in determining the Shortfall Limit. I 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 material change to the investment strategy for defined benefit assets – in particular a change to a

more defensive strategy which has a benchmark allocation to "growth" assets of less than 65% - 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.

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

- A broad estimate of the defined benefit Vested Benefits coverage for the 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.

Whilst I consider that the adopted monitoring process is appropriate, given the strong financial position of the Plan I recommend that the Trustee moves to monitor Vested Benefits coverage half-yearly rather than quarterly.

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, I consider that:

- The Plan is not in an unsatisfactory financial position; and
- The Plan 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 at this investigation.

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).

The Plan's assets are also sufficient to fully cover the SG Minimum Benefits at 30 June 2021. 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 account balances and the Category 4(g) member). They are before allowance for the allocation from the timing reserve which occurred after 30 June 2021.

(a) The value of the Plan's assets as at 30 June 2021 was $120,115,000. 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 2021 was $108,291,000. Hence, I consider that the value of the assets at 30 June 2021 is adequate to meet the value of the accrued benefit liabilities of the Plan as at 30 June 2021. 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 Sections 4 and 6 of this report. Assuming that the Employer contributes 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 2024.

(c) In my opinion, the value of the liabilities of the Plan in respect of Vested Benefits (i.e. voluntary resignation benefits with no consent for early retirement assumed) as at 30 June 2021 was $106,220,000. Hence I consider that the value of the assets at 30 June 2021 is adequate to meet the value of the vested benefit liabilities of the Plan as at 30 June 2021. Assuming that the Employer contributes 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 2024. 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 2021 was $100,774,000. Hence the Plan was not technically insolvent at 30 June 2021.

(e) A projection of the likely future financial position of the Plan over the 3-year period following 30 June 2021, based on what I consider to be reasonable expectations for the Plan for the purpose of this projection, is set out in Section 7 of this report,

(f) Based on the results of this investigation, I consider that the Shortfall Limit does not require review. Comments are set out earlier in this section.

(g) In respect of the 3-year period following 30 June 2021, I recommend that the Employer contributes to the Plan in accordance with the following contribution program from 1 July 2021:

- 7% of members' Salaries from 1 July 2021 to 31 December 2021 (i.e. Superannuation Guarantee [SG] rate less 3%);
- Nil contributions from 1 January 2022 in respect of all categories of defined benefit members;
- 3% Occupational Superannuation contributions to the extent these are paid to the Plan (note: some Plan members instead have their 3% contributions paid to the Industry Section of NGS Super or another fund);
- Employer contributions in respect of the Category 4(g) member at the rate agreed between the member, their Employer and the Trustee; and
- All compulsory and voluntary member pre-tax (salary sacrifice) contributions.

(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 2021;
- 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 2021.

12

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, and any discretions exercised by the Trustee or the Employers. 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. I 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 2024. 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 30 June 2023).

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.

....

Timothy Simon Jenkins
Fellow of the Institute of Actuaries of Australia

3 December 2021

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

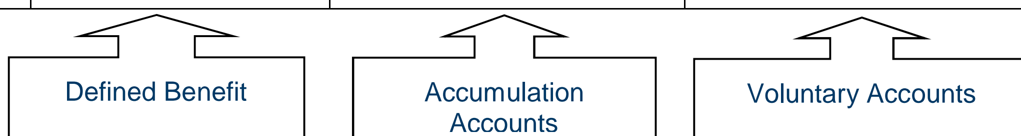
Summary of Benefits

A summary of the main benefit provisions in respect of defined benefit members is set out below. Reference should be made to the formal governing documents for definitive statements.

<table>
<tr><td>Resignation</td><td>Member Account
+ Employer Account
+ AMPFA[1]</td><td rowspan="5">+ 3% Occupational Superannuation Account[2]
+ Category 3 Account

Subject to member investment choice</td><td rowspan="5">+ Voluntary Accumulation Accounts[3]

Subject to member investment choice</td></tr>
<tr><td>Retirement
(from age 55 with Employer consent)[4]</td><td>Multiple x Final Average Salary (FAS)</td></tr>
<tr><td>Total and Permanent Disablement (TPD)[5]</td><td>Resignation Benefit
+ Voluntary Insurance</td></tr>
<tr><td>Death[5]</td><td>TPD Benefit
+ 1 x Salary (to age 65) with a minimum of the Retirement Benefit at date of death (applied to all members)</td></tr>
<tr><td>Minimum Requisite Benefit
(as per Benefit Certificate)</td><td>Member Account
+ SG Account
+ AMPFA</td></tr>
</table>



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[1] A small number of members have rollover multiples, which are included in their retirement multiples. On resignation (and minimum SG benefits), members receive the return of their rollover accumulated with investment returns i.e. AMPFA.

[2] Some employees receive 3% contributions in this section, other ex ISST with insurance members receive their 3% contributions in the Industry Section of NGS Super. Some employees may also receive in other funds.

[3] Voluntary Accumulation Accounts include voluntary member contribution accounts (pre or post tax), rollover accounts, (negative) surcharge account.

[4] Trustee and Employer consent required.

[5] Maximum of 4 x Salary of voluntary insurance, tapered from age 60. Can have additional insurance in the Industry Section of NGS Super.

Benefit Category	Member Account	Employer Account	SG Account	Category 3 Account	Multiple Accrual[6]
1 - Standard	5.5%	5.5%	SG less 3%	-	13.5%
1C – ex CBC (at CBC)	5.0%	6.0%	SG less 3%	-	12.5%
2 - Lower	3.0%	3.0%	SG less 3%	-	6.75%
3 - Frozen DB	-	-	-	SG less 3%	-
Tax deducted	×[7]	×	✓	✓	n/a
Insurance premiums	×	Cat 3: × Others: ✓	Cat 3: × Others: ✓	Cat 3 only: ✓ = member conts. of 0.75% or 1.5%	n/a
Investment returns	Earning based on unit price movements (with standard 0.1% pa deduction) less deductions for a further 0.3% pa asset-based administration fee			Earning based on unit price movements (with standard 0.1% pa deduction)	n/a

Temporary Disability Benefit	75% of Salary for up to 5 years (ceases at age 65) plus member contributions until the earlier of 5 years, age 65 or cessation of employment
Final Average Salary	The average of the member's last five 1 February Salaries prior to leaving service

Category 4 (as defined by the administrator) members have been treated in a similar way as Category 3 members for the purpose of this investigation. These members are former members of Categories 1 or 2 who have ceased paying compulsory member contributions. Their past service defined benefit accruals are frozen i.e. defined benefit accrual ceased at the time they ceased paying member contributions. Future benefits are accrued on an accumulation basis.

Benefits in respect of the Category 4(g) member are set on a non-standard basis agreed between the member, the Trustee and the Employer. This member's defined benefit accrual is frozen in the Plan. The member's future contributions are currently paid to the Industry section of NGS Super.

Members can transfer between categories as allowed for in the Participation Schedule.

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

[6] Subject to legislative requirements, accrual continues past age 65 (see below for further comment).

[7] Where members make their member contributions from before tax Salary (salary sacrifice), tax is deducted, but contributions paid by the member are higher to offset this impact.

Benefit accrual after Normal Retirement Date

The rules of the Plan (as set out in Schedule 2 of the Participation Schedule) allow for members continuing to accrue defined benefits after age 65 subject to legislative requirements.

Current legislation allows employers and employees to contribute towards the accrual of defined benefits up to age 75 as long as the member meets the work test (at least 40 hours worked during any consecutive 30 day period in the financial year in which contributions are received). After age 75, defined benefit accrual can only continue if it relates to mandated contributions (contributions required to meet the requirements of SG, award or other certified agreements). There is no maximum age for which SG contributions should be paid.

This means that defined benefit accrual can continue in the Plan after age 75 but **only** if it relates to SG accrual or requirements under an award or other certified agreement.

In practice, this type of arrangement is complex to apply and administer in a defined benefit environment and we recommend that defined benefits are crystallised at age 75 and superannuation benefits after age 75 be provided under an accumulation arrangement.

The Trustee had previously agreed to consider this issue when a member reaches approaches age 75. Given the oldest member in the Plan is now age 76, we recommend that the Trustee formally document its approach to dealing with members when they reach age 75.

Trustee and Employer Discretions

The table below indicates the material discretions available to the Trustee and Employer and the member options specified within the Plan's legal documents, to the extent that these affect benefits. The table also shows the general prevalence of the past exercise of discretions and the options chosen by the members. Please note, however, 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
Clause 8.1 – Trustee and Employer must give consent for members to receive their Accrued Retirement Multiple after age 55	Consent given
Clause 8 – Trustee and Employer are able to amend the Participation Schedule by agreement between them (includes changing investment strategy of defined benefit assets which will affect members' accumulation benefits). Consent of ALL participating employers is required where cost to fund liabilities is increased.	Nil
Clause 2.3 – Employee of a Participant can be admitted as a Member of the Plan subject to Employer approval (plus subject to the Deed and Relevant Law).	No new entrants since 2002
Clause 3.2 of Schedule 2 – the Trustee can provide consent for certain members to change their category of membership. No Employer approval required.	Low prevalence

Trustee and Employer Discretions	
Clause 6.2 of Schedule 2 – the Trustee and the Employer can determine member contributions other than those specified in the schedule.	In the past a number of members from Categories 1 and 2 have ceased paying their employee contributions. Where this has happened, the Trustee has transferred these members to Category 4. Defined benefit accrual has ceased and future benefits are accumulation in nature.

Member Options Description and Deed Reference	Historical Prevalence
Clause 2 – members can choose to take out additional voluntary insurance. This is paid for out of defined benefit assets (deducted from Employer Accounts).	86 members have additional voluntary death cover and additional voluntary TPD cover as at 30 June 2021.
Clause 3.2 of Schedule 2 – certain members can change their category of membership by informing the Trustee in writing (no Trustee of Employer consent required)	Low prevalence

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 is 10% at 1 July 2021 and it will then increase by 0.5% p.a. until it reaches 12% from 1 July 2025.

Appendix B

Data

I have relied on financial and participant data provided by the Plan's administrator when preparing this report. This data used is summarised in this report. I 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. I am satisfied that the data is sufficiently accurate for the purposes of this actuarial investigation.

I 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.

Appendix C

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. The information required for AASB 1056 is in Appendix D.

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 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:

- **Resignation/Retirement**
  - Based on the member's accrued benefit multiples and accumulated contributions at the valuation date; and
  - Increased to allow for future discount factors and future vesting to the projected date of resignation/retirement.
- **Death and Disablement in Service**
  - Based on the member's past service resignation/retirement benefits (as appropriate).

The weighted average term of the accrued benefit liabilities is 3.4 years.

Accumulation Benefits

The value of additional 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 D

Information for AASB 1056 Purposes

Catholic Church Staff Superannuation Plan (South Australia) (the Plan)

The following information has been prepared for the purposes of Australian Accounting Standard AASB 1056 to enable the calculation of Member Liabilities at the specified reporting dates for inclusion in the relevant financial statements of NGS Super. The information is current as at the date specified below, but is subject to change if circumstances change.

Based on the Adopted Assumptions specified, I confirm that in my opinion, a reasonable approximation of the value of Defined Benefit Member Liabilities (DB Member Liabilities) at 30 June 2022, 2023 and 2024 can be calculated as:

DB Member Liabilities = K x DB Vested Benefits (Employer consent assumed for early retirement)

Where:

- K is the Adopted Assumptions K Factor specified below
- DB Vested Benefits (Employer consent assumed for early retirement) is the total defined benefit component of vested benefits (i.e. excluding additional account balances, if any) for DB members at the relevant date with Employer consent assumed for early retirement, as determined by the Fund Administrator

Total Member Liabilities would then be determined as

DB Member Liabilities *plus* total additional account balances of DB Members *plus* total account balances of the Category 4(g) member, all calculated at the relevant date

In my opinion, a reasonable approximation of the defined benefit Member Liabilities at 30 June 2022, 2023 and 204 on other reasonably possible key assumptions can be calculated as:

DB Member Liabilities = K x DB Vested Benefits (Employer consent assumed for early retirement)

Where:

- K is the relevant K Factor specified in the table below for the relevant specified change in a key assumption

	30 June 2022	30 June 2023	30 June 2024
Adopted Assumptions			
Investment return p.a.	4.5%	4.5%	4.5%
General salary increases p.a.	2.5%	2.5%	2.5%
Adopted Assumptions K factor	0.994	0.994	0.996
Sensitivity Factors			
K factor 1% p.a. lower investment return	0.999	0.999	1.001
K factor 1% p.a. higher investment return	0.990	0.990	0.993
K factor 1% p.a. lower salary increases	0.993	0.993	0.995
K factor 1% p.a. higher salary increases	0.995	0.995	0.998

I confirm that the investment return assumption is based on the Plan's investment strategy.

I confirm that paragraph 26 of AASB 1056 is not relevant to the Plan.

Prior to using the above factors for calculations, the Trustee should check with the Plan actuary whether there have been changes in economic conditions or other circumstances which have occurred since these factors were determined that, in the opinion of the actuary, would require a change in the Adopted Assumptions and/or a re-calculation of the factors.

Timothy Simon Jenkins
Fellow of the Institute of Actuaries of Australia

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