



# Regular Triennial Actuarial Investigation Report to the Trustee of the

BT Lifetime Super - NCR Australia Pty Limited Plan

**Valuation Date:** 1 July 2018

**Date of Report:** 17 December 2018

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## Executive Summary

Superannuation regulations and the Trust Deed of the BT Lifetime Super - NCR Australia Pty Limited Plan (the Plan) require that the Plan undergo a regular triennial actuarial investigation. This report has been prepared in order to comply with these provisions.

The sponsor of the Plan is NCR Australia Pty Limited (the Employer) and the Trustee is BT Funds Management Limited (the Trustee).

## Financial condition

A snapshot of the financial condition of the Plan as at 1 July 2018 is set out below.

	Defined Benefits only	Total Plan	Comments
Vested Benefits Index	160%	107%	<ul style="list-style-type: none"> <li>▪ The Plan remains in a satisfactory financial position.</li> <li>▪ The Plan's Vested Benefit Index for Defined Benefits is above the Shortfall Limit of 100%.</li> </ul>
Actuarial Value of Accrued Benefits Index	123%	103%	<ul style="list-style-type: none"> <li>▪ The Plan remains in an adequate financial position.</li> <li>▪ The Plan had a surplus on this basis of \$1,163,522.</li> </ul>
Minimum Requisite Benefits Index	160%	107%	<ul style="list-style-type: none"> <li>▪ The Plan was solvent in relation to its Minimum Requisite Benefits.</li> </ul>

See Sections 4 and 5 for more information on the financial condition of the Plan.

## Significant changes since the prior regular triennial actuarial investigation

No changes or events have occurred since the last regular triennial investigation that would have had a significant effect on this regular triennial actuarial investigation's disclosure information.

## Employer contribution recommendations

In light of the current strong financial position of the Plan, I recommend that the Employer continue the Defined Benefit related Employer contribution holiday however, the Employer should continue to make the following contributions:

- Member contributions of 3.53% pa (pre-tax) of Superannuation Salary which the Employer has agreed to pay on behalf of the Defined Benefit members;
- Award contributions of 3% pa of Superannuation Salary to the Defined Benefit members' accumulation accounts;
- Contributions as described in the Employer Application Form to match additional employees' contributions to the Employer Partially Vested Account in the Defined Contribution (Accumulation) Section of the Plan (where applicable);
- Contributions to pay for the expenses charged to Defined Benefit members' accumulation accounts where these have been agreed with the member.

The Employer contributions must be paid by the 28<sup>th</sup> day of the second month following the quarter end.

Employer contributions of at least the Superannuation Guarantee rate in respect of Accumulation members are also payable.

For disclosure purposes the long-term Employer contribution rate is 20.9% pa, calculated as at 1 July 2018 (inclusive of 3% pa Award Contributions).

The required Employer contributions will need to be reviewed prior to the next triennial actuarial investigation due with an effective date of 1 July 2021 in the event of:

- a major change in the benefit structure of the Plan;
- a significant reduction in total membership;
- a breach of the Shortfall Limit;
- an adverse material change in economic conditions or a restructure of remuneration, such as a consolidation of substantial items into Superannuation Salary which are not currently superannuated; or
- any other factor mentioned as a "Notifiable Event" in the Funding and Solvency Certificate.

Please refer to Section 4 for details.

## Shortfall Limit recommendations

I have reviewed the Shortfall Limit of 100% and confirm that, in my view, it remains appropriate.

Please refer to Section 5 for details.

## Insurance recommendations

I have reviewed these formulae and confirm that, in my view, they remain appropriate and the current insurance arrangement should be maintained.

Please refer to Section 6 for details.

## Investment recommendations

In my opinion, noting the current funding position, the retention of the current investment profile (BT Premium Cash Fund) is satisfactory to meet the long-term liabilities of the Plan including the projected lump sum benefits of Defined Benefit members on termination of employment or on reaching their Normal Retirement Date and converting to the Plan's Accumulation category.

The Employer is considering winding up (on a member consent basis) the Defined Benefit section of the Plan with a proposed Defined Benefit cessation date as at 31 January 2019. Therefore, the current investment profile remains appropriate as it acts to minimise the volatility of the funding position of the Plan.

I recommend the current investment profile be reviewed if the wind up of the Defined Benefit section of the Plan does not occur with a Defined Benefit cessation date during the first quarter of 2019, noting that the outcome of such a review may be to leave the investment profile unchanged.

## Crediting rate recommendations

I have reviewed the crediting rate policy for the Plan and confirm that, in my view, it remains appropriate and should be maintained. For more information refer to Appendix C.

## Monitoring recommendations

I have reviewed the current practice of carrying out the regular actuarial investigation on a triennial basis and confirm that, in my view, more frequent investigations are not warranted.

## Actuarial assumptions

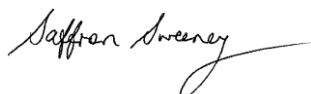
There have been changes to the actuarial assumptions since the previous regular triennial actuarial investigation. For more information refer to Section 3.

## Material risks

I have reviewed the material risks of the Plan and confirm that, in my view, there are no unusual significant risks that the Trustee needs to be aware of should the Defined Benefit section remain ongoing. In the event of the possible wind up of the Defined Benefit section, the Trustee would of course need to consider member best interests in making the Trustee's determination on the wind-up proposal. Please refer to Section 8 for details.

## Next actuarial investigation

The next regular triennial actuarial investigation of the Plan should be carried out with an effective date of 1 July 2021. An interim actuarial investigation will be carried out at an earlier date in the occurrence of an event as set out on the previous page.



Saffron Sweeney  
Fellow of the Institute of Actuaries of Australia

17 December 2018

## Section 1 – Introduction

### Purpose of the Regular Triennial Actuarial Investigation

The reasons for this regular triennial actuarial investigation are:

- to satisfy the requirements of Superannuation Prudential Standard (SPS) 160 which requires a regular actuarial investigation to be carried out once every three years;
- to review the Plan's financial position as at 1 July 2018 (the Effective Date);
- to examine the Plan's immediate solvency and funding indices;
- to recommend appropriate Employer contribution rates so that the Plan remains in a satisfactory financial position and in order to satisfy the contribution requirements of the Trust Deed;
- to review the basis for insuring death and disability benefits; and
- to comment on any aspect of the Plan that may assist with improving its objectives.

The main provisions of the Plan that relate to benefits and contributions are set out in Appendix A.

### Name of Actuary

This regular triennial actuarial investigation was carried out as at 1 July 2018 by Saffron Sweeney, of Aon Hewitt Limited, Fellow of the Institute of Actuaries of Australia. The previous regular triennial actuarial investigation was completed by Ashley Palmer, of Aon Hewitt Limited, Fellow of the Institute of Actuaries of Australia, as at 1 July 2015. The results are shown in the report dated 18 March 2016.

### Compliance with the standards of the Institute of Actuaries of Australia

This report satisfies the requirements of the Professional Standards (including Professional Standards 400, 402 and 404) published by the Institute of Actuaries of Australia and Superannuation Prudential Standard (SPS) 160.

### Limitations in preparing the Report

There have been no restrictions or limitations placed on me in providing the recommendations in this report.

## Previous investigation results

The results of the previous triennial investigation as at 1 July 2015 were as follows:

### Regular Triennial Actuarial Investigation as at 1 July 2015

A surplus of Assets over the Actuarial Value of Accrued Benefits	\$2,172,000
An excess of Assets over the Vested Benefits	\$4,091,000
Summary of the recommended Employer contribution for DB members*	<p>From 1 July 2015 the Employer has been on a contribution holiday for Defined Benefit related employer contributions. However, the Employer continues to make the following contributions:</p> <ol style="list-style-type: none"> <li>1. Member contributions of 3.53% (pre-tax) of Superannuation Salary;</li> <li>2. Award contributions of 3% p.a. of Superannuation Salary;</li> <li>3. Contributions as described in the Employer Application Form to match additional employees' contributions to the Employer Partially Vested Account in the Defined Contribution (Accumulation) Section of the Plan (where applicable); and</li> <li>4. Contributions to pay for the expenses charged to Defined Benefit members' accumulation accounts where these have been agreed with the member.</li> </ol>

\*The Employer contributions were to be paid by the 28<sup>th</sup> day of the second month following the quarter end.

Employer contributions of at least the Superannuation Guarantee rate in respect of Accumulation members were also payable.

The average long-term Employer contribution rate was 19.1% pa of Defined Benefit members' superannuation salaries as at 1 July 2015.

Contributions have been paid in accordance with the above recommendations since the last regular triennial actuarial investigation to the date of this report.

## Section 2 – The Plan’s Experience

This section considers the assumptions used in the previous regular triennial actuarial investigation as at 1 July 2015 and the experience of the Plan relative to these assumptions.

The main factors affecting the Plan’s financial position during the period since the previous triennial actuarial investigation as at 1 July 2015 were as follows:

	<b>Assumptions at the previous triennial investigation</b>	<b>Plan Experience</b>	<b>Impact on the financial position of the Plan (when considered in isolation)</b>
Investment Returns <sup>1</sup>	<ul style="list-style-type: none"> <li>▪ 3.0% pa</li> </ul>	<ul style="list-style-type: none"> <li>▪ 1.6% pa</li> </ul>	Unfavourable effect: The Defined Benefit assets increased at a lower rate than assumed.
Salary Increases	<ul style="list-style-type: none"> <li>▪ 2.0% pa</li> </ul>	<ul style="list-style-type: none"> <li>▪ 2.9% pa</li> </ul>	Unfavourable effect: The Defined Benefit liabilities increased at a higher rate than assumed.
Average Employer Contribution rate <sup>2</sup>	<ul style="list-style-type: none"> <li>▪ Recommended rate (averaged based on category and period) of 3.0% pa</li> </ul>	<ul style="list-style-type: none"> <li>▪ Long-term rate of 19.1% pa</li> </ul>	<p>Unfavourable effect: The Defined Benefit assets increased at a lower amount than the long-term cost of providing the defined benefits.</p> <p>As recommended, the Defined Benefit contribution rates were at a lower rate than the long-term cost of providing the defined benefits.</p>
Expenses and Insurance Premiums <sup>2</sup>	<ul style="list-style-type: none"> <li>▪ 1.5% pa for Expenses</li> <li>▪ 0.2% pa for Death and TPD insurance premiums</li> <li>▪ 0.5% pa for SCI insurance premiums</li> </ul>	<ul style="list-style-type: none"> <li>▪ 3.4% pa for Expenses</li> <li>▪ 0.1% pa for Death and TPD insurance premiums</li> <li>▪ 0.4% pa for SCI insurance premiums</li> </ul>	Unfavourable effect: The Defined Benefit assets, on average overall, have paid more expenses and premiums than assumed.

<sup>1</sup>net of investment expenses and tax

<sup>2</sup> % of Defined Benefit members’ Superannuation Salaries

The other factors affecting the Plan’s financial position during the period since the previous regular triennial actuarial investigation include:

- Membership movements during the triennial actuarial investigation period:
  - 7 Defined Benefit members left the Plan due to early retirement
  - 4 Defined Benefit members left the plan due to normal retirement
  - 3 Defined Benefit members left the plan due to resignation/retranchment

The total effect of the membership movements has been a positive effect on the financial position of the Plan.

The overall experience of the Plan during the regular triennial actuarial investigation period has had a negative effect on its financial position.

## Section 3 – Assumptions

As part of this regular triennial actuarial investigation, I have analysed the method and assumptions used in the previous regular triennial actuarial investigation as at 1 July 2015. Where appropriate I have maintained these methods and assumptions, however some have changed in light of the experience discussed in Section 2 of this report and after consideration of changes in market expectations. The actuarial method used is described in Appendix D.

### Assets

I have taken the net realisable market value of assets provided by the Administrator as at 1 July 2018 for this triennial actuarial investigation. The financial statements as at 1 July 2018 were audited and signed by 30 September 2018. The assets are net of any amount held to meet the Operational Risk Financial Requirement (ORFR). The assets are discussed further in Appendix C.

### Liabilities

Appendix D contains a summary of the method used in the triennial actuarial investigation of the liabilities of the Plan. Comment is provided below on the major economic assumptions and on any other assumptions that have changed since the last triennial actuarial investigation as at 1 July 2015.

### Interest/Salary Differential

The most significant financial assumptions used in a regular triennial actuarial investigation are the rate of future investment returns and the rate of future salary increases. These rates must be considered together because of their economic interdependence in the medium to long-term.

While the absolute level of assumed investment returns is relevant in any regular triennial actuarial investigation, the critical factor is the relationship that this rate has with the assumed rate of salary increase. The difference between the two figures is the Interest/Salary Differential. For this investigation I have used an Interest/Salary Differential assumption of 0.3% pa as shown in the table below. Therefore, the Interest/Salary Differential is more conservative than used in the previous regular triennial actuarial investigation.

	Net investment return (pa)	Salary increase rate (pa)	Differential (pa)
<b>Assumption as at 1 July 2015</b>	3.00%	2.00%	1.00%
<b>Assumption as at 1 July 2018</b>	2.30%	2.00%	0.30%

These assumptions have taken into account the long-term outlook for economic conditions, in particular:

- The investment return assumption (net of investment expenses and tax, if applicable) was derived based on the return objective of the Defined Benefit related assets' relevant investment option (ie BT Premium Cash Fund). The Trustee's objective is a return (before fees, costs and taxes) that exceeds the Bloomberg AusBond Bank Bill Index. The Bloomberg AusBond Bank Bill Index has returned 2.73% pa since inception in October 2014 and we have assumed that this rate will be earned by this option, less an allowance for 15% tax.

## Demographic assumptions

There have been no changes to the resignation, retirement, death and total & permanent disablement (TPD) decrements used at the last regular triennial actuarial investigation, therefore there is no impact on the Actuarial Value of Accrued Benefits or long-term contribution rate from any changes to these demographic assumptions.

Specimen rates of leaving through various causes which have been used in this regular triennial actuarial investigation and the previous regular triennial actuarial investigation are shown in the following table:

Number of exits per 10,000 members						
1 July 2018				1 July 2015		
Age Last	Resignation	Death & Disablement	Retirement	Resignation	Death & Disablement	Retirement
25	1,000	4	0	1,000	4	0
35	1,000	6	0	1,000	6	0
45	500	15	0	500	15	0
50	500	30	0	500	30	0
55	0	63	1,000	0	63	1,000
60	0	116	1,500	0	116	1,500
65	0	0	10,000	0	0	10,000

\* exact age

No allowance has been made for retrenchment which is consistent with the last triennial actuarial investigation.

## Expenses and Insurance Premiums

The operating expenses and insurance premiums of the Plan are met from the Assets of the Plan, and as such, the regular triennial actuarial investigation requires a specific allowance to be made to meet these costs. The assumed expenses and insurance premiums for this investigation and the previous investigation are shown in the table below.

	1 July 2015	1 July 2018
Operating expenses <sup>^</sup> (% pa of Defined Benefit members' salaries)	1.5% pa	4.0% pa
Death and TPD insurance premiums (% pa of Defined Benefit members' salaries)	0.2% pa	0.2% pa
Salary Continuance Insurance premium (% pa of Defined Benefit members' salaries)	0.5% pa	0.5% pa
<b>Total expense and insurance premium assumption</b>	<b>2.2% pa</b>	<b>4.7% pa</b>

<sup>^</sup> As the assumption is based on total Defined Benefit salaries, the impact of having fewer Defined Benefit members means that the expenses as a percentage of total Defined Benefit salaries increases.

To take account of potential costs involved in the proposed wind up exercise, I have assumed additional total expenses of \$73,200 will be paid out from the Defined Benefit assets over the year

commencing 1 July 2018 and this has been taken into consideration in the recommended contribution rate and in the funding projections.

No changes were made to insurance premiums assumptions since the previous regular triennial actuarial investigation. This has therefore had no impact on the long-term contribution rate.

Premiums for any voluntary insurance cover are deducted from Defined Benefit members' accounts and are not funded by the Plan Assets therefore no assumption is required for this cover.

Accumulation members' expenses and insurance premiums for Death/TPD and SCI insurance are deducted from members' accounts, or paid by the Employer and therefore the assumptions above do not incorporate the cost associated with Accumulation members' expenses and insurance premiums.

## Tax

There have been no changes to our assumptions regarding tax since the last regular triennial actuarial investigation. These assumptions are set out below.

Contribution rates for future service benefits include an allowance for the current 15% tax on Employer contributions, net of deductible expenses.

For the purpose of meeting funding requirements, we have made the following assumptions:

- No allowance has been made in the projections for the impact of the surcharge (up to 30 June 2005 but not assessed before 1 July 2018), or withholding tax due to members not providing their Tax File Number to the Trustee, or excessive contributions tax levied on the member where the member has elected the Plan to pay it on their behalf if not assessed before 1 July 2018;
- No allowance has been made for the additional 15% tax on contributions for high-paid individuals or any excessive contributions tax levied. It is assumed that benefits will be adjusted (via additional accumulation accounts) for affected members to meet these tax amounts assessed;
- No adjustment has been made to the non-concessional contributions, if any, of members where their total superannuation benefit exceeds \$1.6 million;
- The Trustee has made a decision in relation to the tax deductibility rules for after-tax contributions from 1 July 2017 in a way that would not lead to a funding implication for Defined Benefit members; and
- That the SG Rate is paid without limitation (ie not limited to the SG maximum salary base) for Defined Benefit members.

## Section 4 –Actuarial Value of Accrued Benefits

I have adopted the same actuarial method and some different assumptions (details of any changes are shown in Section 3 above) as the previous regular triennial actuarial investigation as at 1 July 2015 to determine the present value of past and future liabilities and Employer contributions in relation to Defined Benefit members. The results of the regular triennial actuarial investigation are detailed in the following table and both the assets and liabilities include the Accumulation member account balances and additional accounts for the Defined Benefit members.

<b>Actuarial Value of Accrued Benefits (past service)</b>	<b>Total (\$)</b>
Retirement	4,884,852
Death & Disablement	204,606
Resignation	13,304
<b>Total of Defined Benefit related liabilities</b>	<b>5,102,762</b>
Surcharge accounts for Defined Benefit members	-41,725
Accounts for Accumulation members*	31,414,350
<b>Actuarial Value of Accrued Benefits</b>	<b>36,475,387</b>
<b>Assets**</b>	<b>37,638,909</b>
<b>Surplus/(Deficit)</b>	<b>1,163,522</b>

\* Includes the additional accumulation accounts for Defined Benefit members.

\*\*Assets for Accumulation members have been set equal to the Accumulation members' benefits.

## Analysis of changes in financial position since the last regular triennial actuarial investigation

The following table quantifies the various impacts on the financial position of the Plan since the last regular triennial actuarial investigation as at 1 July 2015. These figures give an indication of the impact of the factors that affect the final regular triennial actuarial investigation result.

	<b>\$(000's)</b>
<b>Previous surplus/(deficit)</b>	<b>2,172</b>
Interest on surplus/(deficit) <sup>1</sup>	108
Investment gains/(losses) <sup>2</sup>	(353)
Employer contributions paid at a higher/(lower) rate than long term rate <sup>3</sup>	(610)
Expense gains/(losses) <sup>4</sup>	(338)
Salary gains/(losses) <sup>5</sup>	(254)
Change in basis gains/(losses) <sup>6</sup>	(179)
Withdrawal gains/(losses) <sup>7</sup>	517
Miscellaneous	101
<b>Surplus/(deficit) as at the valuation date</b>	<b>1,164</b>

<sup>1</sup> Interest on surplus over the period

<sup>2</sup> An investment loss occurs when investment earnings are lower than assumed.

<sup>3</sup> A contribution loss occurs when employer contributions are paid at a lower rate than the long-term rate.

<sup>4</sup> An expense loss occurs when expenses are more than assumed.

<sup>5</sup> A salary loss arises when salaries increase at a higher rate than assumed.

<sup>6</sup> A loss from a change in basis occurs when the overall set of assumptions becomes more conservative.

<sup>7</sup> A withdrawal gain occurs when the benefit is lower than reserved for in the Plan.

## Use of excess reserves

The excess of assets over Actuarial Value of Accrued Benefits equates to the surplus of Assets held by the Plan. It is useful to hold a small surplus to protect the Plan from minor fluctuations in asset values and to ensure Vested Benefits are covered.

Total assets exceeded the Actuarial Value of Accrued Benefits as at 1 July 2018 by \$1,163,522. This is equivalent to 22.8% of Defined Benefit liabilities (ie excluding accumulation benefits and Defined Benefit members' additional accounts) and 132.4% of total Defined Benefit salaries. This amount will largely be maintained within the Plan as a small buffer against future adverse experience and allow the Employer to continue to contribute at the current rate rather than the higher average long-term employer contribution rate.

## Long-term contribution rate

The Defined Benefits long-term Employer contribution rate has increased since the last regular triennial actuarial investigation due to the large change in membership and the higher expense assumption.

<b>Present Value of Future Service Liability</b>	<b>Total (\$)</b>
Retirement	671,710
Death & Disablement	8,451
Resignation	188
	<b>680,349</b>
Less member contributions	121,386
<b>Net Future Service Liability</b>	<b>558,963</b>
Equivalent net future contribution rate	13.8%
Tax	2.4%
Expense allowance	4.0%
Death and TPD premiums	0.2%
Salary Continuance premiums	0.5%
<b>Employer contribution rate required for Future Service Benefits (pa salary)</b>	<b>20.9%</b>

The Award contributions of 3% pa payable by the Employer are included in the overall long-term Employer contribution rate of 20.9% pa above.

## Section 5 – Immediate Solvency and Funding Indices

### Immediate tests on the adequacy of the assets

An important objective of this regular triennial actuarial investigation is the measurement of the funding of expected member benefits in respect of their service up to the valuation date.

- **Assets:** I have taken the fair value of the net assets provided by the Plan administrator, based on the general ledger of the plan as the value of assets for Defined Benefit members and the value of Accumulation members' benefits as the value of assets for Accumulation members for the purpose of this regular triennial actuarial investigation. The assets are net of any amount held to meet the Operational Risk Financial Requirement (ORFR). The assets are discussed further in Appendix C.
- **Liabilities:** Appendix D contains a summary of the method used in the regular triennial actuarial investigation to determine the liabilities of the Plan.

The indices described here have been used to assess whether the Assets of the Plan are sufficient to ensure its ongoing solvency and to measure the changes in these indices since the last regular triennial actuarial investigation.

The table below shows the relevant indices calculated by dividing the level of assets by the total of the relevant benefit based on the results of this regular triennial actuarial investigation and the previous actuarial investigation.

	1 July 2015			1 July 2018			
	Amount (\$)	Index <sup>1</sup>	DB Index <sup>2</sup>	Amount (\$)	Index <sup>1</sup>	DB Index <sup>2</sup>	
<b>Minimum Requisite Benefits</b>	42,360,000	110%	144%	35,289,603	107%	160%	A
<b>Vested Benefits</b>	42,360,000	110%	144%	35,289,603	107%	160%	A
<b>Leaving Service Benefits<sup>3</sup></b>	44,477,000	104%	117%	36,166,704	104%	131%	A
<b>Actuarial Value of Accrued Benefits</b>	44,279,000	105%	119%	36,475,387	103%	123%	A
<b>Accumulation Benefits<sup>4</sup></b>	32,992,000			31,372,625			B
<b>Assets<sup>5</sup></b>	46,451,000			37,638,909			C

<sup>1</sup>Index is C/A

<sup>2</sup>DB Index is  $(C - B)/(A - B)$ , ie the index excluding Accumulation members' benefits and additional accounts (including surcharge accounts) of Defined Benefit members and has been recalculated here for comparison purposes..

<sup>3</sup>The benefit design allows the Employer to grant early retirement consent for Defined Benefit members between ages 55 and 65.

<sup>4</sup>The accumulation benefits are inclusive of additional accounts for Defined Benefit members (including surcharge accounts) and Accumulation members' benefits.

<sup>5</sup>Assets for Accumulation members have been set equal to the Accumulation members' benefits.

## Vested Benefits Index

Vested Benefits are the benefits that members are entitled to receive upon voluntary withdrawal from the Plan. It is either the resignation benefit or normal retirement benefit, if eligible (assuming Employer consent to early retirement is not granted). This is the same as the Vested Benefits figure calculated for AAS25 purposes which is based on minimum benefits.

The Vested Benefits Index provides a measure of the Plan's ability to meet its minimum obligations to all members if they had voluntarily withdrawn from the Plan on the valuation date.

To ensure that the Plan is in a satisfactory financial position, it is essential that the Vested Benefits Index is kept above 100%. The Vested Benefits Index was at a satisfactory level at the valuation date.

## Leaving Service Benefits Index

Leaving Service Benefits are the benefits that members may be eligible to receive upon voluntary withdrawal from the Plan. It is either the resignation benefit or, if over age 55, the early retirement benefit assuming Employer consent is granted.

The Leaving Service Benefits Index provides a measure of the Plan's ability to meet its minimum obligations to all members if they had withdrawn from the Plan on the valuation date and, if eligible for early retirement, assuming Employer consent is granted.

Where the Employer regularly gives consent for early retirement, it is desirable to have the Leaving Service Benefits Index above 100%.

The Leaving Service Benefits Index was at an adequate level at the valuation date.

## Shortfall Limit

In accordance with SPS 160, the Trustee has set a Shortfall Limit of 100%. This is the extent to which the Trustee considers the Plan can be underfunded (on the basis that assets are insufficient to meet all members' Vested Benefits) but retain a reasonable expectation of returning to a funded position within a year, solely due to a correction to temporary negative market fluctuations in the value of the Plan assets.

This Shortfall Limit is to be compared to the Defined Benefit Vested Benefits Index ie the ratio of Defined Benefit assets and Defined Benefit Vested Benefit liabilities. Accumulation members' benefits and additional accounts for Defined Benefit members are excluded from the assets and liabilities.

The Defined Benefit Vested Benefit Index at 1 July 2018 was 131%. Therefore, the Plan has not fallen below the Shortfall Limit at the valuation date.

I have reviewed the Shortfall Limit of 100% and confirm that, in my view, it remains appropriate.

As the Shortfall Limit is determined with reference to the proportion of growth-oriented assets, the Shortfall Limit will need to be recalculated if the Trustee changes the investment strategy of Defined Benefit related assets.

## Minimum Requisite Benefits Index

Minimum Requisite Benefits (MRBs) are the minimum benefits that members are entitled to under the Superannuation Guarantee legislation. The Plan is 'solvent' if the net realisable value of the Assets of the Plan exceeds the MRB of all members of the Plan.

The Minimum Requisite Benefits Index provides a measure of the Plan's ability to meet its minimum Superannuation Guarantee obligations to all members if they had withdrawn from the Plan on the valuation date.

The Minimum Requisite Benefits Index was kept above 100% and therefore the Plan was solvent at the valuation date.

## Actuarial Value of Accrued Benefits Index

The valuation results shown in Section 4 of this report disclose the Actuarial Value of Accrued Benefits, also known as the Past Service Liability.

The Actuarial Value of Accrued Benefits Index provides a measure of the Plan's ability to meet its benefit obligations to all members of the Plan based on membership to the valuation date.

The minimum desirable range for this index is 100%-105% which allows for possible variations in asset values. The index was at an adequate level at the valuation date.

## Termination of the Plan

In the event of the termination of the Plan, all assets available at that time, net of accruals and expenses, would be distributed to members as per Clause 16A of the Trust Deed and in accordance with relevant law.

There is no guarantee of adequacy for the termination liabilities, only a priority charge on available assets up to the level of termination liabilities.

## Section 6 – Adequacy of Insurance Arrangements

The Plan Trustee has taken out insurance to protect the assets against certain contingencies which may have a material adverse effect on the solvency of the Plan.

### Death & Total and Permanent Disablement insurance (lump sum)

The Trustee has effected Group insurance (with BT Insurance) to cover part of the lump sum benefits payable from the Plan in the event of the death or Total and Permanent Disablement (TPD) of members. The Sum Insured is designed to supplement the proportion of the benefit which has already been accrued in respect of the members within the Plan and to provide the balance of the relevant benefit from the insurance arrangement. Insurance replaces the otherwise volatile impact on the Plan of payments required in respect of the 'unfunded' portion of each death or disablement benefit with an annual premium, which can be taken into account in the financial planning of the Plan.

At the present time, the formulae used to determine the amount to be insured are as follows:

#### Defined Benefit members

Insured Amount = Minimum (Death/TPD benefit - Vested Benefit, 10% x Salary x Years to age 65).

#### Accumulation members

Insured Amount = Death/TPD benefit - Vested Benefit

### Death & Total and Permanent Disablement (TPD) funding and insurance

The following table shows the funded and insured portions of the benefit. It identifies the shortfall or excess amount of insurance in the event that all members were to die or become totally and permanently disabled.

	<b>1 July 2018</b>
	<b>(\$)</b>
<b>Total sums insured (A)</b>	50,918,426
<b>Plan Assets (B)</b>	37,638,909
<b>Surplus Assets set aside for funding purposes (C)</b>	576,939
<b>Plan Assets available to meet Death/TPD benefits* (B)-(C)=(D)</b>	37,061,970
<b>Available on Death/TPD (A)+(D)=(E)</b>	87,980,396
<b>Total Death/TPD benefit (F)</b>	87,058,092
<b>Excess/(shortfall) (E) - (F)</b>	922,304

\* Part of the surplus is set aside to meet the long-term contributions that are not being paid due to the Employer being on a contribution holiday.

### Proposed change/recommendation

I have reviewed these formulae and confirm that, in my view, they remain appropriate and the current insurance arrangement should be maintained.

## Disability Income insurance

The Trustee also has effected Group Insurance (with BT Insurance) to cover disability income benefits payable from the Plan in certain circumstances of disablement. This is a fully insured benefit; however, the Plan remains liable for the payment of retirement, death, total and permanent disablement and resignation benefits if a member who receives a disability income benefit terminates service. Disability income benefits are payable for a period of two years in the Plan.

## Indemnity insurance

The Trust Deed provides an indemnity to the Trustee against claims which may be made against it. This is secured against the Assets of the Fund including this Plan.

The Trustee has taken out trustee indemnity insurance to help protect the Trustee, its Directors and the Fund against certain liabilities, that is consistent with the size and nature of its business and industry standards. As with any insurance, the indemnity is subject to the terms and conditions of the relevant insurance policy.

## Material issues arising from insurance

There are no material issues arising from insurance, although the Trustee should periodically review that all insurance cover remains sufficient.

## Section 7 – Sensitivity Analysis and Projections

### Assumption variation

The values of the benefit liabilities shown in this report depend on the assumptions used to calculate them. The main assumptions relate to salary increases and the long-term investment return (net of tax and investment expenses). Examples below provide an indication of the effect on the Actuarial Value of Accrued Benefits and on the Employer contribution rate of changing these assumptions only. The actual investment earning rate and salary increase rate may not be constantly above or below the rates assumed in carrying out the projection of benefits and the actual results may not fall within the ranges shown in the table below.

<b>Assumptions (salary increase/long-term investment return)</b>	<b>Actuarial Value of Accrued Benefits as at 1 July 2018</b>	<b>Overall long-term Employer contribution rate as at 1 July 2018</b>
	<b>(\$)</b>	<b>(pa)</b>
Last valuation (2.0% pa/3.0% pa)*	36,296,120	20.4%
This valuation (2.0% pa/2.3% pa)	36,475,387	20.9%
Salary increase rate plus 1% pa (3.0% pa/2.3% pa)	36,664,812	21.5%
Salary increase rate minus 1% pa (1.0% pa/2.3% pa)	36,296,120	20.4%
Investment return plus 1% pa (2.0% pa/3.3% pa)	36,262,092	20.3%
Investment return minus 1% pa (2.0% pa/1.3% pa)	36,706,238	21.6%

\* This is based on last valuation's financial assumptions only, ie the decrement and expense assumptions are the same as those used for this valuation.

Based on the above results, it is clear that the financial position of the Plan and the required Employer contribution will vary depending on the actual experience of the Plan and particularly in relation to salary increases and long-term investment returns. If the increase in salaries of Defined Benefit members is 1% pa higher than the assumed rate, the long-term cost to the Employer will be 0.6% pa higher than that based on the assumptions used for this valuation. If long-term investment returns are 1% pa higher than assumed, the long-term Employer contribution rate decreases by 0.6% pa.

### Post valuation events

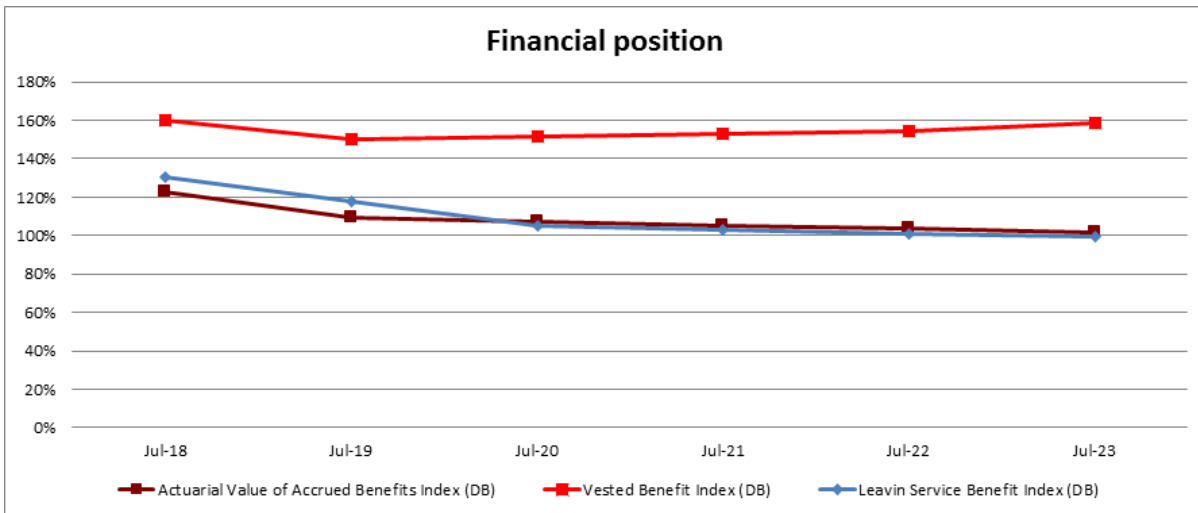
The Plan has earned an average investment return of 0.7% from the date of the valuation to 30 November 2018. This is less than the rate assumed for the valuation and has further weakened the financial position of the Plan. I estimate that coverage of Vested Benefits without Employer's consent (exclusive of Accumulation members' benefits and Defined Benefit members' additional accounts) has reduced slightly to 159%.

As Minimum Requisite Benefits (MRBs) are accumulation in nature, they will have moved in line with this investment return. Therefore the funding position in regards to MRBs, is largely unchanged since the valuation date.

We have excluded four members from the 5- year projections who terminated employment after 1 July 2018, we have estimated total benefit payments of \$2,297,859 (which assumed Employer consent for early retirement is granted, where applicable). Further there were three members who terminated prior to 1 July 2018 and were paid a top up payment (the difference between their Leaving Service Benefit and their Vested Benefit) of \$716,394 post the valuation date which also has been accounted for within the projections.

## Projection of future liabilities

The graph below shows the projected value of Defined Benefit Vested Benefits, Defined Benefit Leaving Service Benefits and Actuarial Value of Accrued Benefits for Defined Benefit members funding indices over the next 5 years. These projections have been based on defined benefit liabilities and assume that the Employer will pay contributions in accordance with the contribution recommendation (refer to Section 9 of this report) and are based on the assumptions used to calculate past service liabilities at each of the future dates. These projections also allow for the post valuation events described above.



Assuming the Employer contributions are not less than the rates which I have recommended, I expect that on the assumptions, methods and asset values adopted in the valuation, that the Assets will remain sufficient to cover the value of these liabilities during the period up to 30 June 2023.

## Section 8 – Material Risks

### Financial risk

As noted in the results of the Sensitivity Analysis (Section 7), the items that have the greatest impact on the financial position of the Plan are the differences between the assumed and the actual salary increase rate and the assumed and actual long-term investment return. Should salaries increase at a higher rate than assumed, the liabilities will be higher than expected and the assets may then be insufficient to cover members' benefits. This may then require the Employer to make larger contributions to the Plan. Similarly, if there are lower than assumed investment returns, the assets of the Plan would be reduced compared to the assets expected and may then be insufficient to cover members' benefits. This may then require larger contributions to be made by the Employer. If the Employer is willing and able to make these larger contributions and accept the volatility involved a deterioration in the financial position can be managed.

Other strategies to mitigate these risks are:

- to ensure that the Employer is aware of the effect on the financial position of salary increases being granted above assumed rates.

### Employer financial viability

The future of the Plan relies on the Employer remaining a viable entity and being willing and able to pay contributions as and when needed. The Trustee should discuss the valuation report with the Employer and ensure the Employer understands the recommendations before agreeing to the contribution rates.

### Plan specific risk

The design of the Plan is such that the retirement benefit is significantly higher than the resignation benefit. As more Defined Benefit members become potentially eligible for the early retirement benefit, the funding position may deteriorate unless sufficient contributions are made in the event that consents to more early retirements than expected are granted.

### Investment policy

As mentioned above, market risk is a key driver in the financial position of the Plan, for example should the BT Premium Cash investment option yield less than assumed. However, there are other investment risks to consider. These include:

- Concentration Risk – the risk that investments are concentrated in one particular asset class, country or manager, the poor performance of which could cause a material effect on the investment return.

The Trustee should periodically monitor the risks summarised in this section and seek advice or take action as may be deemed necessary.

## Section 9 – Recommendations and Actuary's Summary Statement for the Purposes of SPS 160

### Recommendations

#### Future contribution recommendations

In light of the current strong financial position of the Plan, I recommend that the Employer continue the Defined Benefit related Employer contribution holiday however, the Employer should continue to make the following contributions:

- Member contributions of 3.53% (pre-tax) of Superannuation Salary which the Employer has agreed to pay on behalf of the Defined Benefit members;
- Award contributions of 3% pa of Superannuation Salary to the Defined Benefit members' accumulation accounts;
- Contributions as described in the Employer Application Form to match additional employees' contributions to the Employer Partially Vested Account in the Defined Contribution (Accumulation) Section of the Plan (where applicable);
- Contributions to pay for the expenses charged to Defined Benefit members' accumulation accounts where these have been agreed with the member.

The Employer contributions must be paid by the 28th day of the second month following the quarter end.

Employer contributions of at least the Superannuation Guarantee rate in respect of Accumulation members are also payable.

The recommended contributions will need to be reviewed prior to the next regular triennial actuarial investigation due with an effective date of 1 July 2021 if one or more of the notifiable events within the Funding and Solvency Certificate occur prior to that date as advised by the Trustee (unless, after reviewing the details of a specific event which would otherwise be classified as a notifiable event, the actuary advises the Trustee in writing that such an event does not constitute a notifiable event).

#### Shortfall Limit recommendations

I have reviewed the Shortfall Limit of 100% (see Section 5) and confirm that, in my view, it remains appropriate.

#### Insurance recommendations

I have reviewed these formulae (see Section 6) and confirm that, in my view, they remain appropriate.

## Investment recommendations

In my opinion, noting the current funding position, the retention of the current investment profile (BT Premium Cash Fund) is satisfactory to meet the long-term liabilities of the Plan including the projected lump sum benefits of Defined Benefit members on termination of employment or on reaching their Normal Retirement Date and converting to the Plan's Accumulation category.

The Employer is considering winding up (on a member consent basis) the Defined Benefit section of the Plan with a proposed Defined Benefit cessation date as at 31 January 2019. Therefore, the current investment profile remains appropriate as it acts to minimise the volatility of the funding position of the Plan.

I recommend the current investment profile be reviewed if the wind up of the Defined Benefit section of the Plan does not occur with a Defined Benefit cessation date during the first quarter of 2019, noting that the outcome of such a review may be to leave the investment profile unchanged.

The levels of liquidity available to the Plan are adequate to meet any of its short-term liquidity requirements,

## Crediting rate recommendations

I have reviewed the crediting rate policy for the Plan and confirm that, in my view, it remains appropriate and should be maintained. For more information refer to Appendix C.

## Monitoring recommendations

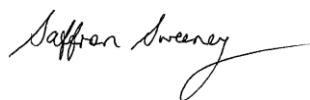
I have reviewed the current practice of carrying out the regular actuarial investigation on a triennial basis and confirm that, in my view, more frequent investigations are not warranted.

## Actuary's Statement for the Purposes of SPS 160

I have conducted a regular triennial actuarial investigation of the BT Lifetime Super - NCR Australia Pty Limited Plan (the Plan) as at 1 July 2018 covering the three-year period to that date.

In my opinion:

- 1) As at 1 July 2018, the fair value of the net Assets of the Plan for Defined Benefit members, based on the general ledger for the Plan plus the Accumulation members' benefits for Accumulation member assets, was \$37,638,909 and this is the value of assets used to determine the Employer contribution rate.
- 2) The value of the Assets of the Plan was adequate to meet the value of liabilities of the Plan in respect of the Actuarial Value of Accrued Benefits of \$36,475,387 as at 1 July 2018. The Actuarial Value of Accrued Benefits of Defined Benefit members as at 1 July 2018 for the purposes of Australian Accounting Standard AASB1056 was \$4,951,869 which was calculated in accordance with Practice Guideline 499.06 (this excludes Accumulation members' benefits).
- 3) The value of the Assets of the Plan was adequate to meet the value of liabilities of the Plan in respect of the Minimum Requisite Benefits as at 1 July 2018.
- 4) The investigation disclosed the Plan was in a satisfactory financial position as at 1 July 2018. The Plan's financial position has not fallen below the Shortfall Limit set by the Trustee at the valuation date.
- 5) The Plan has no liability in respect of current pensioners. Any member who has postponed retirement or deferred receipt of their benefit remains a member under the Rules and any relevant liability is included with that of other members.
- 6) I have recommended contributions to ensure that the assets will continue to be adequate to meet the liabilities of the Plan and I expect the Plan to remain in a satisfactory financial position as defined in the SIS Regulations.
- 7) All Funding and Solvency Certificates required to be obtained during the period of investigation were provided. I expect that an actuary will be able to certify the solvency of the Plan in any Funding and Solvency Certificate required during the three-year period following the valuation date.



Saffron Sweeney  
Fellow of the Institute of Actuaries of Australia  
Aon Hewitt Limited

17 December 2018

## Appendix A – Summary of Plan Rules

The Trustee may review and amend contributions and/or benefits under the Trust Deed as long as the amendment does not reduce the benefits accrued to any member with respect to the period before the date of the amendment, unless the member or regulator has approved the amendment in writing.

### Plan structure

The BT Lifetime Super - NCR Australia Pty Limited Plan (the Plan) is a Defined Benefit plan and benefits are determined in accordance with the BT Lifetime Super Employer application agreement between the Employer and the Trustee dated 16 March 2011.

All new entrants join the Accumulation section. This, and the fact that the Plan provides Minimum Requisite Benefits to satisfy Employer obligations under Superannuation Guarantee arrangements, has ensured that an increased number of benefits are being calculated on an accumulation basis.

The Plan is a complying fund for the purposes of the Superannuation Industry (Supervision) Act 1993. This results in the Plan being taxed at the favourable rate of 15% on income net of allowable deductions.

### Annual Review Date

1 July

### Definitions

#### Normal Retirement Date (NRD)

65th Birthday

#### Early Retirement Date (ERD)

After age 55 with the consent of the Employer.

### Salary

Superannuation Salary as advised by the Employer at each Annual Review Date.

### Final Average Salary

Final Average Salary is the average of the three highest consecutive Salaries within the ten years immediately preceding the earlier of the date of leaving service and the Normal Retirement Date. Full-time equivalent salary is used for part-time members.

### Membership

The most recent period of continuous service measured in years and complete months plus any period of Credited Membership, where applicable. Membership is altered by Fraction for the purposes of calculating multiples but not vesting.

## Fraction

This is the proportion of a full-time working week worked and is varied if working hours change (for full-time employees the Fraction is 1).

## Contributions for Defined Benefit Members

Defined Benefit Members contribute at a rate of 3.0% of Salary (post tax) to the Top-Up Account.

The Employer must credit the following amounts to accounts in respect of Defined Benefit members;

- 7.06% pa to the Retirement Base Account; plus
- 3% pa to the Award Account; plus
- additional contributions on the basis of the rate recommended by the Plan Actuary as required to provide for members' benefits.

## Benefits for Defined Benefit Members

### Normal Retirement Benefit (NRB)

The benefit payable on retirement after age 55 (with Employer's consent), or at age 65, is equal to:

- The Supplementary Accumulated Credit
- Plus the greater of:
- $\{ \text{Membership prior to 1 April 1976} \} / 100 + \{ \text{Membership from 1 April 1976} \} / 60 \times \text{FPS} \times \text{Discount Factor} \times \text{Pension Factor}$ ; and
  - The sum of:
    - Member Match B Account;
    - Company Match B Account;
    - Top-Up Account; and
    - Retirement Base Account.
- Less
- Surcharge Account.

*Discount Factor is equal to  $(1 - 1.75\% \times \text{number of years until the member's 65}^{\text{th}} \text{ birthday})$ ; and*

*Pension Factor is based on the following table:*

Age at Retirement	Pension Factor	Age at Retirement	Pension Factor
55	11.87	61	10.74
56	11.68	62	10.55
57	11.49	63	10.37
58	11.30	64	10.18
59	11.11	65	10.00
60	10.93		

## Death Benefit

The benefit payable on death or TPD is equal to:

- The Supplementary Accumulated Credit;

Plus the greater of:

- 4 times Salary at the date of death; and
- The sum of:
  - Member Match B Account;
  - Company Match B Account;
  - Top-Up Account; and
  - Retirement Base Account

Less

- Surcharge Account.

## Total and Temporary Disablement Benefit

The benefit payable on TTD after a 6-month waiting period is equal to:

- $\frac{2}{3}$  x Salary payable for a maximum of two (2) years

## Leaving Service Benefit

On withdrawal from the Plan, where no other benefit is payable, the Leaving Service Benefit payable is the sum of:

- Member Voluntary Account;
- Member Match B Account;
- Top-Up Account;
- Retirement Base Account;
- 3% Award Account;
- Salary Sacrifice Account; and
- 10% of the Employer Partially Vested Account and the Company Match B Account for each complete year in excess of three (3) years to a maximum of 100%.

Less

- Surcharge Account.

## Minimum Benefits

All benefits payable to members are subject to a minimum of the amount of their Minimum Requisite Benefit as defined in the Plan's current Superannuation Guarantee Benefit Certificate.

## Additional Accumulation Accounts

Defined benefit members also have additional accumulation accounts which are payable in addition to Retirement/Resignation/Death and TPD Benefits.

## Additional Accounts

Additional Voluntary Contribution Accounts and Rollover Accounts are in addition to all of the above benefits.

## Additional Contributions Tax Account

All benefits are offset by the Additional Contributions Tax Account (if any). The Account is the accumulation, with investment earnings, of all additional contributions tax amounts paid by the Plan on behalf of the member.

## Family Law Account

All benefits are also offset by the Family Law Account (if any). The Account is any amount paid to a former spouse (a family law split) accumulated at the rate determined by the Government Actuary which is calculated with reference to AWOTE + 2.5% pa from the date the split occurs to the date the non-spouse member's benefit is paid and then accumulated with investment earnings thereafter.

## Appendix B – Membership

### Changes in membership 1 July 2015– 1 July 2018

	<b>Total</b>
<b>Active DB Membership at 1 July 2015</b>	<b>24</b>
<b>Plus</b>	
New Entrants	0
Transfers from other funds	0
Transfers from other categories	0
<b>Less</b>	
Transfer to other funds	0
Transfers to other categories	0
Deaths	0
Total & Permanent Disablement	0
Early retirements	7
Normal retirements	4
Resignations/Retrenchments	3
Late retirements	0
<b>Active DB Membership at 1 July 2018</b>	<b>10</b>

In addition, there were 218 Accumulation members at the valuation date with total salaries of \$20,937,229.

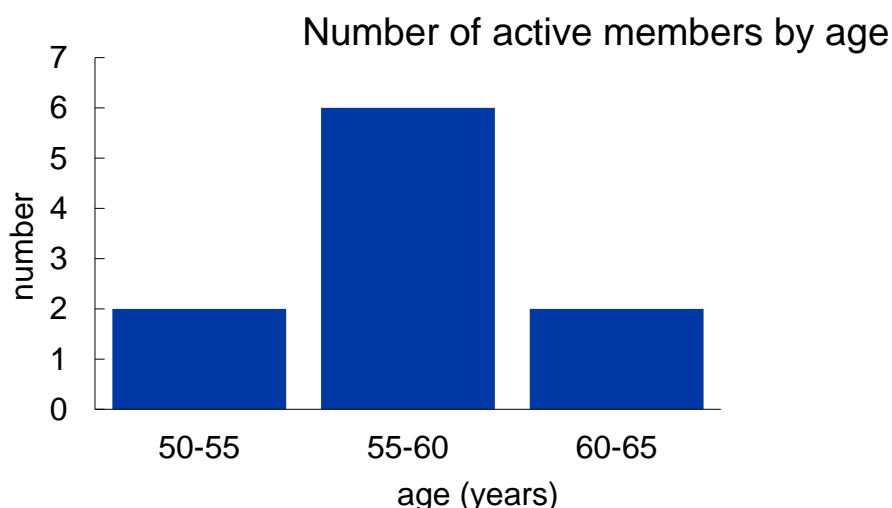
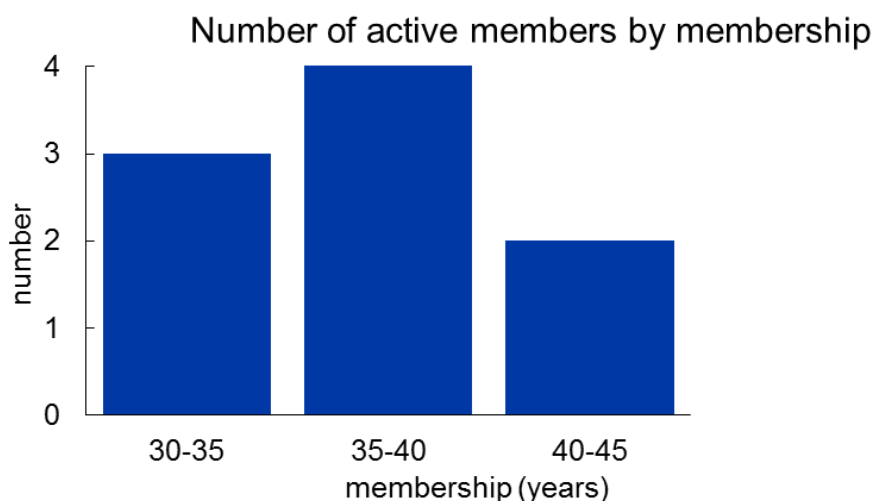
### Membership characteristics as at 1 July 2018

The main characteristics of the Plan's Defined Benefit membership at the valuation date are summarised in the following table. For comparison, active figures for the previous valuation date (1 July 2015) are shown for comparison:

<b>Defined Benefit active members</b>	<b>1 July 2015</b>	<b>1 July 2018</b>
Number of members	24	10
Average age (years)	57	59
Average membership (years)	36	38
Total annual salary (\$)	2,110,831	878,925
Average annual salary (\$)	87,951	87,893

## By age and membership

The following graphs outline the distribution by age and membership of the 10 active Defined Benefit members:



## Quality of data

Member data was received electronically and was in good order for the purposes of preparing this Report. Defined benefit individual membership data as well as asset information was reconciled to the last triennial actuarial investigation data.

We have relied on the asset information provided by the Plan administrator as at 1 July 2018 as sub-plan accounts are not available. We understand that the BT Lifetime Super financial statements were signed by 30 September 2018.

## Administration

No significant variations were detected between the method of calculation of benefits on the administration system and our calculations. The data received was adequate and appropriate for the purposes of the regular triennial actuarial investigation. Data checking included:

- Accrued and normal retirement multiples;
- Final average salary and consistency of salaries from year to year; and
- All benefit calculations at the valuation date (resignation, retirement, death and total & permanent disablement benefits).

## Appendix C – Accounts and Summary of Assets

### Accounts

The following is a summary of the Financial Accounts provided by the Plan administrator for the regular triennial actuarial investigation period 1 July 2015 to 1 July 2018. The final accounts of the BT Lifetime Super for the year ended 30 June 2018 have received audit clearance.

	1 July 2015 to 30 June 2016 (\$)	1 July 2016 to 30 June 2017 (\$)	1 July 2017 to 30 June 2018 (\$)	1 July 2015 to 30 June 2018 (\$)
<b>Plan Assets at start of period (A)</b>	<b>46,475,509</b>	<b>N/A</b>	<b>N/A</b>	<b>46,475,509</b>
Accumulation accounts at start of period* (B)	32,991,505	N/A	N/A	32,991,505
<b>Defined Benefit related Plan Assets at start of period (C) = (A) – (B)</b>	<b>13,484,004</b>	<b>10,076,396</b>	<b>7,929,148</b>	<b>13,484,004</b>
<b>Plus</b>				
Member contributions	49,397	38,564	27,154	115,115
Employer contributions	0	0	0	0
Rollovers/transfers in	48,685	0	0	48,685
Investment income (including capital appreciation/depreciation)	194,191	213,376	128,999	536,566
Sundry income	0	0	0	0
<b>Less</b>				
Group Life premiums (net of rebates)	18,379	6,766	2,121	27,266
Benefits (net of insurance recoveries)	3,454,442	2,305,017	1,698,842	7,458,301
Transfers out to other funds	0	0	0	0
Administration and other charges	202,282	87,405	159,779	449,466
Income tax	24,778	0	0	24,778
Other taxes	0	0	0	0
Others	0	0	0	0
<b>Defined Benefit related Plan Assets at end of period (D)</b>	<b>10,076,396</b>	<b>7,929,148</b>	<b>6,224,559</b>	<b>6,224,559</b>
Accumulation accounts at end of period (E)	N/A	N/A	31,414,350	31,414,350
<b>Plan Assets at end of period (F) = (D) + (E)</b>	<b>N/A</b>	<b>N/A</b>	<b>37,638,909</b>	<b>37,638,909</b>

## Summary of assets

Accumulation members and Defined Benefit members for non-defined benefit related assets, may invest their account balances in any option.

Defined Benefit members can invest their additional account balances in any option but all other account balances (ie those that relate to the Defined Benefit) are currently invested in the BT Premium Cash Fund. Defined Benefit assets above account balances will be invested in the BT Premium Cash Fund.

For the BT Premium Cash Fund, the investment objective of this option is to provide a return (before fees, costs and taxes) that exceeds the UBS Bank Bill Index.

The benchmark asset allocation of the BT Premium Cash Fund is as follows:

<b>By Asset Class (based on benchmark asset allocation)</b>	<b>1 July 2015 (%)</b>	<b>1 July 2018 (%)</b>
Australian Shares	0	0
International Shares	0	0
Property	0	0
Alternatives Asset - growth	0	0
Cash & Liquids	100	100
Defensive Assets	0	0
Alternatives Asset - defensive	0	0
Australian Fixed Interest	0	0
International Fixed Interest	0	0
<b>Total</b>	<b>100</b>	<b>100</b>

The asset valuation method is in accordance with the professional standard 404 published by the Institute of Actuaries of Australia. There were no material qualifications identified in the audit report that impact on the value of assets.

## Crediting rate policy

The BT Premium Cash Fund option return, including investment management fee rebate, for the period was:

<b>By Option (%)</b>	<b>Year to 30 June 2016 (pa)</b>	<b>Year to 30 June 2017 (pa)</b>	<b>Year to 30 June 2018 (pa)</b>	<b>3 Years to 30 June 2018 (pa)</b>
BT Premium Cash Fund	1.8%	1.6%	1.5%	1.6%

The Plan credits the actual return after investment related expenses to members' accounts based on annual crediting rate. This method of crediting interest is appropriate as members receive interest on their accounts in accordance with what the Plan has earned and there are no cross-subsidisations. Investment earnings can be positive or negative and are based on the changes in unit price of the relevant option.

## Appendix D – Funding Method

### Funding method

The funding method is the manner in which the Employer's recommended contribution rate is determined. In this regular triennial actuarial investigation, I have calculated the recommended Employer contribution rate using an actuarial funding method called the Attained Age Normal method (AAN).

In this method an initial contribution rate is determined for each category which will be sufficient to meet the benefits which will accrue to current members at the valuation date in respect of their future service only.

The contribution rate is constructed so that it is expected to remain constant until the last current member leaves the Plan (assuming the assumptions made are borne out and remain unchanged).

Secondly, the value of current members' Actuarial Value of Accrued Benefits is compared to the value of assets. The future service contribution rates are adjusted in the light of any surplus or deficiency.

This is the same method as was used at the last regular triennial actuarial investigation.

The reason this method is chosen is so that the Employer can be provided with the long-term future cost of providing the benefits based on the current membership which should not vary substantially as it is a smoothed rate. The usage of surplus or funding of a deficit can then be over a time horizon that is considered suitable from both the Trustee and Employer's points of view.

### Summary of method of attributing benefits to past membership

In order to determine if the Plan is in surplus or deficit it is necessary to determine what proportion of benefits payable in the future from the Plan are due to past service. The past membership components in respect of the current members are projected forward allowing for future assumed salary increases and then discounted back to 1 July 2018 at the valuation rate of interest assumption.

The past membership component for each type of benefit is:

#### Retirement Benefits

Based on a member's actual accrued retirement benefit multiple as at the date of valuation.

#### Death and Disablement Benefits

Based on a member's actual accrued retirement benefit multiple as at the date of valuation.

#### Resignation Benefit

Based on the accumulated contributions with interest to the date of valuation.

### Adjustments

Additional accumulation accounts for Defined Benefit members and Accumulation members' benefits (eg rollover, voluntary member contribution, etc.) have been added to the past membership liability at their face value and accounts such as the surcharge and/or family law liability account have been deducted.

## Contact Information

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## About Aon

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