3M Australia – A Division of the Russell Investments Master Trust

Actuarial Valuation as at 30 June 2023

21 December 2023

Table of Contents

Section 1: Purpose and Summary 1
Section 2: Background and Data 5
Section 3: Assets and Investment Strategy 7
Section 4: Valuation Method, Plan Experience and Actuarial Assumptions 11
Section 5: Insurance Arrangements 14
Section 6: Solvency and Funding Status Measures 15
Section 7: Valuation Contribution Results 19
Section 8: Sensitivity Analysis and Material Risks 21
Appendix A : Summary of Benefits 23
Appendix B : Details of Membership 25
Appendix C : Consolidated Revenue Account 26
Appendix D : Valuation Method and Assumptions 27
Appendix E : Statements required under Regulation 23 of SPS 160 30

Section 1: Purpose and Summary

The Russell Investments Master Trust - 3M Employer Division ("the Plan") provides benefits which are of the *"defined benefit"* type where benefits are defined by Salary and period of membership. There are also a significant number of Accumulation Members whose benefits are held separate from the defined benefit section of the Plan. Additional accumulation benefits are also provided for most Defined Benefit Members.

With such a plan, a regular actuarial review is necessary to:

- examine the sufficiency of the assets in relation to members' accrued benefit entitlements;
- determine the recommended Company contribution rate required to ensure that the Plan maintains a satisfactory financial position;
- examine the suitability of the Plan's insurance and investment arrangements;
- satisfy Clause 15.6 of the Trust Deed which states that Total Risk Management Pty Limited (the Trustee) must ensure that the Actuary carries out an actuarial investigation of the Russell Investments Master Trust or one or more plans (such as employer sub-plans) as the Trustee considers appropriate as at times determined by the Trustee. Clause 15.7 also requires the Actuary to prepare a report on each actuarial investigation and to make recommendations on the level of contributions to be made by the Company in relation to defined benefits provided by the Plan; and
- meet legislative and prudential standard requirements, in particular paragraph 23 of Prudential Standard 160 Defined Benefit Matters ("SPS 160"). Under SPS 160 an actuarial investigation is required at least every three years.

This report has been prepared for the Trustee Total Risk Management Pty Limited, in my capacity as RSE Actuary to the Plan. The Effective Date of this actuarial valuation is 30 June 2023.

This report has been prepared in accordance with Professional Standard 400, dated March 2021, issued by the Institute of Actuaries of Australia. The previous valuation was conducted by me as at 30 June 2020 with the results set out in a report dated 21 December 2020.

Reliance statement and data

This report is provided subject to the terms set out herein and in our engagement letter dated 13 March 2017 and the accompanying Terms and Conditions of Engagement. This report is provided solely for the Trustee's use and for the specific purposes indicated above. It may not be suitable for use in any other context or for any other purpose.

Except where we expressly agree in writing, this report should not be disclosed or provided to any third party, other than as provided below. In the absence of such consent and an express assumption of responsibility, no responsibility whatsoever is accepted by us for any consequences arising from any third party relying on this report or any advice relating to its contents.

The Trustee may make a copy of this report available to its auditors, the Company and to any person to whom the Trustee may be required to provide a copy under relevant legislation, but we make no representation as to the suitability of this report for any purpose other than that for which it was originally provided and accept no responsibility or liability to the Trustee's auditors the Company or any third party in this regard. The Trustee should draw the provisions of this paragraph to the attention of its auditors and the Company when passing this report to them.

In preparing this valuation, we have relied upon information and data provided to us orally and in writing by the Trustee and other persons or organisations designated by the Trustee. We have relied on all the data and information provided, including Plan provisions, membership data and asset information, as being complete and accurate. We have not independently verified the accuracy or completeness of the data or information provided, but we have performed limited checks for consistency. The data and information we have relied upon is shown in Section 2.

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

Company Contributions & Other Recommendations

In the absence of any special circumstances, we recommend that the Company contributes to the Plan at the following rates for the period commencing 1 July 2023:

- at least 0% of defined benefit members' salaries.

The funding position, and in particular the coverage of vested benefits by Plan assets, should continue to be monitored each year at 30 June and more frequently if required. Additional supplementary contributions may be required should the funding position become unsatisfactory.

We also recommend the following:

- the appropriate rates be contributed to members' accounts in respect of Accumulation members;
- From 1 July 2024, the Company to directly pay for expenses of administering the Plan and insurance premiums;
- the formula currently being used to determine the insured components of the death and disablement benefits in the Plan be retained; and
- the next full actuarial investigation be made with an effective date on or before 30 June 2026.

Funding Status Measures

Vested Benefits

Vested benefits are the benefits payable if all Members voluntarily resigned from service. As at the valuation date, the net assets of the Plan are sufficient to cover the vested benefits. The ratio of the Plan's assets supporting defined benefits to vested benefits (excluding additional accumulation accounts for defined benefit members) is 114.7% at 30 June 2023.

Assuming:

a. the benefits described in the Trust Deed remain unchanged

b. Company contributions are paid at the recommended rate

c. the future experience of the Plan is in accordance with the assumptions made in this actuarial valuation

then the assets of the Plan should remain in excess of the vested benefits up to 30 June 2026. On this basis, the financial position of the Plan is expected to remain satisfactory.

Present Value of Accrued Benefits

The present value of accrued benefits is the actuarial value (using the assumptions and methodology detailed in this report) of the expected future benefits payable from the Plan to the current members and their dependents in respect of Plan membership completed up to the date of the actuarial investigation.

The Plan's net assets are adequate to cover the present value of the accrued benefits of all members of the Plan at the valuation date. The ratio of the Plan's assets supporting defined benefits to the present value of accrued benefits (excluding additional accumulation accounts for defined benefit members) is 124.1%.

Minimum Benefits

The Plan is *"solvent"* if the net realisable value of the assets of the Plan, less the value of the benefit entitlements of former members, exceeds the Minimum Requisite Benefits (MRB).

As at the valuation date the net assets of the Plan exceeded the MRBs and the Plan was in a solvent financial position. The ratio of the Plan's net assets supporting defined benefits to the total MRB was 237.5%.

Shortfall Limit

As required under SPS 160 the Trustee has set the Shortfall Limit for the Plan at 97%. Given the current investment strategy, we consider this Shortfall Limit is appropriate for the Plan.

Superannuation Guarantee

The Company's Superannuation Guarantee obligation is fully met for all Members by the minimum benefits provided under the Plan. The required Benefit Certificate is dated 10 August 2020.

A Funding and Solvency Certificate dated 9 February 2021 has been issued to the Trustee corresponding to the above mentioned Benefit Certificate. The purpose of this certificate is to specify the required Company contributions needed to fund the MRBs used to offset the Superannuation Guarantee charge. All necessary funding and solvency certificates have been issued to the Trustee during the three years to 30 June 2023. A superannuation fund is *"solvent"* if the net value of its assets, less the value of the benefit entitlements of former members, exceeds the minimum Superannuation Guarantee benefits. At 30 June 2023, the Plan is solvent and based on the actuarial assumptions, we see no reason why it would be unlikely that an actuary will not be able to certify the solvency of the Plan in three years' time.

Investments

As at 30 June 2023, the Trustee's current policy is to invest the defined benefit assets in the Russell Balanced Growth Option.

The current investment strategy is considered suitable to the Plan's liabilities in respect of defined benefit membership at 30 June 2023.

The Trustee regularly monitors the investment managers' performance and we recommend that this continues.

Insurance

In comparison with the Plan's net assets the total amount of insurance protection against death and total and permanent disablement benefits is adequate as at 30 June 2023. The temporary disablement benefit is fully insured.

Next Valuation

The next valuation should be held no later than 30 June 2026. Vested Benefits coverage should continue to be monitored at least annually and more frequently if warranted.

Nick Wilkinson
Fellow of the Institute of Actuaries of Australia

14 December 2023

D: GD | TR: EZ | CR/ER: NW

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

Level 16, Angel Place
123 Pitt Street
Sydney NSW 2000
Australia

T +61 2 9285 4000

https://wtwonlineau.sharepoint.com/sites/tctclient_987204_BENAUS3M24/Documents/04.01_Actl_Valn/3M Actuarial Review_2023.docx

Section 2: Background and Data

The 3M Australia Division of the Russell Investments Master Trust (the Plan) commenced on 1 January 2006 following a successor fund transfer from the 3M Staff Superannuation Plan. The operation of the Plan is governed by an Employer Application Deed dated 23 December 2005 and the Trust Deed of the Russell Investments Master Trust, as amended from time to time.

The Plan is a regulated complying superannuation fund under the SIS Act and for taxation purposes.

The Plan's defined benefit category is closed to new members. However, the Plan's accumulation categories are open to new members. The Plan's defined benefit liabilities relate to 23 defined benefit members. For these members benefits relate to the period of membership and salary over the last few years of membership. A detailed description of the benefits valued in this investigation is included in Appendix A to this report.

Clause 3 of the Second Schedule of Schedule A of the Employer Application states that in accordance with Superannuation law, the Trustee shall arrange for the Actuary to review the Company's contributions in conjunction with each actuarial investigation and valuation. The Company's contributions shall, unless otherwise agreed between the Trustee, the Company and the Actuary, be in accordance with that recommendation.

Clause 7 of the Employer Application specifies that the employer, with the consent of the Trustee and the Principal Employer, may vary by agreement any or all of the benefits subject to the requirements of Superannuation Law. However, no such amendment shall be made if in the opinion of the Trustee acting on advice from the Actuary, any amendment would adversely affect the Member's rights to benefits which have already accrued in respect of any Member by the Member's own contributions (if any) and by the Company's contributions in respect of that Member to the effective date of such amendment.

The Plan is closed to new defined benefit members.

A summary of the main Plan benefits is included as Appendix A to this report.

Previous Recommendations

My previous recommendations in the 30 June 2020 report were that in the absence of any special circumstances, the Company contributes to the Plan at the following rates of Salaries for the period commencing 1 July 2020:

- No less than the prevailing Superannuation Guarantee Rate of defined benefit members' salaries.

I also recommended that:

- the appropriate rates be contributed to members' accounts in respect of Accumulation members;
- the Company to pay amounts to cover the expenses of administering the Plan and amounts in respect of the insurance premiums of accumulation members of the Plan directly (i.e. outside the Plan), though consideration may be given to paying these amounts from the Plan's surplus; and
- the formula currently being used to determine the insured components of the death and disablement benefits in the Plan be retained.

During the period it was also agreed with the Trustee and Employer that the contribution rate for defined benefit members would be further reduced to 1% of salaries from 1 September 2022 onwards.

Sources of Information

We have relied on the administrative records at 30 June 2023, as currently stored on the Link Super administration system.

We have relied on the unaudited financial information for the Plan prepared by Russell Employee Benefits Pty Ltd for the period 1 July 2020 to 30 June 2023.

Where possible the information provided has been checked for reasonableness and is considered suitable for the purposes of this investigation.

Data

The membership details are summarised in Appendix B. In brief there were 23 Defined Benefit Members as at 30 June 2023 with total salaries of $4,446,000.

The Plan does not have any lifetime pensioners. A reconciliation of the full membership between the last valuation date and this valuation date is enclosed as Appendix C to this report.

We have checked a sample of the membership data for internal consistency and are satisfied as to the accuracy of this sample.

Since the previous valuation, the average attained age of Defined Benefit Members has increased from 57.4 years to 57.9 years. The average completed membership of Defined Benefit Members has reduced slightly from 25.5 years to 25.4 years.

The salaries of the Defined Benefit members over the period since the last valuation have increased on average by 5.8% p.a.

Section 3: Assets and Investment Strategy

Accounts

We have been supplied with unaudited accounts covering the 12 month periods to 30 June 2023, 30 June 2022 and 30 June 2021. These accounts have been combined to produce the consolidated accounting statement for the period 30 June 2020 to 30 June 2023 shown in Appendix C to this report.

We have reconciled the statistical data on exits provided for the purposes of this valuation with the amounts appearing in the accounts for benefit payment purposes and have checked all the larger benefit payments to ensure that these were being calculated in accordance with the provisions of the Trust Deed.

The Plan's accounts show that the Employer has been contributing in accordance with the recommendations of the last valuation report.

Market Value of Net Assets

The breakdown of the market value of the Plan's Defined Benefit assets (excluding additional accumulation accounts for defined benefit members) at 30 June 2023 is summarised below.

Market Value of Defined Benefit Assets at 30 June 2023	$
Russell Balanced Growth Option	18,456,986
Less Benefits Payable	-
Net Assets before deducting the Operational Risk Reserve (ORR)	18,456,986
Less Operational Risk Reserve	46,142
Market Value of DB Net Assets	**18,410,843**

The market value of the Plan's DB assets are based on redemption unit prices. The Market Value of the Net Assets are the net assets available to meet the Plan's liabilities excluding Defined Contribution liabilities as used in determining the contribution recommendations and Funding Status Measures at the valuation date.

The Trustee maintains an operational risk financial reserve as shown in the table above.

Suitability of Crediting Rate and Investment Reserving Policy

The Trustee credits members' accumulation accounts with actual investment returns (net of fees and taxes) from the underlying assets. I consider this crediting rate policy to be suitable.

Nature of Defined Benefit Liabilities

The level of the Defined Benefit liabilities does not bear the same direct relationship with the defined benefit assets as exists with accumulation liabilities (where the assets and liabilities are generally matched).

The Defined Benefit liabilities reflect membership and salary growth, whereas the supporting assets depend on a range of factors including:

i. the level of Company contributions, and

ii. the level of investment returns

In this case it is the Company which bears the investment risk as the level of contributions required depends on the level of investment returns achieved.

An investment strategy for the Defined Benefit Section which is framed to take a long-term view will often adopt relatively high levels of equity investment in order:

i. to secure attractive long term investment returns, and

ii. to provide an opportunity for capital appreciation and dividend growth, which gives some protection against inflation (as benefits are linked to Salary growth which is also influenced by inflation)

The main constraint is that potential fluctuations in asset values mean the total asset value could fall below the level of Vested Benefits, placing the Plan in an unsatisfactory financial position.

While the impact of a sudden sharp fall in asset values can be limited by maintaining a buffer of assets over and above the level of vested benefits, the level of the buffer may never be sufficiently high to safeguard against all possible investment outcomes. However, the buffer should be at a level where the risk of the asset values falling below the level of vested benefits under a particular investment strategy is acceptable to the Trustee and the Company.

In this regard, a lower buffer may be acceptable where the Company is willing and able to accept short-term variations in contributions as part of underwriting the defined benefits of the Plan. In this case, short-term variations in company contributions may result from:

i. reducing a buffer that has grown too large, or

ii. rebuilding a buffer that has fallen or become negative

An alternative for a plan which does not have a sufficient asset buffer above the level of Vested Benefits is to adopt a more conservative investment strategy. While this may reduce short-term fluctuations in asset values, it is also likely to reduce long-term returns and hence result in increased company contributions in the long-term.

In summary, a balance needs to be achieved between these short-term and long-term considerations in funding the defined benefit liabilities.

Defined Benefits – Investment Objectives and Guidelines

The default investment option for all accumulation accounts is the Russell Balanced Option. Where defined benefit members have accumulation accounts that are not subject to member investment choice (MIC), they will also be invested in the Russell Balanced Option. Effective 1 October 2020 the Russell Balanced Option was merged into the Russell Balanced Opportunities Option, and renamed the Russell Balanced Growth Option. The Trustee's current policy is to invest the remaining defined benefit assets in the Russell Balanced Growth Option.

The investment objectives for each MIC option are outlined in the Investment Policy Statement for the Russell Investments Master Trust. We understand that the Trustee periodically reviews the suitability of these objectives.

The Trustee's principal investment objectives are:

a. Real Return Objective

- To achieve returns (net of tax and investment expenses) exceeding the Consumer Price Index (CPI) by 3.5% per annum, measured over rolling 5 and 10 year periods.

b. Downside Risk Objective

- 4 to 5 negative annual returns over a 20 year period

We have taken account of the investment objectives of the Plan and the investment guidelines under which the Plan's investment managers operate in setting our actuarial assumptions in Section 4 of this report.

Investment Strategy for Defined Benefit Section

In order to meet the investment objectives set for the Defined Benefits Section, the Trustee has adopted a specific long term benchmark allocation to each asset class for the portfolio in which the Plan's defined benefit assets are invested.

The table below shows the benchmark asset allocation for the Defined Benefits Section as at 30 June 2023.

Asset Class	Benchmark Asset Allocation as at 30 June 2023
Australian Shares	26.5%
Overseas Shares	34.5%
Property	11.0%
Infrastructure	5.5%
Commodities	0.0%
Other Alternatives	0.0%
Fixed Interest	13.5%
Cash and Liquid Assets	9.0%
Total	**100.00%**

Suitability of Investment Strategy

Based on our estimates of the duration of the Plan's Defined Benefit liabilities as at 30 June 2023 we expect the investment timeframe for these liabilities to be approximately 3.7 years. This represents a continued decline since the previous actuarial investigation as at 30 June 2020. We expect the investment time frame to continue to decline as members exit the Plan.

At the valuation date, the Plan held any significant buffer of assets supporting the defined benefits, which meant that the assets were sufficient to cover the Plan's vested benefits.

We believe that the current investment strategy for the defined benefit assets is reasonable, given the nature of the liabilities. However, given the Plan's strong financial position and the declining investment timeframe, which is currently 3.7 years we believe it is appropriate to consider investing the Plan's Defined Benefit assets in a more defensive portfolio than the current Russell Balanced Growth Option.

The long term expected return will reduce as the proportion of the portfolio invested in growth assets reduces. Therefore moving the Defined Benefit assets to a more defensive portfolio will result in a lower long term expected return and an increase in the actuarial value of liabilities, as the lower long term expected return and an increase in the actuarial value of liabilities, as the actuarial value of liabilities are determined using a discount rate equal to the long term expected investment return. This will have an impact on the required Employer contribution rate relative to that which might apply if the current investment strategy is maintained.

A more defensive portfolio will have the benefit of reducing the expected volatility of the financial position of the Plan which will also have the effect of reducing the expected volatility of the employer contribution rate however the current level of surplus provided more than sufficient buffer to also dampen the volatility of contribution requirements.

Section 4: Valuation Method, Plan Experience and Actuarial Assumptions

To carry out an actuarial valuation for defined benefit liabilities, it is necessary to decide on:

- the valuation method to be adopted, and
- the assumptions as to the factors which will affect the cost of the benefits to be provided by the Plan in the future

The information in this Section 4 relates to the defined benefit section of the Plan.

Valuation Method

The previous valuation used the Aggregate Funding method. Given the rapidly declining membership of the Plan we no longer believe that this funding method remains appropriate instead we proposed adopting the Attained Age method as an alternative funding method. The Attained Age method provides a long term normal cost of future service benefits.

The total normal cost is expressed as a level % of expected future salaries and is equal to the cost based on actuarial assumptions of the benefits accruing to the members in respect of all future membership following the valuation date including any related contribution tax.

However, the contribution rate required to maintain vested benefits coverage above 100% based on the valuation assumptions has also been considered and in particular the reduction in contribution rates that can be maintained given the Plan's surplus.

Plan Experience and Valuation Assumptions

It is important when setting the valuation assumptions to examine the experience of the Plan to see whether the previous assumptions have been borne out in practice. A summary of the major items of experience over the last three years is given in the following paragraphs.

Investment Return

The assumption for investment returns at the last valuation was 4.1% p.a. The Plan's crediting rates net of administration expense deductions over the three years to 30 June 2023 in respect of the Defined Benefit assets have been as follows:

Year Ending 30 June	Investment Return
2021	17.9%
2022	-3.5%
2023	8.3%
Average over the 3 years	7.3% p.a.

The average credited investment return was 3.2% p.a. higher than the assumed rate.

We have reviewed the median annualised return expectations for the Plan's investment strategy over a duration period of approximately four years based on the Willis Towers Watson Global Asset Model (June 2023).

For this valuation, we have adopted a higher long term future investment return equal to 7.0% p.a. (net of expenses and taxes). This assumption is consistent with the Trustee's investment objectives and strategy.

Salary Inflation

The assumed rate of salary inflation was 3.0% p.a. at the last valuation. The average rate of growth of salaries for Defined Benefit members who were present at both the last and current valuation dates was materially higher than this assumption (approximately 5.8% p.a.). Final Average Salary (FAS) inflation, which drives retirement benefits, has also been higher (approximately 4.4%). The combined impact of salary and FAS growth has increased the accrued liabilities of the Plan by more than expected.

We have confirmed that 3M's medium term outlook for salary increases remain at 3.0% p.a. and so have retained this assumption for salary inflation.

Over the long term, it is the "gap" between the investment return (net of tax) and salary inflation assumption that is important when valuing member's liabilities. In this valuation we have increased the "gap" from 1.1% p.a. to 4.0% p.a. Over the review period the actual "gap" between investment return and salary inflation was 1.5% p.a. which has had a negative impact on the Plan's financial position.

Rates at which Members Leave Service and Retire

We have retained the assumptions used at the previous valuation. Statistically significant results based on actual experience are not available from a fund of this size.

Rates at which Members Leave due to Death or Total and Permanent Disablement (TPD)

We have retained the long-term death and TPD rates from the previous valuation, which were based on the underlying death and disablement rates under the Plan's group life policy. Statistically significant results based on actual experience are not available from a fund of this size.

New Members

All Defined Benefit categories have been closed to new entrants since 30 June 2005. Since then, all new Members have joined the Accumulation Section.

Expenses

Expenses of investment management are allowed for by assuming a net rate of investment return.

Since 1 October 2020 there have been no additional investment or admin fee charged to the defined benefit assets. We have therefore not allowed for expenses in our valuation, which is consistent with the approach adopted in the last valuation.

We are recommending that going forward all administration fees for accumulation and defined benefit members are paid directly by the Company.

Insurance Premiums

Over the period to 30 June 2023, insurance premiums for defined benefit members are paid from the defined benefit assets. We are recommending that going forward all insurance premiums for accumulation and defined benefit members are paid directly by the Company in addition to the recommended defined benefit funding requirements.

Summary of Valuation Assumptions

A summary of our valuation assumptions is set out in Appendix D to this report.

Section 5: Insurance Arrangements

Adequacy of Insurance

The insurance coverage of the Plan is considered adequate if the net assets of the Plan are sufficient to cover the Death and Total and Permanent Disablement (TPD) benefits of the Plan after any insured components have been allowed for.

The Plan currently has death, total and permanent disablement and temporary incapacity/income protection insurance with Metlife. Cover is generally provided up to the automatic acceptance level (AAL), with cover above this level subject to underwriting. Where cover is not provided, the death, disablement or income protection benefits payable to the member are appropriately reduced.

The current level of insurance in respect of Defined Benefit Members is calculated as:

Insured Benefit = Death and TPD Benefit less Accrued Retirement Multiple × Salary

The insured amount may be limited by the insurer and where this occurs this benefit is limited by the same amount.

The following table shows the adequacy of the Plan's insurance cover at 30 June 2023:

	Amount $
Lump Sum Death and Disablement Benefits (A)	17,268,342
Less Aggregate Group Life Insurance (B)	4,523,731
Plan's Exposure (A – B)	12,744,611
Plan's Defined Benefit Net Assets	18,410,843

*The amounts above exclude MIC accounts

The Defined Benefit Net Assets as at 30 June 2023 of $18.4 million are sufficient to meet the Plan's Exposure of $12.7 million.

Considering the Plan's strong financial position, the current insurance arrangements are considered adequate and no changes are recommended.

Should the plan's financial position worsen significantly then we would recommend the insurance arrangements be reviewed to limit the strain placed on the Plan's financial position.

Section 6: Solvency and Funding Status Measures

There are several methods used to assess the current financial situation (i.e. funding status measures) of the Plan. These measures are dealt with below.

Defined Benefit Assets are $18.4 million, as noted in Section 3. This amount excludes the full amount of the ORFR.

Vested Benefits

Pursuant to superannuation law and SPS 160, a fund (or a section of a fund) is in a *"satisfactory"* financial position if the assets of the fund cover the Vested Benefit entitlements of the members of the fund.

The Vested Benefits represent the benefit entitlements of Members should they voluntarily leave the Plan. Where the member is entitled to a defined benefit pension or a deferred benefit or to exercise an option, then the value of that benefit or option has been determined using the assumptions adopted for this valuation. The Vested Benefits Index is a test of the Plan's solvency if all Members voluntarily resigned (if under 55) or retired (if over 55) on the review date.

The following table shows the progression of the Vested Benefits Index over the review period. These positions are in respect of the Defined Benefit liabilities, including surcharge and family law offset accounts, and excluding additional accumulation accounts for defined benefit members.

	30 June 2020	30 June 2023
Net Assets ($'000)	$26,915	$18,411
Vested Benefits ($'000)	$23,112	$16,052
Surplus / (Deficit) ($'000)	$3,803	$2,359
Vested Benefits Index	116.5%	114.7%

As at 30 June 2023, the net assets of the Plan exceeded the Vested Benefits and the Plan was in a satisfactory financial position. The ratio of the Plan's net assets supporting defined benefits to the Vested defined benefits was 114.7%. At the previous valuation, this ratio was 116.5%. The ratio has fallen slightly due to the following:

- Members reaching eligibility for retirement benefit at age 55;
- Salary / final average salary increases higher than expected;
- Partial contribution holiday and the increasing cost of expenses and premiums paid from DB surplus.

The above factors were partially offset by stronger than expected investment returns.

Actuarial Value of Accrued Benefits

An indication of the funding status of the Plan is given by the ratio of the Plan's net assets to the Actuarial Value of Accrued Benefits (AVAB). This is called the Actuarial Value of Accrued Benefits Index (AVABI).

AVAB represents the value in today's dollars of future benefits based on membership completed to the review date, allowing for future salary increases, investment earnings and expected incidence of payment. *"Accrued Benefits"* has the meaning given in Regulation 9.27 of the SIS Regulations.

It is important that the Actuarial Value of Accrued Benefits Ratio is not used to compare the level of funding between superannuation funds but is used as a measure to assess the funding status of a superannuation fund from time to time. Different superannuation funds can be expected to have different Actuarial Value of Accrued Benefits Ratios depending on the age and employment history of the members.

A fully secured position is represented by a ratio of 100.0%. At this level, if the Plan were closed to new entrants and no further benefits were allowed to accrue to current members, assets would be sufficient to meet all future benefit payments if the actuarial assumptions are borne out in practice.

The following table shows the progression of the Actuarial Value of Accrued Benefits Index over the review period. These positions are in respect of the Defined Benefit liabilities, including surcharge and family law offset accounts, and excluding additional accumulation accounts for defined benefit members.

	30 June 2020	30 June 2023
Net Assets ($'000)	$26,915	$18,411
Actuarial Value of Accrued Benefits ($'000)	$23,736	$14,837
Surplus / (Deficit) ($'000)	$3,179	$3,574
Actuarial Value of Accrued Benefits Index	113.4%	124.1%

As at 30 June 2023, the net assets of the Plan (excluding any amount held to meet the ORFR) are adequate to cover the Actuarial Value of Accrued Benefits.

Minimum Benefits

The company's Superannuation Guarantee (SG) obligation is either fully or partly met for all members by the minimum benefits provided under the Plan. The required Benefit Certificate is dated 10 August 2020.

A Funding and Solvency Certificate dated 9 February 2021 has been issued to the Trustee corresponding to the above mentioned Benefit Certificate (this Certificate will be updated in conjunction with this valuation). The purpose of this certificate is to specify the required company contributions needed to fund the minimum benefits used to offset the SG charge.

The Plan is *"solvent"* if the net assets of the Plan, less the value of the benefit entitlements of former members, exceed the Minimum Requisite Benefits (MRB) of all members in service.

The following table shows the progression of the Minimum Benefits Index over the review period. These positions are in respect of the Defined Benefit liabilities, including surcharge and family law offset accounts, and excluding additional accumulation accounts for defined benefit members.

	30 June 2020	30 June 2023
Net Assets ($'000)	$26,915	$18,411
Minimum Benefits ($'000)	$12,276	$7,752
Surplus / (Deficit) ($'000)	$14,639	$10,659
Minimum Benefits Index	219%	237%

As at 30 June 2023, the net assets of the Plan exceeded the Minimum Benefits and the Plan was in a solvent financial position. The ratio of the Plan's net assets supporting defined benefits to the minimum defined benefits was 237%.

Shortfall Limit

As required under SPS 160 the Trustee has set the Shortfall Limit for the Plan as 97%. The shortfall limit is defined in paragraph 10 of SPS 160 as:

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

Should the financial position of the Plan breach the Shortfall Limit, additional interim Actuarial investigations will be required with rectification plans to be put in place to address the unsatisfactory financial position.

We consider the Shortfall Limit is appropriate given the nature of the defined benefit assets and liabilities.

Benefits Payable on Retrenchment

A specific retrenchment benefit is defined in the Trust Deed for the Plan. The benefit payable on retrenchment is the Member's retirement benefit with a 2% discount factor applied for each year until age 55.

The following table shows the progression of the Retrenchment Benefits Index over the review period. These positions are in respect of the Defined Benefit liabilities, including surcharge and family law offset accounts, and excluding additional accumulation accounts for defined benefit members.

	30 June 2020	30 June 2023
Net Assets ($'000)	$26,915	$18,411
Retrenchment Benefits ($'000)	$25,395	$16,925
Surplus / (Deficit) ($'000)	$1,520	$1,486
Retrenchment Benefits Index	106.0%	108.8%

At 30 June 2023 there were five Defined Benefit Members who were aged less than 55, for whom the benefit on retrenchment will be higher than their vested benefits. The increase in vested benefit at 30 June 2023 of applying the retrenchment provisions to these members is $0.9m. Therefore, at 30 June 2023 the Plan's defined benefit assets of $18.4m were sufficient to meet retrenchment benefits which totalled $16.9m.

Benefits Payable on Termination of the Plan

The Trust Deed states that, on termination of the Plan, the Plan must be closed to new members and to future member contributions. After the payment of all expenses assets are to be allocated to members and either transferred into another superannuation fund, approved deposit fund or eligible rollover fund or retained in the Plan and paid to the member on their cessation of service with the Company.

The benefits allocated relate to the member's retirement benefit if aged over 55 or their actuarial reserve (with a minimum of their resignation benefit) increased or decreased proportionately so that the benefits are equal to the assets available at the termination date.

The power to reduce benefits means that the Plan would never technically be unable to cover benefits payable on termination of the Plan.

Experience since the Investigation Date

Since the investigation date investment returns have been 2.3% for the period from 1 July 2023 to 13 December 2023. Overall we expect that the financial position of the Plan to have remained stable since the valuation date.

Section 7: Valuation Contribution Results

It should be emphasised that the funding measures shown in Section 6 relate to the current position at the review date. A projection of the Plan is required to assess the adequacy of Company contribution rates to provide defined benefits in the future.

Such a projection has been carried out using the funding method and assumptions discussed in Section 4 and set out in Appendix D. The results of the valuation are summarised in this Section.

Long Term Cost of Future Service Defined Benefit Liabilities

Having examined the Plan on the basis of its position if it were to be terminated, we now move to examine the Defined Benefit Section of the Plan as a going concern. The following table summarises the results of the valuation at 30 June 2023, based on the assumptions and funding method as outlined in Appendix D.

		$000's
Future Service Defined Benefit Liabilities		2,393
Less	Value of future member contributions	-
Defined Benefit Liability to be funded from future Company contributions		2,393
Present Value of future Salaries		152
		% of Salary
Future Company contribution rate required		15.7%
Plus	Allowance for 15% contributions tax	2.8%
Long Term Cost of Future Service Defined Benefit Liabilities		**18.5%**

While the long term cost of future service defined benefit liabilities is 18.5% of Salary, as noted earlier, the current level of Plan surplus exceeds the expected total cost of Future Service Defined benefit liabilities. As such the Plan's current surplus can support a substantial level of contribution holiday. We consider this further when projecting the financial position of the Plan in the next section.

Projection of Results

For Defined Benefit Section members, we have projected the financial position under the scenario of a complete contribution holiday. Note this assumes that 3M separately pay the costs associated with expenses and insurance premiums as noted earlier.

The projection reflects projected median returns from the WTW Global Investment Model.

Projection Date	Plan Assets $'000s	Vested Benefits $'000s	VBI %
30 June 2023	18,411	16,052	114.7%
30 June 2024	13,282	10,867	122.2%
30 June 2025	11,953	10,194	117.3%
30 June 2026	10,582	8,774	120.6%

The projection shows an expected increase in the Vested Benefits Index to 120.6% at 30 June 2026 despite the complete contribution holiday.

On this basis even under a contribution holiday I expect the Vested Benefits Index (VBI) to increase and remain above 100% over the three years to 30 June 2026, assuming the valuation assumptions are borne out in practice.

Recommended Company Contribution Rate

In the absence of any special circumstances, we recommend that the Company contributes to the Plan at the following rate for the period commencing 1 July 2023:

- at least 0% of defined benefit members' salaries.

The funding position, and in particular the coverage of vested benefits by Plan assets, should continue to be monitored each year at 30 June and more frequently if required. Additional supplementary contributions may be required should the funding position become unsatisfactory.

We also recommend the following:

- the appropriate rates be contributed to members' accounts in respect of Accumulation members;
- From 1 July 2024, the Company to directly pay for expenses of administering the Plan and insurance premiums; and
- the formula currently being used to determine the insured components of the death and disablement benefits in the Plan be retained.

Future Review

The financial status of the Plan is sensitive to actual financial experience (principally, investment returns and salary increases) and membership movements. We therefore recommend that a check is placed on the Vested Benefits Index at each annual review date, and also at any time if the Defined Benefit membership reduces significantly, in order to confirm that the Plan maintains coverage of vested benefits.

The next actuarial valuation is due at 30 June 2026.

Section 8: Sensitivity Analysis and Material Risks

Sensitivity Analysis

For the purpose of this investigation the “gap” between the investment return (net of tax) and salary inflation assumption is 4.0% pa. Other assumptions could be used and the table below shows the impact of varying the “gap” between these assumptions on the Plan’s financial position and long term contribution rate. No changes have been made to the demographic assumptions adopted for this valuation in the scenarios below.

	This Valuation Basis	Scenario 1	Scenario 2
“gap” between investment return and salary inflation assumptions	4.0% p.a.	5.0% p.a.	3.0% p.a.
Actuarial Value of Accrued Benefits Index	124.1%	127.8%	120.4%
Long Term Contribution Rate	18.5%	17.9%	19.2%

It should be noted that the variations selected in the sensitivity analysis above do not indicate upper or lower bounds of all possible outcomes. Further analysis can be carried out if required.

Material Risks

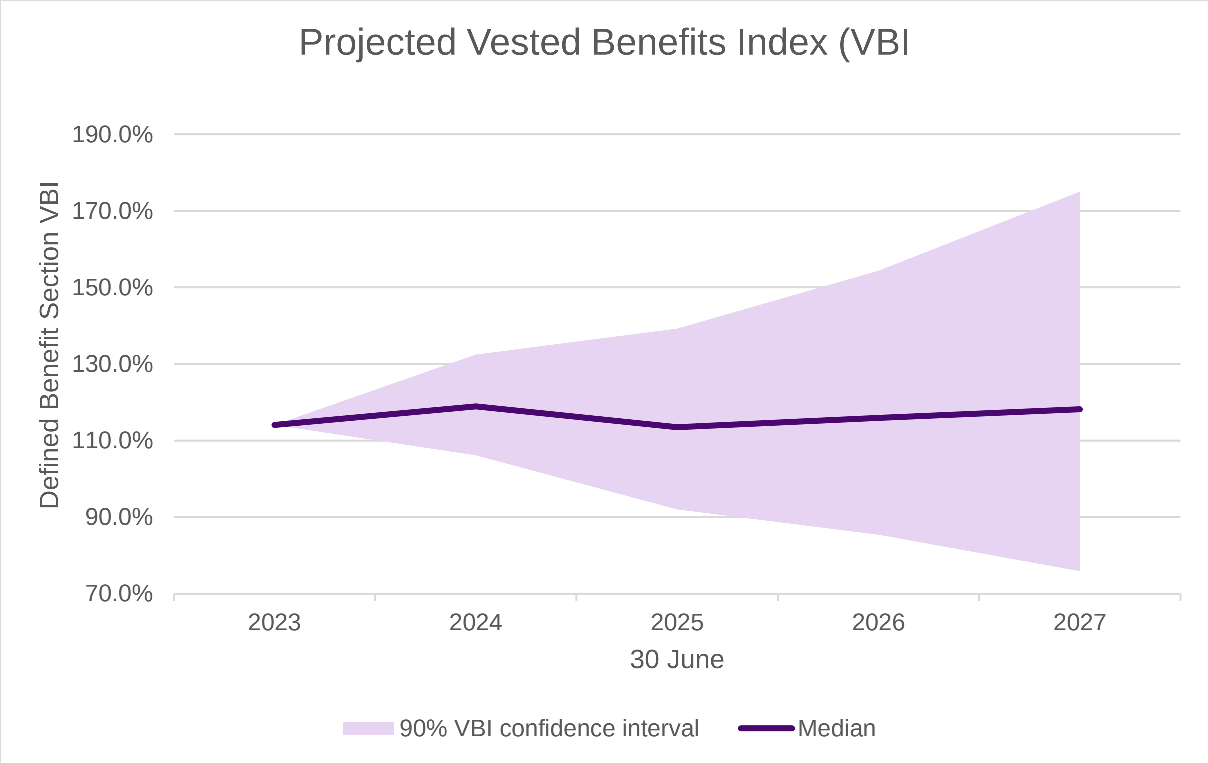
Salary Growth

For this valuation I have adopted a salary inflation assumption of 3.0% p.a. However if actual salary increases are greater than this, with all other actuarial assumptions borne out, then the funding position (Vested Benefits Index) will worsen and increased Company contributions may be required. Further analysis can be carried out if required.

Investment Returns

For this valuation I have adopted an investment return assumption (net of tax and investment management expenses) of 7.0% p.a. However if actual investment returns are less than this, with all other actuarial assumptions borne out, then the funding position (Vested Benefits Index) will worsen and increased company contributions may be required.

The following chart highlights the sensitivity of the Plan’s financial position to changes in the actual investment return experience over the five year period ending 30 June 2028. The Plan’s conservative investment strategy goes someway to protecting against significant volatility in investment performance, however regular monitoring is still required to address any unsatisfactory financial positions that arise due to underperformance relative to the assumed investment returns as outlined in Appendix D.



Considering the 90% confidence interval of return sensitivities from 30 June 2023 to 30 June 2028, there exists the possibility that the Plan's financial position may breach the Plan's Shortfall Limit of 97%, which would require increased contribution arrangements to avoid triggering additional interim Actuarial investigations and rectification plans to address the unsatisfactory financial position.

Change to investment strategy

Any change to the investment strategy that impacts future expected return on assets supporting the defined benefit liabilities will potentially have a material impact on the financial position of the Plan. If the Trustee is considering changing the investment strategy, we recommend that we be asked to assess the potential impact on the financial position of the Plan and future Company contribution requirements.

Appendix A: Summary of Benefits

Definitions

"Plan Membership"

Period of membership in the Plan in years and complete months as a defined benefit member.

"Salary"

Annual salary at the preceding 1 January, including profit share, commissions, bonuses and special allowances earned over the previous 12 months, but excluding overtime

"Final Average Salary (FAS)"

Average of the three highest annual Salaries in the 10 years immediately preceding retirement.

"Retirement Date"

Normal Retirement Date is first day of the month following 65th birthday (60th birthday for female members who joined prior to 1 February 1986). Members are eligible for Retirement Benefit within 10 years of Normal Retirement Date provided their period in the Plan since Benefit Accrual Date is at least 10 years. Benefit accrual continues up to age 70.

"Benefit Accrual Rate"

18.75%

"Leaving Service Benefit Rate"

9% for each year of Plan Membership that falls within the first 5 years of service

12.5% for each year of Plan Membership that falls within the next 20 years of service

20% for each year of Plan Membership that falls after 25 years of service

"Discount Factor"

2% pa simple for each year (pro rata for days) to age 55.

Member Contributions

Members are not required to contribute to the Plan. Any voluntary contributions are accumulated with investment returns (less tax and any applicable expenses) and paid in addition to the benefits described below.

Summary of Benefits – Defined Benefit Members

Minimum Requisite Benefit

The Minimum Requisite Benefit (MRB) as described in the applicable Benefit Certificate applies on all modes of exit. The MRB was amended with effect from 1 July 2008 to meet the requirement of Superannuation Guarantee applying to Ordinary Time Earnings with effect from 1 July 2008.

Retirement Benefit

Benefit Accrual Rate x Plan Membership x FAS

Leaving Service Benefit

Leaving Service Benefit Rate x Membership x Salary

Retrenchment Benefit

Benefit Accrual Rate x Plan Membership x FAS x Discount Factor

Death in Service Benefit and Total and Permanent Disablement Benefit

Retirement Benefit calculated at Normal Retirement Date assuming salary would have remained unchanged to age 65, subject to a maximum of 5 times Plan Salary and a minimum of 2 times Plan Salary (except on TPD within 5 years of Normal Retirement Date).

Special Benefits

Special benefits, including different benefit rates for past membership apply to some members.

Maximum Benefit

The retirement, death and TPD benefits payable are subject to a maximum amount calculated as 7.5 x FAS.

Appendix B: Details of Membership

Defined Benefit Membership changes

	Defined Benefit Membership as at 30 June 2020	Defined Benefit Membership as at 30 June 2023
Number of members	40	23
Average Age	57.4	57.9
Average Completed Membership	25.5	25.4
Average Entry Age	31.9	32.5
Total Salaries	$6,587,971	$4,446,264
Average Salaries	$164,699	$193,316

Appendix C: Consolidated Revenue Account

Consolidated Revenue Account for the period 30 June 2020 to 30 June 2023

	$
Net Assets as at 30 June 2020 net of ORR	**26,915,433**
Changes in net market value of investments	5,468,340
Employer contributions	1,734,409
Total Revenue from Ordinary Activities	**7,202,749**
Insurance premiums	(995,122)
General Administration Expenses	(125,173)
Benefits Paid	(14,495,505)
Total Expenses from Ordinary Activities	**(15,615,800)**
Income Tax (Expense)/benefit	(91,539)
Net Assets as at 30 June 2023 net of ORR	**18,410,843**

Appendix D: Valuation Method and Assumptions

Valuation Method

Aggregate Method

Asset Value

Market value taken from unaudited accounts at the valuation date.

Investment Returns

7.0% p.a. compound (net of investment expenses and taxes)

Inflationary Salary Increase

3.0% p.a. compound

Rates of Mortality, Total and Permanent Disability (TPD), and Leaving Service

Examples of rates at which members leave the Plan per year per 10,000 members:

Age Next Birthday	Death	TPD	Leaving Service for those with retirement age of 65	Leaving Service for those with retirement age of 60
40	4	4	663	633
45	6	7	473	446
50	9	13	372	0
55	15	25	0	0
60	25	47	0	0

8.2 Rates of Early Retirement

Examples of rates at which members leave the Plan due to retirement per year per 10,000 members:

Age Next Birthday	Members with retirement age of 65	Members with retirement age of 60
50	-	500
51	-	500
52	-	1,000
53	-	1,500
54	-	2,000
55	500	3,000
56	500	2,000
57	1,000	1,500
58	1,500	500
59	2,000	500
60	3,000	10,000
61	2,000	-
62	1,500	-
63	500	-
64	500	-
65	10,000	-

Rates of Retrenchment

A retrenchment rate of nil per 10,000 members has been assumed.

Future Expense Allowance

Expenses of investment management are allowed for by assuming a net rate of investment return.

There are no additional investment or admin fee charged to the defined benefit assets. We have therefore not allowed for expenses in our valuation, which is consistent with the approach adopted in the last valuation.

Administration fees for accumulation and defined benefit members are assumed to be paid directly by the Company in addition to the defined benefit costs.

Insurance Costs

Over the period to 30 June 2023, insurance premiums for defined benefit members are paid from the defined benefit assets. We are proposing that going forward all insurance premiums for accumulation and defined benefit members are paid directly by the Company in addition to the recommended defined benefit funding requirements.

New Entrants

No allowance for new entrants.

Taxes

Tax on investment income is allowed for in the Investment Returns shown above.

Tax on contributions has been allowed for as 15% of Company contributions reduced by allowable deductions (administration and insurance costs). No allowance has been made for GST or Reduced Input Tax Credits.

Surcharge Tax and Excess Contributions Tax

No allowance has been made for the Surcharge Tax and Excess Contributions Tax as the Trustee offsets any tax payable by the Plan against the benefits of the relevant Members, if the Member does not reimburse the Plan for the tax payable.

Composition of Membership

It has been assumed that Members remain in their current Category.

It has also been assumed that the same proportion of current membership remains in each defined benefit category as at present in determining a single Company contribution rate.

Appendix E: Statements required under Regulation 23 of SPS 160

The statements required under paragraphs 23(a) to (h) of SPS 160 for regular investigations are set out below. Note, these are provided in relation to the Plan's defined benefit liabilities only.

(a) Plan Assets

The net market value of the Plan's assets attributable to the defined benefit liabilities at 30 June 2023 was $18,410,843. This amount is the amount disclosed in the Plan Accounts and excludes assets attributable to accumulation members or the accumulation balances of defined benefit members as well as any Operational Risk Financial Requirement. This value of assets at 30 June 2023 was used to determine the recommended Company contribution rates and assess the funding status measures and is also referred to as the "actuarial value" of the assets.

(b) Projection of Vested Benefits

The projected likely future financial position of the defined benefit category of the Plan during the three years following the valuation date and based on my best estimate assumptions is as follows:

Date	Assets ($m)	Vested Benefits ($m)	Vested Benefits Index (%)
30 June 2023	18,411	16,052	114.7%
30 June 2024	13,282	10,867	122.2%
30 June 2025	11,953	10,194	117.3%
30 June 2026	10,582	8,774	120.6%

(c) Accrued Benefits

In my opinion, the value of the assets of the defined benefit members of the Plan (excluding any amount held to meet the ORFR) at 30 June 2023 was adequate to meet the liabilities in respect of the accrued benefits of defined benefit members of the Plan (measured as the value of members' accrued entitlements using the valuation assumptions). We consider that the assumptions and valuation methods set out in this report are appropriate for determining the accrued liability.

(d) Vested Benefits

At 30 June 2023 the Plan was in a satisfactory financial position, as defined in SPS 160. In my opinion the Plan does not need to be treated as being in an unsatisfactory financial position. The shortfall limit does not need to be reviewed.

(e) **Minimum Benefits**

At 30 June 2023 the value of the minimum benefits of the defined benefit members of the Plan were less than the defined benefit assets at that date. Minimum benefits are as defined in Regulation 5.04 of the Superannuation Industry (Supervision) Regulations. The coverage of the MRBs for all defined benefit members of the Plan as at 30 June 2023 was 237%.

(f) **Funding and Solvency Certificates**

Funding and Solvency Certificates for the Plan covering the period from 30 June 2020 to 30 June 2023 have been obtained. The Plan was solvent, as defined in the Superannuation Industry (Supervision) Regulations at 30 June 2023. In my opinion, the solvency of the Plan will be able to be certified in any other Funding and Solvency Certificate required under the Regulations during the three year period to 30 June 2026.

(g) **Recommended Company Contributions**

The recommended contributions payable by the Company as a result of this investigation are:

- at least 0% of defined benefit members' salaries from 1 July 2023 onwards.

The funding position, and in particular the coverage of vested benefits by Plan assets, should continue to be monitored each year at 30 June and more frequently if required. Additional supplementary contributions may be required should the funding position become unsatisfactory.

We also recommend the following:

- the appropriate rates be contributed to members' accounts in respect of Accumulation members;
- from 1 July 2024, the Company to directly pay for expenses of administering the Plan and insurance premiums; and
- the formula currently being used to determine the insured components of the death and disablement benefits in the Plan be retained.

Nick Wilkinson
Fellow of the Institute of Actuaries of Australia

21 December 2023

D: GD| TR: EZ | CR/ER: NW

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

Level 16, Angel Place
123 Pitt Street
Sydney NSW 2000
Australia

T +61 2 9285 4000