CBA Group Super Plan in Australian Retirement Trust

Actuarial Investigation as at 30 June 2024 Volume 1 of 2

18 December 2024

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

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Reliance statement and data

This report on the actuarial investigation of the CBA Group Super Plan (the Plan) was prepared for the exclusive use of Australian Retirement Trust Pty Ltd (the Trustee) and on the basis agreed with the Trustee in our Statement of Work dated 2 November 2023, and the Terms & Conditions contained in the Master Services Agreement between WTW and the Trustee dated 2 November 2020, signed on 12 November 2020. It was not prepared for use by any other party and may not address their needs, concerns or objectives. 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 Commonwealth Bank of Australia (the Bank) 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 or the Bank in this regard. The Trustee should draw the provisions of this paragraph to the attention of its auditors and the Bank when passing this report to them.

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.

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 also relied on information and data provided to us by the trustee of Commonwealth Bank Group Super in relation to pension members who transferred into the Plan via a successor fund transfer on 25 October 2024. 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.

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.

The valuation results depend on the valuation assumptions we have adopted being borne out in the future. We refer you to Section 10 where we examine the impact of variations in future experience and Section 13 where we examine material risks.

Section 1: Purpose and Summary

18 December 2024

Australian Retirement Trust Pty Ltd
as Trustee of the Australian Retirement Trust
GPO Box 2924
Brisbane QLD 4001

Dear Directors

We are pleased to present our report to the Trustee on the actuarial investigation into the CBA Group Super Plan ("the Plan") in the Australian Retirement Trust (ART) as at 30 June 2024.

This is the first actuarial investigation of the Plan following the Successor Fund Transfer (SFT) of defined benefit members (other than defined benefit (DB) pensions in payment) from Commonwealth Bank Group Super ("the Fund" or "the predecessor Fund") on 4 November 2023. Since 30 June 2024, a second SFT (SFT2) of the remaining pensioner members from the Fund to the Plan occurred on 25 October 2024.

References to the "previous investigation" refer to the actuarial investigation of the predecessor Fund as at 30 June 2021.

Purpose of the Investigation

The actuarial investigation is an important check on the security of benefits offered by the Plan. The main aims of the investigation are:

- to examine the long-term funding of the Plan's benefits and to recommend a contribution rate at which the employer should contribute to the Plan;
- to examine the current financial position of the Plan;
- to meet the requirements of the Trust Deed and the relevant superannuation legislation; and
- to meet the reporting requirements of APRA Prudential Standard SPS 160, which require the report on the three yearly actuarial investigation to include certain information.

Membership

At 30 June 2024, there were:

- 856 active DB members with salaries totalling $87,098,000;
- 29 DB pensioners with annual pensions totalling $1,424,000; and
- 549 DB members in the post-employment phase (deferred and preserved lump sums and pensions).

On SFT, allocated pension members in the Accumulation Division were transferred to the ART Super Savings Retirement Income division. Contributing, retained and spouse members in the Accumulation Division were transferred into the CBA Group Super Plan, a corporate division of ART.

In preparing this report, we have excluded all Accumulation Division members in the Plan. All results and figures shown in this report relate to the defined benefit section of the Plan.

Assets

The net market value of assets of the Plan at 30 June 2024 was $1,048,048,000. This amount excludes the Operational Risk Financial Requirement (ORFR) which is held separately by ART. We understand the financial information has not been subject to audit at the sub-plan level, however the Australian Retirement Trust is subject to audit overall. We have relied on the information provided.

Assumptions

The key economic assumptions used for this actuarial investigation are:

- The long-term investment earnings rates for Plan assets. In anticipation of SFT2, the Plan has adopted a liability driven investment (LDI) approach to match pension assets with pension liabilities. This continues the approach from the predecessor Fund of holding a separate asset portfolio for pension liabilities. Assets backing active member liabilities are invested in the ART Balanced (taxed) option. We have adopted a long-term investment earnings rate of 7.0% per annum (net of tax) for active members in respect of benefits expected to be taken as a lump sum, a long-term investment earnings rate of 5.00% per annum (gross of tax) on the matched portfolio for current and future pensioners (noting the pension liabilities are not fully matched).
- The long-term combined inflationary and promotional salary increase rate is 3.5% per annum for all ages.
- The long-term pension increase assumption is 2.7% per annum.

The demographic assumptions used for this investigation have been set considering the assumptions used in the valuation of the predecessor Fund, along with an analysis of the experience of the combined membership from 1 July 2021 to 31 December 2023. The results of our analysis are contained in Section 8 of this report and the demographic assumptions are summarised in Appendix A.

Valuation Results

The actuarial investigation of the Plan at 30 June 2024 revealed that it was in a sound financial position. The investigation revealed an excess of assets of $173 million for the Plan (determined as the excess of the net market value of assets over the present value of accrued benefit liabilities).

At 30 June 2024, the market value of assets was 117% of vested benefits for the Plan, which indicates the Plan was in a satisfactory financial position at that date.

The coverage of the actuarial value of accrued benefits by the Plan’s assets at 30 June 2024 was 120%. This indicates the Plan’s satisfactory progress towards funding benefit liabilities over the longer term.

Events since 1 July 2024

Following the SFT2 on 25 October 2024, the remaining lifetime pensioners in the Fund were transferred into the Plan. We have set out in Section 11 the various measures of financial position and solvency as at 30 June 2024 as if both the Fund and Plan were combined.

Investment returns of the ART Balanced option over the period from 1 July 2024 to 31 October 2024 have been positive at 3.7%. The combined financial position of the Fund and Plan is likely to have remained stable compared with the combined position at 30 June 2024.

I am not aware of any other events since 1 July 2024 that would have had a material adverse effect on the financial position.

Recommended Contribution Rates

Rule A6.1 of the Plan Rules requires the Appointed Actuary to report on whether any alteration to the rate of contributions payable by Members or Employers is necessary or desirable. The Trustee is required to provide this report to the Bank. Under Rule A9 the Bank determines the contributions the Bank and any Associated Employers will pay after considering the advice of the Appointed Actuary.

Considering those requirements, we do not believe that a change to the Member contribution rates is necessary. We recommend that the Bank pay contributions of no less than:

- From 1 July 2024 to 31 December 2024, $13.5 million for Defined Benefit accruals and expenses; plus
- From 1 January 2025, $12 million per annum for Defined Benefit accruals and expenses; plus
- The following amounts for accumulation members (including allowance for contributions tax) from 1 July 2024:
- – Basic Employer Credits at SG rate (Rule F4.1(a)(1));
- – Additional Basic Employer Credits (Rule F4.1(a)(2)); and
- – Special Employer Credits (Rule F4.1(b)), for example, under an EBA.

The Bank may choose to pay contributions at a higher rate than the minimum recommendation.

Other recommendations

We have also found in this investigation that:

- there is no actuarial funding reason why alterations to the provisions of the Rules are necessary or desirable;
- there is no reason for alteration to the defined benefit investment strategy given the actuarial funding position;
- a shortfall limit of 100% remains appropriate; and
- the self-insurance arrangements remain appropriate.

The next actuarial investigation of the Plan should be conducted with an effective date of no later than 30 June 2027.

The details required under the SPS 160 are included in Appendix B.

I confirm that this actuarial valuation and report satisfies WTW Professional Excellence standards and meets the requirements of Professional Standard 400 of The Institute of Actuaries of Australia.

Yours sincerely

[redacted]

Section 2: Background

Background

The CBA Group Super Plan (the Plan) is an employer sub-plan within Australian Retirement Trust. A summary of the Plan's history is set out below:

- The Fund was established with effect from 1 January 1916 (formerly known as the Officers' Superannuation Fund).
- Until 19 July 1996, the operations of the Fund were governed by the Rules under the Commonwealth Banks Act 1959 (the Act).
- Commonwealth Bank Officers Superannuation Corporation Pty Limited (the Trustee of the Fund) was responsible for managing the Fund since 23 June 1995. Prior to 1995, the Fund was an exempt public sector superannuation scheme and hence a complying fund. The Trustee made a formal election for the Fund to be a "regulated" fund under the Superannuation Industry (Supervision) Act with effect from 30 June 1995.
- The Commonwealth Bank Sale Act 1995 (the Sale Act) amended the Act so that the Fund continued under a Trust Deed after the sale of the Commonwealth Bank of Australia (the Bank) on 19 July 1996. A Trust Deed dated 11 July 1996 was made between the Bank and the Trustee to govern the operations of the Fund. Under the Sale Act, the Commonwealth Government guaranteed the payment of benefits from the Fund in respect of a person who was a member, retired member or beneficiary of the Fund immediately before the sale.
- Effective 4 November 2023, the Plan was created upon the transfer of the Fund's members (apart from members with lifetime pensions in payment) into Australian Retirement Trust under a successor fund transfer arrangement.
- Effective 25 October 2024, the Fund's remaining members (lifetime pension members) were transferred into the Plan under a second successor fund transfer.

The Plan is governed by:

- a Participation Application (including Annexure – CBA Group Super Plan Rules ("the Rules")) dated 4 November 2023 between the Commonwealth Bank of Australia and Australian Retirement Trust, and
- the Trust Deed of Australian Retirement Trust, being the instrument prepared under section 54 of the *Superannuation (State Public Sector) Act 1990* (Qld) that, pursuant to the terms of a deed poll dated 16 February 2022, restated the provisions of the *Superannuation (State Public Sector) Deed 1990* (Qld) as the trust deed governing the Australian Retirement Trust (as amended).

The Australian Retirement Trust is a complying superannuation fund under the SIS Act and for taxation purposes.

As at 30 June 2024, there were 14 divisions of defined benefit membership of the Plan, arising from historical arrangements and transfers from other superannuation funds as shown below:

Division	Former arrangements or schemes	Transfer Date
Division B	Old Scheme Members	n/a
Division C	Vesting Scheme Members	n/a
Division D	Division B Members of the State Bank of Victoria Staff Superannuation Fund (SBV SSF)	1995
Division E	Division C Members of the SBV SSF	1995
Division CB1	Division B Part 1 Members of the Colonial Group Staff Superannuation Scheme (CGSSS) (State Bank of NSW contributory members who joined prior to 1 April 1988)	2003
Division CC	Division C Members of the CGSSS (State Bank of NSW contributory members who joined between 1 April 1988 and 30 June 1992)	2003
Division CD	Division D Members of the CGSSS (certain non-contributory members who were State Bank of NSW employees prior to 1 July 1997)	2003
Division CE	Division E Members of the CGSSS (State Bank of NSW members who joined between 1 July 1992 and 30 June 1997)	2003
Division CF	Division F Members of the CGSSS (ex-members of the State Superannuation Fund)	2003
Division CH	Division H Members of the CGSSS (DB members of the Colonial Group Staff Superannuation Fund)	2003
Division CK	Division K Members of the CGSSS (previously Category A members of Prudential Australia Staff Pension Scheme)	2003
Division CN, CO	Division N, Division O Members of the CGSSS (previously Trust Bank Staff Superannuation Fund)'	2003

The Plan provides defined lump sum and pension benefits to members of Divisions B, C (Basic and Full), D, E, CB, CC, CD, CE, CF, CN, and CO, i.e. benefits for members of these Divisions are related to their period of membership and their salary over the last few years of membership.

In addition, the Plan also provides lump sum accumulation benefits to members in the Accumulation section. A detailed description of the benefits valued in this investigation is included in Volume 2 of this report.

Purpose of the Investigation

Rule A6.1 of the Rules governing the Plan requires an actuarial investigation to be undertaken at least every three years. Rule A6.1 also requires the Actuary, as a result of the investigation, to recommend whether:

a. any alteration of the provisions of the Rules; or

b. in view of the state of the Plan, any alteration in the rate of the contributions or the payments made to the Plan by Members or by the Principal Employer or any Associated Employer;

is necessary or desirable.

Rule A9.1 specifies that the Principal Employer shall contribute to the Plan such amounts at such times as the Principal Employer, on the advice of an actuary, determines as being necessary to fund pensions and other benefits payable under the Rules.

The provisions must not be amended in a way that would have the effect of reducing benefits accrued or payable under the Rules if and to the extent that, by making the amendment, the Plan or the Trustee would fail to comply with the Relevant Law.

Current superannuation legislation and regulations also require that an actuarial investigation be undertaken on an annual basis unless APRA has issued the Trustee with a Determination allowing a period of three years between actuarial investigations. We have been advised that Trustee will apply for an exemption from annual actuarial investigations.

Section 3: Membership

Membership Data

ART have provided us with membership data in respect of members in the Plan as at 30 June 2024. For analysis of experience over the investigation period, membership data in respect of members who had left the Plan since 4 November 2023 was provided by ART and membership data in respect of members who had left the predecessor Fund from 1 July 2021 to 3 November 2023 was provided by the predecessor Fund's administrator Mercer.

We conducted detailed checks on the data to ensure that all dates, salaries and other amounts were internally consistent as well as being consistent with data received in previous years for the predecessor Fund. Our checking is not designed to be exhaustive or to identify all errors or discrepancies in the data. We are satisfied that the data provided is reasonable and that there are no errors in the data which would have a material effect on the results of this investigation. We have relied on the data provided for this investigation.

Active Defined Benefit Members

The number of active members in each Division is shown in the table below.

Division	Members at 30 June 2024
B	26
C – Full	605
C – Basic	6
D	35
E	89
CB, CC, CE	75
CD	10
CF	4
CN and CO	6
Total	**856**

Key membership statistics for active Defined Benefit members 30 June 2024 are shown below.

Key statistics	30 June 2024
Number of Members	856
Total Salaries	$87,098,000
Average Salary	$101,751
Average Age	56.1 years
Average Membership	35.8 years

Defined Benefit Pensioners and Post-Employment Members

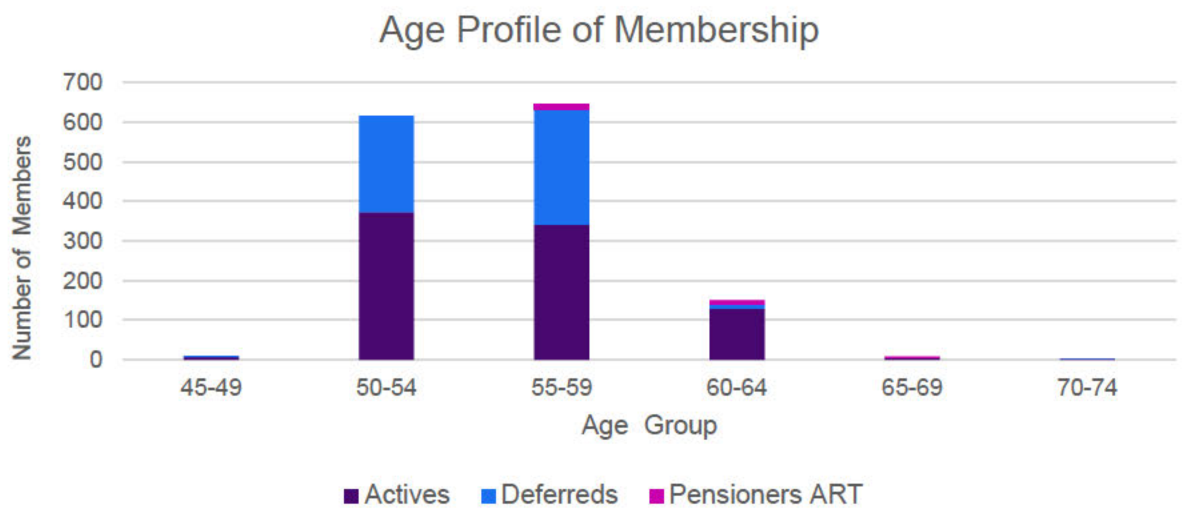
The number of pensioners and total pensions at 30 June 2024 is shown in the table below, along with the number of Post-Employment members.

Key Statistics	30 June 2024
Number of Pensioners	29
Total Annual Pension Amounts	$1,424,000
Average Annual Pension Amount	$49,099
Average Age of Pensioners	60.2 years

In addition, there were 549 members with deferred and preserved entitlements (pension or lump sum).

Age Profile of Defined Benefit Members

A chart showing the age profile of defined benefit members at 30 June 2024 is shown below.



Section 4: Assets and Investments

Data

Financial information for the Plan as at 30 June 2024 was provided by ART. We understand the financial information has not been subject to audit at the sub-plan level, however the Australian Retirement Trust is subject to audit overall. We have relied on the information provided.

Value of Assets

For the purposes of the actuarial investigation, the value of the assets provided by Australian Retirement Trust has been taken as the net market value of the assets. A breakdown of the net market value of the Plan's assets at 30 June 2024 is set out below.

Net Market Value of Assets	30 June 2024
ART Balanced option (taxed)	$1,023,617,000
ART Balanced option (untaxed)	$24,431,000
Total	**$1,048,048,000**

Investment Strategy for Defined Benefit Section

The Trustee's investment strategy in respect of the Defined Benefit assets at 30 June 2024 was to manage pension and non-pensioner liabilities through separate asset pools.

- Assets in respect of non-pension defined benefit member liabilities are invested in the ART Balanced (taxed) option.
- Assets in respect of defined benefit pensioner liabilities are invested in the ART Balanced (untaxed) option. Following SFT2, pensioner liabilities will be managed using a liability driven investment (LDI) approach, aimed at reducing the risk of mismatch between the DB pensioner assets and DB pensioner liabilities. The DB pensioner assets will consist of a "matching portfolio", comprised mainly of bonds (including a substantial allocation to index linked bonds), and a cash component to meet liquidity needs. The assets in the matching portfolio will be managed externally by a specialist investment manager. The matching portfolio will cover a substantial portion of the pension liabilities, with the remaining DB pensioner assets are invested in the ART Balanced (untaxed) option.

Investment Objectives for Defined Benefit Section

The Trustee's investment objective for the DB Plan is to implement an investment strategy that has a high probability of allowing the Bank to pay benefits as well as other costs as needed.

At 30 June 2024, the Trustee's investment objective for the ART Balanced option, i.e. in respect of the non-pension defined benefit member liabilities, is to achieve an expected return of CPI plus 3.5% per annum over 10 year periods. This is consistent with the view that superannuation liabilities are of a long-term nature. We note that the discount rate adopted is not necessarily equal to the published investment objective and further detail on setting the discount rate is set out in Section 7.

The objective for the DB “matching portfolio” is to maintain it within a modest degree of mismatch of the pensioner liabilities.

We consider the Trustee’s overall investment objectives and strategy to be appropriate given the nature and term of the defined benefit liabilities of the Plan.

Fund Investments

The Plan's assets in the ART Balanced option portfolio were invested as follows:

Asset Allocation	30 June 2024 %
Australian Equities	25.75
International Equities	26.50
Unlisted assets and Alternatives	29.50
Fixed Interest	16.25
Cash	2.00
Total	**100.00**

The Plan's assets in in the matching portfolio were invested mostly in bonds with a small component in cash.

Crediting Rate Policy

For the Defined Benefit Divisions’ accumulation-style benefits where applicable, the earnings credited to members’ accounts is based on the change in daily ART Balanced (taxed) option unit prices. For crystallised defined benefits awaiting transfer out, earnings are applied using the Cash option rate, subject to a minimum of zero. The crediting rates for Division CF are subject to a minimum as specified in the Rules.

We consider the crediting rate policies adopted by the Trustee to be appropriate.

Section 5: Funding Method

General

In a defined benefit fund, a pool of assets is built up over time which is available to meet benefit and expense payments as they arise. The pool of assets is built up by member and employer contributions and investment income on assets already accumulated. The pool is reduced by benefit payments, tax and expenses.

The actuarial funding method is the method of determining the rate of employer contributions required so that it is expected that the assets of the fund will be sufficient to meet future benefit payments as they fall due.

Funding Method

The last actuarial valuation of the predecessor Fund was carried out using the Projected Unit Credit (PUC) funding method. This funding method remains appropriate for the Plan and we have retained this approach for this investigation. The PUC funding method involves:

- calculating a Normal Cost which is the employer contribution required to fund the present value of benefits accruing over the next year (excluding those which are to be funded by the members), ignoring any over or under funding of the present value of accrued benefits at the investigation date; and
- calculating an adjustment to the Normal Cost to take account of any over or under funding of the present value of accrued benefits at the investigation date.

As a percentage of salary, this Normal Cost is an approximation of the employer contribution required. Generally, the Normal Cost for an individual member is reasonably stable but increases slightly from year to year with gradual ageing of the membership where the fund is closed to new members, however the dollar cost will tend to reduce as the number of Defined Benefit members reduces.

The second part is the adjustment to the Normal Cost that is required to amortise any excess or deficit of assets in respect of the actuarial present value of benefits arising from membership completed up to the valuation date. The excess or deficit in assets in respect of completed membership is calculated as the difference between:

i. the actuarial value of the Plan’s assets, and

ii. the actuarial present value of all benefits accrued to the date of the valuation (this is calculated allowing for salary increases and the probability of leaving service due to withdrawal, death, disability or retirement).

The total Company contribution for the year is the Company’s Normal Cost less (plus) any amortisation of excess (deficit) assets. Adjustments are also made to allow for tax and expenses.

Section 6: Experience and Assumptions

The valuation of the Plan's liabilities is an essential part of examining the long-term financial position of the Plan, as described in Section 5. To value the liabilities, it is necessary to make assumptions regarding the timing and amount of future benefit payments, expenses and contributions since these cannot be known in advance. These assumptions are divided into two categories:

- financial assumptions relating to the rates of salary growth, inflation and investment income; and
- demographic assumptions relating to the rates of retirement, resignation, death and disablement.

While each of the assumptions used is normally the actuary's best estimate of future experience, in practice, the Plan's 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, and when all the assumptions are combined, they will provide a reasonable estimate of the likely future experience and financial position of the Plan.

In setting the demographic assumptions, we have compared the Plan's experience (including the experience of the predecessor Fund) over the two years and six month period ending 31 December 2023 to the assumptions used in the last investigation of the predecessor Fund. The results of our analysis are contained Sections 7 and 8 of this report.

When the Plan's actual experience differs from the assumptions used in the actuarial investigation, this will result in the current financial position of the Plan being different from that expected. Comparing actual experience to that expected based on the assumptions used in the last investigation also allows an explanation of changes in the financial position of the Plan.

It should be noted that any change in the assumptions will itself have an impact on the financial position of the Plan as measured by the long-term funding calculations described in Section 5. To maintain as much consistency as possible in the employer contribution rate over time, it is therefore appropriate to change the actuarial assumptions only when there is sufficient evidence to suggest that the previous assumptions are significantly different from the Plan's expected long-term future experience.

A summary of the assumptions used in this investigation is included in Appendix B.

Section 7: Experience and Assumptions – Financial

A summary of the main assumptions is set out below:

Assumption (p.a.)	Applies to future benefits:	30 June 2024 Assumption
Discount Rate	Actives – pre-retirement (net of tax)	7.00%
Discount Rate	Pensioners (gross of tax)	5.00%
Salary Increases	Pre-retirement	3.50%
CPI Inflation	Pension indexation	2.70%

Further detail on these assumptions is set out in the rest of this section.

Investment Returns

While short-term differences between actual investment returns and the actuarial assumption can affect the financial position of the Plan as measured by the actuarial investigation, the assumption used in the investigation must be based on long-term expectations. This is because the investigation involves valuing payments 40 years or more into the future.

We have adopted a best-estimate investment return assumption in respect of active pre-retirement member liabilities of 7.0% per annum (net of taxation and investment management expenses). This is our expected return for the ART Balanced (taxed) option portfolio, over a period consistent with the duration of the active member liabilities, determined using our expected returns for each asset class and the target asset allocation of the portfolio. This assumed return assumption of 7.0% per annum is slightly higher than the Trustee's objective of CPI plus 3.5% per annum (i.e. 6.2% per annum with a CPI assumption of 2.7% per annum). It is a best-estimate return assumption whereas our understanding is that the investment objectives may be set with some element of conservatism.

We have adopted a long-term investment return assumption in respect of current pension liabilities of 5.0% per annum (gross of taxation and net of investment management expenses). This has been determined with reference to the current yield on the matching portfolio in the predecessor Fund and market inflation expectations as at 30 June 2024. The yield on the matching portfolio in the predecessor Fund is appropriate as we understand a similar matching portfolio has been implemented in the Plan following SFT2.

Pension Increases

The rate of pension increases will also affect the financial position of the Plan. Pension increases are based on the CPI increase over the year to 31 March. Based on current market conditions effective at 30 June 2024 and the underlying matching portfolio of inflation linked bonds (in the predecessor Fund), we have adopted a pension increase assumption of 2.7% per annum which is consistent with our economic assumptions and with expected long-term future levels of price inflation.

Salary Increases

Salary increases are generally considered in three components, namely inflationary, productivity and promotional (or career advancement) increases. Combined inflationary and productivity increases are generally assumed to be in line with increases in Average Weekly Earnings or award pay rates over time while promotional increases are often related to age, the industry in which members are employed and the type of work performed.

Taking into account current long-term expectations for wage inflation and expectations for Plan members based on their age and service profile with the Bank, we have assumed a total salary increase rate of 3.5% per annum (allowing for inflation, productivity changes and promotion) for this actuarial investigation.

“Gap” Between Investment Returns and Pension or Salary Growth

The assumption of major significance in the valuation of the Plan's future benefit liabilities and contributions is the difference (or ‘gap’) between the assumed future rate of investment earnings and the assumed rate of future growth in pensions or salaries, i.e. the real rate of return on invested assets. These factors are offset against each other in their financial effect – hence the difference between the rates is important rather than the absolute values ascribed to them. The higher the real rate of return assumed, the lower the value placed on the liabilities and the lower the resulting estimated required employer contribution rate. It is appropriate to value long term superannuation liabilities based on expectations for real rates of return over the long-term.

- **Investment returns and salary increases:** For this investigation, the ‘gap’ between the net investment return on assets supporting active members’ liabilities and salary increase assumptions (of 7.0% per annum and 3.5% per annum, respectively) is 3.5% per annum for active members’ liabilities.
- **Investment returns and pension increases:** For this investigation, the ‘gap’ between the gross investment return on assets supporting pension liabilities and pension increase assumptions (of 5.0% per annum and 2.7% per annum, respectively) is 2.3% per annum for pensioner liabilities.

Expenses

Based on the expected level of administration and other fees paid from the DB assets, we have allowed for defined benefit expenses of $2 million per year and this is assumed to remain constant over the inter-valuation period.

Plan expenses in respect of the Accumulation Division members are assumed to be fully covered by specific deductions from member accounts and/or asset-based fees from the Accumulation Division.

Insurance

The Plan is self-insured in respect of death and total and permanent disablement benefits at risk for Defined Benefit members. The salary continuance benefits for members of Division CO (Part A) are insured. The cost of the self-insurance has been allowed for when determining the contribution rates to be paid by the employer sponsor. The Trustee holds a catastrophe policy to cover the risk of a large number of deaths or disabilities amongst self-insured members and the cost of this policy is covered in our expense allowance.

The cost of insurance premiums for the Accumulation Division is met by members, so there is no need to make any assumptions regarding insurance for this actuarial investigation of the Plan.

Further comments on the Plan's insurance arrangements in respect of death and disablement benefits are included in Section 12.

Taxation

Any change in the taxation regime applying to superannuation funds in Australia will have an impact on the financial status of the Plan. We have assumed that the current regime will continue and that the tax rate presently applying to the Plan will be maintained in future i.e. that the Plan will remain a regulated and complying fund under SIS and the Tax Act respectively and have a concessional tax rate of 15% applied to net deductible contributions and non-exempt investment income.

Since the cost of the surcharge or excess contributions tax is met by reducing the benefits of affected members, no assumptions have been made regarding surcharge or excess contributions tax for this investigation.

Section 8: Experience and Assumptions – Demographic

To set the demographic assumptions for this actuarial investigation, we have analysed the demographic experience of the Plan and predecessor Fund over the two years and six months to 31 December 2023 compared to the assumptions adopted for the previous actuarial investigation. The main findings of our analysis are set out below. Details of the assumptions are included in Appendix B.

Reason for Exit	Actual Exits	Expected Exits	Ratio (Actual/Expected)	Expected under new assumptions
Retirements	149	170	87%	No change
Deaths	1	3.7	27%	3.4
Disablements	1	6.5	15%	7.2
Resignations	43	30	142%	No change
Retrenchments	68	No allowance	n/a	No allowance

Retirement

The occurrence of retirements before the normal retirement age (early retirements) may have a small negative effect on the financial position of the Plan. This is due to the benefit paid being slightly greater than the money built up in the Plan in respect of the member at that time (i.e. the member's actuarial reserve). It is therefore important not to underestimate the rate of early retirements in making assumptions about the Plan's future experience.

The rates of early retirement experienced were lower than the expected rates adopted for the previous investigation. We note that there were 42 retrenchments over the age of 55 over the investigation period and it may be the case that retrenchments replaced some of the natural turnover that would come through retirements. No explicit allowance is made for retrenchments in our valuation assumptions given the number of retrenchments is unpredictable and the retrenchment benefits are at a similar level to a member's resignation or retirement benefit.

We have retained the assumed retirement rates used in the previous investigation.

Deaths and Disablements

There is not sufficient data for active (employed) defined benefit members to allow for a statistically meaningful comparison of death and disability experience over the investigation period. Mortality and disability experience over the investigation period were lower than expected (refer to Section 12 for more detail). We have updated the assumed rates based on the Australian Retirement Trust Super Savings premium rates for the Plan.

Resignation

Resignation rates for defined benefit members were higher than the expected rates adopted for the previous investigation in 2021. Higher than expected rates of resignation are not expected to have an adverse impact on the financial position of the Plan and it is important not to overestimate the rate of resignations in making assumptions about the Plan's future experience. We note that there were also 26 retrenchments of members under the age of 55.

We have retained the assumed resignation rates used in the previous investigation.

Pensioner Mortality

After SFT2, pensioners and defined benefit post-employment members will make up a significant proportion of the accrued liabilities of the Plan. Therefore, the most material demographic assumption is pensioner mortality. The previous investigation assumptions for pensioner mortality were:

- For male pensioners and male spouse pensioners, Australian Life Tables (ALT) 2015-17 Male scaled by 50%, with this scaling increasing linearly by 1.5% for each year over age 65 (subject to maximum of 100% of ALT2015-17 Male).
- For female pensioners and female spouse pensioners, ALT 2015-17 Female scaled by 50%, with this scaling increasing linearly by 1.0% for each year over age 65 (subject to maximum of 100% of ALT2015-17 Female).
- In addition to the rates above, a mortality improvement of 2% each year from 30 June 2016, with these improvements reducing by 0.05% for each year over age 65.

For this investigation, we examined the mortality experience of male and female pensioners (both original staff and reversionary spouses) over the investigation period. A summary of the actual number of pensioner deaths compared with the number expected is shown in the table below:

	Exposed to Risk	Actual Deaths	Expected Deaths	Ratio (Actual/Expected)
Male pensioners	4,160	230	210	109%
Female pensioners	5,276	306	277	111%

For males and females, the actual mortality experience has been greater than the assumption adopted in the previous investigation. The largest variations are at the oldest ages where exposed to risk is very small. COVID-related mortality impact is present over the period, but not outside the possible range of 95% of outcomes when considering the statistical distribution. We have therefore retained the existing assumptions.

Pension Take-Up Rate

We also make assumptions about the proportion of members taking the pension option where available (primarily for members in Division C). After age 55, members can choose to take a pension or a lump sum, however if a pension is chosen, at least 50% of the benefit must be taken as a pension. In the previous investigation, we assumed a pension take-up rate of 75%. Based on our analysis, the actual money-weighted rate of members taking their benefit as a pension was around 73% and that rate has remained fairly stable at that level since 2015. It is important to not underestimate the rate of pension take-up as pension benefits are expected to be more valuable than lump sum benefits. We have therefore retained the assumed pension take-up proportion of 75% for this investigation.

Proportion Married

We make assumptions on the proportion of active members who are married as this impacts the valuation of any reversionary pensions that may be paid in future. We have reviewed our assumptions against married data of the general population from the 2021 Census of Population and Housing Australia, released by the Australian Bureau of Statistics. The rates adopted for the previous investigation varied by age and gender and are generally slightly higher than the 2021 Australian Census data. We have updated the married proportion assumption to be 75% across all ages for this investigation. The change to this assumption does not have a material impact on the liabilities.

Other Statistics

We also make assumptions about Members' dependants in order to value reversionary pensions. These assumptions are set out in detail in Appendix B.

Section 9: Solvency and Other Measures of Financial Position

When assessing the adequacy of the assets and future contribution rates, both the long-term funding and short-term solvency positions should be considered. Legislation and actuarial professional standards also require the calculation of several measures of the financial position at the investigation date. The measures and a brief explanation of their purpose are set out below.

- **Vested Benefits Index** – a fund is in a "satisfactory financial position" under superannuation law if the ratio of the fund assets to the vested benefits is 100% or more. The value of vested benefits represents the total amount the fund would be required to pay if all members were to voluntarily leave service on the valuation date. This a short-term solvency measure and is the focus of the superannuation regulator, APRA.
- **Minimum Benefit Index** – a fund is "technically solvent" under superannuation law if the Minimum Benefits Index is 100% or more. This index represents the ratio of the assets at market value to the Minimum Benefits on the valuation date. The Minimum Benefits are the benefits that must be paid under Superannuation Guarantee legislation. If a fund's assets are insufficient to cover the Minimum Benefits, there are significant consequences for the management of payment of benefits from the fund.
- **Retrenchment Benefits Index** – This index represents the ratio of the assets at market value to the "retrenchment benefits". The value of retrenchment benefits represents the total amount which the members are entitled to on the valuation date if they were retrenched by the Bank.
- **Accrued Benefits Reserve Index** – this is a measure of progress towards fully funding the benefits on a going concern basis and is a long-term measure rather than an immediate solvency test.

All funding indices show the Plan is a sound financial position.

Long term solvency is considered in more detail in the next section.

Vested Benefits Index (VBI)

This index represents the ratio of the assets at market value to the "vested benefits". The Vested Benefits were taken as the amount of the resignation benefit, or the early retirement benefit for members who are eligible to retire. An allowance is made for pension liabilities for those members who would be eligible for a pension benefit if they were to voluntarily leave service on the valuation date.

The following table shows the Vested Benefits Index of the Plan at the investigation date.

	30 June 2024
Market Value of Assets ($m)	1,048
Vested Benefits ($m)	892
VBI	117%

The Plan is in a satisfactory financial position.

Minimum Benefits Index (MRBI)

This index represents the ratio of the assets at market value to the "minimum benefits". The following table shows the Minimum Benefits Index of the Plan at the investigation date.

	30 June 2024
Market Value of Assets ($m)	1,048
Minimum Benefits ($m)	628
Minimum Benefits Index	167%

The Plan was technically solvent at 30 June 2024.

Retrenchment Benefits Index (RBI)

This index represents the ratio of the assets at market value to the "retrenchment benefits". In some divisions, the retrenchment benefit is an immediate lump sum compared with an entitlement to a pension on leaving service due to resignation or retirement. Not all Divisions are entitled to a different benefit on retrenchment, and in those cases the retrenchment benefit is equal to the vested benefit.

The following table shows the retrenchment benefits and RBI of the Plan at the investigation date.

	30 June 2024
Market Value of Assets ($m)	1,048
Retrenchment Benefits ($m)	779
RBI	135%

Accrued Benefits Reserve Index (ABRI)

This index compares the assets at market value with the present value of the accrued benefits of members at the valuation date. The ABRI is a simple measure of a fund's strength on a continuing or "going concern" basis. The method of calculating the accrued benefit reserves is the same as that used to determine the Plan's benefit liability for the purposes of the Plan's financial statements. Accrued benefit reserves represent the present value of expected future benefit payments arising in respect of membership of the Plan up to 30 June 2024.

The following table shows the Accrued Benefits Reserve and ABRI for the Plan at the investigation date.

	30 June 2024
Market Value of Assets ($m)	1,048
Accrued Benefits Reserve ($m)	875
ABRI	120%

The ratios above show that the Plan was in an adequate position on a going concern basis at the investigation date.

Shortfall Limit

Shortfall Limit is defined in 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".*

For this purpose, "satisfactory" or "unsatisfactory" financial position refers to whether assets are sufficient or insufficient to cover vested benefits.

APRA's rationale for the shortfall limit is based on recognition that normal investment market volatility may result in the coverage of vested benefits (or VBI, Vested Benefits Index) temporarily falling below 100%. The shortfall limit is designed to provide some flexibility for funds to manage vested benefit coverage between regular actuarial investigations and to avoid having to take additional and perhaps unnecessary steps and remedial action when it may be reasonably expected that the market value of fund assets will recover sufficiently in the short term. Of course, reductions in the VBI below the shortfall limit will trigger remedial action in the form of a restoration plan.

A shortfall limit of 100% has been adopted for the defined benefit section of the Plan. In our view, this shortfall limit remains appropriate. The shortfall limit can be reviewed periodically and a review should take place in the event of a change in investment strategy or other change in circumstances that the actuary believes warrants a review of the shortfall limit or as part of each actuarial investigation.

Termination of the Plan

The Rules have no specific provision for the termination of the Plan and so we have not assessed the financial position of the fund on a termination basis. Considering the excess assets of the Plan, we believe the Plan continues to remain in a satisfactory financial position if the Plan were to terminate.

Various factors that may impact on Funding and Solvency measures

We comment below on a number of factors that may influence the measures in this Section. These factors are not exhaustive and are not meant to cover all possible factors.

- The net market value of assets does not include any assets, to our knowledge, that materially depend on the employer that have not been paid, nor any materially illiquid assets.
- If the value of pensions in payment was determined including the future expenses of paying and administering these benefits, then the indices in this Section would reduce, by less than one percentage point.
- If the value of the pensions in payment was determined on an equivalent market value basis, then the indices in this Section would reduce.

Section 10: Valuation Results

Long Term Funding Results

The valuation result of the Plan using the Projected Unit Credit funding method reveals an excess of the actuarial value of assets over the value of accrued liabilities. These results are set out in the table below.

Value of Future Benefit Payments in respect of past service	2024 Results ($ m)
In force Defined Benefit Members:	
• Retirement	635.1
• Death	5.7
• Disablement	16.2
• Resignation	8.1
• Old Scheme Accounts[1]	8.6
• Surcharge accounts	(6.3)
Total in force Defined Benefit Members	667.4
Post Retirement Members and Pensioners (including Surcharge accounts)	206.4
Self-insurance claims provision[2]	1.0
Total Value of Accrued Benefits (L)	**875.0**
Market Value of Assets (A)	**1,048.0**
Excess assets (A less L)	173.0

[1] Old Scheme accounts are Division B member, company supplementary and productivity accounts.

[2] See Section 12 for note about incurred but not finalised insurance claims.

Normal Employer Cost

The Normal Employer Cost as a percentage of salaries under the PUC funding method for current members of the Defined Benefit Divisions is set out below.

	$ million
Normal Cost of benefit accrual over coming one year	
• Retirement	12,423
• Resignation	136
• Death	130
• Disability	404
Total Normal Cost over coming one year	13,095
Less Member Contributions	(3,288)
Normal Cost to be funded by the employer (net of tax)	9,807
Member Salaries expected to be paid over the coming year	79,896
Normal Cost to be funded by Bank (net of tax) as % of salaries	12.3%
Normal Cost to be funded by Bank (gross of tax) as % of salaries	14.4%

The Normal Cost set out in the table above excludes expected expenses. The gross of tax Normal Cost to be funded by the Bank is approximately $11.5 million for the 2024/2025 year (excluding DB expenses). After allowing for expected expenses of $2 million per annum, the gross of tax Normal Cost to be funded by the Bank is approximately $13.5 million for the 2024/2025 year.

Our recommended contributions are set out in next section having regard to post valuation date events.

Sensitivity Analysis – Alternative Scenarios

If experience were to deteriorate and our valuation assumptions were changed, we have considered the potential impact on the accrued benefit liabilities by looking at the position at 30 June 2024 under the following alternative scenario assumptions:

Scenario (all assumptions other than indicated below are as set out in Appendix B)	Change in Accrued Benefits (as at 30 June 2024)
Discount rates decrease by 0.5% p.a.	$53 million (6%) increase
Salary growth assumption increases by 0.5% p.a.	$10 million (1%) increase
Pension inflation assumption increases by 0.5% p.a.	$43 million (5%) increase
Assumed life expectancy is on average 1 year longer	$15 million (2%) increase

Given the existing excess assets on an accrued benefits basis of $173 million as at 30 June 2024, these scenarios show that the Plan would remain in a sound financial position at 30 June 2024 if the assumptions for salary growth, pension inflation and life expectancy were to be changed as shown above.

Section 11: Post Valuation Date Events

On 25 October 2024, the remaining 3,500 lifetime pensioners in the predecessor Fund were transferred to the Plan under a successor fund transfer. Based on the predecessor Fund's data as at 30 June 2024, the estimated liability in relation to the pensioners transferred to the Plan was $1,848,556,000 at 30 June 2024 and the estimated net market value of assets (at 30 June 2024) in relation to pensioners transferred from the Fund to the Plan was estimated to be $1,929,954,000.

Vested Benefits Index (VBI)

The following table shows the estimated combined Vested Benefits Index of the two plans at 30 June 2024.

	30 June 2024 excluding predecessor Fund	30 June 2024 Combined
Market Value of Assets ($m)	1,048	2,978
Vested Benefits ($m)	892	2,741
VBI	117%	109%

The estimated position of the combined Plan after SFT2 shows that it is in a satisfactory financial position.

Recommended Contributions

Having regard to SFT2 and estimated investment returns since 1 July 2024, I have considered the combined financial position in determining the recommended contribution rates.

Rule A6.1 of the Rules requires the Actuary to report on whether any alteration to the rate of contributions payable by Members or Employers is necessary or desirable. The Trustee is required to provide this report to the Bank. Under Rule A9, the Bank determines the contributions the Bank and any Associated Employers will pay after considering the advice on an Actuary.

Considering those requirements, I do not believe that a change to the Member contribution rates is necessary. We recommend that the Bank pay contributions of no less than:

- From 1 July 2024 to 31 December 2024, $13.5 million for Defined Benefit accruals and expenses; plus
- From 1 January 2025, $12 million per annum for Defined Benefit accruals and expenses; plus
- The following amounts for accumulation members (including allowance for contributions tax) from 1 July 2024:
  - Basic Employer Credits at SG rate (Rule F4.1(a)(1));
  - Additional Basic Employer Credits (Rule F4.1(a)(2)); and
  - Special Employer Credits (Rule F4.1(b)), for example, under an EBA.

The Bank may choose to pay contributions at a higher rate than minimum recommendation.

Projections of Vested Benefit Index

The future funding position of the Plan is sensitive to the returns earned on the assets supporting the active defined benefit members. The current and emerging pensioner liabilities following SFT2 will be largely backed by the Plan's matching portfolio under the LDI approach, and movements in the matching portfolio assets as a result of changes in expected bond yields in the short term are expected to be quite closely matched by the changes in current pension liabilities with updated return expectations.

We have therefore undertaken some deterministic scenario modelling to assess the impact of an adverse investment return outcome on the ART Balanced (taxed) option. The asset return scenarios in the table below show the assumed returns under the valuation assumptions, and a "1-in-20 year poor return" scenario over the 2024/2025 financial year. Based on WTW's asset modelling of the underlying assets in the ART Balanced (taxed) Option, a return of -7.9% represents a 1-in-20 year "worst case" return scenario. Our other projection assumptions remain unchanged. Contributions are assumed to be as recommended.

	Base Assumption			Adverse Return Assumption		
	ART Balanced Return assumed p.a.	Vested Benefits Index	Vested Benefit Excess Assets ($m)	ART Balanced Return assumed p.a.	Vested Benefits Index	Vested Benefit Excess Assets ($m)
30 June 2024		109%	237		109%	237
30 June 2025	7.0%	110%	265	-7.9%	103%	80
30 June 2026	7.0%	110%	283	7.0%	103%	85
30 June 2027	7.0%	112%	312	7.0%	104%	100
31 December 2027	7.0%	112%	330	7.0%	104%	111

The figures in the table above include an estimate of the assets and liabilities in respect of the lifetime pensioners transferred from the predecessor Fund to the Plan effective 25 October 2024.

The table above shows that:

- Under our Base assumption, the excess assets compared to vested benefit are expected to increase by the end of the projection period.
- During the year of the adverse return in 2024/2025, the estimated excess assets reduce by approximately $164 million. The impact on the VBI is a reduction of six percentage points.

These are simplified projections and do not take into account other events which may happen in practice, for example a rebound in the ART Balanced option returns may occur or the Bank may adjust the level of contributions after such an event. The variations in selected scenarios do not indicate upper or lower bounds of all possible outcomes.

Section 12: Insurance

We have reviewed the Plan's insurance and self-insurance arrangements as set out below.

Accumulation Members

At the valuation date, the Plan insured the excess of the death and disablement benefits for Accumulation Division members over the vested benefits through an external insurer, AIA Australia Ltd. As such, we understand that there is no self-insurance in respect of the Accumulation members.

Defined Benefit Members

The Plan provides death and disablement benefits for Defined Benefit members which can be in excess of the accrued benefits as determined by the actuary. At the valuation date, the whole amount in excess of the accrued benefits was self-insured.

At 30 June 2024	Death	Permanent Disablement
Number of members covered	856 members	856 members
Self-insurance exposure	$42 million	$254 million
Actuarial excess assets over accrued benefits compared to market value of assets as at 30 June 2024	$173 million	$173 million
Net exposure (i.e. not covered by excess assets)	Nil	$81 million

The total self-insured amount of death and permanent disablement risk benefits in the Fund at 30 June 2024 was $42 million and $254 million, respectively. This compares with the excess of market value of assets over accrued benefits of approximately $173 million at 30 June 2024. At this date, the Plan's exposure to death risk benefits was completely covered by its assets and there was $81 million of TPD risk benefits not covered by the excess assets. However, most of the TPD liabilities are expected to be paid out in the form of a pension, therefore it is unlikely that death and disablement risk benefits payable over a short period would exceed the assets available in the Plan.

We note the value of the permanent disablement benefits at risk is considerably higher than the value of death benefits. This reflects the higher valuation placed on disability pension payments, where both a member and potentially a spouse are entitled to pensions for the rest of their lives[1], compared with death benefits where the pension would only apply for the life of the spouse.

The Plan also holds an insurance policy in respect of Division CO (Part A) which provides disability income cover, generally in the form of a monthly benefit payable for up to two years on total and temporary disability (TTD). There is only one member in this Division.

[1] Dependent children may also be eligible for reversionary pension payments under the Rules of some Divisions of the Plan.

Requirements of SPS 160

The relevant paragraphs of SPS 160 in relation to self-insurance are set out below:

"36. An RSE licensee that is permitted to self-insure insured benefits, as that term is defined in Prudential Standard SPS 250 Insurance in Superannuation (SPS 250), must:

(a) maintain reserves or have other arrangements approved by APRA in place to fund current and future self-insurance liabilities;
(b) at least every three years obtain an assessment by an RSE actuary of the adequacy of the self-insurance reserves or arrangements;
(c) attest annually that, in formulating and maintaining its policy in relation to self-insurance, the RSE licensee continues to act in the best interests of beneficiaries; and
(d) develop a contingency plan for an orderly transfer of insurance assets and obligations, for activation in the event that the Board has decided that, by self-insuring benefits, the RSE licensee is no longer acting in the best interest of beneficiaries as a whole.

37. An RSE licensee that self-insures insured benefits must ensure the ongoing actuarial oversight of the self-insurance arrangement via, at a minimum, the regular investigation required under paragraph 14. The actuarial review must provide sufficient information about the maintenance of adequate insurance reserves or other arrangements for funding of self-insured benefits. The actuarial review must also provide sufficient information on the self-insurance arrangements to demonstrate the extent and adequacy of the actuarial oversight undertaken on these arrangements."

We understand the Trustee is permitted to self-insure under the terms of its RSE licence and is not required to maintain a separate self-insurance reserve.

Cost of Self-insurance

By self-insuring the future service component of the death and invalidity benefits, there is a risk that higher than expected claims will occur and impact on the funding levels as a result of paying out more benefits than expected.

All self-insurance risks are backed by the unallocated DB assets in the Plan and the ongoing contributions to be paid by the Bank. The actuarial valuation of accrued and future benefits allows for the self-insurance in the Plan by including the value of death and disablement benefits when determining the contribution rates to be paid by the employer sponsor. All expenses associated with administering the self-insurance are also covered by the administration fees in respect of the Defined Benefit members.

As at 1 July 2024, around 85% of the self-insured liabilities for disability benefits are in relation to members from Division C. These members have a choice of whether to take a lump sum or pension benefit on becoming totally disabled. In our valuation assumptions, we assume the disability retirement benefit is mostly taken as a pension.

With such a high proportion of the self-insured liabilities on disablement being expected to be paid out in the form of a pension to a member or their dependants, it is very unlikely that death and disablement risk benefits payable over a short period would exceed the assets available in the Plan.

As the cost of self-insurance is incorporated into the recommended Bank contributions, under reasonable and foreseeable circumstances, the Plan's assets are expected to cover the insurance benefits that emerge over time.

Claims History

The Plan's and predecessor Fund's claim history has been consistently low or in line with expectations, with 19 deaths and 35 disablement claims over the past 12 years, some of which had zero claim amounts. The value of these claims totalled approximately $0.4 million and $9.8 million, respectively. Over the same period, we expected 22 deaths and 55 disablement claims. It is noted that experience has not been sufficient to allow for a meaningful statistical analysis due to the very low probabilities of death and disablement and relatively small numbers of members and claims involved.

For this investigation, we have adopted the death and disablement rates based on the Plan premium rates for accumulation members as described in Section 8. Over the next three years, we expect approximately seven disablement claims and two deaths. The expected value of these benefits has been allowed for in determining the funding requirements.

Catastrophe Cover

As at 30 June 2024, the Plan held a catastrophe insurance policy arranged by [redacted] with certain reinsurers in respect of the self-insured amounts. That policy provides cover of $27,500,000 (with an excess of $7,500,000) per event. A minimum of 10 lives must be involved in an event for a claim and the event must occur within a 36 hour period and a 40 kilometre radius. The policy may be reinstated once after an event. Externally insuring for a catastrophe is a cost-effective way of protecting the Plan from such risks. The cost of the catastrophe cover is included in the general allowance for expenses for defined benefit members.

We note the catastrophe policy would not cover an event that occurred over a longer period of time than 36 hours such as a pandemic. However, if there was a pandemic that resulted in a significantly increased number of deaths compared to those expected, the financial position of the Plan is strong enough to meet those claims. Based on the financial position of the Plan as at 1 July 2024, if all members had to be paid a death benefit, the Plan assets were more than sufficient to cover those claims.

Claims history for the self-insured membership has not been materially affected by the COVID-19 pandemic with claim rates remaining low.

In the event of a pandemic where, say, half the members were to receive a death benefit and half the members became disabled, the assets were also more than sufficient to cover those claims as at 30 June 2024. However in this scenario, we would also expect the values we have placed on disablement benefits payable as pensions to be overstated, as we have made no allowance for the possible impairment to survivors' health as a result of the pandemic.

Claims incurred but not finalised

The valuation of liabilities allows for current members who may become disabled or die in future. It does not allow for members who may already be in the process of a claim (claims incurred but not yet finalised). We have made an allowance of $1 million for such claims in determining the liability for accrued benefits, based on the small number of claims we expect each year and the time we expect it to take to finalise those claims.

Sensitivity analysis

We have performed sensitivity analyses under two scenarios to analyse the sensitivity of the Plan's funding level to adverse experience in claims. We have considered invalidity claims in this testing as their value is typically higher than the value of the death benefits.

The first scenario assumes that the number of claims in a year is three standard deviations from the mean (on the basis that claims are independent), where the mean is the experience over the 12 years to 30 June 2024. This equates to approximately 5.0 claims in a year, resulting in self-insured benefit payments with a lump sum present value of $1.6 million. This was calculated based on the average self-insured permanent disablement benefit of approximately $326,000 at 30 June 2024. If this scenario were to occur, the value of additional claims at $1.6 million would be covered by the Plan's assets as at 30 June 2024.

The second scenario assumes that a pandemic leads to 10% of the lives insured with a permanent disablement claim (we have not considered a catastrophic event given the Plan has a catastrophe insurance policy). This equates to approximately 78 invalidity claims in a year, resulting in total self-insured permanent disablement benefits with a lump sum present value of up to $25.4 million.

The Plan had excess assets (measured by market value of assets over accrued benefits) of $173 million as at 30 June 2024 which would mean that if this scenario were to occur, the claims would be covered by the Plan assets. We also note that a high proportion of the self-insured liabilities are expected to be paid out in the form of a pension to members or their beneficiaries. Therefore, it is extremely unlikely that the self-insured benefits payable over a short period would exceed the assets available to the Plan.

Underwriting and claims management

The DB divisions have been closed to new members since 1993 and there is no discretion for the member or the Trustee to provide a different benefit than what is defined in the Rules. Therefore, there has not been a need for the Plan to maintain an underwriting process.

We have been advised by Australian Retirement Trust that the assessment of self-insured disablement claims will be carried out by the Trustee's Claims Review team with the support of the claims management services of a life insurer (AIA). Representatives from the employer sponsor are also involved in the claims review process.

External insurance

In the event that the Trustee decided that it is not appropriate to continue to self-insure the death and invalidity benefits, it would be necessary to tender the insurance cover with an external insurer.

It may be possible for the Trustee to obtain insurance for the death and invalidity benefits that are self-insured by the Plan. However, the death and permanent disablement benefits for members of the Plan can be paid in pension form and this adds a level of complexity to the nature of the insurance cover required. This could make it more difficult to completely insure against the risks for death and permanent disablement benefits. For example, the insurer may pay the Plan a capital sum on the death of a member, which can then be used to support the payment of a pension to the surviving spouse. The fund would bear the risk that the capital sum (along with the other fund assets) would be insufficient to provide the pension over the life of the spouse. This leads us to conclude that, given the nature of the Plan and the imperfect matching of benefits provided by purchasing insurance, it may not be worth the extra time and expense involved to arrange that insurance. On that basis, self-insurance arrangements can be considered appropriate for the Plan.

Conclusion

The Plan is large enough to retain some risk relating to death and disability benefits and we are not concerned about the current level of self-insurance.

We believe that the funding arrangements for self-insurance are adequate and we are of the opinion that the Plan should not be required to maintain a specific reserve for self-insurance.

We have concluded that the level of self-insurance remains reasonable given that:

- At 30 June 2024, the Plan had sufficient assets to cover the value of death claims and the value of disability claims in most circumstances;
- In certain circumstances where the assets of the Plan are not sufficient to cover claims, e.g. in the event of a catastrophe, the Plan holds a policy for catastrophe insurance;
- There is regular monitoring of the self-insurance arrangements (i.e. at least annually);
- The nature of the insured benefits provided means that it may be difficult to fully insure all the death and invalidity risks; and
- The Plan’s claims history (and that of the predecessor Fund) has been consistently low or in line with expectations.

We see no reason as to why the Trustee would not be able to attest that, in formulating and maintaining their policy for self-insurance, the Trustee continues to act in the best interests of the Plan beneficiaries.

Section 13: Material Risks

The purpose of this section of this report is to identify the material risks for the Plan which are associated with the actuarial assumptions or actuarial management of the Plan, of which we are aware as Actuary. We also comment on the way in which the identified financial risks are being managed by the Trustee. Our comments are set out below.

Underperformance of Investments

The risk faced by the Plan is that the investment returns earned on the assets will not be as high as expected over the long term. This means that the financial position of the Plan could deteriorate and employer contributions may need to increase. There is some risk of short term volatility in investment performance from the mismatch between some of the Plan's defined benefit assets and liabilities. However, we note the matching asset portfolio under the LDI strategy, implemented after SFT2, has the effect of reducing the mismatch risk. This investment strategy remains appropriate on the basis that the Bank continues to support the mismatch risk.

Inflation

The defined benefit liabilities for in-service employees are linked to salary and therefore a higher than expected rate of inflation could have a negative impact on the financial position. Salary increases should continue to be monitored at each triennial valuation, in order to determine if adjustments to the employer contribution levels are required.

Similarly, pension liabilities are linked to Consumer Price Index and increases above those assumed could lead to an increase in the pension liabilities and therefore a higher cost in providing those benefits. We note that the LDI asset/liability strategies will have the effect of partially mitigating these risks.

Increasing Life Expectancy

The majority of the Plan's liabilities following SFT2 relate to current or future pensioners. The assumptions regarding pensioner mortality that were used for this valuation allow for future improvements in mortality. However, a future breakthrough in medical diagnosis or treatment which leads to a significant increase in life expectancy could increase Plan liabilities and require increased employer contributions. Mortality experience should continue to be monitored at each triennial valuation, in conjunction with relevant population data, to assess whether adjustment to the employer contribution rates are necessary.

Self-Insurance

By self-insuring the future service component of the death and invalidity benefits, the Plan runs the risk of higher than expected claims occurring and therefore an impact on the funding levels from the cost of paying out more expensive death and disability benefits than expected. The self-insurance risk is considered in each triennial actuarial investigation. At the present time the Plan is in a sound financial position and is able to cope with non-catastrophic variations in claim numbers.

Catastrophe Risk

The Plan self-insures part of the death and disablement benefits. There is a risk that an event affecting the general population could lead to a significant number of deaths or disablements (although the impact could be offset to some extent by deaths among the current pensioners). If an event of this nature were to happen, there could be a requirement for additional funding. This will require the Bank's continued commitment to funding any shortfalls arising from catastrophes.

Funding Risk

The continuation of the Plan is dependent on the continued funding support of the Bank. If the Bank was unwilling or unable to pay contributions the Plan, that may affect the ongoing viability of the Plan. Given the financial strength of the Bank we do not believe that funding risk should be seen as a material issue. As noted in Section 2 some benefits are also subject to a Government guarantee.

Credit risk from the investments of the Plan is generally managed by holding a diversified portfolio of assets.

Liquidity Risk

As at 30 June 2024, the Plan's assets were invested in the unitised ART Balanced Option with a 29.5% target asset allocation to unlisted assets and alternatives, some of which may include illiquid assets. The LDI matching portfolio does not hold illiquid assets.

Benefit payments from the Plan and predecessor Fund over recent years have been comparable with the value of contributions and inward rollovers. The Plan's cashflows currently support a holding of illiquid assets given the long term nature of the liabilities.

Other Risks

The Plan faces a variety of operational and other risks which may in some circumstances lead to cost increases. We understand that the Trustee monitors and takes action on such risks as part of the risk management framework. An Operational Risk Financial Reserve (ORFR) has been established to help mitigate any loss arising from operational risks.

Appendix A: Summary of Actuarial Assumptions

FINANCIAL ASSUMPTIONS

Rate of Investment Return

Active members:

- 7.0% per annum (net of tax and investment management expenses)

Current and emerging pensioners:

- 5.0% per annum (gross of tax and net of investment management expenses)

Rate of Salary Increases

Salaries are assumed to increase by 3.5% per annum. This includes an allowance for further promotional increases.

Rate of Pension Increases

A long-term rate of general CPI increase for pensions of 2.7% per annum has been assumed.

Expenses

We have made an allowance for defined benefit expenses to be $2 million per year and this is assumed to remain constant over the intervaluation period.

DEMOGRAPHIC ASSUMPTIONS

The demographic assumptions are set out below.

Mortality, Disablement and Resignation in Service

The table below shows specimen rates at various ages:

Age	Mortality in-service		Disability Retirement		Resignation	
	Male %	Female %	Male %	Female %	Male %	Female %
45	0.05	0.04	0.09	0.08	2	2
50	0.09	0.06	0.16	0.14	2	2
55	0.17	0.11	0.31	0.26	n/a	n/a

Retirement

The table below shows rates at ages 55 to 65.

Age	Proportion of Members Expected to Retire (%)
55 - 59	10
60 - 63	15
64	50
65	100

OTHER ASSUMPTIONS FOR ACTIVE MEMBERS

Proportion of Members Assumed to Take the Pension Option

The pension take-up rate is assumed to be 75% for this investigation.

Age Difference

The age of a spouse is assumed to be three years less than the member's age for male members and three years more than the member's age for female members.

Proportion Married

The proportion of married is assumed to be 75%.

Average Number and Age of Children

The table below shows specimen proportions of the average numbers of dependent children and their average age, at various ages.

Age	AVERAGE NUMBER OF CHILDREN		AVERAGE AGE OF CHILDREN	
	Males	Females	Males	Females
40	2.79	0.11	9.70	10.71
45	2.29	0.04	12.20	13.06
50	1.05	0.00	13.60	15.40
55	0.45	0.00	14.60	17.26
60	0.16	0.00	15.60	18.00

Pensioner Mortality

The table below shows specimen rates at various ages and these are based on ALT 15-17, with scaling of 50% applied, with this scaling increasing linearly by 1.5% for each year over age 65.

Age	MEMBERS		SPOUSE	
	Males %	Females %	Males %	Females %
65	0.48	0.28	0.48	0.28
70	0.89	0.55	0.89	0.55
75	1.71	1.09	1.71	1.09
80	3.40	2.29	3.40	2.29
85	6.94	5.02	6.94	5.02
90	13.29	10.68	13.29	10.68
95	21.30	19.40	21.30	19.40

In addition, an allowance for mortality improvement has been made as follows: 2.0% per annum reduction to these rates for each year from 30 June 2016, with these improvements reducing by 0.05% p.a. for each year over age 65.

Assumed mortality for widows is the same as for spouses.

In the above table, members' mortality for ages below 55 are used for members assumed to retire through ill-health. In-service mortality is used for deferred members before age 55.

OTHER ASSUMPTIONS

Division B Members

We assume that:

- the non-indexed pension option is ignored on retirement and disablement;
- all members who die have spouses;
- on withdrawal all members choose the deferred benefit;
- no deferred members "cash-out" their entitlements voluntarily before age 55;
- no deferred members take the non-indexed pension option when they reach age 55; and
- on the death of a deferred member the spouse does not take the non-indexed pension option.

Division C Members

We assume that:

- all members will continue to contribute at their current contribution rate, except those who reach the maximum multiple;
- the average proportion of all retirement benefits taken in pension form (including those people who take all of their benefits as a lump sum) will be 75%; and
- the disability retirement benefit is always taken as a pension if that option is more valuable, except for the accumulated member and productivity contributions, which are taken as lump sums;
- members with deferred pensions will commence their pension at age 55; and
- the death benefits is always taken as a lump sum.

Division D Members

We assume that:

- the average proportion of all retirement benefits taken in pension form (including those people who take all of their benefits as a lump sum) will be 75%; and
- all death and disability benefits will be taken as lump sums.

Division E Members

We assume that Members will continue to contribute at their current contribution rate, except for members who are currently contributing 8% and reach their maximum accrued benefit multiple. The contribution rate for these members will reduce to 6% when this occurs.

Division CB – Part 1, CC and CE

All members opt for the Preserved Benefit rather than their benefit entitlement prior to age 65.

Division CF

We assume that:

- the average proportion of all retirement benefits taken in pension form will be 75%;
- Members who die have a spouse in accordance with the assumptions regarding Proportion Married, Average Number and Age of Children above;
- the disability retirement benefit is always taken as a pension, except for those members who have a Division CD benefit which is taken as a lump sum;
- all members elect to take their retrenchment or resignation benefit rather than the voluntary preserved benefit.

Division CO – A Members

We assume that:

- all members will continue to contribute at their current contribution rate; and
- the retirement and disability retirement benefit is always taken as a pension, except for the voluntary contribution account and the additional 3% benefit which are taken as lump sums.

Child Pensioners

It was assumed that all children's pensions are paid to age 25. The total allowance for the children's pension liability is assumed to be $500,000 in view of the small number of child pensions and low annual payment that applies to a maximum age of 25. We will assume the liability remains at this amount until the next actuarial investigation.

Appendix B: Requirements under Prudential Standard SPS 160

CBA GROUP SUPER PLAN (THE PLAN) IN AUSTRALIAN RETIREMNET TRUST

ACTUARIAL VALUATION AS AT 30 JUNE 2024

I have carried out an actuarial valuation of the Plan, as at 30 June 2024. For the purposes of Prudential Standard SPS 160, I certify that:

a. **Plan Assets**

At 30 June 2024 the net market value of the assets of the Defined Benefit Plan was $1,048,048,388. This value was used for the value of assets for the purpose of the actuarial valuation and excludes the amount held to meet ORFR and assets in relation to Accumulation Division members.

b. **Projection of Vested Benefits**

I have projected that, based on my reasonable expectations, it is likely that during the three years following the valuation date the assets of the Plan will exceed the liabilities of the Plan in respect of both accrued benefits and vested benefits:

	Vested Benefits Index
30 June 2024	109%
30 June 2025	110%
30 June 2026	110%
30 June 2027	111%

This projection includes an estimate of the assets and liabilities in respect of the lifetime pensioners transferred from the predecessor Fund to the Plan effective 25 October 2024.

c. **Accrued Benefits**

In my opinion, the value of the assets of the Fund at 30 June 2024 were adequate to meet the liabilities of the Plan in respect of accrued benefits in the Plan. The value of accrued benefits for active and deferred members has been taken as the present value of future benefit payments which are attributable to service prior to the valuation date of 30 June 2024. A minimum of vested benefits has not been applied at an aggregate or individual level. The value of accrued benefits for pensioners has been taken as the present value of pension payments on the valuation assumptions. The assumptions adopted to calculate accrued benefits are best estimate assumptions. In my opinion, these methods and assumptions are appropriate for the purpose of determining accrued benefits.

d. **Vested Benefits**

The financial position of the Plan as at the valuation date of 30 June 2024 is not unsatisfactory and, in my opinion, the current shortfall limit of 100% does not need to be reviewed.

e. **Minimum Benefits**

The value of the liabilities in respect of the minimum benefits of the members of the Plan as at the valuation date of 30 June 2024 was $628,298,000. The assets of the Plan exceeded this amount therefore the Plan was technically solvent as at 30 June 2024.

f. **Recommended Company Contributions**

I recommend that the Bank pay contributions at least at the following rates until the results of the next actuarial investigation are known:

- From 1 July 2024 to 31 December 2024, $13.5 million for Defined Benefit accruals and expenses; plus
- From 1 January 2025, $12 million per annum for Defined Benefit accruals and expenses; plus
- The following amounts for accumulation members (including allowance for contributions tax) from 1 July 2024:
  - Basic Employer Credits at SG rate (Rule F4.1(a)(1));
  - Additional Basic Employer Credits (Rule F4.1(a)(2)); and
  - Special Employer Credits (Rule F4.1(b)), for example, under an EBA.

g. **Funding and Solvency Certificates**

All necessary Funding and Solvency Certificates for the Plan were obtained during the period from 4 November 2023 to 30 June 2024. In my opinion, the solvency of the Plan will be able to be certified in any Funding and Solvency Certificate required under the Superannuation Industry (Supervision) Regulations during the three year period to 30 June 2027, based on the assumptions used in this valuation and assuming the Bank pays contributions at least at the rates set out above.

h. **Defined Benefit Pensioners**

In my opinion, as at 30 June 2024, there is a high degree of probability (i.e. more than 70% as indicated by APRA as being the required probability) that the Plan will be able to pay Plan pensioners as required under the Trust Deed and Rules.

We also recommend that:

- there is no reason for alteration to the defined benefit investment strategy given the actuarial funding position;
- a shortfall limit of 100% remains appropriate and does not need to be reviewed; and
- the self-insurance arrangements remain appropriate.

Yours sincerely

[redacted]

About WTW

At WTW (NASDAQ: WTW), we provide data-driven, insight-led solutions in the areas of people, risk and capital. Leveraging the global view and local expertise of our colleagues serving 140 countries and markets, we help you sharpen your strategy, enhance organisational resilience, motivate your workforce and maximise performance. Working shoulder to shoulder with you, we uncover opportunities for sustainable success — and provide perspective that moves you. Learn more at wtwco.com.