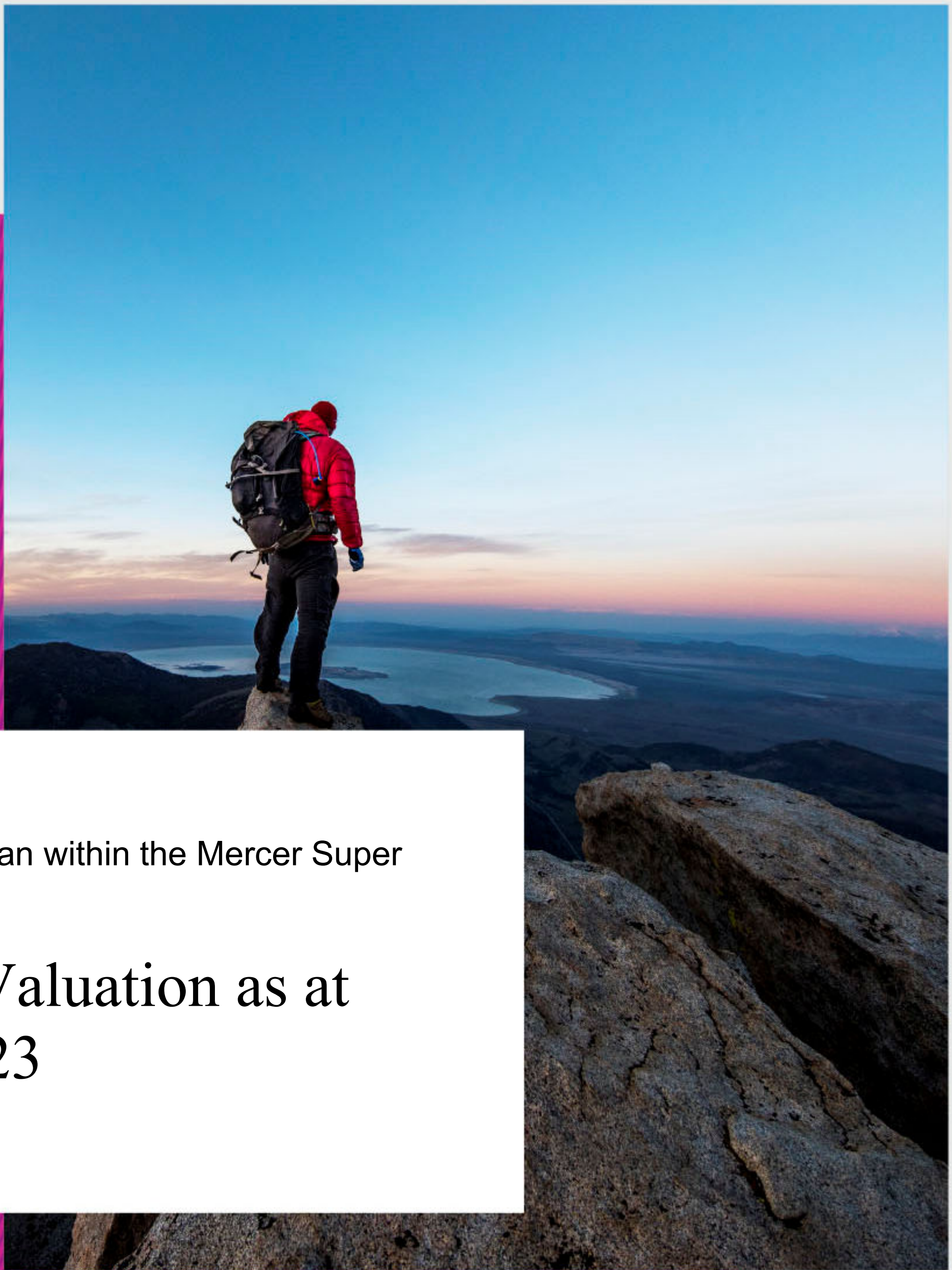

Westpac Group Plan within the Mercer Super Trust

Actuarial Valuation as at 1 April 2023

29 September 2023

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

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Reliance statement and data

This report is provided subject to the terms set out herein and in our engagement letter dated 3 February 2023 and the accompanying Terms and Conditions of Engagement. This report is provided solely for the Trustee's use and for the specific purposes indicated above. It may not be suitable for use in any other context or for any other purpose.

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

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

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

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

The valuation results depend on the valuation assumptions we have adopted being borne out in the future. We refer you to Section 9 where we examine the impact of variations in future experience and material risks.

Section 1: Purpose and Summary

The Westpac Group Plan (the Plan) within the Mercer Super Trust (MST) is effectively comprised of two sections, the Accumulation Plan and the Defined Benefit Plan.

The Defined Benefit Plan provides benefits which are of the *"defined benefit"* type where benefits are primarily defined by Salary and period of membership. With such a plan, a regular actuarial review is necessary to:

- examine the sufficiency of the assets in relation to members' accrued benefit entitlements
- determine the recommended Bank contribution rate required to ensure that the Plan maintains a satisfactory financial position. Under Clause 1.13(b) ("Employer Contributions") of the Participation Schedule, the Participating Employer shall consider the advice of the Actuary to the Trustee and determine the contributions required to provide benefits.
- examine the suitability of the Plan's insurance and investment arrangements
- satisfy the requirements of the Participation Schedule, and
- meet legislative and prudential standard requirements, in particular paragraph 23 of Prudential Standard 160 Defined Benefit Matters ("SPS160").

A regular actuarial review is not needed in respect of the Accumulation Plan while the Bank is making the required contributions in respect of members of the Accumulation Plan. The assets and liabilities of the Accumulation Plan are matched at all times. All assets and liabilities, and experience, of the Accumulation Plan are excluded from this report.

This report has been prepared for Mercer Superannuation (Australia) Limited (the Trustee), in my capacity as RSE Actuary to the Plan. The Effective Date of this actuarial investigation is 1 April 2023 and is the first investigation of the Plan since it was transferred into the MST at 1 April 2023 under successor fund transfer arrangements.

This report satisfies both the requirements of the Participation Schedule and superannuation regulation.

This report has been prepared in accordance with *Professional Standard 400*, dated March 2021, issued by the Actuaries Institute and is an initial actuarial investigation of the Plan.

The most recent investigation of the Westpac Group Plan within BT Super for Life ("the Former BT WGP"), prior to the successor fund transfer into the MST, was undertaken by me effective at 30 June 2021 with the results set out in a report dated 20 December 2021. Where relevant in conducting this investigation, we have considered the experience of the Former BT WGP over the period from 30 June 2021 to 31 March 2023.

Member Data and Assets

There were 1,336 active Defined Benefit Members as at 1 April 2023 with total superannuation salaries of $179.2 million and 2,047 lifetime pensioners with pensions of $66.5 million p.a. in payment (excluding those pensions that have been temporarily commuted).

The net market value of assets available for defined benefit funding purposes as at 1 April 2023 was $2,078.5 million. This does not include the value of the Operational Risk Funding Requirement which is held separately.

Funding Status Measures

The table below summaries the Plan's funding status at the investigation date under a number of different liability measures (in respect of defined benefit liabilities only).

	Vested Benefits	Actuarial Value of Accrued Benefits	Long Term Funding Level[1]	Minimum Benefits
Assets ($m)	$2,078.5	$2,078.5	$2,078.5	$2,078.5
Liabilities ($m)	$1,927.9	$1,987.7	$2,067.2	$1,771.8
Surplus ($m)	$150.6	$90.8	$11.3	$306.7
Index	107.8%	104.6%	-	117.3%

1. The Bank's funding policy targets a long tern term funding level of 104% of the Present Value of Accrued Benefits.

At the investigation date, the Plan was solvent and was in both a satisfactory financial position (with reference to vested benefits) and adequate financial position (with reference to the actuarial value of accrued benefits).

Bank Contributions

Having regard to the funding status and the projections over the next three years under the valuation assumptions, we recommend that the Bank continue the contribution arrangements in place in the Former BT WGP and pay contributions in respect of Defined Benefit members of no less than:

- 19.5% of active defined benefit members' superannuation salaries from 1 April 2023, plus
- $30 million during the 3 months to 30 June 2023, plus $30 million during the year to 30 June 2024
- the cost of members' nominated and voluntary salary sacrifice contributions, plus
- the cost of any additional contributions of the Bank in respect of service recognition contributions and pre-elected bonus contributions and any extra contributions required to satisfy the SG requirement in respect of a member.

In relation to the Accumulation Plan, in respect of Accumulation Members:

- we understand the Bank contributes at the rates specified in the SG legislation, or such other rates as applicable to the terms of the benefit design applicable to the relevant Accumulation Member;
- we have been advised that the Bank contributes a monthly amount, determined by Mercer, to fund the death, total and permanent disablement, and total and temporary disablement premiums in respect of accumulation members, and that any difference between the amounts contributed and actual premiums is reconciled and adjusted annually.

Shortfall Limit

Superannuation Prudential Standard (SPS) 160 requires that an RSE licensee must set a shortfall limit, approved by the Board, for each defined benefit sub-fund within its business operations.

We recommend adopting a Shortfall Limit for the Plan of 98%. Discussion of the key factors taken into account when setting the Shortfall Limit is set out in Section 7.

Superannuation Guarantee

The Bank's Superannuation Guarantee obligation is fully met for all Members by the minimum benefits provided under the Plan. The current Benefit Certificate is dated 14 August 2023. A Funding and Solvency Certificate dated 14 August 2023 has been issued to the Trustee corresponding to the above mentioned Benefit Certificate.

Investments

The Trustee has developed formal objectives for the investment of the Defined Benefit Plan's assets.

At 1 April 2023, the investment strategy involved having the assets supporting the defined benefit liabilities of employee members in the DB Actives Pool invested roughly 70% in growth assets such as shares and property and roughly 30% in income assets such as cash and bonds while the assets supporting the pensioner liabilities in the DB Pensions Pool are invested roughly 50% in growth assets and roughly 50% in income assets.

Given the increase in the size of the DB Pension Pool relative to the DB Actives Pool in recent years, and the expected continuation of this increase in future years (as detailed in Section 3), I recommend that the Trustee seeks the Bank's confirmation of its comfort with the potential volatility of short term investment returns and the resulting impact on the Plan's financial position and the Bank's contribution requirements.

The current investment strategy is considered suitable to the Defined Benefit Plan's liabilities in respect of defined benefit membership at 1 April 2023, on the understanding that the Bank accepts the volatility of investments returns, and the potential effect on Bank contributions, associated with such a strategy.

Insurance

The Plan's insurance arrangements in respect of accumulation members, as well as the insurance arrangements in respect of defined benefit members' total and temporary disablement benefits, and 100% lump sum death and TPD benefits, are considered adequate as at 1 April 2023.

In respect of the self-insurance resulting from the additional value of the pension option on the future service component of death and TPD benefits for defined benefit members:

- If the Trustee were to set a self-insurance reserve, this could be $385,000, allowing for the likelihood and expected impact on the Plan of random fluctuations in the occurrence of death and TPD claims, a catastrophic event, and incurred but not reported death and TPD claims.
- However, the Trustee may wish to consider the immateriality of this reserve, and the immaterial impact that adverse death and disablement experience are likely to have on the Plan's funding position. Materiality, and other factors negating the impact of adverse death and disablement experience, are discussed in more detail in Section 5.

- I do not consider that adverse death and disablement experience would have a material impact on the Plan's funding position. Further, I consider an insurance reserve of the order of $385,000 to be immaterial relative to both the size of the Plan assets, and the level of annual company defined benefit contributions.

Defined Benefit Pensions

I believe there is a high probability that the Plan will be able to pay the pensions as required under the Plan's governing rules.

Other recommendations

In addition to the various recommendations set out above, we also recommend that the Bank update its Funding Policy to reference the MST and the Trustee of the MST, following the successor fund transfer of the Former BT WGP into the MST on 1 April 2023.

Next Investigation

As the Plan pays defined benefit lifetime pensions the Trustee is required to undertake an annual actuarial investigation of the Plan. The next annual investigation is therefore required with effect on or before 1 April 2024, unless APRA grants an exemption from this requirement.

The next triennial investigation should be undertaken on or before 1 April 2026. Considering the practicalities, and the impact of the crediting rate policy on non-annual review dates, the Trustee may wish to bring this forward to coincide with the usual 30 June annual review date liability valuation.

Vested Benefits coverage of the Defined Benefit Plan should continue to be monitored at least on a quarterly basis.

Yours sincerely

Luke Carroll
Fellow of the Institute of Actuaries of Australia
RSE Actuary to Plan

29 September 2023

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https://wtwonlineau.sharepoint.com/sites/tctclient_656448_BTFM23/Documents/04.01_Actl_Valn/Deliverables/Report/WGP Actuarial Valuation Report 1 April 2023.docx

Section 2: Background and Data

The Westpac Group Plan (the Plan) is an employer sub-plan within the Mercer Super Trust (MST).

A summary of the Plan's history is set out below.

- The Australian Staff Superannuation Scheme was initially established by a Trust Deed dated 18 September 1981. It was renamed the Westpac Staff Superannuation Plan (the "Original WSSP Plan") in 1992. All assets and liabilities of the Original WSSP Plan were transferred via a successor fund arrangement into a plan within BT Retirement Wrap (the "BT WSSP Plan"), effective 30 September 2011. All assets and liabilities of the BT WSSP Plan were then transferred under an inter-fund transfer arrangement into the BT Super for Life Westpac Group Plan (the "Former BT WGP") effective 31 March 2012.
- Effective 30 April 2012, the members of the St George Staff Super sub-plan within the Plum Superannuation Fund ("Plum") transferred under a successor fund arrangement into the Former BT WGP. Those former Plum members entitled to purely accumulation benefits became Accumulation Members of the Former BT WGP. Those former Plum members with defined benefit entitlements became Defined Benefit Members of the Former BT WGP.
- Effective 1 April 2023, the Former BT WGP transferred into the MST under a successor fund transfer arrangement.

The Plan is governed by:

- a Participation Agreement (including Schedule 1 – Participation Schedule) dated 31 March 2012 between Westpac Banking Corporation and BT Funds Management Limited, novated under the Novation Agreement dated 1 April 2023 between Westpac Banking Corporation and Mercer Superannuation (Australia) Limited ("the Novated Participation Agreement"); and
- the Trust Deed of the Mercer Super Trust dated 28 June 1995, as amended.

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

Members of the Plan can be categorised as either Accumulation Members or Defined Benefit Members, due to the nature of their primary benefit entitlements. Defined Benefit Members include pensioners whose pension is of a defined benefit nature.

The Defined Benefit Plan covers the defined benefit liabilities of Defined Benefit Members. As such, the liabilities and associated assets of the Defined Benefit Plan exclude the accumulation add-on benefits of Defined Benefit Members that are subject to member investment choice. The accumulation add-on benefits of Defined Benefit members subject to investment choice are included in the Accumulation Plan.

The assets of the Defined Benefit Plan are held in two pools known as the DB Active Pool (in respect of employee members) and the DB Pension Pool (in respect of pensioners). Collectively, the DB Active Pool and DB Pension Pool and the associated Defined Benefit Member liabilities are referred to as the Defined Benefit Plan in this report.

Consequently, in this report, where we refer to assets and liabilities in respect of Defined Benefit Members, we are excluding the “SuperSave” accounts in the case of the Original WSSP members and accumulation add-on entitlements of former Plum defined benefit members that are subject to member investment choice, as these are invested as part of the assets supporting the Accumulation Members’ entitlements in the Accumulation Plan. We also exclude the assets and liabilities in respect of Accumulation Members, which are also included in the Accumulation Plan, in this report.

The Defined Benefit Plan is closed to new defined benefit employee members.

Under Clause 1.3(b) (“Employer Contributions”) of the Participation Schedule, the Participating Employer shall consider the advice of the Actuary to the Trustee and determine the contributions required to provide benefits.

Under Clause 1.5(f) (“Augmentation of benefits”) the Trustee may augment a Member’s benefit entitlement as requested by the employer, except to the extent that the employer does not pay such additional contributions which the Trustee determines, after receiving advice from the Actuary, are necessary to ensure the stability of the Plan.

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

Previous Recommendations

In our actuarial investigation report for the Former BT WGP, we recommended that the Bank pay contributions in respect of Defined Benefit members of no less than:

- 15.6% of active defined benefit members’ superannuation salaries for the period 1 July 2021 to 31 December 2021, plus
- 19.5% of active defined benefit members’ superannuation salaries from 1 January 2022, plus
- $30 million per year of additional defined benefit funding contributions for FY2022, FY2023 and FY2024, plus
- the cost of members’ nominated and voluntary salary sacrifice contributions, plus
- the cost of any additional contributions of the Bank in respect of service recognition contributions and pre-elected bonus contributions and any extra contributions required to satisfy the SG requirement in respect of a member.

In relation to the Accumulation Plan, in respect of Accumulation Members, we understand the Bank contributed at the rates specified in the SG legislation, or such other rates as applicable to the terms of the benefit design applicable to the relevant Accumulation Member (including to cover insurance and administration costs, as appropriate).

Those contribution arrangements have continued following transfer into the new Plan.

Sources of Information

For membership data, we have relied on the administrative records at 31 March 2023 provided to us by Australian Administration Services Pty Ltd (AAS) as part of the transfer of the Plan into the MST.

For asset data, we have relied on information in respect of the DB Active Pool and DB Pension Pool as at 31 March 2023 provided by Mercer. We have also relied on information concerning asset allocations and investment objectives supplied by Mercer. We have also relied on unaudited financial information in respect of the DB Active Pool and DB Pension Pool for the 1.75 years ending 31 March 2023 provided by BT Financial Group's Tax and Accounting Services.

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

Data

The membership details are summarised in Appendix B. In brief, there were 1,336 active Defined Benefit Members as at 1 April 2023 with total superannuation salaries of $179.2 million and 2,047 lifetime pensioners with pensions of $66.5 million p.a. in payment (excluding those pensions that have been temporarily commuted).

A reconciliation of the full membership between the last investigation of the Former BT WGP and this investigation date is enclosed as Appendix C to this report.

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

Since the previous investigation at 30 June 2021, the average attained age of Defined Benefit Members has increased from 54.9 years to 55.8 years. The average completed membership of Defined Benefit Members has also increased from 28.5 years to 29.8 years.

There were 1,336 active members of the Defined Benefit Plan at the investigation date who were present at the previous investigation. Their salaries over the period since the last investigation have increased on average by 3.8% p.a.

Section 3: Assets and Investment Strategy

Accounts

We have been supplied with unaudited accounts by the Trustee of the Former BT WGP for the Defined Benefit Plan as at 31 March 2023 which have been taken as the opening value of assets on 1 April 2023.

Net Market Value of Defined Benefit Plan assets

A summary of the market value of the Defined Benefit Plan's assets in respect of Defined Benefit Members at 1 April 2023 is summarised below:

Market Value of Assets at 1 April 2023	$ million
Invested Assets – DB Active Pool	999.0
Invested Assets – DB Pension Pool	1,062.3
Cash	8.1
Prepaid expenses	9.1
Total	**2,078.5**

The Market Value of the Net Assets are the net assets available to meet the Defined Benefit Plan's defined benefit liabilities as used in determining the contribution recommendations and Funding Status Measures at the investigation date.

The Trustee maintains an operational risk financial reserve (ORFR) in respect of the Defined Benefit Plan, however the ORFR requirement is handled outside the Defined Benefit Plan, in conjunction with the other arrangements under the MST.

Suitability of Crediting Rate

The Trustee credits Defined Benefit Members' accounts (excluding SuperSave and additional accumulation accounts) with actual investment returns (net of taxes and investment management costs) earned on the underlying assets of the DB Actives Pool. These returns are also net of asset based administration fees. I consider this crediting rate policy to be suitable.

Nature of Defined Benefit Liabilities

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

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

i. the level of Bank contributions, and

ii. the level of investment returns

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

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

i. to secure attractive long term investment returns, and

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

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

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

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

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

ii. rebuilding a buffer that has fallen or become negative

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

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

Defined Benefits – Investment Objectives and Guidelines

The Trustee’s principal investment objectives in relation to each of the asset pools in the Defined Benefit Plan are:

- in respect of the DB Active Pool, to achieve returns that exceed the Consumer Price Index (CPI) by 2.5% p.a. over 7 year periods
- in respect of the DB Pension Pool, to achieve returns that exceed the Consumer Price Index (CPI) by 2.0% p.a. over 7 year periods

Investment Strategy for Defined Benefit Plan

In order to meet the investment objectives set for the Defined Benefits Plan, the Trustee has adopted a benchmark allocation to each asset class for the DB Actives Pool and the DB Pensions Pool. The table below shows the benchmark asset allocations for each Pool as at 1 April 2023.

Asset Class	DB Actives Pool	DB Pension Pool
Australian Shares	25.5%	16.0%
Overseas Shares	28.0%	17.0%
Property	9.0%	7.0%
Infrastructure	4.5%	4.0%
Growth Alternatives	5.0%	7.0%
Total Growth Assets	**72.0%**	**51.0%**
Defensive Alternatives	0.0%	0.0%
Australian Fixed Interest	10.0%	19.0%
Overseas Fixed Interest	14.0%	25.0%
Cash and Liquid Assets	4.0%	5.0%
Total Income Assets	**28.0%**	**49.0%**
Total	**100.0%**	**100.0%**

Suitability of Investment Strategy of the Defined Benefit Plan

The defined benefit categories within the Defined Benefit Plan are all closed to new employee members and the age profile of the employee member categories will gradually increase. At 1 April 2023, the average age of employee members was 55.8 years. Just over half of the Defined Benefit Plan's liabilities are in respect of pensioners, whose average age at 1 April 2023 was 72.5 years.

At the investigation date, as will be seen from later in this report, the Defined Benefit Plan held a buffer of assets supporting the defined benefits over Vested Benefits and a buffer of assets over the value of accrued benefits.

There is the potential of volatility of short term investment returns and a consequential impact on the financial position of the Defined Benefit Plan as well as the Banks' contributions. We understand the Bank has been supportive of the investment strategy. However, given the increasing size of the DB Pension Pool relative to the DB Actives Pool in recent years, and the expected continuation of this increase in future years (as shown in the table below), I recommend that the Trustee seeks the Bank's confirmation of its comfort with this potential volatility of short term investment returns and any consequent impact on the funding requirements.

Proportion of Actuarial Value of Accrued Benefits	Active Members	Pensioners
30 June 2018	60%	40%
1 April 2023	48%	52%
1 April 2028 (projected)	28%	72%

On that basis, and the continued monitoring of Vested Benefits and funding requirements on a quarterly basis, I consider the current investment strategy to be suitable.

Section 4: Valuation Method, Plan Experience and Actuarial Assumptions

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

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

Valuation Method

The funding method adopted at the previous investigation was the Attained Age method. This funding method remains appropriate for the Defined Benefit Plan and we have retained it for this investigation.

The Attained Age funding method aims to spread the expected future cost of the Defined Benefit Plan's benefits over the average future working lifetime of the members to produce a level contribution as a percentage of the Defined Benefit Members' superannuation salaries, but also allows for any surplus or deficit that currently exists in the Defined Benefit Plan.

The calculation of the employer contribution by this method consists of two parts.

The **first part** is the "normal cost". The total normal cost is expressed as a level % of expected future salaries and is equal to the sum of:

- the cost based on actuarial assumptions of the benefits accruing to the members in respect of all future membership following the investigation date, plus
- the cost of insurance premiums, administration and taxation expenses.

Hence the normal cost represents the value of the benefits to accrue in respect of future membership, and does not take into account the benefits accrued in respect of past membership nor the net assets held at the investigation date.

The **second part** is the "adjustment cost" and is the Employer contribution required to amortise any excess or deficiency at the investigation date in net assets, after taking into account the Long Term Funding Level target in the Bank's Funding Policy. This adjustment cost may be positive or negative.

The amortisation can occur over a period decided by the Bank, subject to the provisions outlined in the Funding Policy.

The required Bank contribution is then the sum of the normal cost and the adjustment cost. However, the contribution rate required to maintain vested benefits coverage above 100% in three years' time based on the valuation assumptions has also been considered.

Funding Policy

The Bank adopted a Funding Policy dated 2 June 2020 prior to the transfer of the Former BT WGP into the MST. We have been advised that for the purposes of determining the recommended contribution rates as part of this investigation, the details of the Funding Policy in place immediately prior to the transfer at 1 April 2023 shall remain in force. As the Funding Policy refers to the Trustee of the Former BT WGP, we recommend that the Bank update this policy to refer to the MST and the Trustee of the MST.

This Policy includes a Long Term Funding Level (LTFL) target of 104% of the Plan's total Actuarial Value of Accrued Benefits.

If the market value of the Plan's assets falls below the Plan's vested benefit liabilities resulting in the Plan being in an unsatisfactory financial position, the Bank will contribute amounts sufficient to restore the Plan to a satisfactory financial position over a period no longer than two years from the date of calculation.

If the market value of the Plan's assets falls below the Plan's LTFL target, but is not in an unsatisfactory financial position, the Bank may contribute amounts in addition to the normal cost sufficient to restore the Plan to the LTFL target over a period no longer than three years.

If the market value of Plan's assets exceeds the Plan's LTFL target, the Bank's contributions may be funded from the excess assets over the LTFL target.

Plan Experience and Valuation Assumptions

It is important when setting the valuation assumptions to examine the experience since the previous investigation to see whether the previous assumptions have been borne out in practice. A summary of the main assumptions adopted at the previous investigation of the Former BT WGP and this investigation is set out it the table below.

	Last Investigation (p.a)	This Investigation (p.a)
Discount Rate – Active members (net of tax)	4.75%	6.70%
Discount Rate – Pensioners (gross of tax)[1]	5.00%	6.45%
Salary Growth	3.50%	3.75%
Pension Inflation	2.50%	2.75%[2]
"Gap" – Active members	1.25%	2.95%
"Gap" – Pensioners	2.50%	3.70%
Pension take-up rate	75%[3]	75%[3]

1. Net of expense allowance
2. Assumed pension inflation of 6.0% in year 1
3. It is assumed that 75% of members elect to convert the maximum 50% of the eligible benefit – that is, 37.5% of the eligible benefit is converted.

Discussion of the major items of experience over the period from 30 June 2021 to 1 April 2023 is given in the following paragraphs.

Investment Return (Discount Rate)

The assumption for investment returns at the last investigation at 30 June 2021 was 4.75% p.a. (net of investment management fees and tax, but gross of administration fees) for the DB Actives Pool and 5.00% p.a. (net of investment management fees and administration fees, but gross of tax) for the DB Pension Pool.

The Plan's investment returns over the period from 30 June 2021 to 1 April 2023 in respect of the Defined Benefit Plan assets are shown in the table below:

	DB Actives Pool (%) (Net of Investment Fees Gross of Administration Fees Net of Tax)	DB Pension Pool (%) (Net of Investment Fees Net of Administration Fees Gross of Tax)
30 June 2021 – 30 June 2022	-6.35%	-6.61%
30 June 2022 – 1 April 2023	6.27%	5.06%
Average over 1.75 yrs	**-0.28%**	**-1.08%**

Over the period from 30 June 2021 to 1 April 2023 the investment return on the Plan's assets was -0.28% p.a (net of investment fees, gross of administration fees and net of tax) in respect of the Defined Benefit Active Pool and -1.08% p.a. (net of investment fees, net of administration fees and gross of tax) in respect of the Defined Benefit Pension Pool.

The average net investment return was 5.03% p.a. lower than the assumed rate in respect of the DB Actives Pool at the last investigation and 6.08% p.a. lower than the assumed rate in respect of the DB Pension Pool.

The underperformance of the DB Active Pool assets and DB Pension Pool assets will, in isolation, have had a negative effect on the Defined Benefit Plan's financial position.

For this investigation, we have adopted higher long term future investment returns equal to 6.70% p.a. (net of investment management fees and tax) in respect of the DB Actives Pool, and 6.45% p.a. (net of investment management fees and administration fees, and gross of tax) in respect of the DB Pension Pool. Please note that, in line with the previous investigation, the investment return assumption adopted for the DB Pension Pool at 1 April 2023 is net of administration fees (assumed to be 0.2% p.a. as at 1 July 2021, and 0.05% p.a. as at 1 April 2023). We believe these assumptions are consistent with the Trustee's investment objectives and strategy.

Salary Growth

The assumed rate of salary growth was 3.50% p.a. in the last investigation at 30 June 2021. For this investigation, we have increased our salary growth assumption to 3.75% p.a. The average salary growth for Defined Benefit Members present at both this investigation and the previous investigation has been approximately 3.8% p.a..

Over the long term, it is the "gap" between the investment return (net of tax and investment management fees) and the salary growth assumption that is important when valuing employee member's liabilities. In this investigation we have increased this "gap" from 1.25% p.a. to 2.95% p.a. Over the review period the actual "gap" was -4.1% p.a. This has had a negative impact on the Defined Benefit Plan's financial position.

Pension increases

Pension increases over the period from 30 June 2021 to 1 April 2023 have been as follows:

Date of Increase	Pension Increase (%)
1 January 2022	3.0%
1 January 2023	7.3%
Average over the 2 years	**5.1 % p.a.**

We have updated our long-term pension increase assumption adopted at the previous investigation from 2.5% p.a. to 2.75% p.a. which is in line with the long term inflation assumption underlying our asset class expected returns at the investigation date, for periods in line with the duration of the pension liabilities. We have also assumed a pension increase assumption of 6.0% to be applied in the first year, given the current high short-term inflation environment. We note the Participation Schedule caps the annual pension indexation at 5% or such higher percentage as the Trustee decides, upon the advice of the Actuary and with the consent of the employer.

Over the long term, it is the “gap” between the investment return (gross of tax and net of investment management fees, and net of administration fees) and pension increase assumptions which is important when valuing the pension liabilities. For this investigation, the “gap” has increased from 2.5% p.a. used in the previous investigation to 3.7% p.a. Over the review period the actual gap was -6.2% p.a. This will have had a negative impact on the Defined Benefit Plan’s financial position.

Rates at which Members Leave Service and Retire

We have retained the assumptions used in the previous investigation at 30 June 202. Statistically significant results based on actual experience are not available over the review period from 30 June 2021 to 1 April 2023.

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

In view of the short review period from 30 June 2021 to 1 April 2023 we have retained the assumptions from the previous investigation at 30 June 2021.

Pensioner Mortality

In view of the short review period from 30 June 2021 to 1 April 2023 we have retained the assumptions from the previous investigation at 30 June 2021.

New Members

All Defined Benefit categories have been closed to new entrants since 1 January 1999.

Expenses

The Defined Benefit Plan incurs administration fees of 0.05% of Defined Benefit assets plus the cost of other service provider fees. These have been allowed for as follows:

- In respect of the administration expenses associated with active employee members, we have adopted an allowance for this investigation of 0.4% of Defined Benefit Members' superannuation salaries. This is a decrease from 1.20% of Defined Benefit Members' superannuation salaries adopted at the last investigation.
- For pensioner members, we have reduced the discount rate used to value the pension liability by 0.05% p.a. which capitalises the future value of all expected administration costs in respect of pensioner members into the pensioner liability. As such, all expenses associated with pensioners are charged against the DB Pension Pool and are effectively fully funded at the time the pension commences. This is in line with the approach adopted at the last investigation.

Death and Total and Permanent Disablement (TPD) Insurance

In the last investigation, we made an allowance for death and TPD insurance premiums of 0.41% of superannuation salaries, solely used to determine the assumed tax deductible component of the insurance premium cost.

In respect of the Defined Benefit Members, we have used an assumption for this investigation of 0.50% of Defined Benefit Members' superannuation salaries, based on the current insurance premium rates for Defined Benefit Members, charged by the Plan's insurer. Members' full death and TPD benefits have been valued. This allowance of 0.50% has been used solely to determine the assumed tax deductible component of the insurance premium cost.

In respect of Accumulation Members, we have been advised that the Bank contributes a monthly amount, determined by Mercer, to fund the death, total and permanent disablement, and total and temporary disablement premiums. It is our understanding that any difference between the amounts contributed and actual premiums is reconciled and adjusted annually. We recommend that this process continue.

Total and Temporary Disablement (TTD) Insurance

In the last investigation, we made an allowance for the cost of TTD benefits for Defined Benefit members of 0.60% of superannuation salaries.

For this investigation, in respect of Defined Benefit Members, and based on the information provided, we have increased this assumption to 0.70% of superannuation salaries. This is based on the current insurance premium rates for Defined Benefit Members, as charged by the Plan's insurer.

In respect of Accumulation Members, we recommend the Bank contribute to the Plan the premium as advised by the insurer.

Form of benefits

Members of the Former Westpac Staff Superannuation Plan have the ability to elect to take up to 50% of their defined benefit ("the eligible benefit") as a pension when ceasing service with the Bank at or after age 55. The assumed take-up rate adopted at the last investigation was that 75% of eligible benefits will be taken as a pension. That is, 75% of the eligible 50% of defined benefits will be taken as a pension. In view of the short review period from 30 June 2021 to 1 April 2023 we have retained the assumptions from the previous investigation at 30 June 2021.

Marital status

We do not have sufficient data to analyse the actual marital status of the Defined Benefit Plan's members. In the last investigation, we compared our assumptions to the marital status statistics from the 2016 Australian Census. In view of the short review period from 30 June 2021 to 1 April 2023 we have retained the assumptions from the previous investigation at 30 June 2021.

Effect of changes in assumptions

The impact of the change in assumptions can be illustrated by comparing the Vested Benefit Index discussed in Section 7 and the "normal cost component" of the contribution rate discussed in Section 8 determined using the same assumptions as the previous investigation with those produced by the assumptions used for this investigation:

Assumption set	Vested Benefit Index	Normal Cost
Current assumptions	107.8%	17.0%
Previous assumptions (calculated effective 1 April 2023)	99.0%	20.6%

The overall change in assumptions results in:

- An increase in the Vested Benefit Index. This is due to the increase in the gap, or difference between, the Pension Pool investment return and pension increase assumptions, and the resulting decrease in the value of the pension liabilities (for both current pensioners and the pension option allowance for active members), and
- A decrease in the normal cost. This is primarily due to the increase in the gap, or difference between, the Active Pool / Pension Pool investment return and salary growth / pension increase assumptions.

Summary of Valuation Assumptions

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

Section 5: Insurance Arrangements

Current arrangements

Total and Temporary Disablement ("TTD") benefits

We understand that any Total and Temporary Disablement benefits are fully insured. This is considered adequate and no changes are recommended.

Death and TPD benefits

The majority of the Plan's defined benefit members (those originally from the Westpac Staff Superannuation Plan, with benefits described in part A of Appendix A) may elect to convert a portion of their lump sum Death and Total and Permanent Disablement (TPD) benefits to a pension.

The extent to which the value of the future service component of the Death and TPD benefits (after allowing for the value of the pension benefit at the assumed pension take-up rate) exceeds the 100% Lump Sum value of the future service component of the Death and TPD, is self-funded. Previously, this has been considered a funding issue, and is included in the assessment of the normal cost. However, the recent release of the Actuaries Institute's *Exposure Draft of Practice Guideline 499.10 and Self-Insurance Arrangements and Prudential Standards SPS 160* in August 2023, has formalised the Institute's view of best practice regarding self-insurance. Based on this Exposure Draft, the extent to which the value of the pension value exceeds the lump sum value in respect of future service is considered self-insurance.

Exposure – lump sum component of Death and TPD benefits

The current level of insurance in respect of Defined Benefit members' lump sum Death and TPD benefits is calculated as follows.

Lump Sum Death/TPD Benefit – Lump Sum Vested Benefit

The following table shows the adequacy of the Defined Benefit Plan's insurance cover:

	$ million
Lump Sum Death and TPD Benefits	941.1
Less Aggregate Group Life Insurance	180.5
Exposure	760.6
Net Assets (excluding Assets in respect of Pensioners)	1,036.4

The Net Assets at 1 April 2023 are more than sufficient to meet the Defined Benefit Plan's exposure of $760.6 million. The current insurance arrangements in respect of lump sum Death and TPD benefits are considered adequate and no changes are recommended.

Self-insurance – additional value of pension option on future service component of Death and TPD benefits

As set out above, some defined benefit members may elect to convert a portion of their lump sum Death and TPD benefits to a pension. The additional value of the future service component after allowing for the value of the pension option, in excess of the lump sum benefit, is considered to be self-insurance.

It is important to note the Death and TPD benefit formulae only include future service to age 60.

SIS Regulation 4.07E states that defined benefit funds can provide benefits for defined benefit members through self-insurance only if the fund self-insured such benefits on 1 July 2013 (and so long as APRA did not prohibit Self-Insurance for that DB Fund as a condition of its licence). It is our understanding that these same benefits were provided on 1 July 2013, and we are not aware that APRA did not prohibit self-insurance for the WGP as a condition of its licence.

Paragraph 36 of SPS 160 states that a fund trustee that is permitted to self-insure benefits must:

(a) Maintain reserves or have arrangements approved by APRA in place to fund current and future self-insurance liabilities;

(b) Attest annually that, in formulating and maintaining its policy in relation to self-insurance, the fund continues to act in the best interests of members; and

(c) Develop a contingency plan for an orderly transfer of insurance assets and obligations should a self-insurance arrangement no longer be appropriate.

Self-insurance reserve

If a self-insurance reserve were to be implemented, its level should reflect the likelihood and expected impact on the Plan of random fluctuations in the occurrence of death and TPD claims, a catastrophic event, and incurred but not reported (IBNR) death and TPD claims. We consider each of these below.

Random fluctuations in claims

To the extent that the number of death and TPD claims within the Plan is higher than the assumed level then a potential financial "strain" can occur.

The expected base claims per year at the triennial actuarial review as at 30 June 2018 was 8 death and disablement claims per year (i.e. 24 over a three year period). Over the three year period to 30 June 2021, there were 2 death claims and 9 disablement claims. Therefore, fewer death and disablement claims occurred than expected over the period.

The table below considers the likelihood and impact of the Plan experiencing claims 50% and 100% higher than the expected number in a single year. The figures in the table below are in respect of relevant defined benefit members under age 60 at 1 April 2023.

	Base expected claims	Claims 50% higher than expected	Claims 100% higher than expected
Number of claims in a year	6	9	12
Expected Plan impact in a year:			
Dollar amount	$0.31 million	$0.46 million	$0.61 million
% of net assets	0.015%	0.022%	0.029%

The expected Plan impact of the base expected claims is implicitly allowed for in the funding recommendation. Hence, when considering an appropriate self-insurance reserve, attention needs to be given to the likelihood and impact of claims greater than expected.

On balance, we recommend allowing for a self-insurance reserve for claims at a level 100% higher than expected, being an amount of $305,000.

Catastrophic event

The table below shows the total headcount, self-insured death liability and self-insured TPD liability in respect of relevant members under age 60 (as only future service to age 60 is considered in the death and TPD benefit formulae).

Relevant defined benefit members under age 60*	As at 1 April 2023
Headcount	1,018
Self-insured Death benefit	$64.8 million
Self-insured TPD benefit	$70.6 million

* Originally from the former Westpac Staff Superannuation Plan

We consider a catastrophic event to be 1 in 200 year event impacting 10% of all members. Allowing for this probability, we believe a reasonable allowance within the reserve would be $35,000.

Incurred but not reported (IBNR) claims

Incurred but not reported claims represent member deaths and/or TPD that have occurred and have not yet been reported to the Plan, but for which a benefit is likely to be payable. We expect such claims for this Plan to be low based on the relatively low number of actual claims observed historically.

We believe a reasonable allowance for IBNR claims is 15% of expected claims and therefore a reasonable allowance within the reserve would be $45,000 (i.e. 15% x $0.31 million)

Overall reserve

If the Trustee were to set a self-insurance reserve, this could be $385,000, being the sum of the components above.

However, the Trustee may wish to consider the immateriality of this reserve, and the immaterial impact that adverse death and disablement experience are likely to have on the Plan's funding position. Materiality, and other factors negating the impact of adverse death and disablement experience, are discussed in the points below:

- If the Trustee were to adopt a reserve of $385,000, this represents less than 0.02% of the Plan's defined benefit net assets at 1 April 2023, and only 1.4% of expected regular company defined benefit contributions for the year commencing 1 April 2023.
- If the net assets were reduced to allow for this reserve, there would be no change to any of the Solvency and Funding Status measures set out in Section 7 which were reported to the nearer 0.1%.
- The self-insurance is in respect of benefits being taken in the form of a lifetime pension. This therefore does not create an immediate cashflow strain, as the benefits will be paid out over many years.
- The Death and TPD benefit formulae only include service up to age 60. The average age of relevant members under age 60 was 53.5 as at 1 April 2023. Therefore, it is expected that the size of the self-insurance relative to the size of the Plan will quickly diminish.
- At the investigation date the self-insurance exposures for both Death and TPD benefits were both fully covered by the Plan's surplus in respect of its Actuarial Value of Accrued Benefits (AVAB), shown in the table below.

	Death $ million	TPD $ million
Self-insurance exposure	$64.8	$70.6
Surplus assets in excess of AVAB (see Section 7)	$90.8	$90.8
Net exposure (ie not covered by surplus assets)	Nil	Nil

Taking into consideration all of the factors above, I do not consider that adverse death and disablement experience would have a material impact on the Plan's funding position. Further, I consider an insurance reserve of the order of $385,000 to be immaterial relative to both the size of the Plan assets, and the level of annual company defined benefit contributions.

Beneficiaries' best interest attestation

Given the size of the self-insurance exposure and the various factors set out above, we see no reason as to why the Trustee would not be able to attest that, in formulating and maintaining its policy for self-insurance, the Trustee continues to act in the best interests of the Plan beneficiaries.

Section 6: Considerations in respect of Defined Benefit Pensions

I am required to express a view as to whether I believe there is a high probability that the Plan will be able to pay the pensions as required under the Plan's governing rules.

The considerations I have taken into account in forming a view include:

- The liabilities for pensions in payment rank ahead of the liabilities for accruing members on wind-up of the Plan, as specified in Clause 1.11 ("Termination of the Employer Sub-Plan") of the Participation Schedule.
- The Plan has sufficient liquidity to make pension payments from regular cashflows or the ready sale of the Plan's assets from time to time.
- The suitability of assets for matching the expected income streams
- The investment strategy for the DB Pension Pool.
- The actuarial assumptions, and hence the resultant liability values, include allowance for future improvements in pensioner mortality.
- Upon the death of a lifetime pensioner (where no reversionary spouse pension is payable), the liability ceases. Any surplus created at that time improves the Plan's financial position.
- The Bank's plan to address any unsatisfactory financial position, as outlined in its Funding Policy.

Having considered these matters, I believe there is a high probability that the Plan will be able to pay the pensions as required under the Plan's governing rules.

Section 7: Solvency and Funding Status Measures

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

Vested Benefits

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

The Vested Benefits represent the benefit entitlements of Members should they voluntarily leave the Defined Benefit Plan and the value of the pension benefits for members who have already left service. Where the member is entitled to a defined benefit pension or a deferred benefit or to exercise an option, then the value of that benefit or option has been determined using the assumptions adopted for this investigation. The Vested Benefits Index is the ratio of the Defined Benefit Plan's Net Assets to its Vested Benefits and hence is a measure of the Defined Benefit Plan's financial strength.

The Vested Benefits at 1 April 2023 are set out in the table below in respect of the Defined Benefit Plan:

Benefit Category	$ million
Westpac active members	880.2
Ex-St George active members	8.3
Notified exits	5.7
Preserved members	0.0
Pensioners	1,042.1
Defined benefit offset accounts*	(8.4)
Total	**1,927.9**

* Surcharge, Early Release offset.

The following table shows the progression of the Vested Benefits Index over the review period.

	Last Investigation Defined Benefits Only* $ million	This Investigation Defined Benefits Only* $ million
Net Assets	$2,216.1	$2,078.5
Vested Benefits	$2,072.4	$1,927.9
Vested Benefits Index	106.9%	107.8%

* The "Defined Benefits Only" figures illustrate the financial position of the Defined Benefit Plan in respect of the Defined Benefit liabilities, excluding SuperSave Accounts and other member investment choice accounts for Defined Benefit Members.

As at 1 April 2023, the net assets of the Defined Benefit Plan exceeded its Vested Benefits and the Defined Benefit Plan was in a satisfactory financial position. The ratio of the Defined Benefit Plan's net assets supporting defined benefits to its vested defined benefits was 107.8%. At the previous investigation, this ratio was 106.9%. The ratio has increased due to a number of factors, but is primarily due to:

- payment of additional funding contributions in line with the recommendation from the last investigation
- increase in the assumed gap (assumed investment return less assumed pension increases) in respect of pension liabilities.

Lower than expected investment returns, and higher than expected salary growth and pension inflation since the last investigation have had a negative impact on the financial position, offsetting some of the above impacts.

Actuarial Value of Accrued Benefits

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

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

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

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

The following table sets out the composition of the AVAB at 1 April 2023 in respect of the Defined Benefit Plan:

Accrued Benefit Liabilities	1 April 2023 $ million
Active members (Westpac and Ex-St George)	948.3
Notified exits	5.7
Preserved members	0.0
Pensioners	1,042.1
Defined benefit offset accounts*	(8.4)
Total AVAB	**1,987.7**
Market Value of Assets	**2,078.5**
Excess of Assets over AVAB	**90.8**

* Surcharge, Early Release offset.

The following table shows the progression of the Actuarial Value of Accrued Benefits Index over the review period.

	Last Investigation Defined Benefits Only* $ million	This Investigation Defined Benefits Only* $ million
Net Assets	$2,216.1	$2,078.5
Actuarial Value of Accrued Benefits	$2,212.0	$1,987.7
Actuarial Value of Accrued Benefits Index	100.2%	104.6%

* The "Defined Benefits Only" figures illustrate the financial position of the Plan in respect of the Defined Benefit liabilities, excluding SuperSave Accounts and other member investment choice accounts for Defined Benefit Members.

As at 1 April 2023, the net assets of the Defined Benefit Plan are adequate to cover the Actuarial Value of Accrued Benefits.

Minimum Benefits

The Bank's Superannuation Guarantee (SG) obligation is either fully or partly met for all employee members by the minimum benefits provided under the Plan. The required Benefit Certificate is dated 14 August 2023, which defines the Minimum Requisite Benefits of each employee member.

A Funding and Solvency Certificate dated 14 August 2023 has been issued to the Trustee corresponding to the above mentioned Benefit Certificate. The purpose of this certificate is to specify the required Bank contributions needed to fund the minimum benefits used to offset the SG charge.

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

The following table shows the progression of the Minimum Benefits Index over the review period in respect of all defined benefit members (including benefits and assets in respect of pensioners and notified exits).

	Last Investigation Defined Benefits Only* $ million	This Investigation Defined Benefits Only* $ million
Net Assets	$2,216.1	$2,078.5
Minimum Benefits	$1,864.6	$1,771.8
Minimum Benefits Index	118.8%	117.3%

* The "Defined Benefits Only" figures illustrate the financial position of the Defined Benefit Plan in respect of the Defined Benefit liabilities, excluding SuperSave Accounts and other member investment choice accounts for Defined Benefit Members.

As at 1 April 2023, the net assets of the Defined Benefit Plan are greater than the Minimum Benefits, and the Plan is in a solvent position.

Shortfall Limit

Superannuation Prudential Standard (SPS) 160 requires that an RSE licensee must set a shortfall limit, approved by the Board, for each defined benefit sub-fund within its business operations.

The shortfall limit is defined in SPS 160 as:

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

An unsatisfactory financial position is defined in paragraph 8 of SPS 160 as the situation where the assets of the defined benefit fund, excluding the ORFR, is "*not adequate to cover the liabilities of the fund or sub-fund in respect of the benefits vested in members of the fund or sub-fund".*

Setting the Shortfall Limit

The shortfall limit should be measured as the total assets supporting the defined benefit components of defined benefit members' benefit entitlements divided by the total of the defined benefit members' defined benefit components. The shortfall limit should therefore be expressed as a % and is measured in the same way as the Vested Benefits Index (VBI).

The defined benefit component is that portion of a defined benefit member's benefit entitlement (which entitlement is also referred to as a "defined benefit interest") other than any purely accumulation benefit component. An accumulation benefit component is an amount that is based on the accumulation of an amount with net investment earnings (i.e. no defined benefit characteristics).

Practice Guideline 499.08, dated March 2023, issued by the Actuaries Institute, suggested that the following key factors be taken into account when setting the Shortfall Limit:

- The investment strategy – generally, the higher the allocation to growth assets, the greater then expected volatility of investment returns. Therefore, plans with a higher allocation to growth assets would generally have a lower Shortfall Limit.

In the Plan, assets supporting the defined benefit liabilities of employee members in the DB Actives Pool are invested roughly 70% in growth assets, while the assets supporting the pensioner liabilities in the DB Pensions Pool are invested roughly 50% in growth assets.

- The defined benefit component of the Vested Benefit design – generally, plans that are purely defined benefit in nature would be expected to experience greater volatility in its VBI position relative to plans that have some accumulation style element in its benefit design. Therefore, plans that are purely defined benefit in nature would generally have a lower Shortfall Limit.

  The Plan's benefit design for employee members is a hybrid design, where the vested benefit is the greater of a defined benefit and accumulation benefit. However, we estimate that approximately 55% of the employee members' vested benefits are currently defined benefit in nature.

  The benefits held in respect of pension members are purely defined benefit in nature and are not influenced by investment returns.

- The relationship between the Vested Benefits and the Minimum Benefits – Paragraph 11 of SPS 160 requires that the Shortfall Limit must not be such that a DB Fund could become technically insolvent before the Shortfall Limit is breached.

  The Plan's defined vested benefits exceed its minimum requisite benefits by a considerable margin.

Recommendation

Having considered the items above and the relevant guidance provided, we consider it reasonable to adopt a Shortfall Limit of 98%.

This recommendation does not contain any element reflecting an assessment of the financial strength of the employer sponsor or its willingness or capacity to pay contributions.

Reviewing of the Shortfall Limit

The shortfall limit should be reviewed at each regular actuarial investigation. We recommend the trustee also review the shortfall limit if:

- the investment strategy is changed
- the benefit design is changed
- the VBI falls below 100%.

Benefits Payable on Termination of the Plan

On termination of the Plan, Clause 1.11 of the Participation Schedule states that assets should be:

1. applied to meet all expenses incurred in the dissolution of the Plan, and
2. applied to meet benefit entitlements (including pensions) that arose before the date of termination, and
3. distributed in respect of other members in such a way as the Trustee considers equitable, upon the advice of the Actuary and with the approval of the Participating Employer, taking account of the provisions of the Participation Schedule and any other relevant circumstances.

The termination provisions do not specify a minimum benefit to be paid but apply assets in an order of priority. Hence, assets are to be distributed to the extent possible to meet former and current members' entitlements.

This does not mean that assets will be sufficient to meet all members' entitlements. Depending on how pensioners' entitlements are met, given they have a higher priority than employee members' entitlements, and the size of expenses incurred in winding up the Plan, there may be insufficient assets to meet 100% of the benefit entitlements of remaining Plan members (accumulation or defined benefit) on termination of the Plan.

Various factors that may impact on Funding and Solvency measures

In the following paragraphs, we comment on a number of factors that may influence the measures in this Section. These factors are not exhaustive and are not meant to cover all possible factors that may influence these measures.

- The net market value of assets does not include any assets, to our knowledge, that materially depend on the employer that have not been paid, nor any materially illiquid assets.
- If the value of the pensions in payment was determined on an equivalent market value basis, then the indices in this Section would be materially affected, and may fall below 100% as at the investigation date. We would be pleased to investigate this further.
- Benefits are, by and large, fully vested and the same benefit is paid on retrenchment as it is on resignation.
- We have made allowance for the option that may be exercised by retiring members to take a pension in valuing both the vested benefits and the actuarial value of accrued benefits. If more retiring members than expected take up the pension option, the indices will reduce. If a pension take-up rate of 100% (rather than 75%) were to be assumed, the VBI would reduce to 105.5% and the AVABI would reduce to 101.3%.

We discuss certain sensitivities and materiality further in Section 9.

Experience since the Investigation Date

The levels of the funding measures have increased slightly as a result of higher than expected returns on the Plan's defined benefit assets over the period from1 April 2023 to 31 August 2023.

Section 8: Contribution Results

It should be emphasised that the funding measures shown in Section 7 relate to the current position at the review date. A projection of the Defined Benefit Plan is required to assess the adequacy of Bank contribution rates to provide defined benefits in the future.

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

Normal Long Term Contribution Rate ("Normal Cost")

As described in Section 7, the total value of accrued defined benefits of $1,987.7 million represent the present value of all expected future benefit payments in respect of defined benefit membership accrued up to the investigation date. We have similarly calculated the present value of all expected future Defined Benefits in respect of expected membership after the investigation date ("future service defined benefits").

The amount of long term Bank contributions needed is calculated as the present value of Future Service Defined Benefits less the present value of expected future member contributions.

		$ million
Future Service Defined Benefit Liabilities		113.5
Less	Value of future member contributions	24.5
Defined Benefit Liability to be funded from future Bank contributions		89.0
Value of 1% future Bank contributions		6.6
Future Bank contribution rate required		13.6%
Plus	Allowance for 15% contributions tax	2.3%
Plus	Allowance for insurance costs*	0.7%
Plus	Allowance for Plan expenses**	0.4%
Total Gross Normal Contribution Rate required		**17.0%**

* This is the cost of TTD insurance. The cost of cover for Death and TPD benefits has been included in the value of Future Service Defined Benefits above.

** This is only an allowance for administration expenses in relation to active members, as the future administration expenses for pensioners is capitalised in the liability.

Hence, the long term contribution rate required to fund future benefits for Defined Benefit Members is 17.0% of their superannuation salaries.

Change in normal cost rate since previous investigation

The attribution of the change in the normal cost rates in respect of the Defined Benefit Plan from the last investigation is set out below:

Attribution component	
Normal cost at last investigation	19.5%
Increase in normal cost due to assumption changes (cost of expenses and TTD insurance)	(0.7%)
Increase in normal cost due to assumption changes (financial)	(3.0%)
Increase in normal cost due to assumption changes (demographic)	0.0%
Increase in normal cost due to membership and SG changes	1.2%
Normal cost as at this investigation	**17.0%**

Adjustment cost and Funding Policy's Long Term Funding Level

The surplus/deficit of assets relative to the Actuarial Value of Accrued Benefits and the Long Term Funding Level for the Defined Benefit Plan at 1 April 2023 is shown below:

	$ million
Actuarial Value of Accrued Benefit	$1,987.7
Long Term Funding Level (LTFL) (104% of AVAB)	$2,067.2
Net Assets	$2,078.5
Surplus (Deficit) Assets over LTFL	**$11.3**

At 1 April 2023 there was a small surplus in the Plan's Defined Benefit Net Assets relative to the Bank's Long Term Funding Level Target (104% of AVAB) of $11.3 million.

As explained in Section 4, an adjustment cost is combined with the normal cost to amortise any surplus or deficit in respect of the Actuarial Value of Accrued Benefits, as well as having regard to the Long Term Funding Level. At the investigation date, the excess assets over the LTFL were of such a small magnitude that we recommend no adjustment be made to the normal cost.

Recommendations

An actuarial investigation is essentially a budgetary exercise, as there are various ways in which the funding of future defined benefit liabilities can take place. Over the life of the Defined Benefit Plan, inputs to the Defined Benefit Plan (basically contributions and investment income) must match its outputs (basically defined benefit payments and costs). Because, in relation to defined benefit liabilities, it is not possible to predict the extent of future investment income or benefits, Bank contributions will be required at varying rates throughout the life of the Defined Benefit Plan. The rate at which the Defined Benefit Plan's assets are built up to meet its future liabilities can be quickened or slowed, depending upon the Bank's and Trustee's attitude to the level of assets required at any point in time to meet its accrued liabilities.

The Bank has a Funding Policy which outlines the Bank's intentions in relation to a minimum funding level and Long Term Funding Level target. This policy influences the pace at which the Bank makes contributions to the Plan.

As mentioned in previous sections of the report, the Bank's Funding Policy dated 2 June 2020 specifies a Long Term Funding Level target of 104% of total Plan Actuarial Value of Accrued Benefits.

In the absence of any special circumstances, we recommend that the Bank maintain the current contribution arrangements and pay contributions in respect of Defined Benefit members of no less than:

- 19.5% of active defined benefit members' superannuation salaries from 1 April 2023, plus
- $30 million during the 3 months to 30 June 2023, plus $30 million during the year to 30 June 2024
- the cost of members' nominated and voluntary salary sacrifice contributions, plus
- the cost of any additional contributions of the Bank in respect of service recognition contributions and pre-elected bonus contributions and any extra contributions required to satisfy the SG requirement in respect of a member.

In relation to the Accumulation Plan, in respect of Accumulation Members:

- we understand the Bank contributes at the rates specified in the SG legislation, or such other rates as applicable to the terms of the benefit design applicable to the relevant Accumulation Member;
- we have been advised that the Bank contributes a monthly amount, determined by Mercer, to fund the death, total and permanent disablement, and total and temporary disablement premiums in respect of accumulation members, and that any difference between the amounts contributed and actual premiums is reconciled and adjusted annually.

Projection of Results

For the Defined Benefit Plan, we have tested the impact of retaining the current Bank contribution arrangements by projecting the cash flows of the Defined Benefit Plan and the build-up of the Defined Benefit Plan's assets over the next three years, and comparing the Defined Benefit Plan's assets to the projected levels of the Vested Benefits and value of Accrued Benefits.

Projection Date	DB Plan Assets $ million	DB Vested Benefits $ million	VBI %	DB Accrued Benefits $ million	ABR %
1 April 2023	2,079	1,928	107.8%	1,988	104.6%
1 April 2024	2,064	1,886	109.5%	1,937	106.5%
1 April 2025	2,083	1,875	111.1%	1,919	108.6%
1 April 2026	2,079	1,867	111.3%	1,902	109.3%

The projection shows an increase in the Defined Benefit Plan Vested Benefits Index to 111.3% at 1 April 2026.

If the Company contribution rates shown in this Section are paid then I expect the Defined Benefit Plan Vested Benefits Index (VBI) to remain in a satisfactory position assuming the valuation assumptions are borne out in practice.

It should be noted, however, that these projections are based on the assumptions used in this investigation, which by their nature are long term assumptions. Hence it is likely there will be departures, possibly material departures, from the results shown in this table as actual experience differs from the assumptions.

Future Review

The financial status of the Defined Benefit Plan is sensitive to actual financial experience (principally, investment returns and pension inflation) and membership movements. We recommend that the financial position of the Defined Benefit Plan be monitored quarterly.

As the Plan pays defined benefit lifetime pensions the Trustee is required to undertake an annual actuarial investigation of the Plan. The next annual investigation is therefore required effective 1 April 2024, unless APRA grants an exemption from this requirement.

Section 9: Sensitivity Analysis and Material Risks

Sensitivity Analysis

For the purpose of this investigation the "gap" between the assumed investment return for the DB Actives Pool (net of tax and investment management fees) and salary inflation assumption is 2.95% p.a. The "gap" between the assumed investment return for the DB Pension Pool (gross of tax, net of investment management fees and net of administration fees) and pension increase assumption is 3.70% p.a. Other economic assumptions could be used and the table below shows the impact of varying the "gap" between these assumptions on the Plan's financial position, long term contribution rate, and assets relative to the Long Term Funding Level target.

Item	This Valuation Basis	Scenario 1	Scenario 2
"Gap" between investment return (net of tax) and salary inflation assumptions (% p.a.)	2.95	3.95	1.95
"Gap" between investment return (gross of tax) and pension increase assumptions (% p.a.)	3.70	4.70	2.70
Vested Benefits Index	107.8%	116.5%	98.8%
Actuarial Value of Accrued Benefits Index	104.6%	114.2%	94.6%
Normal Cost	17.0%	15.5%	19.0%
Surplus / (Deficit) Assets over LTFL ($m)	11.3	185.0	(206.0)
Surplus / (Deficit) Assets over LTFL ($m) (gross of contributions tax)	13.3	217.7	(242.4)

These results indicate that the Actuarial Value of Accrued Benefits, as well as the Long Term Funding Level target, in respect of Defined Benefit Members are quite sensitive to future investment returns and future pension increases. This is due to a combination of factors, including:

- The material size of the pension liabilities, which accounts for around 52% of the value of accrued defined benefit liabilities as at 1 April 2023.
- The majority of the value of total defined benefit liabilities have already accrued. The accrued liabilities of employee members represent 89% of the total defined benefit liabilities of members who are still employees as at 1 April 2023. Further, the combined accrued liabilities of employee members and pensioners represent 95% of the total defined benefit liabilities of all defined benefit members as at 1 April 2023.

Consequently, given that the Defined Benefit Plan is closed to new members, any change in the value of accrued liabilities (in respect of employee members or pensioners) relative to expectations means that the resultant impact on the LTFL target, and the Bank contributions required to achieve this target, can be quite material, and potentially significantly greater than Bank contributions required to fund only future accrual.

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

Material Risks

Investment returns

For this investigation I have adopted an investment return assumption (net of tax and investment management fees) of 6.70% p.a. in respect of employee members, and 6.45% p.a. (gross of tax and net of investment management fees, and net of administration fees) in respect of pensioners. However, if actual investment returns are less than these, with all other actuarial assumptions borne out as expected, then the funding position (Vested Benefits Index) will worsen and increased Bank contributions may be required.

For example, the following table gives an indication of the sensitivity of the Defined Benefit Plan's funding position (Vested Benefits Index) to investment returns different to that expected in the year to 1 April 2024 (first year of the projection) based on one year's modelled range of potential outcomes.

	DB Active Pool Return	DB Pension Pool Return	1 April 2024 VBI
10% better than expected return	16.7%	16.45%	116.9%
5% better than expected return	11.7%	11.45%	113.2%
Expected return	6.7%	6.45%	109.5%
5% worse than expected return	1.7%	1.45%	105.6%
10% worse than expected return	-3.3%	-3.55%	101.7%

The variations selected in the projections for the year to 1 April 2024 do not indicate upper or lower bounds of all possible outcomes. Further analysis can be carried out if required.

Salary and pension growth

For this investigation I have adopted a salary growth assumption of 3.75% p.a. and a pension increase assumption of 2.75% p.a.. However, if actual salary or pension increases are greater than these rates, with all other actuarial assumptions borne out as expected, then the funding position (e.g. the Vested Benefits Index and Actuarial Value of Accrued Benefit Index) will be worse than expected and increased Bank contributions may be required. Further analysis can be carried out if required.

Pensioner mortality

Pensioner mortality rates have been retained from the previous investigation at 30 June 2021. We have made allowance for both socio economic factors and improvements in pensioner mortality in the decrement basis used to value pension benefits. If pensioners experience improvements in mortality at greater rates than assumed, or experience lighter mortality than anticipated in the socio economic factors, then the cost of the pensions will increase, and the financial position of the Defined Benefit Plan will be worse than anticipated. The reverse is also true, i.e. if mortality improvement proves to be less than our allowance, or socio economic factors not as light, the cost of the pensions will be less than expected. Further analysis can be carried out if required.

Pension take-up rate

In determining the actuarial value of accrued benefits, we have made allowance for 75% of retiring members to take up the option to convert 50% of their lump sum benefit to a pension on the basis permitted under the Participation Schedule. If more members take up this pension option, the value of the liabilities will increase, and increased Bank contributions may be required. Further analysis can be carried out if required.

Change to investment strategy

Any change to the investment strategy that impacts on the future expected return on the assets supporting Defined Benefit Members' entitlements will potentially have a material impact on the financial position of the Defined Benefit Plan (as illustrated by the Sensitivity Analysis). Adopting a lower exposure to growth assets is likely to lead to an increase in the value of accrued liabilities and normal cost. Adopting a higher exposure to growth assets is likely to lead to a reduction in the value of accrued liabilities and normal cost. Further analysis can be carried out if required.

Appendix A: Summary of Benefits

Defined Benefit Plan

A. Former Westpac Staff Superannuation Plan

Eligibility

The Defined Benefit Plan is closed to new members.

Member contributions

Members are not required to contribute to the Plan, but can nominate to contribute at an integer rate of between 1% and 8% of superannuation salary. The nominated contribution rate determines the level at which their benefits accrue. The nominated contribution rate may be altered at any time.

Members may also contribute additional amounts to supplement their benefits. A member's additional contributions are credited to an account called the SuperSave Account.

If a member's average rate of nominated contributions exceeds 5% when service terminates, the excess, with credited interest, is transferred to the member's SuperSave account.

Bank contributions

The Bank contributes the balance of the cost of the benefits provided by the Plan.

Accounts

The following accounts are maintained, as required, for each Defined Benefit member of the Plan:

- A **Post 92 Member Account** into which the nominated member contributions made to the Plan since 1 July 1992, less an allowance for tax (if applicable), is credited. This account is capped on termination of service to an amount equal to the accumulated value of contributions at the rate of 5% of superannuation salary since 1 July 1992.
- A **Pre 92 Member Account** equal to the nominated member contributions made to the Plan prior to 1 July 1992, less an allowance for tax (if applicable).
- An **SGC Account** into which SG Contributions (at the rate of the prevailing SG Rate applied to Ordinary Time Earnings Base (OTE Base) capped at the Superannuation Guarantee (SG) Maximum Contributions Base), less an allowance for tax and insurance premiums, is credited.
- A **SuperSave Account** into which any additional member contributions, rollovers, one-off credits or the **excess account** i.e. nominated member contributions in excess of the accumulated value of 5% of superannuation salary since 1 July 1992 (if any), less an allowance for tax (if applicable), and any extra contributions on SG earnings over the OTE requirement are credited.
- A **Surcharge Account** into which any surcharge tax paid by the Plan on behalf of the Member is credited.

Each account (except the SuperSave Account excluding the excess contributions) is credited with interest at the Credited Interest Rate. The Credited Interest Rate is determined annually by the Trustee based on the investment earnings of the Defined Benefit Plan net of income tax and expenses. The SuperSave Account excluding the excess account is credited with investment earnings in line with the Member's chosen investment options.

Definitions

"Accrued Retirement Benefit" means the sum of the benefit accrual rates applying for each year of membership of the Plan multiplied by FAS. For packaged members, membership prior to 31 December 1999 is multiplied by pre-FAS.

There is a maximum to the Accrued Retirement Benefit equal to the lesser of 720% of FAS and 18% of FAS for each year of membership.

"Benefit Accrual Rate" means the percentage at which a member's lump sum benefit increases for each year of membership and is dependent on the member's nominated contribution rate for that year, as set out below:

Nominated Contribution Rate (post tax or equivalent pre-tax)	Benefit Accrual Rate
0%	8%
1%	10%
2%	12%
3%	14%
4%	16%
5%	18%
6%	20%
7%	22%
8%	24%

For each year of contributory membership prior to 1 July 1992, the benefit accrual rate is 18%. Where a member has purchased additional membership the benefit accrual rate is also 18% for that period.

In the case of part time members, the benefit accrual rate each year is multiplied by the ratio of the hours worked by the member each week to the standard hours per week for a full time member.

"Final Average Salary" (FAS) means the average rate of superannuation salary received over the last three years of membership, or in the case of a member who dies or retires due to Total and Permanent Disablement before age 60, is the FAS applying as if the member had continued in service until age 60 on the superannuation salary that applied at the date of death or Total and Permanent Disablement.

"Pre-Final Average Salary" (Pre-FAS) means average rate of Pre-superannuation salary received over the last three years of membership, or in the case of a member who dies or retires due to Total and Permanent Disablement before age 60, is the Pre-FAS applying as if the member had continued in service until age 60 on the Pre-superannuation salary that applied at the date of death or Total and Permanent Disablement.

"Pre-Superannuation Salary" means the member's superannuation salary determined in accordance with the method used to determine superannuation salary prior to 31 December 1999.

"Projected Accrued Retirement Benefit" means 18% of FAS for each future year of membership to age 60.

"Superannuation Salary" means:

- for full time packaged members – 100% of package salary
- for other full time members – the annual rate of base salary
- for part time members – the annualised rate of base salary

Retirement Benefit

A member who leaves service after age 55 and who has completed five years' membership, is entitled to a Retirement Benefit. The member may elect to take:

- the lump sum option, or
- the complying pension option.

In addition, a lump sum benefit equal to the member's SuperSave Account less the Surcharge Account is paid.

The lump sum option is equal to the greater of:

- the member's Accrued Retirement Benefit,
- the member's lump sum Withdrawal Benefit, and
- the sum of:

the member's Accrued Retirement Benefit (calculated using service prior to 1 July 1992), plus

the member's Post 92 Member Account, plus

the member's SGC Account.

The complying pension option is:

- at least 50% of the lump sum option must be taken as a lump sum, plus
- a complying pension which is guaranteed for five years and has a 50% reversionary spouse pension.

The complying pension on retirement is equal to:

$$\frac{(100 - N)}{100} \times \frac{\text{Lump Sum Option}}{10.8} \times (1 - 0.03 \times T)$$

where:

- N is the percentage of the lump sum option that the member elects to receive in lump sum form.
- T is the number of years that the member's retirement precedes age 60.

Total and Permanent Disablement Benefit

If a Member becomes totally and permanently disabled while in service, a member may elect to take one of the following benefits:

- the lump sum option, or
- the complying pension option.

In addition, a lump sum benefit equal to the member's SuperSave Account less the Surcharge Account is paid.

The lump sum option on Total and Permanent Disablement (TPD) in service is equal to the greater of:

- the sum of:

the member's Accrued Retirement Benefit at the time of TPD, plus

if the member became totally and permanently disabled prior to age 60, the member's Projected Accrued Retirement Benefit,

up to a maximum of 720% of FAS,

- the member's lump sum Withdrawal Benefit,
- the sum of:

the member's Accrued Retirement Benefit (calculated using service prior to 1 July 1992), plus

the member's Post 92 Member Account, plus

the member's SGC Account, and

- if the member became totally and permanently disabled prior to age 65, the sum of:

200% of FAS, adjusted for part time members,

any contributions or amounts used to purchase service under various rules.

The complying pension option on TPD in service is equal to:

- a lump sum equal to 50% (or such greater amount as the member nominates) of the lump sum option on TPD, plus
- a pension equal to 50% of the lump sum option on TPD, divided by 10.8.

Death before Retirement Benefit

On the death in service of a member, a death benefit is payable to the member's dependants. If the Trustee decides a death benefit is to be paid to the member's spouse, the spouse may elect either the lump sum option or the complying pension option. If the death benefit is payable to anyone else, the benefit is equal to the lump sum option.

In addition, a lump sum benefit equal to the member's SuperSave Account less the Surcharge Account is paid.

The lump sum option on death in service is equal to the greater of:

- the sum of:

the member's Accrued Retirement Benefit at the time of death, plus

if the member died prior to age 60, the member's Projected Accrued Retirement Benefit,

up to a maximum of 720% of FAS,

- the member's lump sum Withdrawal Benefit,
- the sum of:

the member's Accrued Retirement Benefit (calculated using service prior to 1 July 1992), plus

the member's Post 92 Member Account, plus

the member's SGC Account, and

- if the member died prior to age 65, the sum of:

200% of FAS, adjusted for part time members, plus

any contributions or amounts used to purchase service under various rules.

The complying pension option on death in service is equal to:

- a lump sum equal to 50% of the lump sum option on death, plus
- a spouse pension equal to 50% of the lump sum option on death divided by 10.8, plus
- for each dependent child (maximum of four to count) an allowance equal to 25% of the spouse pension. If there is only one dependent child, the child's allowance is equal to 40% of the spouse pension. A child's allowance is payable until age 18 but can be continued until 23 if the child is in full time education.

Death after Retirement Benefit

If a member elected the lump sum option on retirement or TPD, no further benefit is payable on death after retirement.

If a member elected the complying pension option, the following pensions are paid:

- to the spouse – a pension, equal to 50% of the member's pension,

- for dependent children – for each dependent child (maximum of four to count) an allowance equal to 25% of the spouse pension. If there is only one dependent child, the child's allowance is equal to 40% of the spouse pension. A child's allowance is payable to age 18 but can be continued to age 23 if the child is in full time education.

If the member dies within five years of retirement the spouse's or dependent children's pensions are equal to the member's pension for the balance of the five years. If no pensions are payable because there are no surviving dependants, a lump sum equivalent to the remaining payments in the five years after the member's retirement is paid.

Withdrawal Benefit

If a member leaves the service of the Bank for any other reason, a member will receive the greater of:

- the lump sum benefit, and
- if eligible, the discounted accrued benefit.

In addition, a lump sum benefit equal to the member's SuperSave Account less the Surcharge Account is paid.

The lump sum benefit is equal to:

- the member's Pre 92 Member Account, plus
- 10% of the member's Pre 92 Member Account for each year of membership, up to a maximum of 100%, plus
- the member's Post 92 Member Account, plus

the greater of:

10% of the member's Post 92 Member Account for each year of membership, up to a maximum of 100%, and

the member's SGC Account, plus

- additional contributions (if any) used to purchase additional membership.

A member is eligible to receive the discounted accrued benefit if they satisfy one of the following conditions:

- the member has been a member of the Plan for at least ten years, or
- the member is aged at least 40 and has been a member of the Plan for at least five years and joined the Plan on or prior to 11 October 1996.

The discounted accrued benefit is equal to the member's Accrued Retirement Benefit discounted by 2% for each year remaining from the date of leaving service to age 55.

Total and Temporary Disablement Benefit

On Total and Temporary Disablement, an income at the rate of 70% of the member's superannuation salary is payable. In the case of part time members this benefit is based on the Member's income in the fortnight prior to disablement.

The benefit does not commence until the member has been disabled for at least a week and all sick pay entitlements have been taken. The benefit is payable for a maximum of two years and not beyond age 65.

A member, while in receipt of this benefit, is deemed to be making nominated contributions at the rate of 5% of superannuation salary for defined benefits (if applicable).

Additional pension plan provisions

"Indexation of Pensions" – All pensions are adjusted each year at the lesser of 5% and the increase in the Consumer Price Index (CPI). The Trustee has discretion subject to Bank approval, to grant adjustments up to the CPI increase in any year where this exceeds 5%.

"Purchase of Pensions" – A member who is entitled to receive a retirement or TPD benefit may purchase a pension with the lump sum component of their benefit. The rates at which lump sums are converted to a pension are determined by the Plan's actuary from time to time.

"Pensions Currently Being Paid" – The Plan currently provides pensions to a number of pensioners who retired from predecessor funds of the Plan and from other schemes sponsored by the Bank. Generally pensions are the same as those paid to new retiring members as described above. However, there are a number of special conditions associated with some of the pensions, in particular:

- Pensioners from the Officers' Provident Fund (Women Staff), Officers' Provident Fund (Male Staff) and pensioners from the Plan who retired prior to 15 July 1997 (under what are now the Schedule C Rules) have the option to commute or partially commute their pension every seven years. If they die during the seven year period any reversionary pension commences immediately. At the end of seven years they decide whether or not to commute their pension for the next seven years. Pensioners must give one year's notice of their intention to commute. The factors for seven year commutation are determined by the Trustee and reviewed by the Actuary after each triennial investigation.
- Most Plan pensions, except those payable under the Officers' Provident Fund (Women Staff), allow for a reversion to dependants. The percentage of the member's pension that is payable to a spouse on their death varies between pensioners. The reasons for the variations are that:
  - in the case of members who retired early under the Rules which applied prior to 1 July 1992 there was an early retirement discount that only applied to their pensions, not the reversionary pensions,
  - in the past some members had the option to commute part of their pensions, but were not allowed to commute the reversionary component of their pension.

B. Former St George Plan Members

Ex-M&F Members Category

Normal Retirement Benefit

The benefit payable on a member's retirement at age of 60 is a lump sum equal to:

- Retirement Benefit Factor x Final Average Salary ("FAS"); plus
- Member Investment Choice Account; less
- Surcharge Account

Where:

- Final Average Salary is the greater of the average of a member's Superannuation Salary ("Super Salary") on each 1 October over the last three (3) years and the Super Salary five (5) years prior to ceasing employment – this may also include a FAS Bonus for some members; and
- Retirement Benefit Factor for each benefit category is:

Category M&F A	Category M&F B	Category M&F C
15% x fund membership to retirement date	15% x fund membership to retirement date; plus 15% x each year over age 55 to age 60	10% x fund membership to age 40; plus 17.5% x fund membership from age 40; plus 15% x each year over age 55 to age 60

* Note: The Retirement Benefit Factor is subject to a maximum of 7.0.

Early Retirement Benefit

A member is permitted to retire from age 55 at their option. The benefit payable on early retirement is the member's Retirement Benefit based on membership completed at their actual retirement date.

Late Retirement Benefit

Upon reaching age 60, the normal retirement benefit will be crystallised into the Member Investment Choice Account. All future contributions are paid to this account.

Leaving Service Benefit

The benefit payable on leaving the Plan is a lump sum equal to:

- Compulsory Member Account as at 01/07/1992 x Vesting Scale 1; plus
- Compulsory Member Account from 01/07/1992 to 30/06/1998 x Vesting Scale 2; plus
- Compulsory Member Account from 01/07/1998 to 30/06/2000 x Vesting Scale 3; plus
- Compulsory Member Account from 01/07/2000 to 30/06/2002 x Vesting Scale 4; plus
- Compulsory Member Account post 01/07/2002 x Vesting Scale 5; plus
- Your Member Investment Choice Account; less

- Surcharge Account.

Details of the relevant Vesting Scales are provided below:

Past Membership	Vesting Scale 1	Vesting Scale 2	Vesting Scale 3	Vesting Scale 4	Vesting Scale 5
0	100%	200%	220%	240%	250%
1	100%	200%	220%	240%	250%
2	100%	200%	220%	240%	250%
3	100%	200%	220%	240%	250%
4	100%	200%	220%	240%	250%
5	125%	200%	220%	240%	250%
6	130%	200%	220%	240%	250%
7	135%	200%	220%	240%	250%
8	140%	200%	220%	240%	250%
9	145%	200%	220%	240%	250%
10	150%	200%	220%	240%	250%
11	160%	200%	220%	240%	250%
12	170%	200%	220%	240%	250%
13	180%	200%	220%	240%	250%
14	190%	200%	220%	240%	250%
15	200%	200%	220%	240%	250%
16	210%	210%	220%	240%	250%
17	220%	220%	220%	240%	250%
18	230%	230%	230%	240%	250%
19	240%	240%	240%	240%	250%
20+	250%	250%	250%	250%	250%

Death Benefit and Total & Permanent Disablement ("TPD") Benefit

The benefit payable on Death or Total & Permanent Disablement in service before age 60 is the member's prospective Normal Retirement Benefit based on Super Salary at the date of death or disablement.

Total and Temporary Disablement ("TTD") Benefit

The benefit payable due to Total and Temporary Disablement is an amount payable monthly in arrears, after completion of a 90 day waiting period, for a maximum period of twenty-four (24) months and calculated at an annual rate equal to:

- 75.0% of Total Employment Cost ("TEC")/Award Salary up to $320,000; and
- 50.0% of TEC/Award Salary above $320,000,

subject to a total maximum benefit of $25,000 per month.

Member Contribution Rates

Members are required to contribute to the Plan at the rate of 5.0% of Super Salary up to age 60.

Minimum Benefits

All retirement benefits payable to members are subject to a minimum of the member's Leaving Service Benefit. In addition, a member's benefit is subject to a further minimum of the member's Minimum Requisite Benefit as defined in the Plan's Superannuation Guarantee Benefit Certificate.

Frozen Members

Certain members have a "Frozen Retirement Benefit Factor" in respect of their membership of the Previous Plan and do not accrue new defined benefits. Upon leaving the Plan for any reason they are provided with a benefit calculated in the same manner as for other Ex-M&F Members using this factor or their accumulation account balances that were also frozen previously.

Pre-1990 Members Category

Normal Retirement Benefit

The benefit payable on a member's retirement at age 60 is equal to a lump sum equal to:

a. The greater of:
   - Retirement Benefit Factor x Final Average Salary; and
   - Retirement Account; less

b. Member Investment Choice Account

c. Surcharge Account

Where,

- Final Average Salary is defined as the greater of the average of a member's Super Salary on 1 July in each of the last three (3) years and the Super Salary five (5) years prior to ceasing employment; and
- Retirement Benefit Factor for each benefit category is a multiple fixed as at 1 July 1990.

- Contribution to the Retirement Account are:
  - Category A: 25% of 69% of TEC
  - Category C: 20% of 71% of TEC
  - Categories E and G: 15% of 74% of TEC

Early Retirement Benefit

A member is permitted to retire from age 50 at their option. The benefit payable on early retirement is guaranteed not to be less than the member's Retirement Benefit based on membership completed at their actual retirement date, with a discount rate of 1% p.a. prior to age 55 applied to the Retirement Benefit Multiple calculation.

Late Retirement Benefit

Upon reaching age 60, the normal retirement benefit will be crystallised into the Member Investment Choice Account. All future contributions are paid to this account.

Leaving Service Benefit

The benefit payable on leaving the Plan is guaranteed not to be less than a lump sum equal to:

- where the member has completed less than seven (7) years Plan membership – the sum of the member's own contributions and allocated accumulation accounts; or
- where the member has completed seven (7) or more years Plan membership – the sum of the allocated accumulation account and discounted Early Retirement Benefit amount calculated as at the date of leaving the Plan. The discount rate is 1.5% prior to age 55.

Less the balance of their surcharge account.

Death Benefit and Total & Permanent Disablement ("TPD") Benefit

The benefit payable on Death or Total & Permanent Disablement in service before age 60 is the maximum of:

Category Pre-1990 1 (Category A)

- 15% of Super Salary x future membership to age 60 plus the Retirement Account;
- 3.45 x Super Salary; and
- Retirement Benefit Factor x 69% of TEC.

Category Pre-1990 2 (Category C)

- 20% of Super Salary x future membership to age 60;
- 3.55 x Super Salary; and
- Retirement Benefit Factor x 71% of TEC.

Category Pre-1990 3 (Categories E and G)

- 25% of Super Salary x future membership to age 60;
- 3.7 x Super Salary; and
- Retirement Benefit Factor x 74% of TEC.

Plus the Member Investment Choice Account,

Less the Surcharge Account.

Total and Temporary Disablement ("TTD") Benefit

No insured benefit is payable on leaving the Plan due to Total and Temporary Disablement.

Member Contribution Rates

Members are not required to contribute to the Plan.

Minimum Benefits

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

C. Accumulation Plan

Eligibility

All new employees are eligible to join the Accumulation Plan upon commencement of employment with the Bank. All new permanent full time or part time employees will automatically become members of the Accumulation Plan.

Member contributions

Members are not required to contribute to the Accumulation Plan, but may do so if they wish to.

Bank contributions

The Bank contributes at the rates specified in the SG legislation, or such other rates as applicable to the terms of the benefit design applicable to the relevant Accumulation Member.

Death and Total and Permanent Disablement benefits

On death or total and permanent disablement, a member is entitled to a lump sum equal to:

- their Account, plus
- an Insured Benefit

The Insured Benefit is determined pursuant to the terms of the relevant Accumulation Member's membership of the Plan.

Total and Temporary Disablement Benefit

An Accumulation Member may be entitled to an income benefit should they be temporarily disabled, pursuant to the terms of relevant Accumulation Member's membership of the Plan.

Withdrawal Benefit

When a member leaves service for any reason other than death or Total and Permanent Disablement, the full Account balance of the member is paid.

Account balances

Each member may choose where their Account balance is invested from the options available.
The value of the member's account balances are determined using a unit price calculated daily by the custodian for each type of unit.

Appendix B: Details of Membership

Membership Category	Number of Members	Total Salaries ($ million)	Average Salaries ($)	Average Age (years)	Average Completed M'ship (years)
Active Members					
Females	894	104.9	117,292	55.8	29.4
Males	442	74.3	168,161	55.9	30.7
Total for Active Members	**1,336**	**179.2**	**134,121**	**55.8**	**29.8**
Other Members					
Notified Exits	18	n/a	n/a	n/a	n/a
Preserved Members	0	n/a	n/a	n/a	n/a
Non Member Spouses	24	n/a	n/a	n/a	n/a
Total	**1,378**				

Details of pensioner membership as at 1 April 2023

Membership Category	Number	Total Pensions ($'000)	Average Pension ($)	Pensions in Payment* ($'000)	Average Age (years)
Retired Members:					
Females	816	16,477	20,192	16,199	69.6
Males	898	43,370	48,297	42,738	71.8
Dependants	333	8,638	25,941	7,603	81.6
Total	**2,047**	**68,485**	**33,456**	**66,540**	**72.5**

* Excludes pensions temporarily commuted

Appendix C: Changes to Membership

Changes in Membership for the Period 30 June 2021 to 1 April 2023

Category	Membership at 30 June 2021	Membership at 1 April 2023
Active members		
Female	1,097	894
Males	546	442
Total	**1,643**	**1,336**

Changes in Active Defined Benefit Plan membership for the period 30 June 2021 to 1 April 2023

Active members at 30 June 2021	**1,643**
Resignations	(56)
Retirement	(234)
Death	(5)
Permanent Disablement	(12)
Active members at 1 April 2023	**1,336**

Changes in Pensioner Membership for the Period 30 June 2021 to 1 April 2023

Pensioners at 30 June 2021	**1,962**
New Pensioners	213
Deaths where pensions ceased	(128)
Pensioners at 1 April 2023	**2,047**

Appendix D: Valuation Method and Assumptions

Valuation Method

Attained Age Normal Method.

Asset Value

Market value taken from the unaudited accounts at the investigation date.

Investment Returns

6.70% p.a. compound (net of tax and investment fees) in respect of the DB Active Pool

6.45% p.a. compound (gross of tax, and net of investment fees and net of 0.05% p.a. administration fees) in respect of the DB Pension Pool

Rate of Pension Increases

Year One: 6.00% p.a. compound.

Thereafter: 2.75% p.a. compound.

Inflationary Salary Increase

3.75% p.a. compound.

Rates of Mortality, TPD, and Leaving Service (Active Members)

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

Age	Death	TPD	Leaving Service
35	6	4	781
40	7	6	604
45	10	11	460
50	16	21	361
55	24	40	0
60	37	68	0

Rates of Mortality (Pensioners)

Examples of rates at which Pensioners leave the Plan per year per 10,000 Pensioners.

Age	Male	Female
65	73	42
70	116	72
75	197	126
80	352	237
85	651	471
90	1,139	916
95	1,682	1,532
100	2,270	2,312

The rates are assumed to reduce by 2.0% p.a. from 1 July 2016.

Rates of Early Retirement

The number of members reaching a given age who are expected to retire per year per 10,000 members:

Age	
55	1,000
56	1,000
57	1,000
58	2,000
59	2,000
60	4,000
61	4,000
62	4,000
63	6,000
64	8,000
65	10,000

Number of Dependent Children

Examples of the number of dependent children are set out below:

Age	Male	Female
20	0.34	0.34
25	0.52	1.05
30	1.36	1.77
35	2.02	2.33
40	2.55	2.65
45	2.46	2.30
50	1.75	1.00
55	0.72	0.46
60	0.36	0.21
65	0.00	0.00

Future Expense Allowance

Investment fees are allowed for in the investment returns shown above which are assumed to be net of investment expenses.

For Active members, administration expenses of 0.05% p.a. of assets (for both investment custody costs and pure administration costs) have been assumed to represent 0.4% of superannuation salaries, which will be funded by the company on an on-going basis. For pensioner members, the discount rate has been reduced by 0.05% p.a. to account for all the future administration expenses.

Insurance Premiums

Total and Temporary Disablement insurance costs in respect of the Defined Benefit members equal to 0.70% of superannuation salaries have been allowed for.

Group life insurance costs in respect of the Defined Benefit members equal to 0.50% of superannuation salaries have been allowed for in determining deductible expenses for tax purposes.

New Entrants

No allowance for new entrants.

Taxes

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

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

Surcharge Tax

No allowance has been made for the Surcharge Tax as the Trustee offsets any tax payable by the Plan against the benefits of the relevant members, if the member does not reimburse the Plan for the surcharge payable.

Pension take-up rate

It has been assumed, in the case of the Former Plan members, that 75% of members retiring after age 55 will elect to convert 50% of their lump sum to a pension, using the complying pension option under the Participating Schedule.

Marital Status

We have maintained our assumption, also used at the previous investigation, concerning the proportions of members married.

In valuing, pensions, we have assumed males are three years older than their spouses.

Composition of Membership

It has been assumed that members remain in their current Category and continue to contribute at the rate at which they were contributing at the investigation date.

Appendix E: Statements required under Regulation 23 of SPS 160

The statements made here are in relation to the Westpac Group Plan (the "Plan") within the Mercer Super Trust (MST) in connection with the actuarial investigation I conducted effective 1 April 2023. The statements required under paragraphs 23(a) to (h) of SPS 160 for regular investigations are set out below. Note, these statements are provided in relation to the Plan's defined benefit liabilities only.

(a) Plan Assets

The net market value of the Plan's assets attributable to the defined benefit liabilities at 1 April 2023 was $2,078.5 million. This amount excludes assets attributable to accumulation members or the accumulation balances of defined benefit members as well as any Operational Risk Financial Requirement.

This value of assets at 1 April 2023 was used to determine the recommended Company contribution rates and assess the funding status measures and is also referred to as the "actuarial value" of the assets.

(b) Projection of Vested Benefits

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

Date	Assets ($m)	Vested Benefits ($m)	Vested Benefits Index (%)
1 April 2023	2,079	1,928	107.8%
1 April 2024	2,064	1,886	109.5%
1 April 2025	2,083	1,875	111.1%
1 April 2026	2,079	1,867	111.3%

(c) Accrued Benefits

In my opinion, the value of the assets of the defined benefit members of the Plan (excluding any amount held to meet the ORFR) at 1 April 2023 was adequate to meet the liabilities in respect of the accrued benefits of defined benefit members of the Plan (measured as the value of members' accrued entitlements using the valuation assumptions). We consider that the assumptions and valuation methods set out in this report are appropriate for determining the accrued liability.

(d) Vested Benefits

At 1 April 2023 the Plan was in a satisfactory financial position, as defined in SPS 160. In my opinion the Plan does not need to be treated as being in an unsatisfactory financial position. As part of this investigation, I have recommend that the Trustee adopt a Shortfall Limit for the Plan of 98%.

(e) Minimum Benefits

At 1 April 2023, the value of the minimum benefits of all defined benefit members of the Plan (including pensioners and notified exits) was $1,771.8 million which was less than the defined benefit assets at that date. Minimum benefits are as defined in Regulation 5.04 of the Superannuation Industry (Supervision) Regulations.

The coverage of the MRBs for defined benefit members of the Plan as at 1 April 2023 was 117.3%

(f) Funding and Solvency Certificates

A Funding and Solvency Certificate dated 14 August 2023, and effective from 1 April 2023, has been issued to the Trustee of the Plan. The Plan was solvent, as defined in the Superannuation Industry (Supervision) Regulations at 1 April 2023. In my opinion, the solvency of the Plan will be able to be certified in any other Funding and Solvency Certificate required under the Regulations during the three year period to 1 April 2026.

(g) Recommended Company Contributions

In the absence of any special circumstances, we recommend that the Bank pay contributions in respect of Defined Benefit members of no less than:

- 19.5% of active defined benefit members' superannuation salaries from 1 April 2023, plus
- $30 million during the 3 months to 30 June 2023, plus $30 million during the year to 30 June 2024
- the cost of members' nominated and voluntary salary sacrifice contributions, plus
- the cost of any additional contributions of the Bank in respect of service recognition contributions and pre-elected bonus contributions and any extra contributions required to satisfy the SG requirement in respect of a member.

In relation to the Accumulation Plan, in respect of Accumulation Members:

- we understand the Bank contributes at the rates specified in the SG legislation, or such other rates as applicable to the terms of the benefit design applicable to the relevant Accumulation Member;
- we have been advised that the Bank contributes a monthly amount, determined by Mercer, to fund the death, total and permanent disablement, and total and temporary disablement premiums in respect of accumulation members, and that any difference between the amounts contributed and actual premiums is reconciled and adjusted annually.

(h) Defined Benefit Pensioners

In my opinion, as at 1 April 2023 there is a high degree of probability that the Plan will be able to pay pensions as required in the governing rules.

Luke Carroll
Fellow of the Institute of Actuaries of Australia

29 September 2023

D: HN,MN | TR: RDM | ER,CR: LAC | SPR:LC

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