MERCER
MAKE TOMORROW, TODAY

28 APRIL 2016

STATEMENT OF ADVICE

REPORT TO THE TRUSTEE ON THE ACTUARIAL INVESTIGATION AS AT 31 OCTOBER 2015

CBH SUPERANNUATION FUND

MARSH & McLENNAN COMPANIES

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Introduction and Scope of Report

I have prepared this report exclusively for the Trustee of the CBH Superannuation Fund (‘**the Fund’**) to:

- To present the results of an actuarial investigation of the Fund as of 31 October 2015;
- To review Fund experience for the period since the previous actuarial investigation (effective at 31 October 2012, the results of which were detailed in a report dated 28 March 2013);
- To recommend contributions to be made by the Employer intended to allow the Fund to meet its benefit obligations in an orderly manner and to reach and maintain an appropriate level of security for members’ accrued benefit entitlements;
- To satisfy the requirements of the Fund’s Trust Deed for actuarial investigations of the Fund’s financial position; and
- To meet legislative requirements under relevant Commonwealth superannuation legislation.

The Fund is a resident regulated fund and a complying fund for the purposes of the SIS Act. The Fund is taxed as a complying superannuation fund for the purposes of the SIS legislation, however the investment return on assets backing pensions is tax free. The current investigation has been conducted in accordance with Clause 14 of the Fund’s Trust Deed. The Prudential Standard SPS 160 requires that the trustee of a regulated defined benefit superannuation fund or sub-fund obtain an actuarial investigation annually in the case of funds with current pensioners (unless an exemption has been granted). As the Fund has been granted an exemption from annual valuations, it is only required to have an actuarial investigation every 3 years.

All members of the Fund, other than those in receipt of lifetime pensions, receive benefits based on the accumulation of contributions with earnings, after deductions for insurance premiums, expenses and tax. Earnings are calculated to reflect the actual performance of the investment option in which members’ benefits are invested. Deductions are calculated to cover actual costs. Accordingly, we are satisfied that the accumulation part of the Fund is solvent and is managed in such a way that it does not require actuarial supervision. Therefore, this actuarial report focuses on members in receipt of lifetime pensions and does not consider assets and liabilities attributable to other members.

The report has been prepared to comply with the requirements of SPS 160. The report satisfies the requirements of Professional Standard No 400 and Guidance Note 465 of the Institute of Actuaries of Australia. The advice contained in this report has been prepared for the Trustee and is given in the context of Australian law and practice. No allowance or consideration has been given to the disclosures required under any accountancy requirements of the employer, or for any taxation, legislative or other requirements in any other country. Additional calculations will be needed for any other purpose.

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Benefit Entitlements

The Fund pays lifetime pensions to two spouse pensioners.

Items (1) and (2) of sub-rule 12 of the Fund's Trust Deed provides for the Trustee, after considering the advice of the Actuary, to adjust pensions in line with the increase in the All Groups Consumer Price Index for Perth (CPI).

It has been customary for the Trustee to adjust pensions annually in November with the adjusted amount applying to the first pension period after the Fund's annual benefit review date. The rate of increase is based on the one year change in the September All Groups Consumer Price Index for Perth (CPI).

The pension increases applied over the last 3 years are as follows:

Increase in November	Pension Increase
2012	2.00%
2013	2.56%
2014	2.60%
Compound Average	2.39%

Pensions were also increased by 1.12% effective from 6 November 2015.

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Data

Membership Data

Lifetime Pensioners

There are two female spouse pensioners in the Fund with an average age of 87 years and total annual pensions of $55,417 as at 31 October 2015.

These pensions were increased with effect from 6 November 2015 by 1.12%.

Accumulation Members

There were 1022 members at 31 October 2015 whose benefits are determined wholly on a defined contributions (or 'accumulation') basis.

All new members join the accumulation section of the Fund.

The membership data used for this investigation was taken from the database used to administer the Fund. I have carried out some broad "reasonableness" checks on the data and I am satisfied with the quality of the data and its suitability for this purpose.

Asset Information

The net market value of the Fund's assets as at 31 October 2015 amounted to $224,810,603 (based on audited Financial Statements for the Fund at 31 October 2015).

Calculation of Defined Benefit Assets at 31 October 2015	$
Net market value of the Fund's assets as at 31 October 2015	**$224,810,603**
Less Assets held to meet the Operational Risk Financial Requirement	$1,661,423
Less accounts for accumulation members	$221,319,952
Assets to support the defined benefit pensioners liabilities, expense reserve and fluctuation reserve.	**$1,829,228**

Operational risk reserves

The assets to meet the Operational Risk Financial Requirement (ORFR) are held directly by the Fund. Therefore, in the table above, we have deducted these assets when calculating the assets to support the defined benefit liabilities of the Fund.

The scope of this Investigation does not include a review of the adequacy of assets held to meet the ORFR or the ORFR strategy.

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Financial experience since the last investigation

Establishment of an Operational Risk Reserve

Around $1.66m of surplus assets were used to establish the Fund's Operational Risk Reserve in the year ended 31 October 2013. These assets are no longer available to cover the payment of the lifetime pensions.

Investment returns

The compound average investment return on the Fund's Managed Option (there is currently only one option for active members in the Fund) over the 36 month period to 31 October 2015 was 9.80% per annum:

Year Ending 31 October	Investment Return
2013	18.39%
2014	8.13%
2015	3.40%
Compound Average	9.80%

This compared favourably to our longer term assumption at the last actuarial investigation of 6.75% p.a. The higher than assumed return had a positive impact on the Fund's financial position.

However, we understand that investment earnings on the 'surplus assets' (those assets in excess of the lifetime pensioner liability) are allocated back to members so the impact of the strong returns is limited.

Inflation

Pensions were indexed at an average of 2.39% p.a. over the period since 31 October 2012 compared with a long term rate of 2.5% p.a. assumed at the previous investigation.

The slightly lower than expected inflation has had a small positive impact on the Fund's financial position over the investigation period.

Mortality Experience

There was one death over the 36 month period to 30 June 2015 which is higher than expected based on the assumptions adopted in the previous review. This has had a small positive impact on the Fund's financial position.

Overall Impact

The overall impact of the above factors was positive on the Fund's financial position.

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Assumptions to value Pension Liabilities

In order to value the current pensions, it is necessary to make a number of assumptions, as set out below.

Discount Rate

The lifetime pensioner liabilities were valued using a discount rate of 6.75% p.a. compound.

The assumption for investment returns is based on the expected long-term investment return for the Fund's current benchmark investment mix, calculated using Mercer Investment Consulting's assumptions of the means and standard deviations of returns from the various underlying asset classes and the correlations of returns between those asset classes.

Pension Indexation

We retained a pension indexation rate (CPI) assumption of 2.5% p.a., consistent with the 31 October 2012 Actuarial Investigation.

We believe that 2.5% p.a. is still an appropriate assumption for the long0term rate of the All Groups Consumer Price Index for Perth.

Mortality

The Fund is not large enough to obtain meaningful experience in relation to pensioner mortality. The base mortality for the remaining two spouse pensioners is based on 86% Australian Life Table (ALT) 2005-07 Mortality. The base rate is then adjusted to allow for future mortality improvements based on the 25 year improvement factors derived from ALT 2005-07.

Sample mortality rates are as follows:

	Percentage of pensioners age x at beginning of year assumed to die during the year
Age Last Birthday	**Females**
x	**%**
85	7.09
90	13.09
95	20.90
100	28.28

The above rates are then adjusted on a member by member basis to allow for expected future mortality improvements from 2007. Sample annual mortality improvement factors are as follows:

Age Last Birthday	Females
x	**%**
85	1.618
90	1.035
95	0.675
100	0.470

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Financial Position as at 31 October 2015

We have calculated that the present value of current lifetime pensioner liabilities, using the assumptions detailed above, is $338,077. This benefit value is the same for the purposes of Vested Benefits, Actuarial Value of Accrued Benefits and Minimum Requisite Benefits.

The financial position as at 31 October 2015 can be summarised as follows:

As at 31 October 2015		**$**
	Net Assets	224,810,603
less	Vested Benefits (excluding lifetime pensioners)	221,319,952
less	Operational Risk Reserve	1,661,423
	Residual Net Assets	1,829,228
less	Vested Benefits (lifetime pensioners)	338,077
	Excess Assets over Vested Benefits	1,491,151

The Vested Benefits (excluding lifetime pensioners) will move in line with changes in the market value of the investments so that no margin is required in respect of these Fund liabilities.

The Vested Benefit Index for the lifetime pensioner liabilities is therefore 541% ($1,829,228/$338,077) showing that the funding position for the lifetime pensioners is very strong.

Accordingly, the Fund was in a satisfactory financial position as at 31 October 2015.

Financing Objective

The financing objective I have adopted for this investigation is to maintain the value of the Fund's assets at least equal to:

- 100% of accumulation account balances; plus
- 120% of lifetime pension members' liabilities.

Accumulation account balances are matched by specific assets and do not require any additional margins.

The objective to cover 120% lifetime pension members' liabilities is designed to provide some protection against adverse experience.

The valuation results indicate that current assets are expected to be more than sufficient to fund future pension payments.

Recommended Contributions

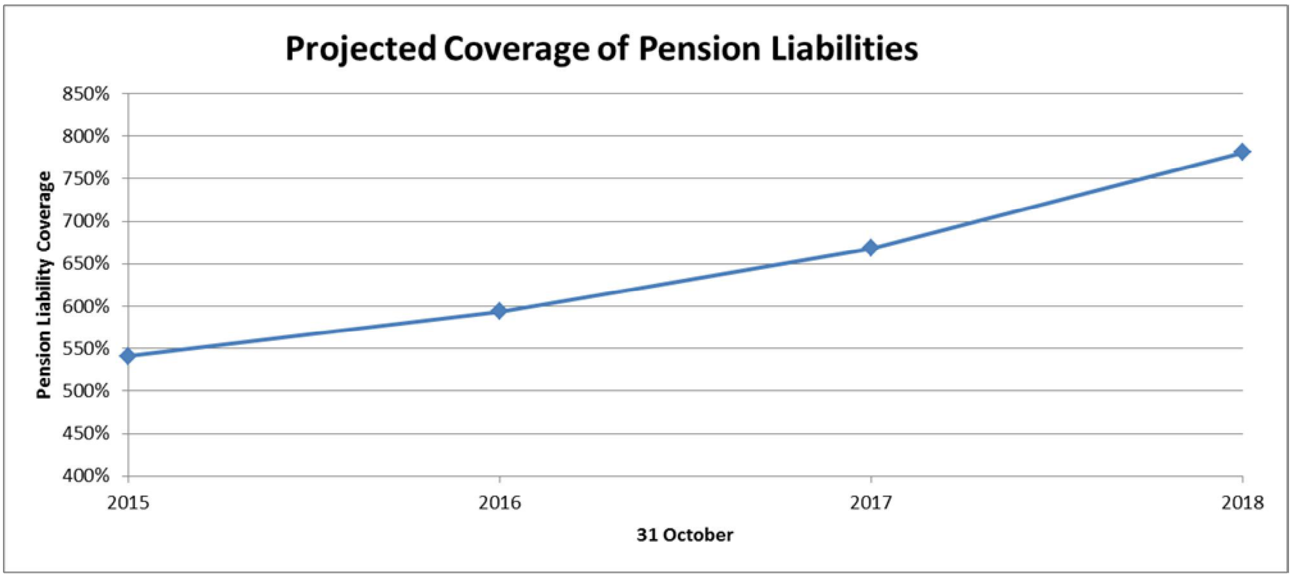
I recommend that the Employer contribute to the Fund at the following rates from 31 October 2015:

- **Pensioners:**
  - Nil
- **Accumulation members:**
  - As required to meet the Employer's obligations under Superannuation Guarantee legislation or employment agreements) in respect of accumulation members, plus
  - Any additional employer contributions agreed between the Employer and a member (e.g. additional salary sacrifice contributions)

This recommended contribution program is expected, on the basis of the actuarial assumptions adopted for this investigation, to maintain the Fund in a satisfactory financial position over the next three years.

Projection of coverage of benefits on valuation assumptions

I have prepared a projection of the Fund's financial position over the next three years below:



The graph above shows that the Fund is expected to remain in a satisfactory financial position over the next three years with assets continuing to comfortably cover projected liabilities.

Risks

There are a number of risks relating to the Fund's financial position. The significant financial risks are:

- **Investment risk:** The risk that investment returns do not match the assumed returns.

  For example, if the assumed future investment return was reduced by 1% pa with no change in other assumptions, then the Vested Benefits for the two lifetime pensioners would increase by $16,000 (Employer funding cost impact $16,000 /0.85 = $18,800), with a resulting reduction in the coverage of the Vested Benefits from 541% to 517% and

  The actual investment return achieved by the Plan in future may vary (positively or negatively) from the rate assumed at this investigation by much more than the (negative) 1% pa illustrated in the example above.

- **Inflation risk:** The risk that the inflation is higher than assumed;
- **Longevity risk:** The risk that pensioners live longer than expected; and
- **Legislative risk:** The risk that legislation changes increase the cost of providing the pensions, e.g. imposition of tax on investment income.

The costs of these risks are borne by the sponsoring employer. Given the relative size of the vested benefits for lifetime pensioners and the net assets available to back these liabilities and the age of the pensioners, the above risks are not regarded as being material.

There is also a risk that any misalignment of the movement in member account balances and the Fund's investments will impact on the reserves covering the life pensioner liabilities.

We make the following comments:

- The Fund's crediting rates take into account the investment earnings of the Fund net of expenses and tax. To the extent that the actual crediting rates diverge from the actual investment earnings, the Trustee is presumably able to "true-up" the position to avoid these differences becoming significant and hence a material risk to the assets backing the lifetime pensioners.
- The Fund also has an Operational Risk Reserve of 0.32% of assets which provides further protection to the assets backing the lifetime pensioners.
- The Trust Deed allows the Trustee to reduce the level of death and disability cover if the Life Insurer reduces the cover or does not pay any portion of the benefits for any reasons. The Trustee is therefore able to control any mismatch between the insurance benefits and insurance proceeds other than possibly where the member is able to claim that the Fund is liable to provide the insurance cover even when the Life Insurer does not pay the insurance e.g. due to misrepresentations to the member. The Operational Risk Reserve would presumably cover this.

Risk of pension liability differing from 'market value'

This risk is borne by the Employer. The basis used to value defined benefit pension entitlements for the purposes of this valuation is considered suitable taking into account the Fund's current circumstances, including the current investment policy and assuming the ongoing support of the Employer.

Furthermore, the financing objective has been set on the basis that pensioners' reasonable expectations on termination of the Fund would be to receive the lump sum value of their pension determined on the actuarial assumptions adopted for this valuation.

If instead the pension liabilities were to be valued on a 'market value' basis – that is, the amount which would be required to be paid to a third party (for example, a life insurance company) to take on the liability – a much higher pension liability value would be obtained.

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Fund Design and Policies

Background information

The Fund is operated for the benefit of employees of Co-operative Bulk Handling Limited. The Trustee of the Fund holds a Registrable Superannuation Entity Licence under the SIS legislation and operates the Fund as required under the Trust Deed. This report is provided for the Trustee and presents the results of the actuarial valuation of the Fund as at 31 October 2015.

It has been prepared in accordance with the requirements of the Trust Deed, the SIS legislation and Professional Standard 400 of the Institute of Actuaries of Australia.

The Fund is a resident regulated fund and a complying superannuation fund for the purposes of the SIS legislation. The Fund is taxed as a complying superannuation fund.

The advice contained in this report is given in the context of Australian law and practice. No allowance has been made for taxation, accountancy or other requirements in any other country.

Summary of benefits

The governing rules of the Fund are set out in the trust deed. A summary of the main benefit provisions in respect of pensioners and accumulation members is set out below. Reference should be made to the formal governing documents for definitive statements.

Pensioners

Payment Frequency	Payable every 28 days
Indexation	Indexed annually in line with increases in the Perth Consumer Price Index
Commutations	Pensions can be commuted to a lump sum benefit, the value of which is determined by the actuary.
Additional Information	Closed to new pensioners

Accumulation Members

Leaving Service Benefit	Accumulation with investment returns of voluntary member contributions (post or pre-tax), employer Superannuation Guarantee (SG) contributions, less tax, insurance premiums and expenses (where applicable).
Death & TPD Benefit	On the death or total and permanent disablement (TPD) of a member, a lump sum benefit is payable as follows: Leaving Service Benefit *plus* Voluntary Insured Benefit (where applicable)
Salary Continuance Benefit	Members may elect to receive a salary continuance benefit, usually 75% of salary.
Retained Benefit	Since 6 April 2009, members with at least 7 years' service have been able to elect to retain their benefits in the Fund on termination of employment. Retained members may not contribute or have insurance, all other arrangements are the same as accumulation members.

Investment Policy

Assets backing accumulation benefit liabilities

The Fund currently offers only a single pooled investment option for active members, the "Managed option". The assets supporting the Fund's accumulation benefit liabilities are invested in this investment option and the actual returns on those investments (whether positive or negative) are passed on to members via changes in the unit prices by which member account balances are determined. Thus the Fund's accumulation liabilities and related assets are matched.

Members with an account based pension have the option of investing all or part of their monies in the Managed option or Cash option. Again, the actual returns on those investments (whether positive or negative) are passed on to members via changes in the unit prices for this option. Thus the Fund's account based pension liabilities and related assets are matched.

The assets held as part of the Fund's Operational Risk Financial Reserve (ORFR) (around $1.66m) are also invested in the Managed investment option. Any earnings or losses from the assets underlying the ORFR are allocated to consolidated funds and are not used to increase or decrease the amount held as the ORFR.

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

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

Assets backing lifetime pensioner liabilities

The Fund assets supporting the lifetime pensioner liabilities (the residual net assets of around $1.83m) are also invested in the Managed option. This option currently involves a benchmark 70% exposure to 'growth' assets such as shares and property and a benchmark 30% exposure to 'defensive' assets such as cash and fixed interest (refer to the table below for the actual and benchmark investment allocations of these assets as at the investigation date). 'Growth' assets are expected to earn higher returns over the long term compared to 'defensive' assets, but at the same time to exhibit more variation in returns from year to year.

31 October 2015	Benchmark Allocation	Strategic Asset Allocation Range
Australian Shares	25%	20 - 40%
Overseas Shares	33%	20 - 40%
Property	10%	0 - 20%
Other Growth Investments	2%	0 - 10%
Total Growth Assets	**70%**	
Fixed Interest	25%	10 - 35%
Cash & Liquid Assets	5%	2 - 15%
Total Defensive Assets	**30%**	
Total	**100.0%**	

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

I have reviewed the Fund's defined benefit investment policy taking into account the Fund's financial position and the nature and term of the Fund's defined benefit liabilities and confirm I consider that the investment policy adopted is a suitable policy, especially considering the large level of surplus assets over the lifetime pensioner liabilities.

However, in the event of a significant reduction in the level of excess assets held, consideration should be given to moving an appropriate amount of assets to back the pensioner liabilities to a lower risk investment strategy, perhaps a cash type option, in order to reduce the risk of assets being insufficient to meet the cost of paying the current pensions and the possibility of additional Employer contributions being required.

Crediting Policy

The crediting and unit pricing policy and related procedures are documented. A detailed review of the policy and related procedures is outside the scope of this investigation.

The main features of the policy are as follows:

- The Trustee sets an annual unit price based upon the Fund's net assets and the units held by members at 31 October. This unit price is used to calculate member's closing account balances. Investment earnings on an individual member's account is the difference between the closing and opening balances, less any transactions in or out of the account during the year.
- An interim unit price is set on a monthly basis for use in calculating the account balance of members who are exiting the Fund or for other cash flows such as withdrawals or contributions.

- Administration expenses are effectively borne by members as they are deucted from investment earnings when calculating the final unit price.
- Investment management costs (currently 0.28% p.a.) are also met through a reduction in the final unit price.
- Investment earnings on assets underlying the ORFR and the residual net assets are also distributed to members.

Based on a review of the main features, I consider that the unit pricing and crediting policy for these benefits is generally suitable taking into consideration the principles of equity between different generations of members and any material risks which may have a significant impact on the Fund (i.e. a market shock or sudden downturn in investment markets).

Insurance Policy

For accumulation members, death and lump sum total and permanent disablement benefits (TPD) in excess of total account balances are fully insured, as are disability income benefits.

All member death or disability insurance premiums are deducted directly from member accounts.

The Fund is not permitted to self-insure.

I consider that the Fund's current insurance arrangements are suitable.

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Requirements of SPS 160 and SIS Regulations

APRA has issued a number of Prudential Standards for the superannuation industry, including a new Prudential Standard (SPS 160) relating to the financial management and funding of defined benefit plans. We have commented below on a number of the new requirements arising from SPS 160, which took effect from 1 July 2013.

Shortfall Limit

One of the new requirements of SPS 160 is that the Trustee must determine a “Shortfall Limit” for each fund, being “the extent to which the fund can be in an unsatisfactory financial position with the Trustee still being able to reasonably expect that, because of corrections to temporary negative market fluctuations in the value of the fund assets, the fund can be restored to a satisfactory financial position within a year”.

The Shortfall Limit is expressed as a percentage coverage level of defined benefit vested benefits by defined benefit assets.

The Trustee has received advice in regard to determining an appropriate Shortfall Limit for the Fund.

That advice took into account:

- The guidance provided in the Actuaries Institute Information Note: Shortfall Limit in Prudential Standard 160 dated June 2013;
- The investment strategy for defined benefit assets, particularly the no exposure to “growth” assets;
- The extent to which the current and projected defined benefit Vested Benefits are not linked to the investment return on defined benefit assets (i.e. defined benefit pensions).

Based on information available for the Fund at the time, the Trustee adopted a shortfall limit of 100%. As part of preparing this actuarial investigation, we have re-examined the shortfall limit taking into account the items listed above.

As the defined benefit section of the Fund only has defined benefit pensions, the shortfall limit remains at 100%. The shortfall limit of 100% is consistent with the requirement that the shortfall limit not be set at a level at which the Fund may become technically insolvent without breaching the shortfall limit.

We will reassess the suitability of the adopted Shortfall Limit as part of the next regular actuarial investigation. The Shortfall Limit could be reviewed earlier if there is a significant change to the investment strategy for defined benefit assets, but we are unlikely to recommend a shortfall limit lower than 100% due to the nature of the Fund’s liabilities and the requirements for maintaining solvency.

Financial Position

As indicated by the results in the table in Section 6, we consider that:

- The Fund is not in an unsatisfactory financial position; and
- The Fund is not likely to fall into an unsatisfactory financial position.

Hence the special requirements of SPS 160 for funds in an unsatisfactory financial position do not apply at this investigation. In any event, based on our understanding that the pension liabilities should be treated as minimum benefits for solvency purpose, the Fund would also be technically insolvent if it was “unsatisfactory”. In this case, the technical insolvency provisions take precedence over the SPS160 requirements for an “unsatisfactory” financial position.

Statements Required by SPS 160

The Summary of Actuary’s Report (AAS 25), in Section 9, provides statements required to be made under APRA Prudential Standard SPS 160.

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Actuary's Certification

Professional standards and scope

This report has been prepared in accordance with generally accepted actuarial principles, Mercer internal standards, and the relevant Professional Standards of the Institute of Actuaries of Australia, in particular PS400 which applies to "...actuarial investigations of the financial condition of wholly or partially funded defined benefit superannuation funds."

Use of report

This investigation report should not be relied upon for any other purpose or by any party other than the Trustee of the Fund and the Employer(s) who contribute to the Fund. Mercer is not responsible for the consequences of any other use. This report should be considered in its entirety and not distributed in parts.

The advice contained in this report is given in the context of Australian law and practice. No allowance has been made for taxation, accountancy or other requirements in any other country.

Actuarial Uncertainty and Assumptions

An actuarial investigation report contains a snapshot of a Fund's financial condition at a particular point in time, and projections of the Fund's estimated future financial position based on certain assumptions. It does not provide certainty in relation to a Fund's future financial condition or its ability to pay benefits in the future.

Future funding and **actual** costs relating to the Fund are primarily driven by the Fund's benefit design, the **actual** investment returns, the **actual** rate of inflation, the **actual** experience of pensioners' longevity and any discretions exercised by the Trustee or the Employer. The Fund's actuary does not directly control or influence any of these factors in the context of an actuarial investigation.

The Fund's future financial position and the recommended Employer contributions depend on a number of factors, including the amount of benefits the Fund pays, plan expense, the level of taxation and the amount earned on any assets invested to pay the benefits. These amounts and others are uncertain and unknowable at the investigation date, but are predicted to fall within a reasonable range of possibilities.

To prepare this report, assumptions, as described in Section 5, are used to select a single scenario from the range of possibilities. The results of that single scenario are included in this report.

However, the future is uncertain and the Fund's actual experience will differ from those assumptions; these differences may be significant or material. In addition, different assumptions or scenarios may also be within the reasonable range and results based on those assumptions would be different.

Actuarial assumptions may also be changed from one investigation to the next because of mandated requirements, Fund experience, changes in expectations about the future and other factors. We did not perform, and thus do not present, an analysis of the potential range of future possibilities and scenarios.

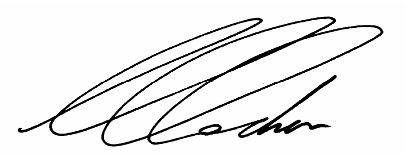
Because actual Fund experience will differ from the assumptions, decisions about benefit changes, investment policy, funding amounts, benefit security and/or benefit related issues should be made only after careful consideration of alternative future financial conditions and scenarios, and not solely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

Data and Fund Provisions

To prepare this report, we have relied on financial and participant data provided by the Fund's administrator. The data used is summarised in this report. We have reviewed the financial and participant data for internal consistency and general reasonableness and believe it is suitable for the purpose of this report. We have not verified or audited any of the data or information provided. We have also relied upon the documents, including amendments, governing the Fund as provided by the Trustee. The Trustee is ultimately responsible for the validity, accuracy and comprehensiveness of this information. If the data or Fund provisions are not accurate and complete, the valuation results may differ significantly from the results that would be obtained with accurate and complete information; this may require a revision of this report.

Further Information

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



Richard Codron
Fellow of the Institute of Actuaries of Australia
Representative of Mercer Consulting (Australia) Pty Ltd AFS Licence#411770

28 April 2016

APPENDIX A

Selected Extracts from Trust Deed

The followings are summaries of the key parts of the trust deed of the CBH Superannuation Fund:

PENSION INDEXATION

12. ADJUSTMENT TO PENSIONS

(1) On the Review Date or such other date as the Trustee may determine in each year the Trustee shall after considering the advice of the Actuary and with the agreement of the Principal Employer adjust each Pension then being paid from the Fund in accordance with Sub-rule (2).

(2) Subject to Sub-rules (3) (4) and (5) the adjustment referred to in Sub-rule (1) shall unless otherwise determined by the Trustee consist of an increase to each Pension then being paid at the rate of the percentage increase in the All Groups Consumer Price Index for Perth which has occurred since -

(i) the date of any previous adjustment made under this Rule; or

(ii) in the case of the first such adjustment, the Commencing Date.

(3) If agreed by the Principal Employer and the Trustee, an adjustment to increase Pensions may be made by a greater or lesser rate than determined in accordance with Sub-rule (2).

(4) In the case of a Pension which had become payable since the previous adjustment the adjustment to the said Pension shall be proportionate to that part of the period since the previous adjustment during which the Pension has been payable.

(5) On the advice of the Actuary following an Actuarial Review and with the agreement of the Principal Employer the Trustee may reduce each Pension then being paid from the Fund at a rate determined by the Trustee.

APPENDIX B

Summary of Actuary's Report (AAS 25)

CBH Superannuation Fund

*This Summary has been prepared for the purposes of **Australian Accounting Standard 25**. This Summary also provides statements required to be made under APRA Prudential Standard SPS 160. Values cited relate to the Fund as a whole (inclusive of all accumulation members and accounts).*

The effective date of the most recent actuarial investigation of the CBH Superannuation Fund (the Fund) was 31 October 2015 covering the period from 31 October 2012 to that date. The investigation was undertaken by Richard Codron, a Fellow of the Institute of Actuaries of Australia, on behalf of Mercer, Collins Square, 727 Collins Street, Melbourne Vic 3008, and the results are set out in a report dated 28 April 2016. A summary of this report follows:

(i) As at 31 October 2015, the net realisable value of the assets of the Fund, based on unaudited information provided by the Trustee, amounted to $223,149,180. This value excludes assets held to meet the Operational Risk Financial Requirement. This is also the value of assets used in determining the recommended contribution rate.

(ii) The Fund's liability in respect of lifetime pensioners is $338,077.

(iii) The actuarial value of accrued benefits as at 31 October 2015 was $221,658,029. Hence I consider that the value of the assets at 31 October 2015 is adequate to meet the value of the accrued benefit liabilities of the Fund as at 31 October 2015. In determining the value, I have not applied a minimum of the vested benefits. The above figure includes accumulation members' liabilities of $221,319,952.

(iv) The total as at 31 October 2015 of members' Vested Benefits (i.e. voluntary resignation benefits, or early retirement benefits if eligible as of right), amounted to $221,658,029. Hence I consider that the value of the assets at 31 October 2015 is adequate to meet the value of the vested benefit liabilities of the Fund as at 31 October 2015. Assuming that the Employer contributes in accordance with my recommendations, then, based on the assumptions made for this actuarial investigation, I expect that assets will remain sufficient to cover the value of vested benefit liabilities over the period to 31 October 2018. Hence I consider that the financial position of the Fund should not be treated as unsatisfactory as defined in SPS 160.

(v) In my opinion, the value of the liabilities of the Fund in respect of the minimum benefits of the members of the Fund as at 31 October 2015 was $221,658,029. Hence the Fund was not technically insolvent at 31 October 2015.

(vi) The Fund is used for Superannuation Guarantee purposes:

- all Funding and Solvency Certificates required under Division 9.3 of the SIS Regulations have been issued for the period from the date of the last investigation to 31 October 2015;
- the Fund was solvent at 31 October 2015; and

I expect to be able to certify the solvency of the Fund in all Funding and Solvency Certificates that may be required in the three year period from 31 October 2015.

(vii) The actuary recommended that the Employer contribute to the Fund at the following rates from 31 October 2015:

- Pensioners:
  - o Nil
- Accumulation members:
  - o Amounts allocated to members' balances to meet at least the Employer's obligations under Superannuation Guarantee legislation or employment agreements; plus
  - o Any additional employer contributions agreed between the Employer and a member (e.g. additional salary sacrifice contributions).

This recommended contribution program is expected, on the basis of the actuarial assumptions adopted for this investigation, to maintain the Fund in a satisfactory position.

(viii) A projection of the likely future financial position of the Fund over the 3-year period following 31 October 2015, based on what I consider to be reasonable expectations for the Fund for the purpose of this projection, is set out in Section 6 of this report.

(ix) Based on the results of this investigation, I consider that the Shortfall Limit of 100% remains appropriate.

(x) In my opinion, there is a "high degree of probability", as at 31 October 2015, that the Fund will be able to meet the pension payments as required under the Fund's governing rules. The next valuation of pension liabilities is due at 1 November 2018.

(xi) Taking into account the circumstances of the Fund, the details of the membership and the assets, the benefit structure of the Fund and the industry within which the Employer operates, the assumptions and valuation methodology used are appropriate in relation to the determination of the present value of accrued benefits for the purposes of the actuarial investigation and AAS25.

(xii) In preparing this summary, I have complied with the Professional Standards and Guidance Notes issued by the Actuaries Institute.

Richard Codron
Fellow of the Institute of Actuaries of Australia
Representative of Mercer Consulting (Australia) Pty Ltd AFS Licence #411770

28 April 2016

B.1. Note 1: Summary of Method of Attributing Benefits to Past Membership

B.1.1. Accumulation Benefits

The value of accumulation benefits has been taken as the sum of the balances held in accumulation accounts at the date of the investigation.

B.1.2. Lifetime Pensioners

The total benefits in payment to the two lifetime pensioners are in respect of past membership of the Fund.

B.1.3. Changes in Methodology of Calculating the Actuarial Value of Accrued Benefits

The method used for the determination of Accrued Benefits is the same as that used at the previous investigation.

B.2. Note 2: Summary of Assumptions

B.2.1. Financial Assumptions

Discount Rate

The lifetime pensioner liabilities were valued using a discount rate of 6.75% p.a. compound.

For the purposes of determining the present value of accrued benefits in accordance with Australian Accounting Standard AAS25, a market-determined, risk adjusted discount rate of 6.75% per annum was used. This rate represents expected return on the Fund’s defined benefit assets.

Pension Indexation

We retained a pension indexation rate (CPI) assumption of 2.5% p.a.

B.2.2. Other Assumptions

Assumptions regarding rates at which members will leave the Fund on account of retirement, death, disablement and resignation have been based on the experience of this and other similar Funds. Further details can be found in my report of the actuarial investigation as at 31 October 2015.

B.2.3. Changes in Key Assumptions

The key assumptions used are the same as those used at the previous investigation.

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