Linfox Staff
Superannuation Fund

Report on the Actuarial Investigation as at 30 June 2021

21 December 2021

Summary

I am pleased to present my report to the Trustee of the Linfox Staff Superannuation Fund, Towers Watson Superannuation Pty Ltd (AFSL 236049), on the actuarial investigation into the Linfox Staff Superannuation Fund as at 30 June 2021.

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

Solvency

The financial position of the Fund has improved over the intervaluation period, as shown in the increased Vested Benefits Index from 118.2% as at 30 June 2018 to 119.5% as at 30 June 2021.

The solvency measures[1] as at 30 June 2018 and 30 June 2021 are also shown below:

Measure	30 June 2018	30 June 2021
VBI	118.2%	119.5%
PVABI	132.6%	134.4%
MRBI	320.6%	309.8%

Funding

The long-term company contribution rate determined under the Attained Age funding method is 19.6% of member salaries as calculated at 30 June 2021, with the following rates applying per member category:

Category of Members	Long-Term Contribution Rate (% of Members' Salaries)
A (Senior Executives)	20.8%
B (Executives)	16.7%
1A (Staff) [2]	18.1%
1N (Senior Staff)[2]	18.0%
1C (Award)	7.9%

[1] Solvency measures are in respect of Defined Benefits liabilities only, excluding additional accumulation accounts for defined benefit members.

[2] Contribution rates include an allowance of 5.9% for member deemed or salary sacrifice contributions.

Contents

Throughout this report the following terms are used:

Fund
Linfox Staff Superannuation Fund

Trustee
Towers Watson Superannuation Pty Ltd (AFSL 236049)

Company
Linfox Group

Trust Deed or Rules
The Fund's Trust Deed dated 10 September 1980

The Investigation Date or Valuation Date
30 June 2021

Taking into account the projected financial position of the Fund over the next three years, and in recognition of the Fund's strong financial position, I recommend the Company contribute at the following rates of members' superannuation salaries, until at least 30 June 2024:

Category of Members	Proposed Contribution Rate (% of Members' Salaries)
A (Senior Executives)	9.0%
B (Executives)	9.0%
1A (Staff)[1]	5.9%
1N (Senior Staff)[1]	5.9%
1C (Award)	0.0%

In addition, I recommend that the Company continue to contribute at the required Superannuation Guarantee rates on allowances that form part of Ordinary Time Earnings but are not included in base superannuation salary. (after allowance for the Maximum Contributions Base).

Other Matters involving Actuarial Oversight

I further recommend that:

- The Trustee retain the shortfall limit at 97% based on the current investment structure of the Fund;
- The Trustee monitor the financial position of the Fund quarterly throughout the following investigation period;
- Current external insurance arrangements for death and disablement benefits be retained;
- Current investment arrangements are appropriate given the liabilities of the Fund.

[1] Contribution rates include an allowance of 5.9% for member deemed or salary sacrifice contributions.

Summary

In line with requirements under legislation and the Trust Deed, the next actuarial investigation of the Fund should be conducted with an effective date no later than 30 June 2024. The recommended company contribution rates will be reviewed at that time or at an earlier date if considered appropriate as a consequence of the regular review of the VBI or as required by legislation.

I am not aware of any event since 30 June 2021 that warrants review of the recommendations in this report.

Tracy Polldore
Fellow of the Institute of Actuaries of Australia

21 December 2021

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Level 4, 555 Bourke Street, Melbourne VIC 3000

DO: MZ | TR: HD | ER/CR: TP

Introduction

Scope

This investigation has been prepared effective 30 June 2021 for Towers Watson Superannuation Pty Ltd (AFSL 236049), the Trustee of the Fund, by the actuary to the Fund, Tracy Polldore, FIAA.

Current legislation and the Trust Deed require an actuarial investigation and report to be due at least every three years for defined benefit funds not paying a defined benefit pension. The main aims of the investigation are to examine the current financial position of the Fund and the long-term funding of the Fund's benefits, and to provide advice to the Trustee on the contribution rate at which the Company should contribute and on any other matters the actuary considers relevant.

This investigation is primarily interested in the defined benefit liabilities of the Fund, and unless otherwise specified, this report relates only to such defined benefit liabilities. Assets in respect of members' accumulation account balances have been excluded from the calculations in determining the contribution recommendation and Solvency measures at the valuation date.

This actuarial review has been conducted in order to meet the Trustee's obligations in accordance with Prudential Standard SPS 160 (SPS160) issued under section 34C of the Superannuation Industry (Supervision) Act (SIS Act).

This report has been prepared in accordance with Professional Standard 400, dated March 2020, issued by the Institute of Actuaries of Australia.

Previous Actuarial Investigation

The previous actuarial investigation of the Fund was carried out by Tracy Polldore, FIAA as at 30 June 2018, with the results of that investigation set out in a report dated 21 December 2018.

The report concluded that the Fund was not in an unsatisfactory financial position (as defined by SIS legislation) at that date, and recommended that the Company contribute to the Fund at the following rates of members' salaries:

Category of Members	Current Contribution Rate (% of Members' Salaries)
A (Senior Executives)	17.8%
B (Executives)	14.4%
1A (Staff)[1]	17.4%
1N (Senior Staff)[1]	17.3%
1C (Award)	8.7%

[1] Contribution rates include an allowance of 5.9% for member deemed or salary sacrifice contributions.

It was also recommended that the Company continue to pay contributions at the Superannuation Guarantee rates on bonuses that form part of Ordinary Time Earnings but are not included in base superannuation salary (after allowance for the Maximum Contributions Base).

We understand that the Employer has contributed amounts consistent with these rates.

Experience since 30 June 2021

Since 30 June 2021 the experience of the Fund has been as follows:

- The net return on the Fund's assets from the valuation date to 30 September 2021 was approximately 2.0%; and
- No members have exited the Fund.

The actual experience since 30 June 2021 has not had a material impact on the Fund. We have nonetheless made allowance for the experience to 30 September 2021 when carrying out the projection of the financial position of the Fund since 30 June 2021.

Limitations

This report is provided subject to the terms set out herein and in our agreement dated 13 August 2021 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.

I confirm that I have not been subject to any other restrictions or limitations in the preparation of this report.

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

We consent to the Trustee making a copy of this report available on the Plan's website where required in accordance with the relevant legislation.

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 Fund provisions, membership data and asset information, as being complete and accurate. We have not independently verified the accuracy or completeness of the data or information provided, but we have performed limited checks for consistency. The data and information we have relied upon is shown in the "Additional Information" section of this report.

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

Solvency

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

- Vested Benefits Index (VBI), the ratio of assets to the vested benefits, which represent the total amount which the Fund would be required to pay if all members were to voluntarily leave service (or are payable for benefits in the form of lifetime pension or deferred benefits) on the investigation date;
- The Present Value of Accrued Benefits Index (PVABI), the ratio of assets to the present value of accrued benefits, which represents the value in today's dollars, of expected future benefits payable based on membership completed to the valuation date,[1] and
- The MRBI, the ratio of assets to the portion of the Minimum Requisite Benefits as defined in the Fund's Benefit Certificate that relates to defined benefits.[2]

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

	As at 30 June 2021			As at 30 June 2018		
Measure	Value of Liability	Value of Assets	Index	Value of Liability	Value of Assets	Index
VBI	$43,203,000	$51,648,000	119.5%	$34,141,000	$40,356,000	118.2%
PVABI[1]	$38,422,000	$51,648,000	134.4%	$30,436,000	$40,356,000	132.6%
MRBI	$16,674,000	$51,648,000	309.8%	$12,589,000	$40,356,000	320.6%

Overall, the indices have increased slightly from those at the previous investigation date although the VBI did reduce following market falls at the start of the COVID-19 pandemic. The increase in the indices over the three year period is primarily a result of positive experience of the Fund since 30 June 2018, in particular, the higher than expected investment performance.

The gap between the expected level of future investment returns and salary increases has not changed since the previous investigation, which in isolation, has resulted in the Fund maintaining a stable PVABI.

The VBI is above 100% as at the valuation date, and as such, the Fund is to be treated as being in a satisfactory financial position as at that date.

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

[2] The minimum benefits are as advised by the Plan's administrator.

Retrenchment Benefits, Other Discretionary or Contingent Benefits

Upon retrenchment, the majority of benefits are determined as an equitable share of the Fund. The assets therefore cover these benefits.

The Fund has not historically paid any material discretionary benefits so we have not analysed the impact of such discretionary benefits. There are no other material contingent benefits offered by the Fund.

Termination Benefits

Under the Trust Deed, the benefits required to be paid on termination are amounts determined by the Trustee with the advice of the actuary. In any case, the amounts to be paid would be limited by the amount of assets available in the Fund.

Further, upon termination, it could become necessary to liquidate existing assets. The Trustee has reviewed the Fund's investment strategy over the intervaluation period and updated the strategic asset allocation to ensure that its assets are adequately diversified and contain an appropriate level of liquidity. We therefore do not think it would be necessary to quickly liquidate at a discount to realise funds to meet any termination payments.

If the Fund was ever terminated, the Trustee would need to seek both actuarial and legal advice at that time to consider the method of determining and payment form of benefits from the Fund.

Funding

This section considers the long-term funding of the Fund and assesses the contributions required in order to fund benefits payable in future years. To determine the long-term contribution rates, we have used the Attained Age funding method as described in the "Additional Information" section of this report.

Long Term Funding results

The long-term Company contribution rate is calculated in the table below.

Calculation of Company Contribution Rate	$'000
Future Service Liability	6,082
Less Present Value of Member Contributions	(42)
Liability to be funded by Employer Contributions	6,040
Present Value of 1% of Salaries	494
Liability to be funded as a % of salaries	**12.2%**
Long-term employer contribution rate, after allowing for tax and other costs	**19.6%**
Fair Value of Assets	51,648
Less Present Value of Accrued Benefits	38,422
Equals Surplus/(Deficit)	13,226

The long-term contribution rate at the previous review was 18.9%.

The long-term Company contribution rate applicable to the members of each defined benefit category are shown below:

Category of Members	Current Contribution Rates (% of Members' Salaries)	Long-Term Contribution Rates 30 June 2018 (% of Members' Salaries)	Long-Term Contribution Rates 30 June 2021 (% of Members' Salaries)
A (Senior Executives)	17.8%	20.4%	20.8%
B (Executives)	14.4%	15.9%	16.7%
1A (Staff) [1]	17.4%	16.8%	18.1%
1N (Senior Staff)[1]	17.3%	17.1%	18.0%
1C (Award)	8.7%	8.6%	7.9%

The long-term Company contribution rates above include an allowance for administration and operational expenses, and insurance premiums associated with Death and TPD benefit (at the rate of 4.70% of member salaries). The long-term Company contribution rates for Categories A and B also include an allowance for TTD insurance premiums (at the rate of 0.5% of member salaries). Provision has also been made for contributions tax.

[1] Contribution rates include an allowance of 5.9% for member deemed or salary sacrifice contributions.

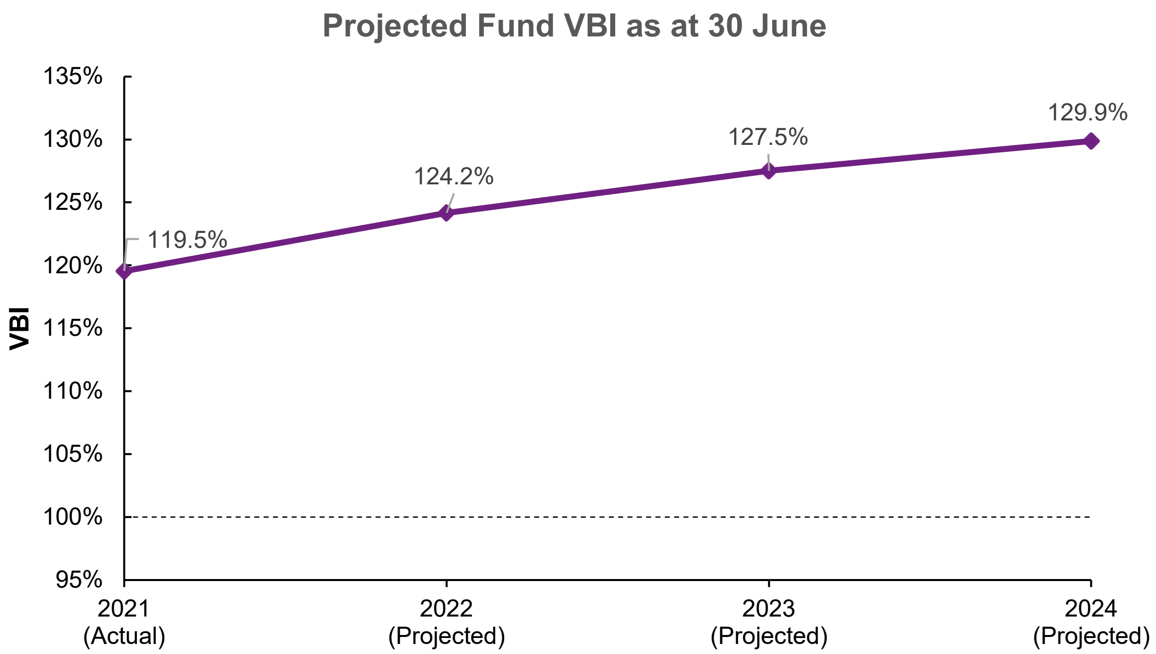
The current allowance for administration and operational expenses included in the long-term contribution rate is approximately $400,000. When projecting the Fund's financial position, we have increased this amount with 2.0% p.a. each year as we believe expenses will not reduce significantly as the membership reduces.

The change in the long-term Company contribution rate since the previous review is mostly attributed to the ageing of the Fund's membership and the higher expense assumption adopted for the current investigation.

Given the surplus within the Fund, the company contribution rates required to fund defined benefit members' benefits can be reduced in the short term. We consider the following contribution program for the next three years:

Category of Members	Proposed Contribution Rate (% of Members' Salaries)
A (Senior Executives)	9.0%
B (Executives)	9.0%
1A (Staff) [1]	5.9%
1N (Senior Staff)[1]	5.9%
1C (Award)	0.0%

In order to assess whether the above contributions program is likely to be adequate, we have projected the Fund's Vested Benefits Index over the next three years based on the contributions calculated above.



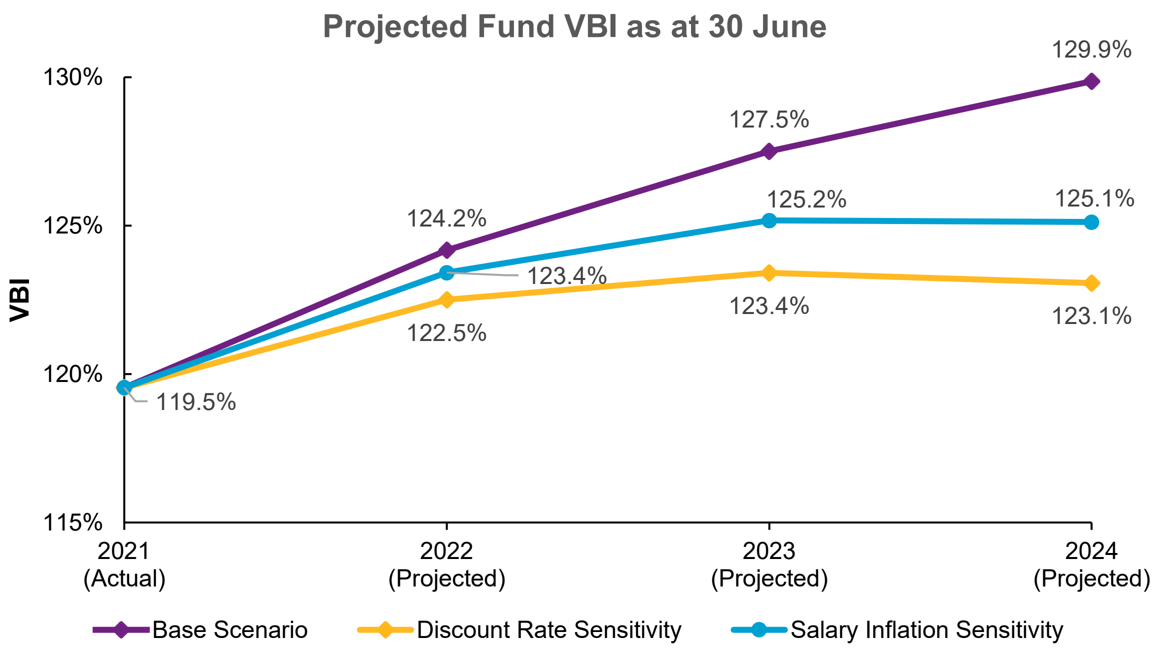
[1] Contribution rates include an allowance of 5.9% for member deemed or salary sacrifice contributions.

Sensitivity Analysis

Before making a recommendation on the level of contributions that the Company should make to the Fund, it is useful to consider the sensitivity of the analysis above to reasonable variations in the valuation assumptions. The following table shows the long-term contribution rate calculated, if key assumptions had been varied as described below:

	This Valuation Basis	Scenario 1	Scenario 2
Description	Base Case	Discount Rate Sensitivity	Salary Inflation Sensitivity
Discount Rate	6.0%	4.0%	6.0%
Price Inflation	N/A	N/A	N/A
Expected Salary Growth	4.0% (members from Linfox Pty Ltd), and 3.0% p.a. for all other members.	4.0% (members from Linfox Pty Ltd), and 3.0% p.a. for all other members.	6.0% (members from Linfox Pty Ltd) and 5.0% for all other members
Present Value of Accrued Benefits Index	134.4%	122.9%	124.9%
Long Term Contribution Rate (before any adjustment for surplus or deficit)	19.6%	20.7%	20.5%

Similarly, the Fund's projected VBI over the next three years under the varied assumptions are shown in the graph below:



These results show that the required Company contribution rate, as well as the Fund's projected financial position, is sensitive to long-term actuarial assumptions. While the sensitivities have been selected to be illustrative of reasonable changes in the valuation assumptions, they do not represent the upper or lower bounds of possible outcomes and more extreme outcomes are possible.

Summary

On the basis of the above results, we believe that Company contribution rates per member category as detailed below are appropriate:

Category of Members	Proposed Contribution Rate (% of Members' Salaries)
A (Senior Executives)	9.0%
B (Executives)	9.0%
1A (Staff) [1]	5.9%
1N (Senior Staff)[1]	5.9%
1C (Award)	0.0%

Accordingly, I recommend that the Company contribute at the rates set out above until at least 30 June 2024 in respect of defined benefit members.

In addition, I recommend that the Company continue to contribute at the required Superannuation Guarantee rates on allowances that form part of Ordinary Time Earnings but are not included in base superannuation salary. (after allowance for the Maximum Contributions Base).

We further recommend that the VBI position (and other measures of solvency) continue to be monitored quarterly throughout the following investigation period, to ensure that these contribution recommendations remain appropriate.

[1] Contribution rates include an allowance of 5.9% for member deemed or salary sacrifice contributions.

Other Matters
Involving Actuarial Oversight

Investments

Investment Strategy

The return objective of the Fund's Investment Strategy for assets supporting defined benefits is to achieve a returns (net of tax and investment experience) of at least 3% p.a. in excess of Average Weekly Earnings over rolling 5 year period, while limiting the probability of a negative return over rolling 12 month periods to 20%. To meet this objective, and to ensure that the Fund's investments are adequately diversified and contain an appropriate level of liquidity, the assets supporting defined benefits are invested in a mix of Growth and Defensive assets.

Over the intervaluation period, the Trustee reviewed the investment strategy for the Fund and gradually implemented an updated strategic asset allocation. The revised strategic asset allocation is detailed in the Fund's Investment Governance Framework as approved by the Trustee at a meeting on 3 December 2021.

For comparison, below are both the superseded strategic asset allocation and the updated strategic asset allocation. We have also set out below the actual asset allocation at 30 June 2021 and 30 September 2021. At 30 June 2021 assets changes were still to be implemented, 30 September 2021 was the first complete month where the updated strategy was fully reflected in the Fund's assets:

Asset Class	Previous Strategic Asset Allocation % at 30 June 2021	Actual Asset Allocation % at 30 June 2021	Updated Strategic Asset Allocation % at 30 September 2021	Updated Actual Asset Allocation % at 30 September 2021
Australian Equities	40	21.6	20	23.4
Emerging Market Equities	30	23.0	20	21.9
Global Equities[1]	0	0	20	18.6
Multi-Asset Funds	0	0	10	7.8
Global Listed Infrastructure[1]	0	8.9	10	9.0
Global Property	0	9.4	10	9.3
Alternative Credit	0	9.3	10	9.3
Cash	0	0.7	0	0.8
Real Return Funds	30	27.1	0	0

In my opinion an investment strategy as described above is suitable for a Fund of this type having regard to its financial position, the underlying liabilities and the capacity of the respective employers to meet any funding shortfall.

[1] Total unhedged allocation of 20%

Crediting Rate and Investment Reserving Policy

The Fund's policy credits defined benefit member accounts with actual investment returns (net of fees and taxes) from the underlying assets. In our view, this remains appropriate.

Liquidity

Taking into account the ready sale of the Fund's assets from time to time, and as reaffirmed in the Fund's updated Investment Governance Framework, in our opinion the Fund has sufficient liquidity to meet payments from regular cashflows.

Shortfall Limit

The Trustee currently has an approved shortfall limit of 97%.

Based on the Fund's benefit design and its target asset allocation described above, in our opinion the 97% shortfall limit remains reasonable for the Fund.

Insurance

Death and Disablement Benefits

At the investigation date, the Fund has death, total and permanent disablement and temporary incapacity/income protection insurance with MLC. The insurance coverage of the Fund is considered adequate if the net assets of the Fund are sufficient to cover the Death and Total and Permanent Disablement (TPD) benefits of the Fund after any insured components have been allowed for.

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

Group Life Insurance = Death and TPD Benefit – Vested Benefit

As at the valuation date, the amounts over/(under) insured in the **Fund** are shown in the table below:

	$
Lump Sum Death & Disablement Benefits	61,463,000
Less Group Life Insurance	(9,207,000)
Fund's Exposure	52,256,000
Fund's Net Assets	60,700,000
Total Over/(Under) Insurance	8,444,000

The table above shows that the future service component of the death and disablement benefits are fully covered by insurance policies.

The TTD benefits (applying to Category A and B members only) are fully insured with MLC and therefore the risk is fully covered.

On this basis, we consider the current insurance arrangements adequate and recommend that the current insurance formula be maintained.

Additional Information

Risks

The table below summarises the main risks to the financial position of the Fund.

Risk	Approach taken to risk
Investment returns on the existing assets could be insufficient to meet the Trustee's funding objectives	The Trustee takes advice from the Fund Actuary on possible assumptions for future investment returns. In setting the future contributions, the Fund Actuary considers the effect on the future financial position if investment returns are less than expected. The Trustee is able to agree further contributions with the Company at subsequent valuations if future returns prove insufficient.
Price inflation or salary increases could be different from that assumed which could result in higher liabilities	The Trustee invests in assets that are expected to be correlated to future inflation in the longer term (sometimes referred to as "real" assets). This means that, over the longer term, such assets are expected to keep pace with inflation. Such assets include equities, property and index-linked bonds.
Falls in asset values might not be matched by similar falls in the value of the Fund's liabilities	The Trustee considers this risk when determining the Fund's investment strategy. It consults with the Company in order to understand the Company's appetite for bearing this risk and takes advice on the Company's ability to make good any shortfall that may arise. To the extent that such falls in asset values result in deficits at future valuations, the Company would be required to agree a recovery plan with the Trustee to restore full funding over a period of time.
Fund members remain employed longer than assumed	The Trustee adopted withdrawal assumptions that it regards as prudent estimates of the future working lifetime of members. To the extent members continue to accrue benefits within the Fund for longer than expected this could cause the Fund's actual projected VBI to be lower than expected.
Legislative changes could lead to increases in the Fund's liabilities	The Trustee takes legal and actuarial advice on changes in legislation and consults with the Company, where relevant.

Economic risk | Demographic risk | Legal risk

Benefits summary

The Fund was established to provide superannuation benefits to employees of Linfox Pty Ltd. Its operations were governed by a Trust Deed which was affected on 10 September 1980. This Additional Information is a summary of the main features of the Fund.

The Fund is a regulated complying superannuation fund under the Superannuation Industry (Supervision) Act and qualifies for concessional tax treatment.

Classes of Membership

Category	Membership class
Category A	Senior Executives
Category B	Executives
Category 1 (no members)	Former Mayne Senior Executives
Category 1A	Former Mayne Staff
Category 1C	Former Mayne Award
Category 1N	Former Mayne Senior Staff
Category 1L*	Former Mayne Late Retirees

*At 30 June 2021 there were no Category 1L members

Eligibility

The Fund is closed to new members.

Category A and B Members

Member Contributions

Members are not required to contribute to the Fund.

Company Contributions

The Company contributes, on the advice of the Actuary, at a rate sufficient to meet the cost of all benefits and expenses.

Final Average Salary

The Member's Final Average Salary used for the determination of benefits is the average of the Member's annual salary on the review dates during the three years preceding exit.

Fund Interest

A Member's Fund Interest is defined in the Trust Deed to be the lesser of:

- the actuarial present value (as determined by the Actuary) of the benefits in respect of past membership prospectively payable in relation to that Member, or such other amount as agreed by the Trustee, the Actuary and the Principal Employer; and
- the Member’s Equitable Share.

In practice, the Fund Interest is currently calculated as the member's accrued retirement benefit, reduced by 1% p.a. for each year the date of exit precedes the member's Early Retirement Age.

Normal Retirement Age

The normal retirement age is 70 years for all members.

Normal Retirement Benefit

Upon retirement at the normal retirement age, Category A and B Members are entitled to a lump sum benefit equal to the sum of:

i. 12.75% of Final Average Salary (FAS) for each complete year of Executive membership after 1 July 1988;

ii. 15% of FAS for each complete year of Executive membership before 1 July 1988;

iii. 17% of FAS for each complete year of Senior Executive membership after 1 July 1988;

iv. 20% of FAS for each complete year of Senior Executive membership before 1 July 1988;

increased pro rata for any additional complete months of membership;

plus

the credit in the Member's Benefit Account and (where applicable) the Former Fund Account;

plus

the credit in the Member's Special Contributions Account.

Late Retirement

A lump sum equal to the Normal Retirement Benefit plus Superannuation Guarantee (SG) contributions plus interest accumulated to the date of actual retirement.

Early Retirement Age

Early Retirement is available to Executive Members from age 60 years with the consent of the Company and to Senior Executive Members from age 55 years.

Early Retirement Benefit

A lump sum benefit is payable on retirement on or after the Early Retirement Age but before 70 years. The benefit is determined as for Normal Retirement but calculated using completed membership and FAS as at the date of retirement.

Death Benefit

On the death of a Member at or prior to age 65 years, a lump sum benefit is payable, equal to the greater of:

i. a lump sum equal to the benefit which would have been payable had the Member remained in service to age 65 based on continuation of salary at the same level as at the date of death; and

ii. a multiple times annual salary where the multiple depends on the age next birthday upon joining the Fund, as specified in the following table:

Age Next Birthday at Joining	Multiple of Annual Salary
19 or less	6.250
20 - 24	5.625
25 - 29	5.000
30 - 34	4.375
35 - 39	3.750
40 - 44	3.125
45 - 49	2.400
50 - 54	1.725
55 - 59	1.100
60 - 64	0.500
65	Nil

On the death of a Member after age 65 years but before Normal Retirement Age, a lump sum benefit is payable equal to the Early Retirement Benefit calculated as at the date of death.

Total and Permanent Disablement (TPD) Benefit

If a Member becomes totally and permanently disabled prior to the Normal Retirement Age, a lump sum benefit is payable equal to the benefit which would have been payable if the Member had died on the date the Member became totally and permanently disabled.

Total but Temporary Disablement (TTD) Benefit

If a Member becomes temporarily totally disabled prior to age 65 years, a salary continuance benefit equal to 75% of salary is payable following an absence from employment of at least 30 days. This benefit is payable for a maximum period of five years.

Resignation Benefit

If a Member resigns from the service of the Company and no other benefit is payable, a lump sum resignation benefit is payable equal to:

The Member's Accumulation Account (equal to deemed contributions at the rate of 9% of salary from 1 July 2002, *less* contributions tax and part of the insurance cost, accumulated with interest);

plus

the credit of the Member's Former Fund Account and the Member's Special Contributions Account;

plus

a percentage of the excess of the Member's Fund Interest over the Member's Accumulation Account, this percentage being 10% pa for each completed year of Fund membership, subject to a maximum percentage of 100% after 10 years' membership.

Retrenchment Benefit

If a Member is retrenched from the service of the Company and no other benefit is payable, a lump sum retrenchment benefit is payable equal to:

The Member's Fund Interest;

plus

the credit of the Member's Former Fund Account and the Member's Special Contributions Account.

Category 1A, 1C and 1N Members

Member Contributions

Category	Contribution Rate
Category 1A	5.9% contributions by salary sacrifice
Category 1C	5% contributions from after tax salary
Category 1N	5% contributions are credited to members benefits; however this cost is met by the Company

Company Contributions

The Company contributes, on the advice of the Actuary, at a rate sufficient to meet the cost of all benefits and expenses.

Final Average Salary

The Member's Final Average Salary used for the determination of benefits is the average of the Member's annual salary on the review dates during the three years preceding exit.

Member Reserve

a. in the case of a category 1A, 1C or 1N Member, the greater of:

   i. twice the Member's Member Account; and

   ii. the product of the Member's Accrued Retirement Benefit and the greater of the factors obtained from the following two tables A and B (interpolating between factors for additional complete months).

Table A – Age

Member's Age in Years	Factor	Member's Age in Years	Factor
30 or less	0.50	43	0.76
31	0.52	44	0.78
32	0.54	45	0.80
33	0.56	46	0.82
34	0.58	47	0.84
35	0.60	48	0.86
36	0.62	49	0.88
37	0.64	50	0.90
38	0.66	51	0.92
39	0.68	52	0.94
40	0.70	53	0.96
41	0.72	54	0.98
42	0.74	55 or over	1.00

Table B – Fund Membership

Fund Membership Completed (in years)	Factor	Fund Membership Completed (in years)	Factor
Nil	0.50	13	0.76
1	0.52	14	0.78
2	0.54	15	0.80
3	0.56	16	0.82
4	0.58	17	0.84
5	0.60	18	0.86
6	0.62	19	0.88
7	0.64	20	0.90
8	0.66	21	0.92
9	0.68	22	0.94
10	0.70	23	0.96
11	0.72	24	0.98
12	0.74	25 or more	1.00

or any other table of factors substituted by the Principal Employer with the Actuary's advice; and

Normal Retirement Age

The Normal Retirement Age is 65 years for all former Mayne Fund members.

Normal Retirement Benefit

Upon retirement at the Normal Retirement Age, Category 1A, 1C, and 1N Members are entitled to a lump sum benefit equal to the greater of:

a. the sum of:

   i. 15% of FAS for each complete year of Category 1A or Category 1N membership from 3 February 2003; and

   ii. 12.5% of FAS for each complete year of Category 1C membership from 3 February 2003;

   increased pro rata for any additional complete months of membership; and

   plus

   the credit in the Member's Special Contributions Account; and

b. the member's leaving service benefit.

Late Retirement

A lump sum equal to the Late Retirement Account. The Late Retirement account comprises of the Normal Retirement Benefit calculated at age 65, increased with SG contributions from age 65 to the date of retirement with investment earnings.

Early Retirement Age

Early Retirement is available to all former Mayne Members from age 55 years.

Early Retirement Benefit

A lump sum benefit is payable on retirement on or after the Early Retirement Age but before 65 years. The benefit is determined as for Normal Retirement but calculated using completed membership and FAS as at the date of retirement.

Death Benefit

On the death of a Member at or prior to age 65 years, a lump sum benefit is payable, equal to:

i. a lump sum equal to the benefit which would have been payable had the Member remained in service to age 65 based on continuation of salary at the same level as at the date of death; plus

ii. an additional amount (if any) calculated as at 3 February 2003 as:

   – the Death Benefit as determined in the Mayne Fund; less

   – the Leaving Service Benefit in the Mayne Fund; less

   – the part of the Death Benefit in respect of future service in the Linfox Fund.

Total and Permanent Disablement (TPD) Benefit

If a Member becomes totally and permanently disabled prior to the Normal Retirement Age, a lump sum benefit is payable equal to the benefit which would have been payable if the Member had died on the date the Member became totally and permanently disabled.

Illness, Injury or Retrenchment

If a Member in Category 1A, 1C or 1N leaves the employ of the Employer on the grounds of sickness, injury or retrenchment and no Retirement, Death or Total and Permanent Disablement Benefit is payable, a lump sum benefit is payable equal to the greater of:

i. twice the Member's Member Account; and

ii. the Member's Reserve

plus

the amount standing to the credit of the Member's Special Contributions Account.

Resignation Benefit

If a Member in category 1A, 1C or 1N resigns from the service of the Company and no other benefit is payable, a lump sum resignation benefit is payable equal to:

The Member Account (equal to deemed contributions at the rate of 5% of salary, *less* any contributions tax, accumulated with investment returns);

plus

a percentage of the Member Account, this percentage being 10% pa for each completed year of Fund membership in excess of 5 years (including membership in the Mayne Fund), subject to a maximum percentage of 100% after 10 years' membership;

plus

the amount standing to the credit of the Member's Special Contributions Account.

Superannuation Guarantee

From 1 July 1992, the Federal Government introduced new legislation relating to superannuation. In particular, minimum levels of Company contributions were set in the Superannuation Guarantee (Administration) Act. As a result, the benefits payable, including any amounts contributed by the Company to any other superannuation plan, are subject to a minimum benefit specified by the Company and advised to the Trustee having regard to the Fund's actuarial Benefit Certificate.

The legislated minimum level of Superannuation Guarantee contributions is scheduled to increase incrementally as follows:

***	SG Minimum Contribution Rate
1 July 2021 to 30 June 2022	10.00%
1 July 2022 to 30 June 2023	10.50%
1 July 2023 to 30 June 2024	11.00%
1 July 2024 to 30 June 2025	11.50%
1 July 2025 onwards	12.00%

Discretionary and contingent benefits

No future discretionary benefits or discretionary increases in benefit have been allowed for in the calculation of the technical provisions and statutory estimate of solvency, other than our understanding of established practices in benefit calculations.

Changes to the benefits

Since the valuation as at 30 June 2018 no changes have been made to the Fund’s benefits.

Summary of Data Used in this Investigation

Membership Data

Australian Administration Services has responsibility for maintaining member records, payment of benefits and other administrative tasks of the Fund.

Australian Administration Services provided data in respect of members of the Fund as at 30 June 2021, including members who had left the Fund since the last investigation date.

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

The following table shows a summary of the membership as at 30 June 2018 and 30 June 2021:

	30 June 2018	30 June 2021
Number of Members	27	19
Average Age	58.2 years	59.0 years
Average Past Company Membership	21.0 years	25.9 years
Total Salaries	$8,813,800	$9,232,900

Assets Data

The Fund's accountant provided audited accounts for the Fund as at 30 June 2021. The fair value of assets as disclosed, less any amount held to meet the Operational Risk Financial Requirement, was $60,700,000. Because this investigation is focused on the defined benefits, we have deducted an amount of $9,052,000 from this value in respect of members' accumulation account balances to calculate the value of assets that are used to support defined benefits. The resultant value of $51,648,000 was used in this valuation to determine contribution recommendations and Funding Status Measures.

The accounts were audited by Crowe on 21 September 2021.

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

Funding Method, Assumptions and Experience

Funding Method

In this valuation, I have used the Attained Age method. Under this method, the company contributions is calculated as the cost of benefits accruing to members in respect of all future membership plus other relevant costs (such as administration expenses). These contributions are expressed as a percentage of salaries, by comparing the amount against the expected present value of 1% of members' salaries.

This funding method is suitable for this valuation as it allows the surplus (or deficit) of the Fund to be used (or made up) by the Company over a shorter time period.

In producing my recommendations, I have also taken into account the pace of funding required to maintain certain short term solvency measures, in particular, that legislation requires the VBI to be above 100% and that the Trustee has a funding target of 100%.

In the previous actuarial investigation, the Attained Age Method was used to determine the level of contributions. In my view this method remains appropriate

Assumptions

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

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

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

Financial Assumptions

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

Investment Returns

The rate of return on the Fund's Assets (net of tax and investment expenses that are deducted from the investment return) from 30 June 2018 to 30 June 2021 are set out in the table below:

Year Ending	Net Investment Return
30 June 2019	4.4%
30 June 2020	0.9%
30 June 2021	17.3%
Overall	7.3% p.a.

Over the three-year period to 30 June 2021 the assets held in the Fund returned 7.3% p.a. which is higher than the rate assumed in the previous investigation of 6.0% p.a. (net of tax). In isolation, this has had a positive impact on the financial position of the Fund.

While short-term differences between actual investment return experience and the actuarial assumption can affect the long-term financial position of the Fund as measured by the actuarial investigation, the assumption used in the investigation must be based on long-term expectations since the investigation involves valuing payments in the future.

Based on models of future investment returns developed by Willis Towers Watson, the current long term expectations of investment returns net of taxation and investment management expenses and the most recently updated strategic asset allocation of the Fund is 6.0% p.a.. On this basis, I have assumed a long-term investment earning rate of 6.0% p.a. for this investigation, which is the same as the assumed long term earning rate used for the previous investigation.

Salary Increases

The average salary increases during the investigation period for the members remaining in the Fund as at 30 June 2021 was 4.0% p.a. or 4.2% p.a. when calculated on an average weighted by Vested Benefits. This is higher than the salary increases assumption adopted for the previous actuarial investigation of 4.0% (members from Linfox Pty Ltd), and 3.0% p.a. for all other members. This has had a small negative impact on the financial position of the Fund.

The Company has confirmed that it expects long-term salary increases for the remaining members to continue to average 4.0% (members from Linfox Pty Ltd), and 3.0% p.a. for all other members. This is consistent with current long term expectations of price increases of 2.0% p.a. based on modelling by Willis Towers Watson. I have therefore adopted this rate for the purpose of this investigation.

Administration & Operational Expenses and Insurance Costs

For this investigation, I assumed:

- A long-term rate of expenses and group life insurance premiums of 4.7% of members' superannuation salaries, in line with the Fund's experience and expected expenses and premiums going forward. This is higher than the rate of 4.3% allowed for in the previous investigation.

  The allowance for administration and operational expenses included in the long-term contribution rate is equivalent to $400,000. When projecting the Fund's financial position, we have increased this amount with 2.0% p.a. each year as we believe expenses will not reduce significantly as the membership reduces.

- An allowance for TTD insurance premiums of 0.5% of Category A and B members' superannuation salaries, based on the expected costs of such premiums, having regard to the expected level of death and disablement benefits and premium rates charged by the insurer, MLC. This is the same as the assumption allowed for in the previous investigation.

Demographic Assumptions

Rates at which Employee Members Cease Service

Because of the small number of employee members remaining in the Fund, I have not conducted a full analysis of the assumed exit rates against actual experience. I have therefore retained the same assumed rates as the ones used in the previous investigation:

Sample resignation and early retirement rates (per 10,000 members) for the different member categories in the Fund are shown in the table below:

Age	Resignation		Early Retirement	
	Categories A,1A,1N,1C	Category B	Categories A,1A,1N,1C	Category B
20	1,800	1,800		
25	1,450	1,450		
30	1,100	1,100		
35	800	800		
40	660	660		
45	440	440		
50	220	220		
54	44	44		
55		44	1,000	
56		44	500	
57		44	500	
58		44	500	
59		44	500	
60			2,000	2,000
61			2,000	2,000
62			2,000	2,000
63			2,000	2,000
64			2,000	2,000
65			10,000	10,000

Sample rates at which members leave the Fund per year (per 10,000 members) as a result of Death and TPD are set out below:

Age	Death	TPD
25	4	1
30	4	2
35	4	3
40	6	4
45	9	8
50	15	16
55	23	31
60	38	53

Statutory Statements Under SPS 160

Linfox Staff Superannuation Fund

Actuarial Investigation as at 30 June 2021

The statements required under paragraphs 23(a) to (i) of SPS 160 for interim and regular investigations are set out below:

Fund Assets

At 30 June 2021 the net market value of assets of the Fund, excluding any amount held to meet the Operational Risk Financial Requirement (ORFR) or for accumulation-only benefits, was $51,648,000[1].

Projection of Defined Benefit Vested Benefit Index

Based on the actuarial assumptions I project that the likely future financial position of the Fund over the three years following the investigation date will be as follows:

Date	Defined Benefit Vested Benefits Index
30 June 2021	119.5%
30 June 2022	124.2%
30 June 2023	127.5%
30 June 2024	129.9%

Accrued Benefits

The value of the accrued liabilities of all members as at 30 June 2021 was $38,422,000.

In my opinion, the value of the assets of the Fund at 30 June 2021 was adequate to meet the liabilities in respect of accrued benefits in the Fund (measured as the present value of members' accrued entitlements using the actuarial assumptions).

This assessment has been made using assumptions and a valuation method which I regard as reasonable.

Vested Benefits

The value of the vested benefits of all members as at 30 June 2021 was $43,203,000.

In my opinion, the financial position of the Fund is not unsatisfactory and the shortfall limit does not need to be reviewed at this time.

[1] In respect of Defined Benefits liabilities only, excluding additional accumulation accounts for defined benefit members.

Minimum benefits

The value of the liabilities in respect of the minimum benefits of members as at 30 June 2021 was $16,674,000 which is less than the value of assets held at that date.

Funding and Solvency Certificates

Funding and Solvency Certificates for the Fund covering the period from 30 June 2018 to 30 June 2021 required by the Superannuation Industry (Supervision) Act have been provided. In my opinion, I am likely to be able to provide Funding and Solvency Certificates for the Fund covering the period from 30 June 2021 to 30 June 2024.

Company Contributions

The report on the actuarial investigation of the Fund at 30 June 2021 recommends the Employer to contribute at the following rates of members' superannuation salaries, until at least 30 June 2024:

Category of Members	Proposed Contribution Rate (% of Members' Salaries)
A (Senior Executives)	9.0%
B (Executives)	9.0%
1A (Staff) [1]	5.9%
1N (Senior Staff)[1]	5.9%
1C (Award)	0.0%

In addition, I recommend that the Company continue to contribute at the required Superannuation Guarantee rates on allowances that form part of Ordinary Time Earnings but are not included in base superannuation salary. (after allowance for the Maximum Contributions Base).

Pre-July 1998 Funding Credit

No pre-July 1998 funding credits have been granted to the Fund.

Tracy Polldore
Fellow of the Institute of Actuaries of Australia

21 December 2021

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[1] Contribution rates include an allowance of 5.9% for member deemed or salary sacrifice contributions.