Annual Financial Report
30 June 2021

Local Authorities Superannuation Fund (operating as Vision Super)

ABN: 24 496 637 884
RSE: R1000603

Contents

Local Authorities Superannuation Fund
Statement of Financial Position
as at 30 June 2021

	Note	**2021**	2020
		$000	$000
Assets			
Cash and cash equivalents		**101,344**	93,148
Contributions receivable	*6*	**2,458**	1,542
Other receivables and prepayments	*15*	**869**	1,121
Outstanding settlements receivable		**114,534**	38,867
Financial assets held at fair value through profit or loss	*4*	**12,285,412**	10,376,487
Deferred tax assets	*20*	**7,148**	792
Total assets		**12,511,765**	10,511,957
Equity			
Operational risk financial requirement reserves		**20,991**	16,991
Administration reserve		**21,906**	19,237
Insurance reserves		**13,644**	13,360
Other reserves		**17,886**	22,919
Defined benefits that are over/(under) funded	*9*	**300,077**	232,388
Unallocated surplus/(deficit)		**158,714**	73,389
Total equity		**533,218**	378,284
Liabilities			
Benefits payable		**58,503**	40,213
Other payables	*16*	**13,866**	15,887
Income tax payable		**32,106**	21,283
Outstanding settlements payable		**78,846**	24,702
Financial liabilities at fair value through profit and loss	*4*	**54,285**	6,517
Deferred tax liabilities	*20*	**146,272**	38,699
Total liabilities excluding member benefits		**383,878**	147,301
Member benefit liabilities			
Defined contribution member liabilities	*5, 7*	**9,366,777**	7,870,376
Amounts not yet allocated	*5, 7*	**195**	306
Defined benefit member liabilities	*5, 8*	**2,227,697**	2,115,690
Total member benefit liabilities		**11,594,669**	9,986,372
Total equity and liabilities		**12,511,765**	10,511,957

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

Local Authorities Superannuation Fund
Income Statement
for the year ended 30 June 2021

	Note	**2021**	2020
		$000	$000
Superannuation activities			
Net changes in fair value of financial assets and liabilities held at fair value	*13*	**1,718,051**	(41,079)
Interest income		**33,318**	54,966
Distribution income		**87,941**	131,675
Dividend income		**141,609**	122,286
Other income		**3,149**	1,619
Total net income		**1,984,068**	269,467
Expenses			
General administration expenses	*17*	**(24,372)**	(24,133)
Investment expenses	*18*	**(32,150)**	(31,324)
Total expenses		**(56,522)**	(55,457)
Result from superannuation activities before income tax expense		**1,927,546**	214,010
Income tax (expense)/benefit	*20*	**(138,305)**	15,502
Results from superannuation activities after income tax expense		**1,789,241**	229,512
Net benefits allocated to defined contribution members		**(1,342,681)**	(125,169)
Net change in defined benefit member liabilities	*14*	**(292,815)**	(125,328)
Operating result after income tax		**153,745**	(20,985)

The above Income Statement should be read in conjunction with the accompanying notes.

Local Authorities Superannuation Fund
Statement of Changes in Member Benefits
for the year ended 30 June 2021

	Note	DC Members $000	DB Members $000	Total $000
Opening balance as at 1 July 2019		7,631,346	2,145,033	9,776,379
Contributions				
Employer		338,913	30,161	369,074
Member		122,889	3,031	125,920
Transfers from other superannuation plans		173,247	-	173,247
Income tax on contributions		(47,313)	(4,384)	(51,697)
Net after tax contributions		587,736	28,808	616,544
Net benefits allocated comprising:				
Net investment income		142,331		142,331
Net administration fees		(17,162)		(17,162)
		125,169		125,169
Benefits paid to members/beneficiaries		(326,720)	(93,018)	(419,738)
Transfers to other superannuation plans		(214,410)	(11,996)	(226,406)
Transfer to the ATO		(778)	(2)	(780)
Internal transfers from membership categories		77,609	(77,609)	-
Insurance premiums charged (including amounts transferred to the insurance reserves)		(20,106)	(172)	(20,278)
Other fees charged to members/DB sub-plans		(144)	(682)	(826)
Death and disability benefits credited to members		10,647		10,647
Transfers from reserves to members		333		333
Net change in defined benefit member liabilities	*14*		125,328	125,328
Closing balance as at 30 June 2020	*7, 8*	7,870,682	2,115,690	9,986,372
Opening balance as at 1 July 2020		**7,870,682**	**2,115,690**	**9,986,372**
Contributions				
Employer		**344,848**	**27,039**	**371,887**
Member		**129,276**	**2,633**	**131,909**
Transfers from other superannuation plans		**135,336**		**135,336**
Income tax on contributions		**(49,151)**	**(3,936)**	**(53,087)**
Net after tax contributions		**560,309**	**25,736**	**586,045**
Net benefits allocated comprising:				
Net investment income		**1,360,717**		**1,360,717**
Net administration fees		**(18,036)**		**(18,036)**
		1,342,681		**1,342,681**
Benefits paid to members/beneficiaries		**(293,779)**	**(113,748)**	**(407,527)**
Transfers to other superannuation plans		**(175,075)**	**(15,245)**	**(190,320)**
Transfer to the ATO		**(1,746)**	**-**	**(1,746)**
Internal transfers from membership categories		**77,117**	**(77,117)**	**-**
Insurance premiums charged (including amounts transferred to the insurance reserves)		**(20,899)**	**(151)**	**(21,050)**
Other fees charged to members/DB sub-plans		**(85)**	**(283)**	**(368)**
Death and disability benefits credited to members		**7,757**		**7,757**
Transfers from reserves to/(from) members		**10**		**10**
Net change in defined benefit member liabilities	*14*		**292,815**	**292,815**
Closing balance as at 30 June 2021	*7, 8*	**9,366,972**	**2,227,697**	**11,594,669**

The above Statement of Changes in Member Benefits should be read in conjunction with the accompanying notes.

Local Authorities Superannuation Fund
Statement of Changes in Reserves/Equity
For the year ended 30 June 2021

	Operational risk financial requirement reserve	Insurance reserves	Administration fee reserve	Other reserves	Total reserves	DB that are over/(under) funded	Unallocated surplus/ (deficit)	Total reserves/ equity
	$000	$000	$000	$000	$000	$000	$000	$000
						Note 9		
Opening balance as at 1 July 2019	16,991	12,571	18,514	22,499	70,575	270,726	56,471	397,772
Net transfers from/(to) DC member accounts	-	-	(333)	-	(333)	-	(21,989)	(22,322)
Net transfers from/(to) DB plans	-	-	-	-	-	31,149	(7,330)	23,819
Operating result	-	789	1,056	420	2,265	(69,487)	46,237	(20,985)
Closing balance as at 30 June 2020	16,991	13,360	19,237	22,919	72,507	232,388	73,389	378,284
Opening balance as at 1 July 2020	**16,991**	**13,360**	**19,237**	**22,919**	**72,507**	**232,388**	**73,389**	**378,284**
Net transfers from/(to) DC member accounts	**-**	**-**	**(10)**	**-**	**(10)**	**(57,224)**	**43,817**	**(13,417)**
Net transfers from/(to) DB plans	**-**	**-**	**-**	**-**	**-**	**-**	**14,606**	**14,606**
Operating result	**4,000**	**284**	**2,679**	**(5,033)**	**1,930**	**124,913**	**26,902**	**153,745**
Closing balance as at 30 June 2021	**20,991**	**13,644**	**21,906**	**17,886**	**74,427**	**300,077**	**158,714**	**533,218**

The above Statement of Changes in Reserves/Equity should be read in conjunction with the accompanying notes.

Local Authorities Superannuation Fund
Statement of Cash Flows
For the year ended 30 June 2021

	Note	**2021**	2020
		$000	$000
Cash flows from operating activities			
Interest from cash deposits & cash equivalents		**12**	158
Interest from other interest bearing deposits		**33,306**	54,808
Distributions from unit trusts		**87,941**	131,675
Dividends		**141,609**	122,286
Insurance proceeds		**7,703**	11,850
Administration expenses		**(24,153)**	(24,209)
Investment expenses		**(32,817)**	(30,480)
Insurance premiums received from employers		**105**	102
Insurance premiums paid		**(19,897)**	(20,394)
Income taxes paid		**(44,117)**	(9,960)
Other Income		**3,149**	1,619
Net cash inflow/(outflow) from operating activities	*21*	**152,841**	237,455
Cash flows from investing activities			
Sales of financial instruments		**349,313**	370,776
Purchases of financial instruments		**(510,006)**	(553,137)
Net cash inflow/(outflow) from investing activities		**(160,693)**	(182,361)
Cash flows from financing activities			
Employer contributions received		**370,971**	369,474
Member contributions received		**131,909**	125,920
Transfers from other superannuation entities		**135,336**	173,247
Benefit payments to members of beneficiaries		**(390,983)**	(415,143)
Transfers to other superannuation entities		**(190,320)**	(226,406)
Tax paid on contributions		**(40,865)**	(55,596)
Net cash inflow/(outflow) from financing activities and cash equivalents		**16,048**	(28,504)
Net increase/(decrease) in cash and cash equivalents		**8,196**	26,590
Cash and cash equivalents at the beginning of the financial year		**93,148**	66,558
Cash and cash equivalents at end of year		**101,344**	93,148

The above Statement of Cash Flows is to be read in conjunction with the accompanying notes.

Notes to the Financial Statements for the year ended 30 June 2021

1. General information about the Fund

(a) Operation of the Fund

Local Authorities Superannuation Fund (the Fund) was originally established under an Act of the Parliament of Victoria in 1947 and was established to provide superannuation benefits for members. The Fund's governing rules were transferred to the Local Authorities Superannuation Fund Trust Deed dated 26 June 1998.

The majority of the Fund's members and participating employees are from the local government, water and community services sectors. As the Fund has public offer status, the Fund accepts contributions from a range of employers and individuals.

The Fund is a hybrid fund which consists of both an account-based (defined contribution) section and a defined benefit section. The Fund also provides pensions to members within both the accumulation and defined benefit sections of the Fund. The defined benefit section of the Fund was closed to new entrants on 31 December 1993 and all new entrants join the account-based section of the Fund.

Employer and employee contributions for account-based members are received on a progressive basis. Employer contributions are normally based on a fixed percentage of employee earnings as required under the Superannuation Guarantee (SG) legislation (for the year ended 30 June 2021, this was 9.5%).

Employer contributions for defined benefit members are made at rates appropriate to ensure that benefits are fully funded. Contribution rates necessary to meet the Fund's defined benefit obligations are determined by the Trustee based on advice from the Fund Actuary.

Benefits of members in the defined benefit section are calculated using formulas as defined in the Trust Deed. Benefits of account-based members are equal to the members' account balance which is increased or decreased each year with any relevant contributions, their proportionate share of net investment income, any relevant fees and charges and income tax expense (including contributions tax).

The Trustee of the Fund is Vision Super Pty Ltd (VSPL). VSPL is the holder of an extended public offer class Registrable Superannuation Entity Licence (licence no. L0000239). In accordance with amendments to the Superannuation Industry (Supervision) Act 1993, the Fund was registered with the Australian Prudential Regulation Authority on 12 December 2005 (registration no. R1000603).

The Fund is domiciled in Australia and the address of the Fund's registered office is Level 15, 360 Collins Street in Melbourne.

(b) Reporting entity

The Fund meets the definition of an investment entity in AASB 2013-5 *Amendments to Australian Accounting Standards – Investment Entities* as outlined in Note 3(e) and therefore does not need to present consolidated financial statements under AASB 10 *Consolidated Financial Statements*.

The reporting entity for the current and prior period for the purposes of these financial statements is the Fund only.

The financial statements were approved by the Board of the trustee on 23 September 2021.

2. Coronavirus (COVID-19) impact

On 11 March 2020, the World Health Organisation declared COVID-19 a worldwide pandemic. Since that date, the global spread of COVID 19 and its variants has continued to HAVE a significant impact on global economies and investment markets (including equity, debt and commodity markets).

Note 3(z) outlines the significant accounting judgements, estimates and assumptions that may affect the amounts recognised in the financial statements. The Trustee has continued to consider the impact of COVID 19 and its impact on market volatility in preparing these financial statements, particularly in relation to the fair value of assets and liabilities. Changes to the estimates and outcomes that have been applied in the measurement of the Fund's assets and liabilities may arise in the future given the dynamic and evolving nature of the global spread and responses to COVID 19. Other than adjusting for material events which have provided evidence of conditions that existed at the end of the reporting period, the impact of events arising after the reporting period will be accounted for in future reporting periods.

The impact of COVID-19 on the macro-economic outlook, including an explanation of the matters considered in determining the Fund's assumptions for the purposes of Level 3 investments and defined benefit liabilities, has been provided in Notes 4 and 8 to the financial statements. Given the continuing range of possible scenarios and macroeconomic outcomes, and the relative uncertainty of how COVID-19 and its social and economic consequences will impact the future, these matters represent reasonable and supportable forward- looking views as at the reporting date.

(a) Year end processes applied

As a consequence of COVID-19 and in preparing these financial statements, management has:

- Re-evaluated whether there were any additional areas of judgement or estimation uncertainty beyond what has been disclosed above
- Assessed the carrying values of its assets and liabilities and determined the impact thereon as a result of market inputs and variables impacted by COVID-19, and
- Considered the impact of COVID-19 on the Fund's financial statement disclosures.

(b) Consideration of the Statement of Financial Position and further disclosures

Key items in the Statement of Financial Position and the related disclosures impacted by the COVID 19 pandemic were as follows:

(A) Investments

As at 30 June 2021, the Fund has measured the fair value of its unlisted investments at the fair value of the unlisted managed investment trust. The trusts base their fair value on the net asset value (NAV) of their underlying investments. The Fund followed an extensive review process to ensure fair values reported by fund managers were a reasonable and appropriate reflection of the anticipated impact of COVID-19 on the investees' underlying assets, given updates to NAVs were applied by fund managers outside their most recent audit period.

For property and infrastructure assets held within the Fund, significant valuation uncertainty clauses have been incorporated into some of the external valuation reports adopted by the fund managers for the unlisted managed investment trusts at 30 June 2021. The number of significant valuation uncertainty

Notes to the Financial Statements for the year ended 30 June 2021

2. Coronavirus (COVID-19) impact (continued)

(b) Consideration of the Statement of Financial Position and further disclosures (continued)

(A) Investments (continued)

clauses for the 30 June 2021 valuations is less than the number for the 30 June 2020 valuations. This is consistent with global industry practice. This uncertainty does not indicate the valuations adopted cannot be relied upon. However, the clauses indicate that there may be a higher degree of valuer judgement in determining significant valuation assumptions.

As a result, the Fund has exercised a higher degree of judgement in measuring the fair value of its unlisted investments at 30 June 2021 than required in the pre-COVID-19 investment environment. Refer to Note 4 for more information.

(B) Defined benefit liabilities

The Trustee reviewed the appropriateness of the inputs to its defined benefit liability valuation. The impact of changes in valuation inputs has also been considered in terms of the disclosures around changes in actuarial assumptions and the impact this has had on the defined benefit surpluses of the Fund. Refer to Note 8 for more information.

(C) Risk management

The Trustee's robust risk management framework continues to be applied across the Fund's operations and the Trustee continues to monitor the impact of COVID-19 on the Fund's risk profile. Non-financial risks emerging from global movement restrictions, and remote working by the Trustee's staff, counterparties, clients and suppliers, are being identified, assessed, managed and governed through timely application of the Trustee's risk management framework.

3. Summary of significant accounting policies

Unless covered in other notes to the financial statements, the principal policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented unless otherwise stated below.

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and interpretations issued by the Australian Accounting Standards Board, the Superannuation Industry (Supervision) Act 1993 and its regulations and the provisions of the Trust Deed.

The financial statements have been presented in Australian Dollars as this is the currency of the primary economic environment in which the Fund operates. The Fund's performance is evaluated and its liquidity is managed in Australian Dollars. Therefore, the Australian Dollar is considered as the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions.

All values are rounded to the nearest thousand dollars ($000) except where otherwise stated. Due to rounding, numbers presented throughout these general purpose financial statements may not add up precisely to the totals provided and percentages may not precisely reflect the absolute figures.

The Fund is a not-for-profit entity for the purposes of preparing these financial statements.

Notes to the Financial Statements
for the year ended 30 June 2021

3. Summary of significant accounting policies (continued)

(b) Statement of compliance

The financial statements comply with AASB 1056 Superannuation Entities. Since AASB 1056 is the principal standard that applies to the financial statements of superannuation entities, other standards (including Australian International Financial Reporting Standards (AIFRS)) are also applied where necessary except to the extent that they differ from AASB 1056.

International Financial Reporting Standards (IFRS) form the basis of Australian Accounting Standards adopted by the AASB. Certain requirements of AASB 1056 differ from the equivalent requirements that would otherwise be applied under IFRS.

(c) New and amended standards adopted by the Fund

The following standard applied for the first time for the year ended 30 June 2021. There has been no material impact in the financial statements.

Accounting standards	Nature	Application date of standard	Application date for LASF
The Conceptual Framework for Financial Reporting	The revised *Conceptual Framework for Financial Reporting* (the Conceptual Framework) is not a standard, and none of the concepts override those in any standard or any requirements in a standard. The purpose of the Conceptual Framework is to assist the Board in developing standards, to help preparers develop consistent accounting policies if there is no applicable standard in place and to assist all parties to understand and interpret the standards.	1 January 2020	1 July 2020

There are no other standards, interpretations or amendments to existing standards that are effective for the first time for the financial year beginning 1 July 2020 that have a material impact on the amounts recognised in the prior or current periods or that will affect future periods.

(d) Reclassification of financial information

Where necessary, comparative information has been reclassified to achieve consistency in disclosure with current financial year amounts and other disclosures.

(e) Consolidation

The Fund is an investment entity and, as such, does not consolidate the entities it controls. Instead, interests in subsidiaries are classified as fair value through profit or loss and are measured at fair value.

An entity is defined as an investment entity in AASB 2013-5 Amendment to Accounting Standards – Investment Entities if it:

1) Obtains funds from one or more investors for the purpose of providing those investor(s) with investment management services

3. Summary of significant accounting policies (continued)

(e) Consolidation (continued)

2) Commits to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both, and

3) Measures and evaluates the performance of substantially all of its investments on a fair value basis.

As the definition of investment management services is very broad, the Fund satisfies this definition. The Fund invests to obtain returns from capital appreciation and investment income. Under AASB 1056, the Fund is required to use fair value to value its investments. On this basis, the Fund meets the valuation criteria of the definition of investment entity. Therefore, the Fund satisfies the definition of an investment entity under AASB 2013-5.

(f) Cash and cash equivalents

Cash and cash equivalents in the Statement of Financial Position comprise cash at bank and short-term deposits with a maturity of three months or less that are readily convertible to cash and subject to an insignificant risk of changes in value.

For the purposes of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

(g) Employer-sponsor receivables

An asset related to an employer-sponsor receivable is recognised to the extent there is a difference between a defined benefit member liability and the fair value of the assets available to meet that liability and the Fund has a contractual right to funding that meets the definition and recognition criteria for an asset under AASB 1056. Refer to Note 6 for further details regarding contributions receivable.

(h) Receivables and payables

Receivables are carried at nominal amounts due which approximate fair value. Receivables are normally settled within 30 days.

An allowance for uncollectible amounts/credit losses is only made where there is objective evidence that the debt will not be collected. Objective evidence may include indications that the debtor or a group of debtors is/are experiencing significant financial difficulty, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Payables are carried at nominal amounts which approximate fair value. They represent liabilities for goods and services provided to the Fund prior to the end of the financial year that are unpaid when the Fund becomes obliged to make future payments in respect of the purchase of these goods or services. Payables are normally settled within 30 day terms.

Notes to the Financial Statements for the year ended 30 June 2021

3. Summary of significant accounting policies (continued)

(i) Financial Instruments

The following has been applied consistently during the financial year:

(A) Classification

Since inception, the Fund designated all its debt and equity investments into the fair value through profit or loss category.

Financial assets and liabilities held at fair value through profit or loss

The category of financial assets and financial liabilities held at fair value through profit or loss comprises:

- Financial instruments held-for-trading

  These include futures, forward contracts, options, interest rate swaps and liabilities from short sales of financial instruments. All derivatives in a net receivable position (positive fair value), as well as options purchased, are reported as financial assets held-for-trading. All derivatives in a net payable position (negative fair value), as well as options written, are reported as financial liabilities held-for-trading.

- Financial instruments held at fair value through profit or loss upon initial recognition.

These include financial assets that are not held for trading purposes. These financial assets are designated on the basis that they are part of a group of financial assets which are managed and have their performance evaluated on a fair value basis in accordance with risk management and investment strategies of the fund. The financial information about these financial assets is provided internally on that basis to the Board of Directors of the Trustee Company.

Financial instruments designated at fair value through the profit or loss are not reclassified.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Fund includes this category in accounts receivables.

Other financial liabilities

This category includes all financial liabilities, other than those classified as at fair value through profit or loss. This category includes accrued expenses. Given the short-term nature of other financial liabilities, the nominal amount approximates their fair value.

3. Summary of significant accounting policies (continued)

(i) Financial Instruments (continued)

(B) Recognition

The fund recognises financial assets and financial liabilities on the date it becomes a party to the contractual provisions of the instrument.

Purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the marketplace are recognised on the trade date, i.e., the date that the fund commits to purchase or sell the asset.

(C) De-recognition

The Fund derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire or it transfers the financial asset and the transfer qualifies for de-recognition in accordance with AASB 9.

A financial liability is derecognised when the obligation specified in the liability's contract is discharged, cancelled or has expired.

(D) Measurement

Financial assets and financial liabilities are initially measured at fair value (transaction price) in the Statement of Financial Position. Transaction costs on financial assets and financial liabilities held at fair value through profit or loss are expensed immediately. Subsequent to initial recognition, all financial assets and financial liabilities held at fair value through profit or loss are measured at fair value at year end with any changes in their fair value being recognised in the Income Statement as "Net changes in fair value of financial assets and liabilities held at fair value".

Financial liabilities arising from the redeemable units issued by the Fund are carried at the redemption amount representing the investors' right to a residual interest in the Fund's assets, effectively fair value at reporting date.

(j) Fair value measurement

The Fund measures financial assets and financial liabilities at fair value through profit or loss, such as equity securities, investments in managed funds, investments in subsidiary and debt instruments at fair value at each balance sheet date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to by the Fund.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

3. Summary of significant accounting policies (continued)

(j) Fair value measurement (continued)

The Fund uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. All assets and liabilities for which fair value is measured/disclosed in the financial statements are categorised with the fair value hierarchy, described as follows, based on the lowest level that is significant to the fair value measurement as a whole.

When the fair values of the investments recorded in the Statement of Financial Position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including discounted cash flow models (DCF model). The inputs in these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required to establish fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of these investments.

Level 1 - Quoted (unadjusted) market price in active markets for identical assets/liabilities

Level 2 - Valuation techniques for which the lowest input that is significant to the fair value measurement is directly/indirectly observable

Level 3 - Valuation techniques or which the lowest level input that is significant to the fair value measurement is unobservable.

(k) Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if, and only if, there is a current enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

(l) Foreign currency transactions

Transactions in foreign currencies are translated at the foreign currency exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated to Australian Dollars at the foreign currency closing exchange rate ruling at the reporting date.

Foreign currency exchange differences arising on translation and realised gains and losses on disposals or settlements of monetary assets and liabilities are recognised in the Income Statement. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to Australian Dollars at the foreign currency closing exchange rates ruling at the dates that the values were determined. All foreign currency exchange differences are included in net changes in fair value of financial assets and liabilities held at fair value in the Income Statement.

(m) Interest income

Interest income is recognised in the Income Statement as it accrues, using the effective interest method of the instrument calculated at the acquisition or origination date. Interest income includes the amortisation of any discount or premium, transaction costs or other differences between the initial carrying amount of an interest-bearing instrument and its amount at maturity calculated on an effective interest rate basis.

Interest income on debt instruments held at fair value through profit or loss is accrued using the effective interest method and classified to the interest income line item within the Income Statement. Interest income is recognised on a gross basis, including withholding tax, if any.

Notes to the Financial Statements
for the year ended 30 June 2021

3. Summary of significant accounting policies (continued)

(n) Reserves

The Trustee maintains a number of reserves to provide the Trustee with access to funds to fund the expenses of the Fund and to protect the members' interests and mitigate the impact of an adverse event. These reserves are operated in accordance with the Fund's reserving policy and are held at the fund level.

The main reserves maintained by the Fund are:

(i) Operational risk financial requirement (ORFR) reserve

This reserve is maintained in accordance with the requirements of Prudential Standard SPS 114 Operational Risk Financial Requirement. This reserve is to cover costs associated with an operational risk such as risks of loss resulting from inadequate or failed internal processes, people and systems, or from external events. This includes legal risk but excludes strategic and reputational risk.

(ii) Insurance reserves

These reserves are generally used to pay insurance premiums to the insurer and to fund insurance claims reduction strategies implemented by the Fund and the development and implementation of improved insurance offerings.

(iii) Administration fee reserve

This reserve is used to pay the administration costs of the Fund.

(iv) Other reserves

Other reserves include an unassignable receipts reserve and a general reserve. These reserves relate to amounts where it has been determined that it is not appropriate to allocate that amount to members due to a number of factors including equity, fairness and uncertainty. There is also a contributions tax reserve which relates to the contributions tax deducted from all taxable contributions received by the Fund and any other relevant receipts. This reserve is used to pay the contributions tax of the Fund and the tax rebates provided to members for deductible expenses and other tax concessions.

(o) Unallocated surplus/(deficit)

This reflects the difference between the investment valuations used for unit pricing purposes which are used to calculate the member benefit liabilities as at 30 June 2021 and the investment valuations and other factors impacting the preparation of the financial statements as at 30 June 2021. This represents a timing difference between when investment earnings/expenses are included in the unit pricing for members and when these amounts are reflected in the financial statements.

(p) Benefits paid/payable

Benefits paid/payable are valued at the amounts due to members at reporting date. Benefits paid/payable comprise pensions accrued at balance date and lump sum benefits of members who are due a benefit but had not been paid at balance date. Benefits rolled over within the Fund are not included as benefits payable. Benefits payable are generally settled within the legislated timeframes.

During the financial years ended 30 June 2020, the federal government announced that certain individuals adversely financially affected by COVID-19 could apply to the Australian Taxation Office (the ATO) for approval for the release of up to $10,000 of their superannuation in 2019/20 and a further $10,000 in 2020/21.

Notes to the Financial Statements
for the year ended 30 June 2021

3. Summary of significant accounting policies (continued)

(p) Benefits paid/payable (continued)

For the year ended 30 June 2021, the Fund paid out $38.3m COVID-19 early release benefits to members based on the applications approved by the ATO. During the 2019-20 year, the Fund paid out $34.3m.

(q) Member benefit liabilities

Member benefit liabilities are measured at the amount of accrued benefits as at the reporting date.

Defined benefit member liabilities are measured as the amount of a portfolio of investments that would be needed as at the reporting date to yield future net cash inflows that would be sufficient to meet accrued benefits as at the date when they are expected to fall due. Defined contribution member benefit liabilities are measured as the amount of member account balances as at the balance date.

(r) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Fund and the revenue can be reliably measured regardless of when the payment is received. Revenue is measured at fair value of the consideration received or receivable taking into account contractually defined terms of payment and excluding taxes or duty. The following specific recognition criteria must also be met before revenue is recognised.

(i) Changes in fair values

Changes in the fair value of investments and derivatives are calculated as the difference between the fair value at sale, or at balance date, and the fair value at the previous valuation point and recognised in the Statement of Financial Position. All changes are recognised in the Income Statement. This includes both realised and unrealised gains and losses.

(ii) Dividend income

Dividend income relating to exchange-traded equity investments is recognised in the Income Statement on the ex-dividend date. In some cases, the Fund may receive or choose to receive dividends in the form of additional shares rather than cash. In such cases, the Fund recognises the divided income for the amount of the cash dividend alternative with the corresponding debit treated as an additional investment.

Income distributions from private equity investments and other managed investment schemes are recognised in the Income Statement as dividend income when declared.

(iii) Interest

Interest income on cash at bank is recognised in the Income Statement as it accrues on the amount of cash at bank.

3. Summary of significant accounting policies (continued)

(q) Revenue recognition (continued)

(iv) Distributions

Distributions revenue is recognised when the fund's right to receive payment is established, Revenue is presented gross of any non-recoverable withholding taxes.

(s) Contributions received and transfers from other funds

Contributions received and transfers from other funds are recognised in the Statement of Changes in Member Benefits when the control of the contribution or transfer has transferred to the Fund. They are recognised gross of any taxes.

(t) Expense recognition

Unless otherwise indicated, all expenses (including management fees and custodian fees) are recognised in the Income Statement on an accruals basis.

(u) Foreign exchange gains and losses

Foreign exchange gains and losses on financial instruments classified as at fair value through profit or loss are included in the Income Statement as part of the "Net changes in fair value of financial assets and liabilities held at fair value".

(v) Income tax

The Fund is a complying superannuation fund for the purposes of the Income Tax Assessment Act 1997. Accordingly, the concessional tax rate of 15% has been applied to the "standard component" of the Fund's taxable income. A rate of 45% is applied on any "non-arm's length component" that the Fund has. The non-arm's length component of taxable income refers to "non-arm's length income" reduced by allowable deductions. Non-arm's length income is made up of private company dividends, non-arm's length income and certain trust distributions that have not been received on an arm's length basis. For the year ended 30 June 2021, there is no non-arm's length income.

Income tax is recognised in the Income Statement except to the extent that it relates to items recognised directly in members' funds in which case it is recognised in the Statement of Changes in Member Benefits.

Income tax that is recognised in the Income Statement for the year comprises current and deferred tax.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantially enacted by the reporting date.

Deferred tax is provided on all temporary differences at the balance date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes except:

- Where the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss, and/or

- When the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures and the timing of the reversal of the temporary difference can be controlled and it is probably that the temporary difference will not reverse in the foreseeable future.

Notes to the Financial Statements
for the year ended 30 June 2021

3. Summary of significant accounting policies (continued)

(v) Income tax (continued)

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses. Deferred income tax assets are recognised to the extent that it is probable that taxable profit will be available against which deductible temporary differences, and the carrying forward of unused tax assets and unused tax losses can be utilised, except:

- Where the deferred income tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of transaction, affects neither the accounting profit nor the taxable profit or loss, and/or

- In respect of deductible temporary differences associated with investments in subsidiaries, associates or interests in joint ventures in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each balance date and are recognised to the extent that it becomes probable that sufficient taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled based on the tax rates (and tax laws) that have been enacted or substantively enacted at the balance date.

Deferred income tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

It is expected that the Fund will be treated as a complying super fund for the year ended 30 June 2021, income tax has been provided for at 15%. If the Fund is subsequently deemed to be non-complying income will be payable at a rate of 45% on the funds taxable income.

The expense (and any corresponding liability) is brought to account in the period in which the assessments are received by the Trustee and are payable by the Fund.

(w) Goods and services tax (GST)

Revenue, expenses (including investment expenses) and assets are recognised net of the amount of GST recoverable from the Australian Taxation Office (ATO) except:

- When the GST incurred on the sale or purchase of assets or services is not payable to or recoverable from the ATO, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense, or
- When receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the ATO is included as part of receivables or payables in the Statement of Financial Position.

Cash flows are included in the Statement of Cash Flows on a gross basis. The GST component of cash flows arising from investing activities, which is recoverable from, or payable to the ATO are classified as operating cash flows.

Notes to the Financial Statements
for the year ended 30 June 2021

3. Summary of significant accounting policies (continued)

(x) No-TFN contribution tax

Where a member does not provide their tax file number to a Fund, the Fund may be required to pay no-TFN contributions tax at a rate of 34% which is in addition to the concessional tax rate of 15% which applies to the Fund's taxable income.

The no-TFN contributions tax liability recognised by the Fund will be charged to the relevant members' accounts. Where a tax offset is obtained by the Fund in relation to members' no-TFN contributions tax, the tax offset will be included in the relevant members' accounts.

(y) Valuation dates

The investments held have been valued at 30 June 2021 based on valuations obtained from the Custodian taking into account information received post balance date.

For accumulation members, the benefit liability value is based on the members' account values which is determined using the daily unit price applicable as at 30 June 2021 and the number of units held by the members at that date.

For defined benefits members, the benefit liability value is determined in accordance with the Trust Deed as at 30 June 2021 and takes into accounts the members' salary and years of service subject to the minimum requisite benefit threshold.

(z) Significant accounting judgements, estimates and assumptions

The preparation of the Fund's financial statements requires management to make judgements, estimates and assumptions that affect the amounts recognised in the financial statements. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

The significant accounting policies have been consistently applied in the current financial year and the comparative period unless otherwise stated. Where necessary, comparative information has been represented to be consistent with current period disclosures. Significant accounting judgements, estimates and assumptions are reviewed on an ongoing basis. If there are revisions to accounting estimates, they are recognised in the period which the estimate is revised and in any future period affected.

In particular, information about significant areas of estimation, uncertainty and critical judgements in applying accounting policies and having the most significant effect on the amounts recognised in the financial statements are listed below:

Assessment as investment entity	The significant accounting judgements are discussed in Note 3(e).
Deferred tax asset recognition	The significant accounting judgements are discussed in Note 3(v).
Valuation of defined benefit member liabilities	The key assumptions are discussed in Notes 3(aa) and 7.
Valuation of Investments	The key assumptions are set out in Notes 3(j) and 4.

3. Summary of significant accounting policies (continued)

(aa) Valuation of defined benefit member liabilities

The amount of member liabilities in relation to defined benefits has been determined using actuarial valuation techniques and assumptions. An actuarial valuation involves making assumptions about the future. Actual developments in the future may differ from the assumptions. The assumptions include member turnover, future investment returns, pension indexation rates, mortality rates and future salary increases. Due to the complexities involved in the valuation and its long term nature, defined benefit member liabilities are highly sensitive to changes in these assumptions. The key assumptions are reviewed at each reporting date.

In determining the appropriate discount rate, the Fund Actuary considered an investment portfolio that reflects the opportunities reasonably available to the Fund in the investment markets, and also reflects the Fund’s actual investments and investment strategy in respect of define benefit liabilities.

The mortality assumption is based on publicly available mortality tables. Future salary increases are based on the Wage Price Index produced by the Australian Bureau of Statistics and in consultation with the employer-sponsors.

(bb) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2021 reporting period and have not been early adopted by the Fund. None of these are expected to have a material effect on the financial statements of the Fund.

Notes to the Financial Statements for the year ended 30 June 2021

4. Fair value of financial instruments

The financial assets and liabilities held by the Fund at 30 June 2021 are as follows:

	2021 $000	2020 $000
Financial assets at fair value through profit or loss		
Cash and deposits	**1,571,549**	1,364,228
Covered bonds - Fixed	**1,313**	2,802
Covered bonds - FRN	**25,101**	-
Convertible notes	**2,452**	-
Discount securities	**229,800**	104,836
Fixed interest bonds	**713,687**	1,028,617
Floating rate notes	**483,315**	187,175
Indexed bonds	**234,582**	415,106
Zero coupon bonds	**2,041**	2,179
Listed equities	**5,741,009**	4,221,795
Listed property trusts	**456,992**	260,012
Listed unit trusts	**84,762**	80,766
Loans	**489**	-
Mortgage backed securities	**4,161**	5,523
Preference shares redeemable	**45,098**	39,418
Unlisted equities	**177,505**	143,275
Unlisted managed investment scheme	**2,508,105**	2,435,083
Unlisted partnership	**1,751**	1,736
Forward foreign exchange contracts	**301**	82,821
Futures	**1,399**	1,115
Total financial assets held at fair value through profit or loss	**12,285,412**	10,376,487
Financial liabilities held at fair value through profit or loss		
Financial liabilities designated at fair value through profit or loss		
Cash and deposits	**(280)**	(6,501)
Forward foreign exchange contracts	**(52,568)**	(16)
Futures	**(1,437)**	-
Total liabilities held at fair value through profit or loss	**(54,285)**	(6,517)
Net financial assets held at fair value through profit or loss	**12,231,127**	10,369,970
Non-financial liabilities of other amounts not allocated to unitholders	**-**	-
	12,231,127	10,369,970

Notes to the Financial Statements
for the year ended 30 June 2021

4. Fair value of financial instruments (continued)

(a) Classification of investments at the Fund level (continued)

	2021 Value at quoted market price (level 1) $000	Valuation technique – market observable inputs (level 2) $000	Valuation technique – non-market observable inputs (level 3) $000	Total $000
Financial assets held at fair value through profit or loss				
Cash and deposits	**1,571,549**	**-**	**-**	**1,571,549**
Covered bonds - Fixed	**-**	**1,313**	**-**	**1,313**
Covered bonds - FRN	**-**	**25,101**	**-**	**25,101**
Convertible notes	**-**	**2,452**	**-**	**2,452**
Discount securities	**-**	**229,800**	**-**	**229,800**
Fixed interest bonds	**-**	**713,687**	**-**	**713,687**
Floating rate notes	**-**	**483,315**	**-**	**483,315**
Indexed Bonds	**-**	**234,582**	**-**	**234,582**
Zero coupon bonds	**-**	**2,041**	**-**	**2,041**
Listed equities	**5,739,325**	**1,683**	**-**	**5,741,009**
Listed property trusts	**456,992**	**-**	**-**	**456,992**
Listed unit trusts	**84,762**	**-**	**-**	**84,762**
Loans	**-**	**-**	**489**	**489**
Mortgage backed securities	**-**	**4,161**	**-**	**4,161**
Preference shares redeemable	**9,657**	**-**	**35,442**	**45,098**
Unlisted equities	**-**	**-**	**177,505**	**177,505**
Unlisted managed investment scheme (MIS)	**-**	**211,070**	**2,297,036**	**2,508,105**
Unlisted partnership	**-**	**-**	**1,751**	**1,751**
Forward foreign exchange contracts	**-**	**301**	**-**	**301**
Futures	**1,399**	**-**	**-**	**1,399**
	7,863,683	**1,909,506**	**2,512,223**	**12,285,412**
Financial liabilities held at fair value through profit or loss				
Cash and deposits	**(280)**	**-**	**-**	**(280)**
Forward foreign exchange contracts	**-**	**(52,568)**	**-**	**(52,568)**
Futures	**(1,437)**	**-**	**-**	**(1,437)**
	(1,716)	**(52,568)**	**-**	**(54,285)**
	7,861,966	**1,856,938**	**2,512,223**	**12,231,127**

4. Fair value of financial instruments (continued)

(a) Classification of investments at the Fund level (continued)

2020	Value at quoted market price (level 1) $000	Valuation technique – market observable inputs (level 2) $000	Valuation technique – non-market observable inputs (level 3) $000	Total $000
Financial assets held at fair value through profit or loss				
Cash and deposits	1,364,228	-	-	1,364,228
Covered bonds	-	2,802	-	2,802
Discount securities	-	104,836	-	104,836
Fixed interest bonds	-	1,028,617	-	1,028,617
Floating rate notes	-	187,175	-	187,175
Indexed bonds	-	415,105	-	415,105
Zero coupon bonds		2,179	-	2,179
Listed equities	4,221,795	-	-	4,221,795
Listed property trusts	259,982	30	-	260,012
Listed unit trusts	80,766	-	-	80,766
Loans	-	-	-	-
Mortgage backed securities	-	5,523	-	5,523
Preference shares redeemable	6,122	17,169	16,126	39,417
Unlisted equities	-	3,275	140,000	143,275
Unlisted managed investment scheme (MIS)	-	330,430	2,104,653	2,435,083
Unlisted partnership	-	-	1,736	1,736
Forward foreign exchange contracts	-	82,821	-	82,821
Options	-	-	-	-
Futures	1,117	-	-	1,117
	5,934,010	2,179,962	2,262,515	10,376,487
Financial liabilities held at fair value through profit or loss				
Cash and deposits	(6,501)	-	-	(6,501)
Forward foreign exchange contracts	-	(16)	-	(16)
Futures	-	-	-	-
Options	-	-	-	-
	(6,501)	(16)	-	(6,517)
	5,927,509	2,179,946	2,262,515	10,369,970

Disclosure of the method and assumptions applied in determining the fair value of each class of financial assets and financial liabilities are included in Note 3(j). The fair value for each class of financial assets and financial liabilities equates to net market value.

Notes to the Financial Statements
for the year ended 30 June 2021

4. Fair value of financial instruments (continued)

(b) Transfers between hierarchy levels

There have been transfers from Level 2 to Level 3 of the fair value hierarchy of $254,396,768 during the year.

Valuation techniques

Listed equity securities, trusts and derivatives

When fair values of publicly traded equity securities, trusts and derivatives are based on quoted market prices, or binding dealer price quotations, in an active market for identical assets without any adjustments, the instruments are included within Level 1 of the hierarchy. The Fund values these investments at bid price for long positions and ask price for short positions.

Unlisted debt securities and treasury bills

The Trust invests in debt securities, corporate and government bonds and treasury securities. In the absence of a quoted price in an active market, they are valued using observable inputs such as recently executed transaction prices in securities of the issuer or comparable issuer and yield curves. The Trust's assets custodian, National Assets Services (NAS), obtains these prices from two independent pricing sources, Bloomberg and Interactive Data. To the extent that the significant inputs are observable, the Trust categorise these investments as Level 2 financial instruments.

Valuation techniques (continued)

Over-the-counter FFX contracts

FFX contracts are valued at the mid-price at 4.00pm London time published by WM Company, points out to 365 days. Alternatively, forward rates may be inferred from the WM rates in instances where, for example, there is restricted currency trading by a sovereign. These financial instruments are classified as Level 2 financial instruments.

Unlisted equity investments

The Trust invests in private equity companies which are not quoted in an active market. Transactions in such investments do not occur on a regular basis. The Trust values these investments by using the prices supplied by fund managers or independent valuer directly to NAS. Depending on whether the significant inputs to calculate the prices are market observable, the Trust classifies these investments as either Level 2 or Level 3 financial instruments.

Unlisted managed investment schemes

The Trust invests in managed investment schemes, including private equity funds and unlisted property and infrastructure trusts, which are not quoted in an active market and which may be subject to restrictions on redemptions such as lock up periods. The Trust values these investments by using the prices which are sourced from AUSMAQ or supplied by the fund manager. Depending on whether the significant inputs to calculate the prices are market observable, the Trust classifies these investments as either Level 2 or Level 3 financial instruments.

Listed investment companies

The Trust invests in a private equity fund which has some underlying assets that are classified as listed investment companies. The majority of the assets of the fund are not quoted in an active market. As such, the Trust values this investment using the price which is supplied by the fund manager. This investment is classified as a Level 3 financial instrument.

Notes to the Financial Statements
for the year ended 30 June 2021

4. Fair value of financial instruments (continued)

(b) Transfers between hierarchy levels (continued)

Valuation process for Level 3 valuations

Valuations are the responsibility of the board of directors of the Trustee.

The valuation of unlisted equities and unlisted managed investment schemes is supplied to the custodian directly by fund managers on monthly or quarterly basis. The fund managers' valuations for property and infrastructure are based on third party independent valuations of the underlining assets. Private equity valuations are calculated by the fund managers in accordance with industry standards such as Australian Private Equity and Venture Capital Association (AVCAL) and US GAAP. The investment team review the valuation policies of the fund managers on an annual basis, to ensure adherence to industry best practice. There were no other changes in valuation techniques during the year.

Level 3 reconciliation

The following table shows a reconciliation of the movement in the fair value of financial instruments categorised within Level 3 between the beginning and the end of the reporting period.

	2021 $000	2020 $000
Opening balance	**2,262,515**	772,640
Realised/unrealised gains/(losses)	**160,700**	(69,596)
Purchases/applications (including transfers from VPST)	**17,794**	49,323
Sales/redemptions	**(183,183)**	-
Accrued interests	**-**	-
Adjustments	**-**	-
Transfers into Level 3	**254,397**	1,512,915
Transfers out of Level 3	**-**	(2,767)
Closing balance	**2,512,223**	2,262,515

For financial instruments classified as Level 3 in the fair value hierarchy some of the inputs to the valuation models are unobservable and therefore subjective in nature. The use of reasonably possible alternative assumptions could possibly produce a different net market value measurement. If the impact of using those alternative assumptions would cause the fair value of Level 3 financial instruments to be higher or lower by 5% the net assets of the Fund and the result for the year would have been higher or lower by $125,611 million (2020: $113,125 million).

Notes to the Financial Statements
for the year ended 30 June 2021

5. Assets attributable to each section of the Fund

The assets of the Fund are primarily used to support the account-based and defined benefit member liabilities and are attributable to each section as follows:

2021	Account-based plans $000	Defined benefit plans $000	Total $000
Defined contribution member liabilities	**9,366,777**		**9,366,777**
Defined benefit member liabilities		**2,227,697**	**2,227,697**
Defined benefits that are over or (under) funded		**300,077**	**300,077**
Amounts not yet allocated	**195**		**195**
Assets attributable to each section	**9,366,972**	**2,527,774**	**11,894,746**

2020	Account-based plans $000	Defined benefit plans $000	Total $000
Defined contribution member liabilities	7,870,376		7,870,376
Defined benefit member liabilities		2,115,690	2,115,690
Defined benefits that are over or (under) funded		232,388	232,388
Amounts not yet allocated	306		306
Assets attributable to each section	7,870,682	2,348,078	10,218,760

6. Contributions receivable

The Fund has contractual agreements with the employer sponsors to meet any shortfall for the defined benefit member's liabilities. Contributions for defined benefits members' ongoing service are payable on the 21st day of the first month in each quarter.

Contributions for outstanding 2010 defined benefits unfunded liability accounts are payable by the year 2022.

The 2011 funding call resulted from Trustee's actuarial investigation as at 31 December 2011 were payable on 1 July 2013. Employers are offered a fifteen year payment plan at the interest rate of 7.5% per annum.

The receivables are due from unrated entities.

	2021 $000	2020 $000
Ongoing service	**750**	(110)
Past service - 2010	**118**	109
Past service - 2011	**1,590**	1,543
Other contributions receivable	**-**	-
Total contributions receivable	**2,458**	1,542

All amounts are expected to be recovered from the relevant employer-sponsors with the required time periods.

Notes to the Financial Statements
for the year ended 30 June 2021

7. Defined contribution member liabilities

The defined contribution member account balances are measured using unit prices determined by the Trustee based on the underlying investment option values applicable for the members.

Defined contribution members bear the investment risk relating to the underlying assets and unit prices or crediting rates used to measure the member liabilities. Unit prices are updated each business day. Unit prices for each business day are based on the most recently available information for that day, including market close prices for the domestic market and all applicable international markets.

As at 30 June 2021, contribution receipts of $195,000 (2020: $306,000) had not been allocated to members. Defined contributions member liabilities are vested 100% in those members and are recognised as liabilities in accordance with AASB 1056.

The amount of the defined contributions member liabilities varies on a daily basis based on a number of factors including the investment markets. Refer to Note 25 for the Fund's management of investment risks.

8. Defined benefit member liabilities (accrued benefits)

The Fund has three (3) defined benefit sub-plans and engages a qualified actuary on a regular basis to measure the defined benefit member liabilities in each sub-plan. The Fund has no information that would lead to adjustments to the assumptions outlined below.

The actuarial valuation of member liabilities reflects the actuarial assessment of the benefits accrued up to the balance date and payable to members on retirement, resignation, death and disability (i.e. the accrued benefits).

The valuation of the accrued benefits was undertaken by the Fund Actuary as part of an actuarial valuation as at 30 June 2021. The most recent comprehensive actuarial review was conducted as at 30 June 2021 for the LASF Defined Benefit (LASF DB) sub-plan and 30 June 2017 for the City of Melbourne (CoM) and Parks Victoria sub-plans. The three defined benefit sub-plans are quarantined from the other assets of the Fund. In an event that the assets of a particular sub-plan are not adequate to provide for members' liabilities and if the employer contributions are insufficient, the defined benefit member liabilities are limited to the assets of the particular sub-plan.

Matthew Burgess of Willis Towers Watson has been engaged as the Fund Actuary to conduct the annual actuarial review as at 30 June 2021 for LASF DB. This review has been completed and is available on the Fund's website. Copies of the triennial Actuarial Reports as at 30 June 2020 for each sub-plan are also available on the Fund's website.

The following is a breakdown of the accrued defined benefits of the Fund:

	As at 30 June 2021 (final) $m	As at 30 June 2020 (final) $m
Accrued Benefits for		
LASF DB	**2,151,830**	2,035,597
CoM	**49,221**	52,401
Parks Victoria	**26,646**	27,692
	2,227,697	2,115,690

8. Defined benefit member liabilities (accrued benefits) (continued)

(a) Significant estimates

The Fund has identified three assumptions that may reasonably change and therefore would have a material impact on the amount of the liabilities if they were to change.

The key financial assumptions used to determine the value of accrued benefits for each of the sub-plans that may reasonably change are as follows:

		2021	
	LASF DB	**CoM**	**Parks Victoria**
Net investment return	**4.75%**	**0.40%**	**2.75%**
Salary inflation	**2.75%**	**2.75%**	**2.75%**
Price inflation	**2.25%**	**2.25%**	**2.25%**

		2020	
	LASF	CoM	Parks Victoria
Net investment return	5.6%	1.1%	3.4%
Salary inflation	2.5% for 2 years and 2.75% thereafter	2.0% for 2 years and 2.75% thereafter	2.0% for 2 years and 2.75% thereafter
Price inflation	2.0%	2.0%	2.0%

The defined benefit member liabilities have changed in the current financial year primarily as a result of the payment of benefits to members on exit from the sub-plans offset by increases to continuing member liabilities as a result of salary increases, additional service accruals and increased entitlements as a result of reaching the Fund's retirement age.

The Trustee manages the risks associated with the defined benefit sub-plans in a number of ways.

The Fund Actuary advises on these risks, including establishing suitable funding objectives. The Fund Actuary conducts regular actuarial investigations (at least every three years, or more frequently as required) of the defined benefit sub-plans at the Trustee's request. Taking into account the Trustee's funding objectives and the Fund's circumstances, the Fund Actuary recommends the required employer contribution levels.

In addition, management monitors the vested benefit positions of each defined benefit sub-plan regularly and reports quarterly to the Board on the vested benefit index (VBI) status of each sub-plan. If the VBI for a sub-plan is below the relevant VBI shortfall limit, management will then engage the Fund Actuary to conduct a review to assist in developing a restoration plan to restore the relevant sub-plan to a VBI position above 100%.

The Trustee also uses sensitivity analysis to monitor the potential impact of changes to key variables about which assumptions need to be made. The Fund has identified three key assumptions (being the net investment return rate, the salary inflation rate and the price inflation rate) for which changes are reasonably possible that would have a material impact in the amount of the defined benefit member liabilities.

The assumed net investment return rate has been determined based on the investment returns expected on an investment portfolio that reflects the opportunities reasonably available to the Fund in the investment markets and also reflects the Fund's actual investments and investment strategy in respect of defined benefit member liabilities. The assumed net investment rate is different for each defined benefit sub-plan.

The assumed price inflation has been determined based on long-term estimates of the consumer price index (CPI).

Notes to the Financial Statements for the year ended 30 June 2021

8. Defined benefit member liabilities (accrued benefits) (continued)

(a) Significant estimates (continued)

The other variables about which assumptions have been made in measuring defined benefit member liabilities and for which changes are not considered reasonably possible, or which reasonably possible changes would not be expected to have a material effect include pension indexation rates, mortality rates and resignations.

The following are sensitivity calculations on a univariate basis for the net investment return and rate of salary inflation assumptions for each defined benefit plan:

Assumptions	Assumed at 30 June 2021	Reasonable possible changes	Amount of increase/(decrease) in defined benefit member liabilities $000
LASF DB			
Investment return	**4.75%** (2020: 5.6%)	**1% / -1%** (2020: +1.0%/-1.0%)	**(136,885) / 160,302** (2020: (120,248)/139,493)
Salary adjustment rate	**2.75%** (2020:2.5% for 2 years and 2.75% thereafter)	**1% / -1%** (2020: +1.0%/-1.0%)	**41,321 / (38,770)** (2020: 43,683/(40,893))
Price inflation	**2.25%** (2020: 2.0%)	**1% / -1%** (2020: +1.0%/-1.0%)	**120,113 / (102,609)** (2020: 98,343/(84,566))
CoM			
Investment return	**0.40%** (2020: 1.1%)	**1% / -1%** (2020: +1.0%/-1.0%)	**(1,696) / 1,854** (2020: (1,916)/2,096)
Salary adjustment rate	**2.75%** (2020:2.5% for 2 years and 2.75% thereafter)	**1% / -1%** (2020: +1.0%/-1.0%)	**1,789 / (1,672)** (2020: 2,041/(1,905))
Price inflation	**2.25%** (2020: 2.0%)	**1% / -1%** (2020: +1.0%/-1.0%)	**3 / (3)** (2020: 4/(4))
Parks Victoria			
Investment return	**2.75%** (2020: 3.4%)	**1% / -1%** (2020: +1.0%/-1.0%)	**(1,126) / 1,255** (2020: (1,131)/1,255)
Salary adjustment rate	**2.75%** (2020:2.5% for 2 years and 2.75% thereafter)	**1% / -1%** (2020: +1.0%/-1.0%)	**1,005 / (950)** (2020: 1,072/(1,009))
Price inflation	**2.25%** (2020: 2.0%)	**1% / -1%** (2020: +1.0%/-1.0%)	**234 / (189)** (2020: 175/(142))

At balance date, 100% of the defined benefit member liabilities have vested (2020: 100%).

9. Defined benefit plans that are over or (under) funded

For the three defined benefit sub-plans, there were no unexpected events that changed the defined benefit member liabilities materially. The Trustee has no information that would lead it to adjust the assumptions around pension index rates and resignation. For LASF DB, the Fund Actuary has reviewed the demographic experience of the sub-plan including pensioner mortality and deferred beneficiary election rates as part of the actuarial review as at 30 June 2020.

Based on the requirements of AASB 1056, the three defined benefit sub-plans are over/(under) funded as follows:

	Ref	**2021 $000**	2020 $000
LASF DB	***A***	**284,567**	217,778
CoM	***B***	**11,017**	11,081
Parks Victoria	***C***	**4,493**	3,529
		300,077	232,388

Ref A
LASD DB continues to remain in surplus. It is intended that the employer-sponsors will continue to make contributions based on the funding arrangements consistent with the rates recommended by the Fund Actuary (refer Note 12(a)).

Ref B
CoM continues to remain in surplus. It is intended that the employer-sponsors will continue to make contributions based on the funding arrangements consistent with the rates recommended by the Fund Actuary (refer Note 12(b)).

Ref C
Parks Victoria continues to remain in surplus. It is intended that the employer-sponsor will continue to make contributions based on the funding arrangements consistent with the rates recommended by the Fund Actuary (refer Note 12(c)).

10. Funding arrangements

The employers have contributed to the Fund during the financial year at a rate of at least 9.5% (2020: 9.5%) of the gross salaries of those employees who were defined contribution members of the Fund.

The employers for the defined benefit members have contributed to the fund during the financial year based on the rate determined by the Trustee based on Fund Actuary advice.

As outlined above, the defined benefit funding requirements for the Fund are impacted by various financial and demographic factors including investment earnings, salary inflation, benefit claims experience and pensioner mortality rates. The funding arrangements are primarily dependent upon investment performance relative to salary growth and pension growth. The Fund has a current Funding and Solvency Certificate. The last full actuarial investigation as at 30 June 2020 was completed on 8 September 2020, 18 December 2020 and 19 October 2020 for LASF DB, CoM and Parks Victoria respectively. The next full actuarial review for the Fund is as at 30 June 2023. An annual review is conducted each intervening year from 30 June 2021 onwards to satisfy the AASB 1056 reporting requirements.

Following the completion of the triennial 30 June 2020 actuarial review of each sub-plan, the Fund Actuary has not recommended any additional contributions be made by the participating employers as no funding deficiency has been identified.

Notes to the Financial Statements for the year ended 30 June 2021

10. Funding arrangements (continued)

In addition, following the completion of the 30 June 2021 actuarial review for LASF DB, the Fund Actuary did not recommend any additional contributions be made by the participating employers as there was no funding deficiency identified.

On completion of the 31 December 2011 actuarial review of the Fund, the Fund's Actuary recommended that participating employers pay an additional contribution due to the funding deficiency identified as at 31 December 2011. The Trustee accepted the actuarial recommendations and informed the employers of the Defined Benefit plans of their share of the unfunded liability as at 31 December 2011.

For the LASF Defined Benefit Plan, the invoices issued were due and payable on 1 July 2013 with an option of a fifteen-year payment plan. The total invoiced amount was $539 million, which comprised the unfunded accrued liability as at 31 December 2011 of $406 million, estimated fund earnings accrued to 1 July 2013 on that unfunded accrued liability of $53 million and contributions tax of $80 million.

Of this amount, an amount of $1.6 million remains as contributions receivable as at 30 June 2021 (2020: $1.5 million). During the 2021 year, the employers of the Defined Benefit plan have paid $47,159 (2020: $297,588) of the total amount invoiced. The total payments received to 30 June 2021 represent 99.7% (2020: 99.7%) of total unfunded liability invoiced amount. Where an employer paid some/all of their invoiced amount prior to the due date of 1 July 2013, the amount of the invoice was discounted at the rate of 7.5% per annum (calculated daily) based on the expected long-term investment return on the assets of the LASF Defined Benefits Plan. The contributions receivable of $1.6 million at 30 June 2021 (2020: $1.5 million) represents the outstanding unfunded liability and annual interest charges which have been invoiced but not yet paid. These employers have entered into payment plans to pay these outstanding amounts.

Further details regarding the funding arrangements of the defined benefit plans are in Note 12.

Employees are also able to make voluntary contributions.

11. Guaranteed benefits

No guarantees have been made in respect of any part of the liabilities for accrued benefits.

12. Vested benefits

Vested benefits are benefits which are not conditional upon continued membership of the Fund (or any factor other than resignation from the Fund) and include benefits which members are entitled to receive had they terminated their Fund membership as at the balance date.

	2021 $000	2020 $000
Defined benefit plans	**2,260,192**	2,230,913
Accumulation plans (excluding amounts not yet allocated)	**9,366,777**	7,870,376
Total vested benefits	**11,626,969**	10,101,289
As compared to net assets available to pay benefits	**11,894,746**	10,218,092

12. Vested benefits (continued)

Key results as at 30 June 2021, as estimated by the actuary, on the defined benefit sub-plans are as follows. The Discounted Accrued Benefits Index (DABI) and Minimum Requisites Benefits Index (MRBI) (Solvency basis) are calculated as part of each actuarial review.

Sub-plan^	Results	30 June 2021	30 June 2020
LASF DB	VBI	**109.8%**	104.6%
	DABI	**113.4%**	110.7%
	MRBI	**151.2%**	142.2%
CoM	VBI	**144.7%**	136.9%
	DABI	**n/a^**	125.4%
	MRBI	**n/a^**	185.1%
Parks Victoria	VBI	**116.2%**	108.7%
	DABI	**n/a^**	112.7%
	MRBI	**n/a^**	156.7%

^ The next triennial actuarial review for these plans is scheduled to be at 30 June 2023.

The main financial assumptions used to calculate the VBI for the defined benefit categories of the Fund are as follows:

	LASF DB		CoM		Parks Victoria	
	30 June 2021	30 June 2020	30 June 2021	30 June 2020	30 June 2021	30 June 2020
Net investment return	**4.75%**	5.6%	**0.40%**	1.1%	**2.75%**	3.4%
Salary inflation	**2.75%**	2.5% for 2 years and 2.75% thereafter	**2.75%**	2.0% for 2 years and 2.75% thereafter	**2.75%**	2.0% for 2 years and 2.75% thereafter
Price inflation	**2.25%**	2.0%	**2.25%**	2.0%	**2.25%**	2.0%

(a) LASF DB

An actuarial investigation of LASF DB has been carried out as at 30 June 2021 and was completed on 7 September 2021. This investigation concluded that LASF DB was in a satisfactory financial position as at 30 June 2021 as defined in Superannuation Prudential Standard 160 (SPS160). The last full actuarial review of LASF DB was carried out as at 30 June 2020 and was completed in September 2020 and the last annual investigation was carried out as at 30 June 2021. A total service liability actuarial surplus of $270.3 million by the 2021 investigation (2020: $200 million).

The 30 June 2021 investigation concluded that it is still appropriate for the sub-plan to self-insure its death and disability benefits. The defined-benefit self-insurance reserve is $5 million (2020: $5 million) which included in the Insurance Reserves (refer to Note 24).

The Trustee agreed the following funding plan that was recommended by the Fund’s Actuary as part of the 30 June 2021 investigation. Under the plan, the Employers pay:

- Contributions equal to 10% of members’ salaries, increasing with increases in the Superannuation Guarantee

Notes to the Financial Statements for the year ended 30 June 2021

12. Vested benefits (continued)

(a) LASF DB (continued)

- Additional contributions to cover the excess of the benefits paid as a consequence of retrenchment above the funded resignation or retirement benefit (the funded resignation or retirement benefit is calculated as the Vested Benefits Index multiplied by the benefit), plus contributions tax
- Outstanding contributions in respect of calls made at the previous actuarial investigations, and
- Additional top up contributions that may be recommended in the future, if the defined benefit plan becomes in an unsatisfactory financial position.

The next full triennial actuarial investigation of the LASF DB's accrued benefits liability will be at 30 June 2023.

The funding plan as described above is most likely to remain in place for the LASF DB until the next full actuarial investigation is completed. An annual review of the accrued benefits will occur for AASB 1056 purposes.

(b) CoM

An actuarial review of CoM was carried out as at 30 June 2021 for AASB 1056 purposes. The last full actuarial investigation was as at 30 June 2020. This 2020 investigation concluded that CoM was in a satisfactory financial position as at 30 June 2020 as defined in SPS160. A total service liability actuarial surplus of $9.2 million was identified by the 2020 investigation (2017 investigation: $12.2million).

The Trustee agreed the following funding plan that was recommended by the Fund's Actuary as part of the 30 June 2020 investigation. Under the plan, City of Melbourne pays:

- From 1 July 2020, a contribution rate of 13% (inclusive of 1% of salary continuance cover) of salaries for Division D members
- From 1 July 2021, a contribution rate of 0%for Division D members
- Top-up amounts for existing members if the VBI is below 100% equal to the amount of the member's Benefit payment less (the member's Vested benefit x VBI) increased for contribution tax. Top up payments are to be calculated and invoiced quarterly in arrears. Benefits payments exclude the amount of any insurance proceeds, and
- Any additional contributions that may be required in future under SPS 160.

Members contribute at rates between 0% and 9% of salaries.

Following the completion of the 30 June 2021 full triennial actuarial investigation, the next full triennial actuarial investigation of CoM's accrued benefits liability will be at 30 June 2023.

The funding plan as described above is most likely to remain in place for CoM until the next full actuarial investigation is completed. However, if the VBI of CoM falls to 125%, further actuarial advice will be obtained to determine whether the contribution rate should be increased above 0%.

(c) Parks Victoria

An actuarial review of Parks Victoria sub-plan was carried out as at 30 June 2021 for AASB 1056 purposes. The last full actuarial investigation was as at 30 June 2020. The 2020 investigation concluded that the Parks Victoria sub-plan was in a satisfactory financial position as at 30 June 2020 as defined in SPS160. A total service liability actuarial surplus of $1.7 million was identified by the 2020 investigation (2017 investigation: $4.6 million).

12. Vested benefits (continued)

(c) Parks Victoria (continued)

The Trustee agreed the following funding plan that was recommended by the Fund's Actuary as part of the 30 June 2020 investigation. Under the plan, Parks Victoria pays:

- A contribution rate of 12% of salaries of salaries for Division E members and the current accruing cost contribution rates for Division F members
- Top-up amounts for existing members if the VBI is below 100% equal to the amount of the member's Benefit payment less (the member's Vested benefit x VBI) increased for contribution tax. Top up payments are to be calculated and invoiced quarterly in arrears. Benefits payments exclude the amount of any insurance proceeds, and
- Any additional contributions that may be required in future under SPS 160.

Members contribute at rates between 0% and 7.5% of salaries.

Following the completion of the 30 June 2021 full triennial actuarial investigation, the next full triennial actuarial investigation of the Parks Victoria sub-plan's accrued benefits liability will be at 30 June 2023.

The funding plan as described above is most likely to remain in place for the Parks Victoria sub-plan until the next full actuarial investigation is completed.

(d) Vision MySuper

The Fund's MySuper category receives both employer and employee contributions on a progressive basis. Employer contributions are normally based on a fixed percentage of employee earnings in accordance with the Superannuation Guarantee legislation for each year (for the year ended 30 June 2021 – 9.5% (2020: 9.5%). This rate increases to 10% for the 2021/22 year and will progressively increase to 12% by 1 July 2025 subject to legislative changes. No further liability accrues to the employer as the superannuation benefits accruing to employees are represented by their share of the net assets of the Fund.

(e) Superannuation Prudential Standard SPS 160 – Defined benefit matters

Superannuation Prudential Standard 160 – Defined Benefit Matters (SPS 160) applies to the Fund with effect from 1 July 2013. The Trustee has adopted SPS 160 and will put in place a restoration plan to restore the VBI to 100% if:

(i) The VBI falls below the relevant shortfall at any time when an actuarial investigation is not completed and there is not a valuation date within 6 months, or
(ii) The VBI falls below 100% at the date an actuarial investigation is completed.

From 21 September 2018, the shortfall limits for LASF DB and Parks Victoria are 97%, and 98% respectively. The shortfall limit for CoM is 99% from 19 February 2021.

13. Net changes in value of assets measured at fair value

	2021	2020
	\$000	\$000
Investments held at balance date		
Realised gains/(losses)	**396,394**	(76,309)
Unrealised gains/(losses)	**1,321,657**	35,230
Total net changes in value of assets measured at fair value	**1,718,051**	(41,079)

Notes to the Financial Statements
for the year ended 30 June 2021

14. Net change in defined benefit member liabilities

AASB 1056 defines the net change in defined benefit member liabilities for a period as being the difference between the opening and closing balances of the defined benefit member liabilities for the period, after adjusting for inwards and outwards movements, including:

(a) Contributions

(b) Tax on contributions

(c) Benefits to members, and

(d) Transfers between reserves and accrued benefits.

As a result, the net change in defined benefit member liabilities of $292,815,000 (2020: $125,328,000) included in the Income Statement and the Statement of Changes in Member Benefits is a mixture of items that relate to the change in the surplus/deficit of the defined benefit section (eg. contributions) and other factors including actuarial assumptions that relate to the calculation of the actual defined benefit member liabilities (ie. the accrued benefits).

For the year ended 30 June 2021, there was an overall increase in the defined benefit member liabilities of $112.01m (2020: $29.34m decrease). The increase occurred as a result of the growth in the accrued benefit liabilities for the remaining members exceeding the actual benefits paid during the year.

The accrued benefit liabilities increased during the year due to:

1. The defined benefits of the remaining members are closer to being paid so that there is one year less of discounting applied in calculating the defined benefit member liability

2. An expected cost of one year's benefit accrual has been included for the current membership, and

3. Assumptions used in the defined benefit liability have changed.

Changes in financial assumption (refer to Note 7) have increased the defined benefit member liabilities.

15. Other receivables and prepayments

	2021 $000	2020 $000
GST receivable	**575**	936
Prepayments	**284**	185
Other	**10**	-
	869	1,121

16. Other payables

	2021 $000	2020 $000
Accrued expenses	**13,462**	15,483
Accrued expenses transferred from VPST	**404**	404
	13,866	15,887

Notes to the Financial Statements
for the year ended 30 June 2021

17. General administration expenses

	2021 $000	2020 $000
Annual lodgement fee – APRA	**638**	692
Banking Charges	**43**	36
External audit fees	**105**	130
Trustee services fees	**23,127**	22,374
Other administration fees	**460**	901
	24,372	24,133

The Fund did not directly pay any commissions or sponsorship/advertising.

18. Investment related expenses

	2021 $000	2020 $000
Investment manager fees	**15,066**	16,615
Custodian fees	**1,644**	1,721
Other investment fees and costs	**10,406**	7,993
Trustee services fees	**3,313**	3,536
Other investment operating expenses	**1,720**	1,459
	32,150	31,324

19. Auditor's remuneration

	2021 $	2020 $
Amounts received or due and receivable by Ernst & Young for:		
Audit of the financial statements and compliance of the entity	**122,700**	138,060
Taxation consulting advice	**-**	110,189
Total services provided by Ernst & Young	**122,700**	248,249

20. Income tax

	2021 $000	2020 $000
Tax expense comprises:		
Current tax expense	**37,050**	(11,179)
Adjustment relating to prior years	**38**	(853)
	37,088	(12,032)
Deferred tax expense		
Deferred tax expense relating to the origination and reversal of temporary differences	**101,217**	(3,470)
	101,217	(3,470)
Total tax expense	**138,305**	(15,502)

Notes to the Financial Statements for the year ended 30 June 2021

20. Income tax (continued)

	2021 $000	2020 $000
Reconciliation		
The prima facie income tax expense on profit from operating activities before current tax expense reconciles to the income tax expense in the Statement of Comprehensive Income as follows:		
Profit from operating activities before current tax expense	**1,927,546**	214,010
Current tax expense calculated at 15%	**289,131**	32,102
Add(less) permanent differences – items not assessable or deductible		
Non-deductible expenses	**-**	-
Other non-assessable income	**(79,859)**	(5,040)
Franking credits received/receivable	**4,094**	4,200
Foreign tax credits	**1,184**	973
Pension exemption	**(52,244)**	(16,989)
Other	**6,994**	(3,065)
Imputation and foreign tax credits offset	**(31,032)**	(26,830)
Adjustments for current tax of prior periods	**38**	(853)
	138,305	(15,502)

Deferred tax assets and liabilities

Deferred tax assets

Deferred tax assets comprise of:

	2021 $000	2020 $000
Unrealised FX forward contract losses	**7,078**	-
Other	**70**	792
	7,148	792

Deferred tax liabilities

Deferred tax liabilities comprise of:

	2021 $000	2020 $000
Unrealised taxable capital gains	**(143,832)**	(22,170)
Unrealised fixed interest gains	**(1,478)**	(6,196)
Unrealised FX forward contract gains	**(1,621)**	(9,590)
Contributions receivable	**(285)**	(179)
Other	**944**	(564)
	(146,272)	(38,699)

Notes to the Financial Statements for the year ended 30 June 2021

20. Income tax (continued)

Deferred tax assets and liabilities (continued)

2021

Taxable and deductible temporary differences arise from the following:	**Opening balance $000**	**Charged to income $000**	**Acquisition/ (disposal) $000**	**Closing balance $000**
Deferred tax assets:				
Unrealised taxable capital gains	**-**	**-**	**-**	**-**
Fixed interest securities	**-**	**-**	**-**	**-**
Forward foreign exchange contracts	**-**	**7,078**	**-**	**7,078**
Accrued expenses	**-**		**-**	**-**
Other	**792**	**(722)**	**-**	**70**
	792	**6,356**	**-**	**7,148**
Deferred tax liabilities:				
Unrealised taxable capital losses	**(22,170)**	**(121,662)**	**-**	**(143,832)**
Fixed interest securities	**(6,196)**	**4,718**	**-**	**(1,478)**
Forward foreign exchange contracts	**(9,590)**	**7,969**	**-**	**(1,621)**
Contributions receivable	**(179)**	**-**	**(106)**	**(285)**
Other	**(564)**	**1,508**	**-**	**944**
	(38,699)	**(107,467)**	**(106)**	**(146,272)**

2020

Taxable and deductible temporary differences arise from the following:	Opening balance $000	Charged to income $000	Acquisition/ (disposal) $000	Closing balance $000
Deferred tax assets:				
Unrealised taxable capital gains	-	-	-	-
Fixed interest securities	-	-		-
Forward foreign exchange contracts	-	-		-
Accrued expenses	-	-		-
Other	817	(25)	-	792
	817	(25)	-	792
Deferred tax liabilities:				
Unrealised taxable capital losses	(34,306)	12,136		(22,170)
Fixed interest securities	(8,201)	2,005	-	(6,196)
Forward foreign exchange contracts	(19)	(9,571)		(9,590)
Contributions receivable	(228)		49	(179)
Other	560	(1,124)	-	(564)
	(42,194)	3,446	49	(38,699)

Notes to the Financial Statements
for the year ended 30 June 2021

21. Cash flow statement reconciliation

For the purposes of the Statement of Cash Flows, cash includes cash at bank, net of outstanding bank overdrafts.

Cash as at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:

	2021	2020
	$000	$000
Cash and cash equivalents	**101,344**	93,148

(a) Reconciliation of profit/(loss) after income tax to net cash inflow/(outflow) from operating activities		
Operating result after tax	**301,940**	(50,304)
Adjustments for:		
Net changes of fair value of financial instruments	**(1,718,051)**	41,079
Net benefits allocated to defined contribution members	**1,342,681**	125,169
Net change in defined benefit member benefits	**292,815**	125,328
Change in operating assets and liabilities		
(Increase)/decrease in receivables	**252**	(755)
Increase/(decrease) in payables	**(2,021)**	2,066
Increase/(decrease) in tax temporary differences included in the income statements	**(8,365)**	13,956
Death and disability proceeds received from insurer and allocated to members	**7,703**	11,850
Insurance premiums paid	**(19,897)**	(20,394)
Income tax (paid)/refund	**(44,117)**	(9,960)
Other amounts	**(99)**	(580)
Net cash inflow/(outflow) from operating activities	**152,841**	237,455

(b) Non-cash financing and investing activities

There were no non-cash financing activities during the year.

Notes to the Financial Statements
for the year ended 30 June 2021

22. Segment information

The Fund operates in one reportable business segment – being the provision of benefits to members.

The Fund also operates from one reportable geographic segment, being Australia, from where its activities are managed.

Whilst the Fund operates from Australia only, the Fund has investment exposures in different countries and across different industries via its investments.

Revenue is derived from gains on redemption of investments and unrealised changes in values of investments.

23. Related parties

(a) Trustee and key management personnel

The Trustee of the Fund is Vision Super Pty Ltd. The Trustee company had nine Directors as at 30 June 2021. The persons who were Directors of the trustee during the year and up to the date of signing this report are:

Member Directors:

Lisa Darmanin (Chair)
Casey Nunn
Peter Gebert
Diane Smith

Employer Directors:

Graham Sherry (Deputy Chair)
Geoff Lake
Peter Wilson
Kerry Thompson

Independent Director:

Joanne Dawson

Geoff Lake was Chair and Lisa Darmanin was Deputy Chair during the financial year. From 1 July 2021, Lisa Darmanin was Chair and Graham Sherry was Deputy Chair.

Each Director attended Board meetings and Board Committees during the year as a member of the Board or relevant Committee. Eleven board meeting were held during the year and the attendance was as follows:

Name	Board Meetings	
	Attended	Eligible to attend
Geoff Lake	**11**	11
Lisa Darmanin	**10**	11
Graham Sherry	**11**	11
Peter Wilson	**11**	11
Joanne Dawson	**10**	11
Casey Nunn	**11**	11
Peter Gebert	**11**	11
Diane Smith	**11**	11
Kerry Thompson	**10**	11

Board Committees are open to all Directors and were attended by a quorum of Directors on all occasions.

In addition to the Company's Directors, the Chief Executive Officer, Chief Financial Officer, Chief Investment Officer, Chief Risk Officer, General Manager Operations and Transitions, Head of Fund Administration, General Manager Strategy and Growth and Head of Human Resources are considered to be Key Management Personnel (KMP) for the purpose of these financial statements.

Notes to the Financial Statements for the year ended 30 June 2021

23. Related parties (continued)

(b) Key management personnel and executives' compensation

The KMPs' compensation is presented in the table below for year 2021. This compensation was paid by the Trustee. Total compensation received, or due and receivable, by key management personnel amounted to $3,332,312 (2020: $3,157,435). The detail is as follows:

	2021	2020
	$	$
Short-term employee benefits	**3,070,585**	2,924,200
Other long-term benefits	**-**	-
Post-employment benefits	**261,727**	233,235
	3,332,312	3,157,435

The table below lists the number of Key Management Personnel and executive positions named above whose income falls within the following bands for the financial year ending 30 June:

	2021	2020
Up to $39,999	**1**	1
$40,000 - $49,999	**-**	1
$50,000 - $99,999	**7**	6
$100,000 - $149,999	**1**	1
$150,000 - $199,999	**1**	2
$200,000 - $249,999	**-**	-
$250,000 - $299,999	**1**	1
$300,000 - $349,999	**2**	1
$350,000 - $399,999	**1**	1
$400,000 - $449,999	**1**	1
$450,000 - $499,999	**-**	-
$500,000 - $549,999	**-**	-
$550,000 - $599,999	**-**	1
$600,000 - $649,999	**1**	-

Any Director of the Trustee or other key management personnel who is a member of the Fund contributes to the Fund on the same terms and conditions as other members. No retirement benefits were paid to Directors or key management personnel during the year.

The Trustee has not made, guaranteed or secured any loan to any Director or member of staff or to any other related party.

	2021	2020
	$	$
Benefits paid to KMP	**50,000**	-
Vested benefits of KMP as members on LASF	**7,298,222**	7,005,517

23. Related parties (continued)

(c) Related party transactions

(i) Vision Super Pty Ltd (VSPL)

As described in Note 1, VSPL is the trustee of the Fund.

	2021 $000	2020 $000
Trustee services fees paid/payable for the year	**26,441**	25,910
Trustee services fees payable at the end of the year	**2,551**	2,331

VSPL paid a dividend of LASF of $nil (2020: $nil) during the year.

(ii) Pooled Super Pty Ltd (PSPL)

PSPL was the trustee of VPST which the Fund was a significant unit holder. The Directors of the Fund's trustee, VSPL, are paid separately for their directorship in PSPL by VSPL.

24. Insurance

The Fund provides death and disability benefits that are significantly higher than the resignation/retirement benefits.

The Fund had a group policy in place with CommInsure until 31 December 2017 to provide both Death & Disability and Income Protection insurance cover for Vision MySuper/Super Saver and Personal plan members. The Fund self-insures Death & Disability insurance cover for Defined Benefits plan members and had a policy in place with CommInsure for Death & Disability insurance cover for the City of Melbourne and Parks Victoria sub-plans until 31 December 2017. Since 31 December 2017, the Fund has transferred all its insurance policies to MLC Life Insurance. The Trustee believes this is appropriate in light of the Fund's size, experience, present membership and benefit levels.

Insurance premiums paid/payable by the Fund during the year were $20.5m (2020: $20.0m).

The self-insurance reserve was reviewed as part of the 30 June 2021 investigation and the Fund Actuary recommended that this reserve be maintained at $5m. The Fund Actuary reviews this self-insurance reserve each year and confirms the balance in his annual report to the Fund.

25. Risk management

The main purpose of financial instruments is to generate a return on investment. The Fund's principal financial instruments, other than derivatives, comprise units in pooled superannuation trusts, unlisted investments, equity securities, fixed interest securities, cash and short-term deposits. The main purpose of these financial instruments is to generate a return on investment.

The Fund also has various other financial instruments such as sundry receivables and payables, which arise directly from its operations. These are mainly current in nature.

Risks arising from holding financial instruments are inherent in the Fund's activities, and are managed through a process of ongoing identification, measurement and compliance monitoring. The Fund is exposed to credit risk, liquidity risk and market risk, including interest rate risk, equity price risk and foreign currency risk.

The Board of Directors (the Board) of VSPL is responsible for identifying and controlling the risks that arise from these financial instruments. The Board reviews and agrees policies for managing each of these risks as summarised below. The Fund also monitors the market price risk arising from all financial instruments.

Information about the total fair value of financial instruments exposed to risk, as well as compliance with established investment mandate limits, is monitored by the Trustee. These mandate limits reflect the investment strategy and market environment of the Fund, as well as the level of risk that the Trust is willing to accept.

In order to avoid excessive concentrations of risk, the Fund monitors its exposure to ensure concentration of risk remain within acceptable levels in accordance with the Fund mandate and either reduces exposure or uses derivative instruments to manage the excessive risk concentrations when they arise.

The Fund's accounting policies in relation to derivatives are set out in Note 3(i)(A).

(a) Risk management structure

The Trustee is responsible for identifying and controlling the risks that arise from its financial instruments. The Trustee reviews and agrees policies for managing each of these risks as summarised below. The Fund also monitors the market price risk arising from all financial instruments. The risk framework is documented in the Fund's Risk Management Plan and Strategy, together with its Investment Governance Framework. These documents are reviewed regularly by management and the Trustee.

Information about the total fair value of financial instruments exposed to risk, as well as compliance with established investment mandate limits, is monitored by the Trustee. These mandate limits reflect the investment strategy and market environment of the Fund, as well as the level of risk that the Fund is willing to accept.

This information is prepared and reported to the Trustee on a regular basis.

Concentrations of risk arise when a number of financial instruments or contracts are entered into with the same counterparty, or when a number of counterparties are engaged in similar business activities, have activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions.

Notes to the Financial Statements
for the year ended 30 June 2021

25. Risk management (continued)

(a) Risk management structure (continued)

In order to avoid excessive concentrations of risk, the Trustee monitors its exposure to ensure concentration of risk remain within acceptable levels in accordance with its mandate and either reduces exposure or uses derivative instruments to manage the excessive risk concentrations when they arise.

(b) Credit risk

Credit risk represents the risk that the counterparty to the financial instrument will fail to discharge an obligation and cause the Fund to incur a financial loss.

With respect to credit risk arising from the financial assets of the Fund, other than derivatives, the Fund's exposure to credit risk arises from default of the counterparty, with the current exposure equal to the fair value of these instruments as disclosed in the Statement of Financial Position. This does not represent the maximum risk exposure that could arise in the future as a result of changes in values, but best represents the current maximum exposure at the reporting date.

Credit risk arising from derivative financial instruments is, at any time, limited to those with positive fair values. The risk associated with these contracts is minimised by undertaking transactions with high quality counterparties on recognised exchanges, and ensuring that transactions are undertaken with a number of counterparties.

Credit risk arising from investments is mitigated by extensive tax and legal due diligence undertaken by the Fund prior to the appointment of fund managers to ensure fund managers have appropriate skills and expertise to manage the Fund's allocated investments. In addition, the Fund conducts annual review of derivative risk statements and internal controls and processes for all appointed fund managers to ensure fund managers maintain those skills and expertise.

The Fund holds no collateral as security or any other credit enhancements. There are no significant financial assets that are past due or impaired. Credit risk is not considered to be significant to the Fund except in relation to investments in debt securities.

Credit quality per class of debt instruments

The credit quality of financial assets is managed by the Fund using Standard & Poor's rating categories, in accordance with the investment strategy of the Trustee. The Fund's exposure in each grade is monitored on a regular basis. This review process allows the Trustee to assess the potential loss as a result of risks and take corrective action. The table below shows the credit quality by class of asset for debt instruments.

Notes to the Financial Statements
for the year ended 30 June 2021

25. Risk management (continued)

(b) Credit risk (continued)

2021

	AAA+ to AA- $000	A+ to A- $000	BBB+ to BB- $000	B+ to B- $000	Short term A-1+ to A-2- $000	Not rated or available $000	Total $000
Cash and deposits	-	-	-	-	-	1,554,697	1,554,697
Covered bonds - fixed	223	-	-	-	-	3,542	3,765
Covered bonds - FRN	25,101	-	-	-	-	-	25,101
Discount securities	-	-	-	-	229,800	-	229,800
Fixed interest bonds	288,226	10,795	118,212	-	-	296,453	713,686
Floating rate notes	128,924	29,303	15,519	-	-	309,570	483,316
Indexed bonds	139,726	-	-	-	-	94,856	234,582
Mortgage backed securities	925	-	-	310	-	2,926	4,161
Zero coupon bonds	281	-	-	-	-	1,760	2,041
Total	583,406	40,098	133,731	310	229,800	2,263,804	3,251,149

2020

	AAA+ to AA- $000	A+ to A- $000	BBB+ to BB- $000	B+ to B- $000	Short term A-1+ to A-2- $000	Not rated or available $000	Total $000
Cash and deposits	-	-	-	-	-	1,356,648	1,356,648
Covered bonds - Fixed	-	-	-	-	-	-	-
Covered bonds - FRN	790	-	-	-	-	2,012	2,802
Discount securities	-	-	-	-	104,836	-	104,836
Fixed interest bonds	447,316	60,413	132,548	-	-	388,341	1,028,618
Floating rate notes	44,106	75,566	18,006	-	-	49,498	187,176
Indexed bonds	244,500	-	-	-	-	170,606	415,106
Mortgage backed securities	999	-	251	1,006	-	3,268	5,524
Zero coupon bonds	292	-	-	-	-	1,887	2,179
Total	738,003	135,979	150,805	1,006	104,836	1,972,260	3,102,889

**Instruments are either not rated or ratings are not available at NAS.*

Risk concentration of credit risk exposure

Concentration of credit risk is managed by counterparty, by geographical region and by industry sector.

25. Risk management (continued)

(b) Credit risk (continued)

The Fund's underlying financial assets can be analysed by the following geographic regions:

	2021 $000	2020 $000
Australia	**9,861,487**	8,818,886
North America	**1,395,900**	978,359
Europe	**475,416**	279,629
Asia	**155,368**	79,655
Others	**378,643**	227,606
Total	**12,266,815**	10,384,135

Significant economic sector exposure exists for the underlying assets as follows:

	2021 $000	2020 $000
Financials	**1,305,788**	899,082
Materials	**662,691**	455,986
Industrials	**453,825**	351,011
Energy	**120,022**	135,315
Consumer discretionary	**913,094**	689,113
Consumer staples	**336,253**	270,175
Information technology	**679,880**	440,462
Health care	**732,080**	531,905
Telecommunication	**500,376**	424,554
Utilities	**70,184**	54,677
Real estate	**544,908**	334,989
Total	**6,319,101**	4,587,269

The above table does not include investments in unlisted trusts or pooled funds. The total investment in unlisted trusts or pooled funds is $2.687b (2020: $2.580b).

Scrip lending

The Fund has entered into scrip lending arrangements under which legal title to certain assets of the Fund have been transferred to another entity (National Australia Bank), notwithstanding the fact that the risks and benefits of ownership of the assets remain with the Fund.

The assets transferred to the other entity under scrip lending arrangements include Australian and international equities and bonds that are held discretely by the Fund's Custodian. The risks and rewards of ownership to which Fund remains exposed are currency risk, interest rate risk, credit risk and price risk.

The carrying amount of Fund's assets subject to scrip lending at balance date amounted to $6,377.4 million (2020: $4,850.6 million). The carrying amount of assets on loan at balance date was $519.3 million (2020: $560.7 million).

25. Risk management (continued)

(b) Credit risk (continued)

The other party is required to collect collateral in respect of borrowed securities which are lent to third party borrowers. The terms and conditions associated with the use of collateral held as security in relation to the assets lent are governed by a Securities Lending Agreement that requires the other party to hold the collateral in a segregated account as bare trustee for the Fund.

The collateral held at balance date as security by National Asset Servicing (NAS) in a segregated account – National Nominees Ltd for the benefit of the Fund. It consisted of both cash and non-cash collateral with a fair value of $542 million (2020: $577 million) at the balance date. No collateral has been sold or re-pledged during the year.

(c) Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting obligations associated with financial liabilities. This risk is controlled through the Fund's investment in financial instruments, which under normal market conditions are readily convertible to cash. In addition, the Fund maintains sufficient cash and cash equivalents to meet normal operating requirements.

The Fund undertakes cashflow projection analysis daily to ensure minimal exposure to liquidity risk.

The Fund's significant financial liabilities are benefits payable to members.

In relation to vested superannuation benefits, these would be considered on demand, which payments comprise the entire defined contribution component and the vested portion of the defined benefit component.

The Fund manages its obligation to pay the defined contribution component on an expected maturity basis based on management's estimates and actuarial assumptions of when such funds will be drawn down by members. The Fund considers it is highly unlikely that all defined contribution members will request to roll over their superannuation fund account at the same time. Furthermore, in relation to the vested defined benefit component, the Fund has adequate resources readily convertible to cash to satisfactorily meet these obligations when called upon.

Other financial liabilities of the Fund comprise trade and other payables which are contractually due within 30 days and derivative liabilities comprising futures payable within 12 months.

Notes to the Financial Statements
for the year ended 30 June 2021

25. Risk management (continued)

(c) Liquidity risk (continued)

As at 30 June 2021	Less than 1 month ($000)	1 to 3 months ($000)	3 to 12 months ($000)	1 to 5 years ($000)	Over 5 years ($000)	No stated maturity ($000)	Total ($000)
Financial liabilities							
Benefits payable	**58,503**						**58,503**
Other payables	**13,866**						**13,866**
Outstanding settlements payable	**78,846**						**78,846**
Deferred tax liabilities	**146,272**						**146,272**
Vested benefits	**2,260,192**						**2,260,192**
Total undiscounted financial liabilities	**2,557,679**	**-**	**-**	**-**	**-**	**-**	**2,557,679**
Gross settled derivatives							
Options							
Gross cash inflow		**1,399**	**-**				**1,399**
Gross cash outflow		**(1,430)**	**(7)**				**(1,437)**
Futures							
Gross cash inflow							**-**
Gross cash outflow							**-**
Forward foreign currency contracts							
Gross cash inflow	**550,359**	**1,929,537**	**312,041**				**2,791,937**
Gross cash outflow	**(562,437)**	**(1,964,433)**	**(317,334)**				**(2,844,204)**
Total undiscounted gross settled derivatives inflow / (outflow)	**(12,078)**	**(34,927)**	**(5,300)**	**-**	**-**	**-**	**(52,305)**

Notes to the Financial Statements for the year ended 30 June 2021

25. Risk management (continued)

(c) Liquidity risk (continued)

As at 30 June 2020	Less than 1 month ($000)	1 to 3 months ($000)	3 to 12 months ($000)	1 to 5 years ($000)	Over 5 years ($000)	No stated maturity ($000)	Total ($000)
Financial liabilities							
Benefits payable	40,213	-	-	-	-		40,213
Other payables	15,887	-	-	-	-		15,887
Outstanding settlements payable	24,702	-	-	-	-		24,702
Deferred tax liabilities	38,699	-	-	-	-		38,699
Vested benefits	2,230,913	-	-	-	-		2,230,913
Total undiscounted financial liabilities	2,350,414	-	-	-	-	-	2,350,414
Gross settled derivatives							
Options							
Gross cash inflow	-	-	-	-	-	-	-
Gross cash outflow	-	-	-	-	-	-	-
Futures							
Gross cash inflow	-	1,113	2	-	-	-	1,115
Gross cash outflow	-			-	-	-	-
Forward foreign currency contracts							
Gross cash inflow	646,933	1,911,046	228,706	-	-	-	2,786,685
Gross cash outflow	(626,799)	(1,855,414)	(221,667)	-	-	-	(2,703,880)
Total undiscounted gross settled derivatives inflow / (outflow)	20,134	56,745	7,041	-	-	-	83,920

The Fund undertakes cashflow projection analysis daily to ensure minimal exposure to liquidity risk. For unlisted investments, the Fund also undertakes commitment cashflow projections as a part of monthly rebalancing review and understanding of liquid and illiquid components.

25. Risk management (continued)

(d) Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates, and equity prices. Market risk is diversified through ensuring that all investment activities are undertaken in accordance with established investment policies of the Fund.

The Trustee employs diversification investment strategy to mitigate the market risk in each market segment. Further, the Fund also enters into forward foreign exchange contracts to hedge against adverse foreign exchange movements.

(i) Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments.

In determining the reasonably possible change for interest rate risk, the sensitivity of the "official cash rate" as set by the Reserve Bank of Australia (RBA) from time to time is used for cash at bank and discount securities and market rates are used for other interest bearing assets and derivatives.
A 25 basis points movement in interest rates is considered reasonably possible for cash at bank and discount securities for the 2021 reporting period. A 75 basis point movement is considered reasonably possible for all other interest bearing assets and derivatives. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

An increase/decrease in interest rates at the balance date would have increased/(decreased) the changes in net assets available to pay benefits by the amounts shown below:

2021

Asset class sector	Change in basis points Increase/decrease	Sensitivity of interest income and changes in net assets Increase/decrease $000
Cash bank account – heritage LASF	**+/-25**	**(-)/-**
Cash bank account – heritage VPST	**+/-25**	**(-)/-**
Discount securities	**+/-25**	**(175)/175**
Fixed interest securities	**+/-75**	**(58,387)/58,387**
Floating rate notes	**+/-75**	**(311)/312**
Covered bonds - Fixed	**+/-75**	**(21)/21**
Covered bond - FRN	**+/-75**	**(25)/25**
Convertible notes	**+/-75**	**(18)/18**
Mortgage backed securities	**+/-75**	**(-)/1**
Futures	**+/-75**	**(2,102)/2,102**
Zero coupon bonds	**+/-75**	**(40)/40**

25. Risk management (continued)

(d) Market risk (continued)

(i) Interest rate risk (continued)

2020

Asset class sector	Change in basis points Increase/decrease	Sensitivity of interest income and changes in net assets Increase/decrease $000
Cash bank account – heritage LASF	+/-25	(-)/-
Cash bank account – heritage VPST	+/-25	(-)/-
Discount securities	+/-25	(74)/74
Fixed interest securities	+/-75	(93,138)/93,224
Floating rate notes	+/-75	(180)/184
Covered bonds - Fixed	+/-75	(62)/62
Covered bonds - FRN	-	-
Convertible notes	-	-
Mortgage backed securities	+/-75	(-)/2
Futures	+/-75	(2,249)/2,249
Zero coupon bonds	+/-75	(55)/55

(ii) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates.

The Trustee manages its exposure to foreign currency risk and mitigates effects of its foreign currency translation exposure placing limits on the portion of the assets which can be invested in different currencies and by appointing specialist currency managers to implement a passive hedge over foreign currency exposure. This foreign exchange policy is monitored against actual results on an ongoing basis throughout the year.

The movement of the main currency exchange rates below is considered reasonably possible for the 2021 reporting period.

USD	**+/-5**
British Pounds	**+/-5**
Euro	**+/-5**
Japanese Yen	**+/-5**

The percentage strengthening/weakening of the AUD against the following basket of foreign currencies as at 30 June 2021 would have increase/(decreased) the changes of the year in net assets available to

25. Risk management (continued)

(d) Market risk (continued)

(iii) Currency risk (continued)

pay benefits by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

Currency	2021		2020	
	Change in Currency rate %	Effect on changes in net assets $000	Change in currency rate%	Effect on changes in net assets $000
USD	**+/-5**	**(65,175)/72,036**	+/-5	(45,893)/50,723
Euro	**+/-5**	**(9,564)/10,570**	+/-5	(5,506)/6,086
Japanese Yen	**+/-5**	**1,623/(1,794)**	+/-5	29/(32)
British pounds	**+/-5**	**(4,047)/4,473**	+/-5	(2,439)/2,696

(iii) Equity price risk

Equity price risk is the risk that the fair value of investments in equities decreases or increases as a result of changes in market prices, whether those changes are caused by factors specific to the individual share price or factors affecting all equity instruments in the market. Equity price risk exposure arises from the Fund's investment portfolio. To limit equity price risk the Trustee diversifies its investment portfolio in line with its investment strategy. The majority of equity investments are of a high quality and are publicly traded on recognised, reputable exchanges. The Trustee monitors the Fund's exposure to various asset classes on an ongoing basis throughout the year ensuring its investment strategy is adhered to.

A 5% movement in equity price is considered reasonably possible for the 2021 reporting period. This analysis assumes that all other variables, in particular, interest rates and foreign exchange rates, remain constant. The analysis is performed on the same basis for 2020. The 5% increase/decrease in the equity price against the investments of the Fund at 30 June would have increased/(decreased) the changes for the year in net assets available to pay benefits by the amounts shown below:

Asset class sector	2021		2020	
	Change in equity price %	Effect on changes in net assets $000	Change in equity price %	Effect on changes in net assets $000
Listed equities	**+/-5**	**287,050/ (287,050)**	+/-5	211,090/(211,090)
Listed investment company	**+/-5**	**-/(-)**	+/-5	-/(-)
Listed property trusts	**+/-5**	**22,850/ (22,850)**	+/-5	13,001/(13,001)
Listed units trust	**+/-5**	**4,238/ (4,238)**	+/-5	4,038/(4,038)
Preference shares	**+/-5**	**2,255/ (2,255)**	+/-5	1,971/(1,971)
Unlisted equities	**+/-5**	**8,875/ (8,875)**	+/-5	7,164/(7,164)
Unlisted MIS	**+/-5**	**125,403/ (125,403)**	+/-5	121,751/(121,751)
Others	**+/-5**	**3,767/ (3,767)**	+/-5	463/(463)

Notes to the Financial Statements
for the year ended 30 June 2021

25. Risk management (continued)

(iv) Climate-related and other emerging risks

The Trustee considers that environmental, social and governance (ESG) issues and sustainability considerations are important within the context of optimising net risk-adjusted returns. To manage ESG risks, the Trustee has an ESG policy which takes into consideration labour standards, environmental, social and ethical considerations when selecting, retaining or realising investments of the Fund. Our underlying investment managers have been instructed to incorporate ESG considerations into their investment decision-making processes.

26. Investment commitments

The Fund has a private market commitment of $1,283 million (2020: $1,203 million) as at the reporting date consisting of the drawn commitment of $1,113 million (2020: $1,119 million) and undrawn commitment of $174 million (2020: $90 million). The undrawn commitment is also inclusive of any recallable portions relating to distributions which represent the investment managers' interest portion of fees and expenses.

27. Investment in subsidiaries

	2021 $000	2020 $000
Private Equity Trust	15,144	25,580
Investment in subsidiaries at fair value	15,144	25,580

In accordance to AASB 2013-5 Amendments to Australian Accounting Standards – Investment Entities the Trust is required to provide certain disclosures, as outlined below:

Name of unconsolidated subsidiary	**Principal place of business**	**2021 Ownership interest (%)**	2020 Ownership interest (%)
Private Equity Trust	Australia	100%	100%

28. Contingent liabilities/assets

The Fund has no contingent liabilities/assets as at 30 June 2021 and 30 June 2020.

29. Significant event after balance date

Between 30 June 2021 and the date of approval of this financial report, no matters or circumstances have arisen that have not otherwise been dealt with in the financial period that have significantly affected or may significantly affect the Fund.

Local Authorities Superannuation Fund

Trustee Declaration

In the opinion of the directors of the Trustee of Local Authorities Superannuation Fund (the Fund):

(i) The accompanying financial statements and notes set out on pages 2 to 53 are drawn up in accordance with:

- The Australian Accounting Standards and other mandatory professional reporting requirements, and
- Present fairly the Fund's financial position as at 30 June 2021 and its performance for the year ended on that date in accordance with those requirements

(ii) During the year ended 30 June 2021, the Fund's operations have been carried out in accordance with its Trust Deed and:

- The requirements of the Superannuation Industry (Supervision) Act 1993 and its accompanying Regulations
- The relevant requirements of the Corporations Act 2001 and its Regulations, and
- The requirements under Section 13 of the Financial Sector (Collection of Data) Act 2001

and

(iii) There are reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors of the Trustee:

Lisa Darmanin

Casey Nunn

Date: 23 September 2021
Melbourne

Building a better
working world

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Part 1 – Independent Auditor's report on financial statements

Independent Auditor's report approved form for an RSE which is a reporting entity

Local Authorities Superannuation Fund ABN 24 496 637 884

Report by the RSE Auditor to the trustee

Opinion

I have audited the financial statements of Local Authorities Superannuation Fund for the year ended 30 June 2021 comprising the statement of financial position, income statement, statement of changes in member benefits, statement of cash flows and statement of changes in reserves/equity.

In my opinion, the financial statements present fairly, in all material respects, in accordance with Australian Accounting Standards the financial position of Local Authorities Superannuation Fund as at 30 June 2021 and the results of its operations, cash flows, changes in reserves/equity and changes in members' benefits for the year ended 30 June 2021.

Basis for Opinion

I conducted the audit in accordance with Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's responsibilities* section of my report. I am independent of the entity in accordance with the auditor independence requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to my audit of the financial statements in Australia. I have also fulfilled my other ethical responsibilities in accordance with the Code.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Responsibilities of the trustee for the Financial Statements

The RSE's trustee is responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards and the requirements of the *Superannuation Industry (Supervision) Act 1993* (SIS Act) and the *Superannuation Industry (Supervision) Regulations 1994* (SIS Regulations). The trustee is also responsible for such internal control as the trustee determines is necessary to enable the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the trustee is responsible for assessing the ability of the RSE to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the trustee either intends to liquidate the RSE or to cease operations, or has no realistic alternative but to do so.

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Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an audit report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the Australian Auditing Standards, I exercised professional judgment and maintained professional scepticism throughout the audit. I also:

- identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error, designed and performed audit procedures responsive to those risks, and obtained audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the RSE's internal control.
- evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the trustee.
- concluded on the appropriateness of the trustee's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the RSE's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my auditor opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the RSE to cease to continue as a going concern.
- evaluated the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- communicated with the trustee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identified during my audit.

John MacDonald
Partner
Melbourne

23 September 2021

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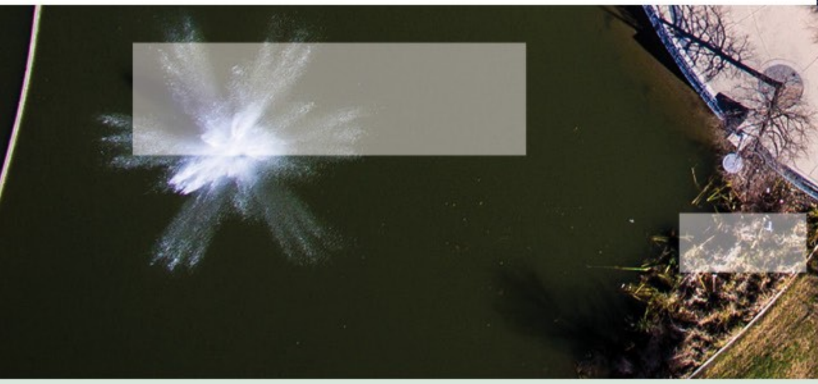
Local Authorities
Superannuation Fund

Report on the Actuarial Investigation as at 30 June 2021 The Defined Benefit Plan

7 September 2021



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

Table of Contents

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Section 1: Executive Summary

1.1 We are pleased to present our report on the annual actuarial investigation of the Defined Benefit plan of the Local Authorities Superannuation Fund (the Fund). This report has been prepared for Vision Super Pty Ltd, the Trustee of the Fund.

Results of previous actuarial investigation

1.2 The previous triennial actuarial investigation was conducted by Matthew Burgess, FIAA, on behalf of Willis Towers Watson as at 30 June 2020. The results of that valuation were published in a report dated 8 September 2020.

1.3 In that review, the recommended funding arrangements comprised of the following:

a Contributions equal to 9.5% of salary for employee members, increasing with increases in the Superannuation Guarantee rate;

b An additional contribution to cover the excess of the benefits paid as a consequence of retrenchment above the funded resignation or retirement benefit (the funded resignation or retirement benefit is calculated as the minimum of (100% and the VBI) multiplied by the vested benefit), plus contribution tax;

c Outstanding contributions in respect of calls made at the previous actuarial investigations; and

d Additional top up contributions that may be recommended in the future, if the Defined Benefit plan becomes in an unsatisfactory financial position.

Authorities also need to contribute the amount of members' salary sacrifice contributions.

1.4 Various recommendations including in respect of the ongoing review of the investment strategy, including liquidity, were also made.

1.5 We have been advised that all of the above recommendations were implemented.

Assumptions for this actuarial investigation

1.6 The investment strategy of the Defined Benefit Plan has slightly increased its exposure to growth assets since 2020. The financial assumptions used in this actuarial investigation are summarised below and reflect the current investment strategy. The estimated future investment returns have reduced and price inflation has increased reflecting the capital market assumptions from Vision Super's investment consultant.

	30 June 2021	30 June 2020
Net Investment Return	4.75% p.a. (gross: 5.50%p.a.)	5.60% p.a. (gross: 6.50%p.a.)
Salary Inflation	2.75% p.a.	2.5% p.a. for 2 years 2.75% p.a. thereafter
Price Inflation	2.25% p.a.	2.0% p.a.

1.7 We have retained the demographic and expense assumptions used in the 30 June 2020 actuarial investigation.

Results of this actuarial investigation

Funding Status Measure

1.8 This actuarial investigation has shown that the Defined Benefit plan's financial position has improved since the last review as at 30 June 2020, and remains satisfactory.

	30 June 2021 Funding Indices	30 June 2020 Funding Indices
	%	%
Vested Benefit Index[1]	109.8	104.6
Discounted Accrued Benefit Index[2]	113.4	110.7
Minimum Requisite Benefit Index[3]	151.2	142.2

1. Vested Benefits are the benefits payable if all members resign/retirement immediately.
2. Discounted Accrued Benefits discount the future benefits expected to be paid in respect of completed membership to a present value.
3. Minimum Requisite Benefits are the minimum Superannuation Guarantee benefits.

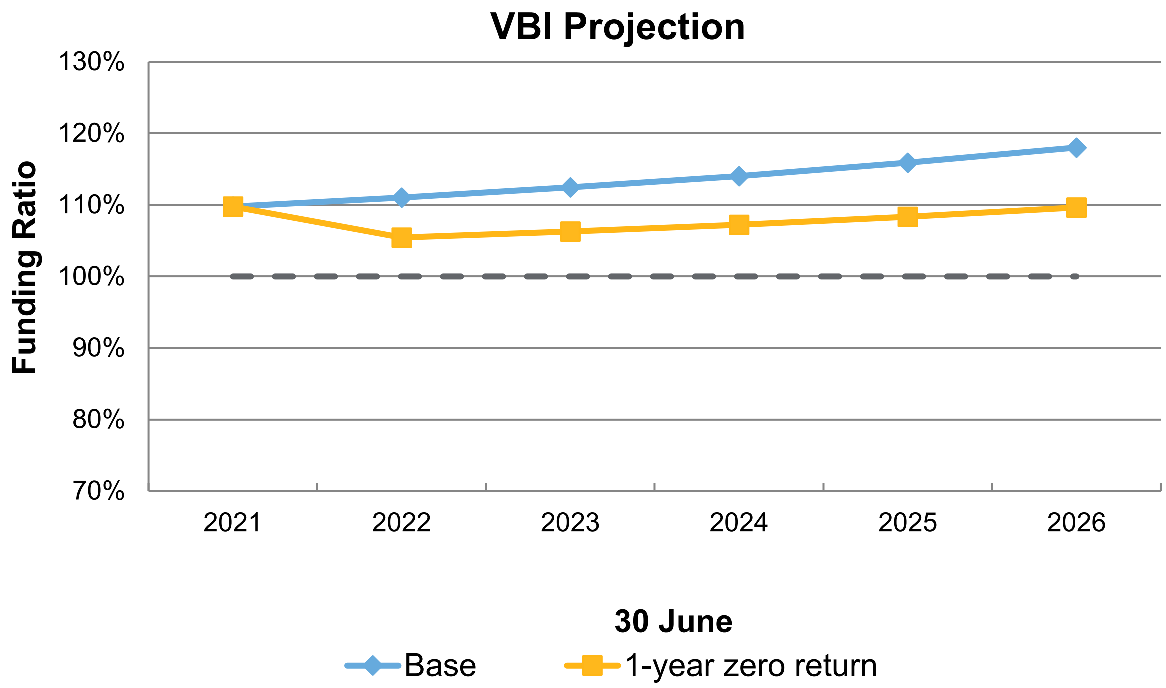
1.9 The improvement in asset coverage of the present value of past benefits is primarily due to financial experience (excess of investment return above salary increase and price inflation) being significantly better than assumed. The changes to the financial assumptions offset some of this favourable experience.

1.10 The Defined Benefit plan's assets cover vested benefits at the review date and therefore the Defined Benefit plan was in a satisfactory financial position at that date as defined in SPS 160.

1.11 We understand the Authorities increased the Division C contribution rate from 9.5% of Salary to 10.0% of Salary from 1 July 2021. Our projection below shows that, on this basis and the assumptions made in this actuarial investigation and assuming that the Authorities makes contributions in line with the recommendations set out below, the Defined Benefit plan is expected to remain in a satisfactory financial position.

1.12 If experience is as expected the Authorities are not expected to be required to make any further contributions because of the actuarial surplus that exists. However, we have been advised that the Trustee's preference is to use surplus to reduce investment risk over time to manage the potential for additional lump sum contributions to be required from Authorities if experience is worse than expected. Hence, we have recommended that the current contribution rates be retained and that the Trustee continues to consider when de-risking of the investment strategy is appropriate.

1.13 The future funding position, and the potential for additional contributions to be required from Authorities, is dependent upon future experience and particularly future investment returns. The following chart compares the expected Vested Benefit Index (VBI) in the best estimate "base case" and if there is a nil return in the year to 30 June 2022 (and expected returns thereafter). It should be noted that a nil return is not the worst outcome that could occur.



1.14 In the zero-return scenario, the VBI is expected to reduce to 105% as at 30 June 2022. This indicates that in the case of a large negative return for the year to 30 June 2022, the VBI may drop below 100%, meaning that top-up contributions may be required so that the VBI would be expected to return to 100% within the legislated three years.

Recommendations

1.15 We recommend that the Authorities continue to adopt the following funding plan:

a Contributions equal to 10% of salary for employee members, increasing with increases in the Superannuation Guarantee rate;

b An additional contribution to cover the excess of the benefits paid as a consequence of retrenchment above the funded resignation or retirement benefit (the funded resignation or retirement benefit is calculated as the minimum of (100% and the VBI) multiplied by the vested benefit), plus contribution tax;

c Outstanding contributions in respect of calls made at the previous actuarial investigations; and

d Additional top up contributions that may be recommended in the future, if the Defined Benefit plan becomes in an unsatisfactory financial position.

Authorities also need to contribute the amount of members' salary sacrifice contributions.

1.16 The ratio of the market value of the Defined Benefit plan's net assets to vested benefits should continue to be measured quarterly, and the Trustee's funding approach be reassessed accordingly.

1.17 In regards to the Defined Benefit plan's investment policy, we recommend that:

- The funding position and liquidity requirements of the Defined Benefit plan continue to be considered in setting investment policy. The current allocation to illiquid assets is material, and the Defined Benefit plan is closed to new members and has segregated assets. The adequacy of current and projected liquidity should continue to be reviewed, and stress tested, at least annually.

- The Board continue to consider de-risking assets as a means of reducing the risk of subsequent higher contributions due to future poor investment experience. These considerations must be made concurrent with funding implications as they are directly linked.

1.18 As required under SPS 160, the Trustee has set the Shortfall Limit for the Defined Benefit plan at 97%. Given the current growth asset allocation, we consider this Shortfall Limit is appropriate for the Defined Benefit plan.

1.19 We confirm that in our opinion the Defined Benefit plan's self-insurance arrangements remain appropriate. Furthermore, based on our analysis we recommend that the self-insurance reserve be retained at $5 million.

1.20 The next actuarial review should be carried out as at a date no later than 30 June 2022.

Matthew Burgess
Fellow of the Institute of Actuaries of Australia

Surath Fernando
Fellow of the Institute of Actuaries of Australia

Towers Watson Australia Pty Ltd
Level 4, 555 Bourke Street
Melbourne VIC 3000

7 September 2021

DO: PP/TH | TR: SF |CR: SF | ER: SF | SPR: MB

Section 2: Introduction

2.1 This report was commissioned by Vision Super Pty Ltd, the Trustee of the Local Authorities Superannuation Fund (the Fund).

2.2 The Local Authorities Superannuation Act (1988) (the Act) was proclaimed on 25 May 1988. The Act has been replaced and since 1 July 1998, the Fund has been governed by a Trust Deed.

2.3 The Fund is a "regulated fund" under the provisions of the Superannuation Industry (Supervision) Act 1993 ("SIS"). We understand that the Fund is treated as a complying superannuation fund for taxation purposes and is a taxed superannuation fund.

2.4 In accordance with Superannuation Prudential Standard 160 (SPS 160), "triennial" actuarial investigations are required at intervals of not more than three years. Annual actuarial investigations are also required because the Defined Benefit plan provides life-time pensions.

2.5 In accordance with Clause A.20.1, the Trust Deed requires each Authority to contribute to the Fund in respect of a particular employee the amount or rate of contributions determined by the Trustee after obtaining the advice of the actuary, including any unfunded liability amount. The Trustee also has some flexibility in adjusting benefits in accordance with Clause A.21 in the event that an Authority terminates contributions to the Fund.

2.6 A triennial actuarial investigation was completed for the Defined Benefit plan as at 30 June 2020 and our report was dated 8 September 2020. The report was signed by Matthew Burgess and Surath Fernando.

2.7 This actuarial investigation report is not as comprehensive as a triennial actuarial investigation. For example, we have not re-examined the demographic experience to review the assumptions or included analysis on the sensitivity of our results to the assumptions.

2.8 This actuarial investigation report covers the Defined Benefit plan within the Fund, which is a sub-fund as defined in SPS 160. The City of Melbourne plan, the Parks Victoria plan and the divisions of the Fund that pay only accumulation benefits are not considered in this report.

2.9 The purpose of this report is to:

- examine the sufficiency of the assets in relation to members' accrued benefit entitlements;
- determine the contribution rate required to ensure that the Defined Benefit plan maintains a satisfactory financial position;
- examine the suitability of the Defined Benefit plan self-insurance and investment arrangements;
- provide actuarial certification in respect of the funding of pension entitlements;
- satisfy requirements of the Trust Deed; and
- meet legislative requirements.

This actuarial review has been conducted in order to meet the Trustee's obligations in accordance with SPS160 issued under section 34C of the Superannuation Industry (Supervision) Act (SIS Act) which came into effect from 1 July 2013.

2.10 This report satisfies the requirements of the following Professional Standards and Guidance of the Institute of Actuaries of Australia:

- Practice Guideline 1
- Professional Standard 400
- Professional Standard 402
- Professional Standard 404
- Professional Standard 410.

Actuarial Investigation as at 30 June 2020

2.11 The report on the actuarial investigation as at 30 June 2020 concluded that the experience of the Defined Benefit plan over the year to 30 June 2020 had resulted in a deterioration in asset coverage of vested benefits. However, the Defined Benefit plan remained in a satisfactory financial position and the current employer contributions were expected to be more than sufficient. We understood that the preference of the Trustee was to retain the existing contributions and seek to reduce investment risk overtime.

2.12 We recommended that the following funding plan be adopted:

a Contributions equal to 9.5% of salary for employee members, increasing with increases in the Superannuation Guarantee rate;

b An additional contribution to cover any excess of the benefits paid as a consequence of retrenchment above the funded resignation or retirement benefit (whereby the funded resignation or retirement benefit is calculated as the minimum of (100% and the VBI) multiplied by the benefit), plus contribution tax; plus

c Outstanding contributions in respect of calls made at the previous actuarial investigations; and

d Additional top up contributions that may be required in the future if the plan becomes in an unsatisfactory financial position.

Authorities also needed to contribute the amount of members' salary sacrifice contributions.

2.13 The Trustee has implemented these recommendations in full. No additional contributions are currently required under recommendation 2.12(d) because the Defined Benefit plan is not in an unsatisfactory financial position.

2.14 The other recommendations in the report were that:

a The self-insurance reserve be retained at $5 million;

b The funding position of the Defined Benefit plan and future liquidity requirements continue to be considered in setting investment policy;

c The Board continue to consider de-risking assets as a means of reducing the risk of subsequent higher contributions due to the future poor investment experience, whilst considering any subsequent funding implications; and

2.15 The Trustee has adopted these recommendations.

Events since the 30 June 2020 Actuarial Investigation

2.16 There have been no amendments to the Defined Benefit plan benefits.

2.17 The Superannuation Guarantee (SG) Contribution rate increased to 10% from 1 July 2021. We understand the Authorities increased the Division C contribution rate to reflect this change. There has been no other legislative changes or changes to benefits that have materially impacted on the funding of the Defined Benefit plan.

2.18 Vision Super advised that the Defined Benefit plan investment return for the year to 30 June 2021 was 17.9% p.a., which was higher than the return of 5.6% p.a. assumed in the 30 June 2020 actuarial investigation.

Reliance Statement and Data

2.19 This report is provided subject to our agreed 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.

2.20 Except where we expressly agree in writing, this report should not be relied on by any third party. 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.

2.21 The Trustee may make a copy of this report available to its auditors, Authorities 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, Authorities or any third party in this regard. The Trustee should draw the provisions of this paragraph to the attention of its third parties when passing this report to them.

2.22 In conducting this review, 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.

2.23 The results presented in this report are directly dependent upon the accuracy and completeness of the underlying data and information. Any material inaccuracy in the data, assets, plan provisions or other information provided to us may have produced results that are not suitable for the purposes of this letter and such inaccuracies may produce materially different results that could require that a revised letter be issued.

Content of this Report

2.24 The remainder of this report is structured in the following manner:

- Sections 3 to 5 consider the data, assets, assumptions and methodology.
- Section 6 considers the financial position of the Defined Benefit plan at 30 June 2021.
- Section 7 considers the adequacy of funding of the Defined Benefit plan.
- Section 8 considers self-insurance.
- Section 9 considers material risks.
- Appendices A to E include supporting details of benefits, membership, actuarial assumptions, assets and actuarial surplus.
- Appendix F contains the statements required under SPS 160.

Section 3: Data and Experience

3.1 This section deals with the data used in the investigation and comments on the more significant factors bearing upon the experience of the Defined Benefit plan.

Membership

3.2 For the purposes of this investigation, we were supplied with information on active members of the Defined Benefit plan, deferred beneficiaries and pensioners as at 30 June 2021. While we have relied upon the data provided, from our checking processes we believe that the data is sufficiently accurate for the purposes of this investigation.

3.3 In summary, the active membership of the Defined Benefit plan has decreased by 254 (or 13.0%) from 1,954 at 30 June 2020 to 1,700 at 30 June 2021. The number of lifetime pensioners has decreased by 65 (or 1.6%) from 4,189 to 4,124 over the same period.

Summary of Defined Benefit Plan Membership Data		
Active Members	**30 June 2021**	**30 June 2020**
Number	1,700	1,954
Average Age	57.7 years	57.3 years
Average Past Membership	33.0 years	32.2 years
Average Salary	$95,036	$93,843
Lifetime Pensioners		
Number	4,124	4,189
Average Age	77.4 years	77.4 years
Average Annual Pension	$14,878	$14,184
Fixed Term Pensioners		
Number	4	5
Deferred Beneficiaries		
Number	1,227	1,292
Average Age	57.0 years	56.3 years
Average Account Balance	$271,064	$240,311

A detailed summary of the movement in active and pensioner membership is set out in Appendix B.

Salaries

3.4 We have examined the salary experience of Defined Benefit plan members over the year ending 30 June 2021. The data showed that the full time equivalent salary of Defined Benefit plan members who remained members as at 30 June 2021 grew by 2.0% p.a. over the period. This compares to growth of 2.8% p.a. over the year to 30 June 2020 for these members.

3.5 The actual increase over the year to 30 June 2021 was lower than the assumed rates of 2.5% p.a. for 2 years and 2.75% p.a. thereafter in the 30 June 2020 actuarial investigation.

3.6 It is of interest to compare the average rate of salary increase with the increase in Australian Average Weekly Ordinary Time Earnings (AWOTE).

Pension Indexation

3.7 The pensions are indexed semi-annually based on the change in the Consumer Price Index (CPI). Over the year ending 30 June 2021, the pension increase was 0.9% p.a.. This was lower than the rate of 2.0% p.a. assumed in the 30 June 2020 actuarial investigation.

Investment Returns

3.8 Vision Super has advised that the rate of return (net of tax and investment expenses) earned by the Defined Benefit plan for the year ending 30 June 2021 was 17.9% p.a..

3.9 Comparison of the 17.9% p.a. return with the salary increase rate (from paragraph 3.4) of 2.0% p.a. shows a real return of approximately 15.9% p.a. which is higher than the 2.85% p.a. long term real return assumed in the 30 June 2020 actuarial investigation.

3.10 In respect of pension liabilities, pension increases averaged 0.9% p.a., providing a net of tax real return of 17.0% p.a. The gross of tax real return would be of the order of 20% which is higher than the 4.5% p.a. assumed in the 30 June 2020 actuarial investigation.

3.11 The positive real returns over the valuation period have had a positive effect on the Defined Benefit plan's financial position.

Section 4: Assets and Investments

Assets

4.1 Copies of the Fund's unaudited financial statements as at 30 June 2021 were supplied by Vision Super for the investigation together with details of the investment strategy at 30 June 2021. We were also provided a breakdown of the unaudited market value of assets by sub-plan. We have been advised by Vision Super that the unaudited financial statements have been prepared consistently with AASB1056.

4.2 The fair value of the Defined Benefit plan assets (including pensioners and deferred beneficiaries) as at 30 June 2021 used in the valuation was $2,413.5 million. No amounts are included in respect of accumulation accounts of members, except certain defined benefit offset accounts. It includes amounts in respect of deferred beneficiaries and fixed term pensioners.

4.3 The asset value includes the remaining contributions receivable in respect of past calls for additional contributions by Vision Super. We have been advised that the vast majority of the additional contributions have been paid by the Authorities.

4.4 The above fair value of assets excludes $5.0 million in respect of the Death and Disability reserve from the assets because we have not included an amount for incurred but not reported claims in the calculation of the funding position. In Section 8 we have commented on the amount of this reserve. Vision Super has excluded the Operational Risk Financial Requirement from the Defined Benefit plan assets in the financial statements.

4.5 We believe that the most suitable approach for this investigation is to adopt the fair value of assets for all purposes. The funding position of the Defined Benefit plan may be variable because of high volatility in asset valuations.

Asset Allocation

4.6 The Defined Benefit plan invests in a wide range of asset classes such as equity, property and fixed interest investments. Appendix D shows the Strategic Asset Allocation and the Actual Asset Allocation as at 30 June 2021. This asset allocation does not apply for deferred beneficiaries where members have investment choice nor the assets for small number of fixed term pensioners that are invested in defensive assets.

4.7 The strategic allocation to Growth Assets as at 30 June 2021 was 71.3%. The actual growth allocation as at 30 June 2021 was 74.2%.

4.8 In our opinion the allocation to growth assets is among a range of allocations that could reasonably be used by the Defined Benefit plan.

4.9 Setting the Strategic Asset Allocation is a balance between:

a A high allocation to growth assets, which is expected to produce relatively high but more variable investment returns and therefore lower but more variable Authority contributions; and

b A low allocation to growth assets, which is expected to produce relatively low but less variable investment returns and therefore higher but less variable Authority contributions.

4.10 The Defined Benefit plan has been closed to new members since 31 December 1993. Therefore, its liabilities will reduce significantly over the next ten years in real terms. If future investment returns are higher or lower than expected it is possible that a significant "actuarial surplus" or "actuarial shortfall" will again result. Therefore, it is recommended that the funding position of the Defined Benefit plan continues to be considered when setting investment policy.

Liquidity

4.11 As at 30 June 2021, 23.4% of the investments are in illiquid asset classes which include Infrastructure, Private Equity, Direct Property and some Alternative Debt.

4.12 This is close to the Strategic Target allocation for illiquid assets of 25.8%. This has increased slightly from 23.0% as at 30 June 2020. We note that while some of the illiquid assets are in fixed ended funds which will become liquid over time, others such as the Direct Property and Infrastructure investments will need to be sold or transferred from the defined benefit assets in the future.

4.13 In the long term, the defined benefit plans will require full liquidity. Therefore, we believe that Vision Super should continue to consider the time frame over which they will reduce the exposure to illiquid assets in the defined benefit plans to zero. As we are aware is currently the case, we suggest that the liability run off under various scenarios should continue to form part of this consideration.

4.14 Therefore, we recommend that Vision Super should continue to consider the time frame over which they will reduce the exposure to illiquid assets in the defined benefit plans to zero. We suggest that consideration of the liability run off under various adverse scenarios should continue to form part of this consideration.

Unit Pricing

4.15 Within the Fund there are defined contribution members as well as defined benefit members. The assets and liabilities of the defined contribution members are equal, subject to timing differences, with daily unit pricing being used. There is no investment reserving. We have been advised that the assets of the defined contribution members are segregated from the defined benefit assets and Vision Super has in place processes to limit cross subsidies between defined contribution and defined benefit members.

4.16 The Fund's Investment Governance Framework states that "Defined Benefit Investment options are considered separately from the Accumulation Investment options for rebalancing purposes." This means that the Defined Benefit plan's asset allocation should not be materially impacted by the experience of the defined contribution plans.

Shortfall Limit

4.17 The Trustee has set a Shortfall Limit in accordance with SPS 160 of 97% for the Defined Benefit plan. This means that between actuarial investigations, a restoration plan to restore the VBI to 100% is required when the Defined Benefit plan's VBI reduces to below 97%.

4.18 A Shortfall Limit is defined in paragraph 10 of 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 in the temporary negative market fluctuations in the value of fund assets, the fund can be restored to a satisfactory financial position within one year."

4.19 We believe that the current Shortfall Limit remains appropriate. We have considered that:

a The actual asset allocation retains an allocation to growth assets in the order of 74.2%, with 71.3% strategic asset allocation;

b Vested benefits are higher than Minimum Requisite Benefits; and

c The Authorities have a contractual obligation to pay contributions determined by the Trustee.

Section 5: Valuation Assumptions and Funding Method

5.1 An appropriate set of both financial and demographic assumptions must be determined before values can be placed on the Defined Benefit plan's liabilities and assets. The assumptions relating to benefit liabilities and assets are discussed under separate headings below.

5.2 In setting both the financial and demographic assumptions, the current COVID-19 pandemic has been considered and reflect known information.

Valuation of Benefit Liabilities

5.3 The assumptions for this actuarial investigation have been determined on a "best estimate" basis.

5.4 "Best estimate" describes assumptions which reflect "mean" estimates for the various factors, rather than choosing assumptions with explicit margins to cope with uncertainty about future experience. These "best estimate" assumptions might be described as being realistic. They are equally likely to prove to be conservative or to be optimistic and are less likely to be able to absorb fluctuations in future experience.

5.5 As the Defined Benefit plan is closed to new members and as a result has declining membership, "best estimate" assumptions continue to be relevant because using conservative assumptions would be expected to eventually result in excess assets. Best estimate assumptions are also required by the Actuaries Institute's Professional Standards.

5.6 Appendix C contains a summary of the assumptions used.

Key Financial Assumptions

5.7 Financial assumptions for investment earnings, salary inflation and pension increases are required to value the liabilities.

5.8 The factor of major significance in the investigation of the Defined Benefit plan's active member benefit liabilities is the differential between the assumed future rate of investment earnings and the assumed rate of salary growth due to inflation. (These factors are almost exactly compensating in their effect upon the present value of the employed members' Defined Benefit plan's future benefit liabilities - hence, the difference between the rates is important, rather than their absolute values.)

5.9 For valuing the current pensioner liabilities, the differential between investment earnings and the rate of price inflation is relevant because pensions are indexed semi-annually to the change in the Consumer Price Index (CPI). The historical long-term differential between the changes in CPI and AWE (salary inflation) has generally ranged between 0% and 2% p.a.

5.10 The "best estimate" financial assumptions adopted at the 30 June 2020 actuarial investigation were:

- 3.1% p.a. for two years and 2.85% p.a. thereafter real investment return over salary inflation. This comprised a 5.6% p.a. net of tax investment return assumption and a 2.5% p.a. for two years and 2.75% p.a. thereafter salary inflation assumption.

- 4.5% p.a. real investment return over price inflation. This comprised a 6.5% p.a. gross of tax investment return and a 2.0% p.a. CPI assumption.

5.11 The “best estimate” financial assumptions adopted for the 30 June 2021 investigation have been updated to reflect the most recent capital market assumptions and current asset allocation from the Fund’s asset consultant, Frontier. The “best estimate” financial assumptions adopted in this valuation are:

- 2.0% p.a. real investment return over salary inflation. This comprised a 4.75% p.a. net of tax investment return assumption and a 2.75% p.a. salary inflation assumption.

- 3.25% p.a. real investment return over price inflation. This comprised a 5.5% p.a. gross of tax investment return and a 2.25% p.a. CPI assumption.

5.12 The investments for fixed term pensions are matched to the liabilities by investing in fixed interest securities including CPI linked bonds. Based on current CPI indexed bond interest rates a real discount rate (i.e. discount rate above CPI) of 0.5% has been assumed. This discount rate includes a reduction of 0.75% to allow for investment management fees and administration costs.

5.13 These assumptions have been set after consideration of the return expectations of Vision Super’s investment consultants.

Taxation

5.14 The assumed investment earning rate in respect of pension liabilities is gross of tax on investment income because no investment tax is paid on assets used to provide pensions. The assumed investment earning rate for active members and deferred beneficiaries is net of tax on investment income. A difference of 0.75% p.a. is assumed between the gross of tax and net of tax investment earning rate. This difference reflects that the tax on investment income for active members and deferred beneficiaries is generally less than 15% due to imputation and franking credits, capitals gains discounts and other investment tax offsets.

Expenses

5.15 An analysis of expense data was undertaken in the previous triennial actuarial investigation at 30 June 2020. The expense assumptions adopted for this review are consistent with those adopted for the 30 June 2020 triennial actuarial investigation.

Demographic Assumptions

5.16 An analysis of the Defined Benefit plan’s demographic experience was undertaken at the previous triennial actuarial investigation at 30 June 2020. This analysis was undertaken within the previous three years and it is not expected that there has been any significant change to the demographic experience since then. Therefore, for the purpose of this actuarial investigation, I have retained the demographic assumptions from the previous actuarial investigation. Appendix C summarises the demographic assumptions adopted for this investigation.

Benefits

5.17 The benefits which have been valued are summarised in Appendix A. Members of the Defined Benefit plan on 25 May 1988 have certain guarantees or options in relation to benefits provided under the 1958 Act. As per the 30 June 2020 triennial actuarial investigation, we have assumed that 60% of eligible retirees, who joined the Defined Benefit plan prior to 25 May 1988, elect to take the pension option and 45% of eligible deferred beneficiaries elect to take the pension option. It has also been assumed that 80% of those who resign will take the deferred benefit option. We have made no allowance for any other guarantees and options these members may be entitled to, as we continue to believe they are not likely to have a material impact on the results of this investigation.

Actuarial Funding Method

5.18 In recommending a funding plan which aims to be sufficient to fund the members' benefits in the long-term, it is necessary to project the operation of the Defined Benefit plan into the future, using the actuarial assumptions set out above.

5.19 Briefly the projection operates in the following manner:

a project total benefits and expenses expected to emerge in all future years in respect of current members, deferred beneficiaries and pensioners. The projection is based on the long-term actuarial assumptions including allowance for the contingencies under which benefits can be paid (retirement, death, disablement and resignation), salary and pension increases;

b discount these projected benefits to a present value at the assumed long-term investment return;

c in a similar manner to (a) and (b), project the ongoing employer contribution and member contributions over all future years for current members, and discount them to present values; and

d determine the additional funding required by the Authorities by comparing (b) with (c) plus the appropriate value of the assets at the investigation date.

5.20 This projection is known as the aggregate funding method, which is considered to be appropriate for a closed fund. The purpose of the calculation is to assess if the existing contribution rates and assets are sufficient to provide all future benefits on current assumptions.

5.21 Under SPS 160, APRA requires superannuation funds to put in place a plan that is expected to fully fund their vested benefits within three years if the fund's assets are less than the vested benefits at an actuarial investigation, also known as being in an "Unsatisfactory Financial Position". A funding plan is also required when the VBI reduces to below the shortfall limit, currently 97%, between actuarial investigations.

5.22 The shortfall or surplus relative to vested benefits is likely to vary from the actuarial shortfall or surplus calculated using the method set out in 5.19. It is possible that the recommended funding amount under this funding method may not be sufficient to be expected to maintain the Defined Benefit plan's Vested Benefits Index (VBI) to 100% within the timeframe required by APRA if it is below 100%. In this situation additional contributions would be recommended as required by APRA.

5.23 Additional contributions can be made to target a VBI of 100% but where these contributions are higher than any actuarial shortfall calculated using the aggregate funding method described above a surplus would be expected to result in the long term if experience is as expected. Vision Super may also be able to manage any such shortfalls or surpluses through a combination of changes to funding and investment strategy.

5.24 In the next section we review the financial position as at 30 June 2021 and in Section 7 we discuss the adequacy of the long term funding arrangements.

Section 6: Financial Position of Defined Benefit Plan

6.1 The financial position of the Defined Benefit plan at the investigation date provides some insight into the progress towards fully funding members' benefits in the long-term.

6.2 A convenient means of assessing the financial position of the Defined Benefit plan involves the calculation of various indices of benefits compared to assets.

Vested Benefits Index

6.3 The first of the indices is the "Vested Benefits Index" (VBI). Vested Benefits are defined as the benefits that would be due and payable if all the members voluntarily terminated their service with their employers at the investigation date.

- For active members, the Vested Benefits are the resignation benefit or the early retirement benefit (if aged 55 or more). Upon resignation from LASF, a member has the choice of an immediate lump sum or a more valuable deferred benefit. Also, upon retirement certain members have the option of taking a pension. In calculating the vested benefits, we have allowed for the best estimate assumption regarding the take up of deferred benefits and pensions.
- For deferred beneficiaries, the vested benefit will be the present value of the liabilities, allowing for the pension take up rate.
- For pensioners, the vested benefit is the present value of expected future pension payments.

6.4 The Vested Benefits Index is calculated as follows:

$$\text{VBI} = \frac{\text{fair value of assets}}{\text{total of vested benefits}}$$

6.5 The Vested Benefit Index as at 30 June 2021 is:

VBI as at 30 June 2021	
Defined Benefit plan assets ($m)	$2,413.5
Vested Benefits ($m)	
Active Members	$1,009.2
Life-time Pensioners	$841.0
Fixed term Pensioners	$0.9
Deferred beneficiaries	$347.7
Total Vested Benefits	$2,198.8
Vested Benefit Index	109.8%

6.6 The calculated VBI for the Defined Benefit plan at 30 June 2021 is 109.8%. This compares with a VBI of 104.6% at the 30 June 2020 investigation. The Defined Benefit plan was not in an unsatisfactory financial position as at 30 June 2021.

6.7 The VBI for the Defined Benefit plan has increased since 30 June 2020 mainly due to the financial experience (excess of investment return above salary increase) being significantly better than assumed. The change in financial assumptions offset some of this increase.

Discounted Accrued Benefits Index

6.8 Discounted Accrued Benefits means the present value of the benefit payable in the future (based on the assumptions) accrued in respect of service to the investigation date. The method of apportioning active members' benefits to past service for the main Defined Benefit plan is as follows, effectively recognising the portion of future benefits arising due to service to date:

a Retirement, disablement and deferred resignation– the past service benefit (based on accrued lump sum multiples and accrued pensions where relevant) at the calculation date, with allowance for future salary growth to the assumed exit date.

b Death benefits – the total projected death benefit at the assumed exit date multiplied by the ratio of service to the calculation date divided by service to the retirement date.

c Immediate Resignation Benefit – the past service benefit at the calculation date (based on the multiples at the calculation date) with allowance for future salary growth up to the assumed resignation date.

6.9 The Discounted Accrued Benefits are not subject to a minimum of the Vested Benefits.

6.10 The index is more a measure of the Defined Benefit plan's on-going capacity to meet Accrued Benefits in the long run.

6.11 The "Discounted Accrued Benefits Index" (DABI) is calculated as follows:

$$\text{DABI} = \frac{\text{fair value of assets}}{\text{total of discounted accrued benefits}}$$

6.12 The Discounted Accrued Benefit Index as at 30 June 2021 is:

DABI as at 30 June 2021	
Defined Benefit plan assets ($m)	$2,413.5
Discounted Accrued Benefits ($m)	
Active Members	$938.4
Life-time Pensioners	$841.0
Fixed term Pensioners	$0.9
Deferred beneficiaries	$347.7
Total Discounted Accrued Benefits	2,127.9
Discounted Accrued Benefit Index	113.4%

6.13 The calculated DABI for the Defined Benefit plan at 30 June 2021, based on the "best estimate" assumptions, used in this investigation, is 113.4%. The DABI was estimated to be 110.7% at the 30 June 2020 investigation. The increase in DABI was mainly due to the better than expected investment return during the year, partially offset by the changes to financial assumptions.

6.14 Because the DABI is more than 100%, it means current assets are expected to be sufficient to provide the benefits of members' accrued benefits based on service to 30 June 2021.

Minimum Requisite Benefits Index

6.15 We have also considered the asset coverage of members' Minimum Requisite Benefits.

6.16 The Minimum Requisite Benefits (MRBs) are the minimum amount of benefit that must be provided to enable Authorities to satisfy their Superannuation Guarantee obligations. The method to calculate the amount of MRBs for the active members is specified in my Benefit Certificate dated 23 October 2018.

6.17 The MRBs for Defined Benefit active members have been configured on the administration system. We have therefore used the MRB data provided by the administrator for the purposes of this valuation.

6.18 In relation to the determination of the MRBs for deferred beneficiaries and pensioners, DLA Piper has advised that the MRB should be crystallised when members cease to be an employee and there was no basis to adopt a higher benefit beyond their MRB entitlements.

6.19 In accordance with this legal advice, we have estimated the MRBs for these members on the following basis:

a For deferred beneficiaries, their MRBs has been calculated as the following amounts (plus interest):

i. For members who resigned prior to 1 July 2013, the immediate cash resignation benefit, as the MRB was defined as equal to this amount in the Benefit Certificate applicable at that time;

ii. For members who resigned from and after 1 July 2013, the MRB is expected to be different to the immediate cash resignation benefit. We understand that the resignation benefits provided by Vision Super have already been subject to a minimum of the MRB, if this minimum applies. Hence we have assumed that the MRB is equal to the resignation benefit provided, which will overstate the estimated MRB where the actual MRB is less than the immediate resignation benefit. We do not think this will materially overstate the amount of the MRB.

b For the current pensioners who retired after 1992 (since the introduction of the Superannuation Guarantee legislation), their MRBs are expected to be less than their retirement benefits; whereas for those current pensioners who retired prior to 1992, their MRBs are assumed to be their retirement benefit. On retirement, all Defined Benefit plan members are required to take at least half of their benefit as a lump sum, which means that the portion of the pension that is funded by the MRB will often be low. Vision Super is unable to provide information regarding members' MRB at the time of retirement. For the last actuarial investigation, we estimated that the proportion of MRB benefits relative to the retirement pensions was of the order of 70% for all current pensioners. We have retained this assumption for this actuarial investigation. Vision Super has advised that it has recently completed the configuration of the MRB for pensions on its administration system and they are expected to be available at the next actuarial investigation.

6.20 The Minimum Requisite Benefit Index is calculated as follows:

$$\text{MRBI} = \frac{\text{fair value of assets}}{\text{total of Minimum Requisite Benefits}}$$

6.21 The Minimum Requisite Benefit Index as at 30 June 2021 is:

MRBI as at 30 June 2021	
Defined Benefit plan assets ($m)	$2,413.5
Minimum Requisite Benefits ($m)	
Active Members	$673.1
Lifetime Pensioners	$588.7
Fixed term Pensioners	$0.9
Deferred beneficiaries	$333.2
Total Minimum Requisite Benefits	1,595.9
Minimum Requisite Benefit Index	151.2%

6.22 As at 30 June 2021 we estimate that the ratio of the market value of assets to the amount of Minimum Requisite Benefits was approximately 151.2%. This compares with a MRBI of 142.2% at the 30 June 2020 investigation. The increase in MRBI was mainly due to the better than expected investment return during the year, partly offset by the change in financial assumptions.

6.23 In accordance with the legal advice from DLA Piper, this ratio has been calculated including the pension MRBs and the deferred MRBs in the total of MRBs (rather than a deduction from the fair value of assets).

6.24 If this ratio for the entire Fund falls to below 100%, it becomes Technically Insolvent as defined in the SIS Regulations. If this occurs the Trustee must take certain steps to restore solvency. The Trustee needs to continue to monitor the “Notifiable Events” defined in the Funding and Solvency Certificate to identify if the Fund is at risk of becoming, or becomes, Technically Insolvent so appropriate action can be taken.

Other Measures of Financial Position

6.25 In accordance with Clause A.21.1(a) of the Trust Deed, an Authority requires the approval of the Board to terminate its contributions to the Defined Benefit plan. We assume this approval would not be provided unless any future funding risk is adequately managed. Also, in accordance with Clause A.21.1(b), such an Authority remains responsible for its share of any actuarial shortfall.

6.26 However, if an Authority does terminate its contributions, Clause A.21 of the Trust Deed states that:

> *“the Trustee, after obtaining the advice of the Actuary and subject to A.21.5, may adjust any benefit which is or may become payable to or in respect of any person whom the Trustee may consider is affected by that termination to the extent and in the manner the Trustee considers appropriate and equitable”*

6.27 Further it states in Clause A.21.5 that:

> *"…Unless otherwise agreed between the Trustee and the Employer, an adjustment made …must not increase the amount of any benefit which, in the opinion of the Trustee after obtaining the advice of the Actuary, has accrued in respect of a person immediately prior to the effective date of that adjustment in respect of the period up to that date or improve the basis upon which benefits accrue during or in respect of any period after that date."*

6.28 Therefore, in the case of the termination of contributions by one or more Authorities the Trustee has some flexibility in respect of the benefits provided, subject to superannuation law, and there is no alternative measure of financial position that needs to be calculated in respect of this situation.

6.29 On retrenchment, members' are entitled to an accrued retirement benefit. For members over age 55 this is equal to their vested benefit (i.e. retirement benefit) but for members under age 55 it will be higher than their vested benefit. For active members, retrenchment benefits as at 30 June 2021 were $1,020.2 million. As at 30 June 2021, the ratio of the market value of assets to the amount of retrenchment benefits was 109.2%. This ratio includes the value of pensioner and deferred beneficiaries' benefits. The corresponding index as at 30 June 2020 investigation was 103.9%. This increase in the index was mainly due to achieving greater investment returns than expected.

6.30 An additional contribution may be required from the relevant Authority in respect of each retrenchment under the current funding plan so that there is no additional financial strain on the Defined Benefit plan.

6.31 The liabilities of pensioners used to determine all of the funding measures have been calculated using the funding assumptions and assuming the liabilities will be met by continuing to make pension payments until all pensioners have died. It should be noted that if the current pension liabilities were to be transferred to a life insurance office, the assets required to be transferred could be significantly higher than the amount of the vested benefits calculated in this investigation because the assumptions used for this purpose would need to be calculated consistently with the capital adequacy requirements of life insurance offices. The 30 June 2020 triennial actuarial valuation estimated that such a transfer would reduce the VBI by approximately 19%.

6.32 In Appendix D the Defined Benefit plan's asset allocation is shown and there is currently a 23.4% allocation to illiquid assets. The funding indices have been calculated based on the valuation of these assets at fair market value from the 30 June 2021 unaudited financial statements (excluding disposal costs). In the unlikely event that these assets had to be quickly liquidated it is possible that this could occur at discounted values resulting in lower funding ratios. For example, a 20% discount on forced sale of illiquid assets would reduce the funding indices by approximately 5%.

6.33 The Authorities have ten years to make each of the three lump sum contributions requested by Vision Super as at 30 June 1997, 30 June 2002 and 30 June 2012 and fifteen years to make the contributions requested as at 30 June 2013. Outstanding amounts are included in the fair value of assets as contributions receivable. If these amounts are not paid the funding position would be worse than set out in this report. We have been advised by Vision Super that the vast majority of the outstanding amounts have been received by 30 June 2021.

6.34 The VBI and DABI would increase (or decrease) if a lower (or higher) proportion of employee members were assumed to defer upon resignation or take a pension upon retirement. In the 2020 triennial actuarial investigation, we reported that if it was assumed that 100% of eligible members elected the pension option and 100% of resigning members elected the deferred option, the impact on the VBI and the DABI would be a reduction of 3% and 2% respectively. We do not expect these sensitivities to have changed materially since 2020.

6.35 There was no material deferred tax asset in the Fund as at 30 June 2021. Therefore, the funding is not significantly dependent upon being able to utilize such an amount.

Probability of making Pension Payments

6.36 In order to satisfy the requirements of SPS 160 to provide an opinion of whether at 30 June 2021 “there is a high degree of probability that the fund will be able to pay the pensions as required under the fund’s governing rules”, without any clear priorities for benefits being specified in the Fund Trust Deed, we looked to the following points in relation to contributions:

a As envisaged by Circular 12/97 (issued by the Board under the 1988 Act), any future funding shortfall arising from pension liabilities can be funded under the Unfunded Liability Amount provisions in the Trust Deed.

b Under Part A.21 of the Fund’s Trust Deed, participating employers are generally able to terminate their contributions to the Fund at any time. However:

i. Under clause A.21.1(b), a participating employer in Division C (the Defined Benefit plan) with an “Unfunded Liability Amount” is not able to terminate contributions. The “Unfunded Liability Amount” is the amount identified in respect of each participating employer using the methodology set out in Circular 12/97.

ii. A participating employer without an “Unfunded Liability Amount” is able to terminate contributions to the Fund under clause A.21.1(a) after giving 60 days’ notice and obtaining the Trustee’s approval. Presumably, the Trustee would not give approval to terminate if there is an unfunded liability or material future funding risk.

c The Participating Employer Agreement signed by each defined benefit employer imposes a contractual obligation on that employer, in addition to the contribution requirements in the Trust Deed. The Agreement also provides that employers with Unfunded Liability Amounts cannot terminate contributions and that those who do not have an Unfunded Liability Amount must follow clause A.21.1(a) of the Trust Deed.

d The combination of the Trust Deed provisions and the Participating Employer Agreements essentially mean that an employer cannot unilaterally cease contributions to the Fund unless it ceases to exist:

i. Under the terms of the Participating Employer Agreement, if such an employer does cease to exist, the terms of the Agreement are binding on that employer’s successor at law and that employer’s “Unfunded Liability Amount” obligation (if any) must be assumed by any successor body.

ii. If there was no direct successor, the Trustee could initiate action to identify a relevant successor (possibly the State Government as most, if not all, of these employers would be engaged in the provision of essential public services which the state is constitutionally bound to provide). Such a situation is expected to be very rare.

6.37 Legal advice has been obtained by the Fund from DLA Piper that confirms the Employers cannot avoid their contribution responsibilities. We have relied upon the legal advice.

6.38 When forming a statement of opinion in accordance with Professional Standard 410, the assets and future contributions from which future pension payments are assumed to be met need to be identified. Under normal circumstances, it is considered inappropriate to take future employer contributions into account when determining the assets available to cover pension payments. However, paragraph 25(a) of Professional Standard 410 provides allowance for future contributions to be taken into account in limited circumstances, in order to form a positive opinion.

6.39 We believe that the historical circumstances of Vision Super's funding arrangements fall within the scope of the 'limited circumstances' referred to in paragraph 6.2 of PS 410.

6.40 For much of its history, Vision Super was a public sector fund and was operated on a pay-as-you-go basis rather than on a fully funded basis. It has only been a Regulated fund under SIS since 1 July 1998 and employers remain public sector employers.

6.41 Changes to the Fund benefit design and funding policy in 1988 included a process to eventually achieve full funding of the accrued benefit liabilities, including the pension liabilities.

6.42 To achieve this full funding target over time, the contractual contribution arrangements outlined above were instigated.

6.43 In conclusion, this analysis allows us to confirm that in our opinion there is a high degree of probability that the Defined Benefit plan will be able to pay the pensions required under the Trust Deed.

Section 7: Assessing the adequacy of the Funding Arrangements

The Present Funding Arrangements

7.1 The Authority funding arrangements for the Defined Benefit plan recommended in the previous triennial actuarial investigation comprise the following components:

a contributions in respect of each Authority's share of any funding short fall that arises. This has included:

- $321 million unfunded liability at 30 June 1997, plus contribution tax; and
- $127 million unfunded liability as at 31 December 2002, plus contribution tax;
- $71 million unfunded liability as at 31 December 2008, plus contribution tax (this amount plus interest was invoiced at 30 June 2012);
- $406 million unfunded liability as at 31 December 2011, plus contribution tax and interest from 31 December 2011. This was $453 million (plus contribution tax) as at 30 June 2013.

b An additional contribution to cover the excess of the benefits paid as a consequence of retrenchment above the funded resignation or retirement benefit (the funded resignation or retirement benefit is calculated as the VBI, capped at 100%, multiplied by the benefit), plus contribution tax; plus

c An ongoing Authority contribution rate based on current members' salaries, needed to fund the balance of benefits for current members and pensioners at 9.5% of salaries from 1 July 2014 and increases with legislated increases in the Superannuation Guarantee Charge; plus

d Additional top up contributions that may be required in the future so that Defined Benefit plan is no longer in an unsatisfactory financial position.

Authorities also need to contribute the amount of members' salary sacrifice contributions.

7.2 The final component of this funding plan is consistent with the funding requirements of SPS 160 because it refers to additional top-up contributions to restore the VBI to 100%. SPS 160 requires restoration plans to be developed to restore the VBI to 100% within three years, when prescribed circumstances apply. The prescribed circumstances are a VBI below the Trustee adopted shortfall limit (i.e. currently 97%) at any time or below 100% at the date of an actuarial investigation or while an actuarial investigation is being undertaken.

7.3 Our calculations at 30 June 2021 using the "best estimate" funding assumptions show that the present funding arrangements are expected to be adequate to meet the expected Defined Benefit plan liabilities.

Total Service Liability Surplus/ Deficit as at 30 June 2021

7.4 As at 30 June 2021 there was a total service liability surplus of $270.3 million. This means that the current value of assets plus expected future contributions is more than the value of expected future benefits and expenses by $270.3 million, assuming that the Authorities contribute at a rate in line with the currently legislated Superannuation Guarantee Charge as a percentage of salaries (i.e. currently 10.0% of salaries but increasing in the future). Full details of these calculations are set out in Appendix E.

7.5 The total service liability surplus as at 30 June 2020 was $200 million. The actuarial surplus has increased over the year mainly due to financial experience (excess of investment return above salary increase and price inflation) being significantly higher than assumed. The changes to financial assumptions have partially offset the increase.

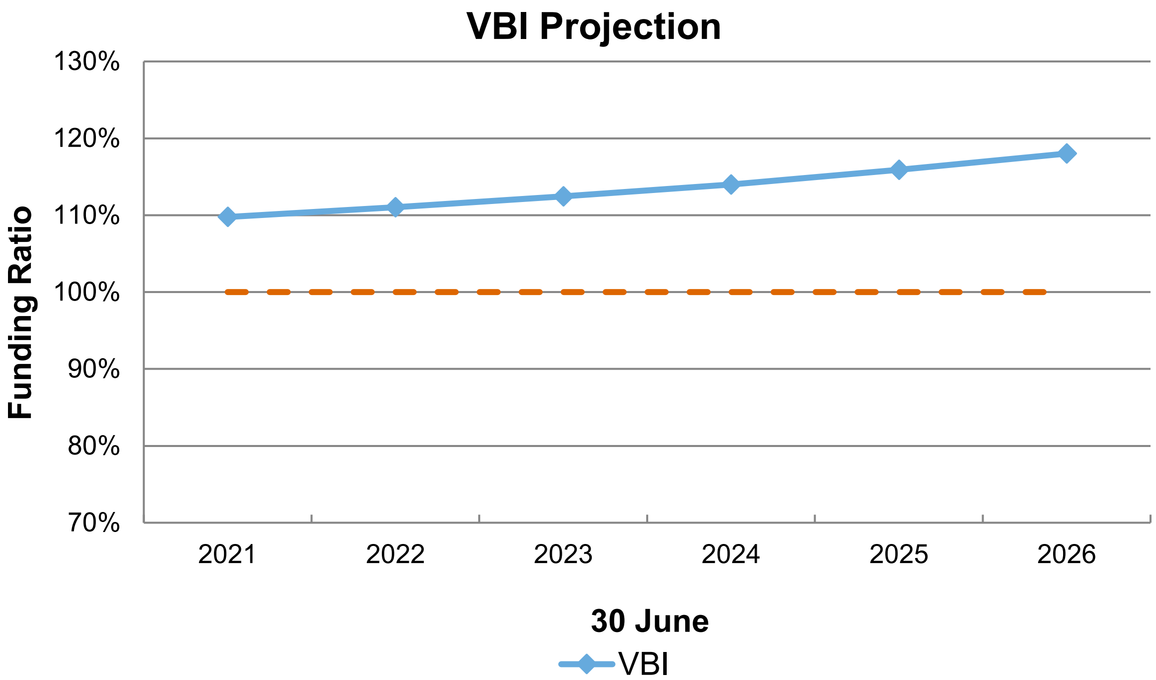
7.6 The existing funding arrangements are expected to be adequate if the current assumptions are borne out in practice. In fact, the total service liability surplus of $270.3 million is higher than the expected value of all future Authority contributions (less tax) of $71 million (refer to Appendix E). This means that if experience is as expected from 30 June 2021, Authorities would not need to make any further contributions to the Defined Benefit plan. The long term Authority contribution rate implied by the aggregate funding method would be zero.

7.7 Nevertheless, it needs to be recognised that the ultimate cost of benefits for members of the Defined Benefit plan will depend on the actual future experience of all the relevant factors (investment earnings, salary growth, pensioner mortality, turnover rates, etc.). Therefore, the contribution arrangements will need to be varied as the actual experience unfolds.

Projection of Funding Levels

7.8 This section considers the adequacy of the funding by projecting the Defined Benefit plan's future funding level. This projection is based on the "best estimate" funding assumptions set out in Appendix C.

7.9 The graph below shows the projected Vested Benefits (VBI) of the Defined Benefit plan for the next five years.



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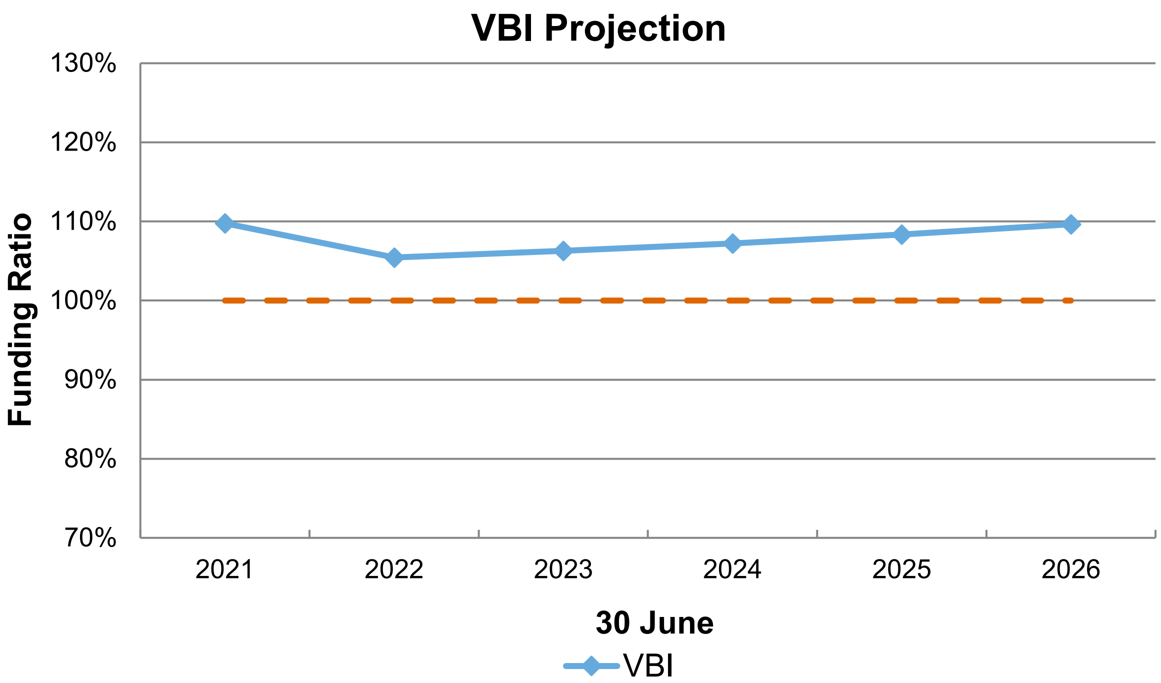
7.10 The chart shows the VBI is expected to stay above 100% over the next five years and hence no additional contribution is expected to be required from the Authorities to meet the funding requirement under SPS 160. However, in practice actual experience will be different to what is expected and the VBI may decrease or increase more quickly than expected.

7.11 The above chart shows that the VBI is expected to slowly increase over time. This is consistent with the total service liability surplus of $270.3 million at 30 June 2021.

Other Funding Issues

7.12 The Defined Benefit plan is mature and its funding is very sensitive to future experience. A lower than expected investment return would significantly reduce the "actuarial surplus".

7.13 The chart below shows the impact on the VBI in an adverse scenario where the return is 0% for the year to 30 June 2022 and all other experience is as expected. A best estimate return of 4.75% p.a. (net of tax) is assumed from 1 July 2022.



7.14 If the return is 0% in 2021/22, the VBI is expected to fall to 105%. In the event of large negative return, however, the VBI would likely fall to below 100% (i.e. an unsatisfactory financial position). If this occurred, additional employer contributions may be required to restore the Defined Benefit plan's VBI to 100% within the legislated three years.

7.15 On the other hand, if experience is favourable, an even larger "actuarial surplus" could result. The Board would need to consider how to treat such an "actuarial surplus". We understand that if this occurs any residual assets would eventually be distributed to relevant Authorities in accordance with Clause A.15 of the Trust Deed. The Board may also wish to consider adopting a more defensive investment strategy in order to reduce the investment risk.

Events since 30 June 2021

7.16 Vision Super has advised that the investment returns for the month of July 2021 for the Defined Benefit plan was 1.51% and 1.55% for the month of August 2021 (equivalent to 20.0% p.a.). This is higher than the expected return of 4.75% p.a. and therefore will have had a positive impact on the financial position. We expect the VBI of the Defined Benefit plan will continue to remain above 100%. This does not impact our recommendations.

7.17 The Superannuation Guarantee (SG) Contribution rate increased to 10% from 1 July 2021. We understand the Authorities increased the Division C contribution rate to reflect this change.

7.18 We are not aware of any other events subsequent to 30 June 2021 that would materially impact upon the results of the actuarial investigation of the Defined Benefit plan.

Recommendation

7.19 Section A.20.1 of the Trust Deed states:

> *"each Employer must contribute to the Fund in respect of a particular Employee at any particular time the amount or rate of contributions determined by the Trustee after obtaining the advice of the Actuary, including the Unfunded Liability Amount…."*

7.20 The VBI was 109.8% as at 30 June 2021 (refer Section 6.5). Given the current investment strategy and the VBI of 109.8%, the VBI could fall below 100% if experience is worse than expected. We therefore have recommended that the current contributions remain unchanged. In making this recommendation, we have also considered what we understand to be the preferences of the Trustee.

7.21 In summary, we recommend that the current funding plan continue, whereby the Authorities will pay:

a Contributions equal to 10.0% of salary for employee members, increasing with changes in the Superannuation Guarantee Charge;

b An additional contribution to cover the excess of the benefits paid as a consequence of retrenchment above the funded resignation or retirement benefit (the funded resignation or retirement benefit is calculated as the minimum of (100% and VBI) multiplied by the vested benefit), plus contribution tax;

c Outstanding contributions in respect of calls made at the previous actuarial investigations; and

d Additional top up contributions that may be required in the future if the plan is in an unsatisfactory financial position.

Authorities also need to contribute the amount of members' salary sacrifice contributions.

7.22 However, given the $270.3 million total liability surplus, these contributions are expected to be more than sufficient if future experience is as expected. In fact, if experience is as expected Authorities would not need to make further contributions. Hence, Vision Super could consider whether it is appropriate to further reduce investment risk which could be considered together with alternative funding plans.

7.23 It is very important to understand that each of the components of the funding arrangements is very dependent on the actual future experience of the Defined Benefit plan. Consequently all contribution components are subject to regular review by the Trustee using actuarial advice and could vary from the current recommendations at any time in the future.

Section 8: Insurance

Self Insurance Arrangements

8.1 The Defined Benefit plan provides death and disablement benefits that are significantly higher than the resignation/retirement benefits. The Fund self-insures this risk. This approach continues to be reasonable in light of the Defined Benefit plan's size, experience, present membership and benefit levels. The arrangements are reviewed annually as part of the actuarial investigations which is reasonable.

8.2 The death and disablement benefits are funded by the Authorities' contributions to the Defined Benefit plan. The total liability surplus calculated in Section 7 includes the expected death and disablement benefits. It is ultimately the Authorities that bear the financial risk if the amount of death and disablement benefits paid is significantly higher than expected.

8.3 The following table summarises the Defined Benefit plan's exposure to future service death and disablement risk as at 30 June 2021.

Self-Insurance exposure as at 30 June 2021	
Net Assets Available[1] (Defined Benefits plan assets available to meet benefits)	$1,223.9m
Expected Annual Future Service death and disablement benefits to be paid for 2021/22[2]	$0.9m
Total Future Service death benefits[3]	$171.8m

1. Active Defined Benefit plan assets excluding assets in respect of pensioners and deferred beneficiaries.

2. Based on assumptions adopted in this investigation.

3. The total amount of future service death benefits shown is the sum of individual death benefit in excess of the lesser of the value of the vested benefit and accrued retirement benefit for all active members. Future service disablement benefits are similar.

8.4 Because of the large number of members, it is unlikely that the actual future service death and disablement benefits (even if double the level expected) would place a significant additional financial strain on its funding.

8.5 The Defined Benefit plan also includes a temporary disability benefit. The funding of this benefit is allowed for approximately by a margin in disablement funding. If a disablement benefit is subsequently paid to the member, the amount of the disablement benefit is reduced by the amount of any temporary disability benefit payments.

8.6 The Defined Benefit plan's membership is spread throughout Victoria, reflecting the distribution of Authorities. There is a relatively low concentration of risk.

8.7 There is a very remote possibility of a catastrophe occurring. In the last triennial actuarial investigation as at 30 June 2020, we determined that in the event of a catastrophe that resulted in 100 additional death or disablement benefits being paid that the total claims would be around 1% of assets, which would be manageable given the current funding position.

8.8 While a larger catastrophe is possible the risk is extremely low. If the Trustee is concerned about the risk it could consider catastrophe insurance.

8.9 In the 30 June 2020 triennial actuarial investigation, we recommended an insurance reserve of $5.0 million be held by the Fund to cover the pending claims and incurred but not reported death and disablement claims.

8.10 We believe that this is still an appropriate allowance for use in this report as the self-insured portion of the death and disablement claims is expected to reduce over time as the employed members reduce in number and increase in average age. The total future service death benefits have reduced from $222.3 million as at 30 June 2020 to $171.8 million as at 30 June 2021. Unless we advise otherwise or a catastrophe event occurs, in our opinion, it will be sufficient to review the amount of the reserve in detail at the next triennial actuarial investigation in 2023.

8.11 In accordance with our recommendations in the prior actuarial investigation, we understand that Vision Super maintains an insurance reserve of $5.0 million for the Defined Benefit plan as at 30 June 2021. We recommend that this reserve be retained at this level.

Section 9: Material Risks

9.1 The funding of the Defined Benefit plan is dependent upon future experience. We have briefly considered below the material risks in respect of funding. If experience is materially adverse the Authorities will be required to make additional contributions.

Investment Risk

9.2 The most significant risk facing the Defined Benefit plans is that investment returns will not be as high as expected. There is also a risk a surplus could arise that could be difficult to utilize if not managed carefully. These risks occur because the income generated from the existing assets are not matched to the expected future benefit payments.

9.3 A change to the assumed investment return could also have a material impact on Authority contribution requirements in the short term, but would not be expected to impact the ultimate cost of funding benefits unless the change in assumption was because of change in investment strategy. This also applies for other assumptions.

9.4 As per current practice, the Trustee should continue to consider the liabilities and the funding position when determining the Defined Benefit plans' investment strategy.

Salary and Price Inflation Risk

9.5 Salary increases or price inflation exceeding expectations will have a negative impact on funding.

9.6 It is the excess of the investment return above the rates of salary and price inflation increases that is most important because the assets increase with the investment return and the liabilities with salary or price inflation.

Catastrophe Risk

9.7 The Defined Benefit plan self insures the death and disability benefits and is therefore subject to the risk of higher than expected claims. The self-insurance risk is considered in Section 8.

9.8 While the catastrophe risk is very low, particularly given the geographic spread of members, a high number of death or disability (or terminal medical condition) benefits caused by a single event or events is likely to put significant strain on the funding.

Pensioner Longevity Risk

9.9 At 30 June 2021 there were 4,124 life time pensioners in the Defined Benefit plan. There is a risk that pensioners may live longer than expected and this would have a negative impact on the funding position.

9.10 As at 30 June 2021 the assets held in respect of the 4 fixed term pensioners were broadly comparable to the liability associated with these pensioners. In our funding considerations, the fixed term pensioners are included as part of the Defined Benefit plan and Vision Super has confirmed that, if needed, the Defined Benefit plan's assets will be available to meet these liabilities.

Liquidity Risk

9.11 In Section 4 liquidity risk is discussed. Also, Section 6 considered the potential impact on funding of having to liquidate investments at a discount.

9.12 We understand that Vision Super considers the long term liquidity requirements in setting its strategic asset allocation and plans to reduce exposure to illiquid assets in the Defined Benefit plan to zero in the long term given the maturity of the plan. This remains appropriate.

Legislation Risk

9.13 There is a risk that legislation changes could impact on funding. For example:

a Changes to legislation may impact investment returns or other aspects of experience; and

b Changes to tax may impact funding.

Other

9.14 Operational risks (e.g. unit pricing and administration) are not considered in this report.

9.15 A higher proportion of members could elect to defer their resignation benefit or take a life-time pension than expected which would be expected to increase the cost of funding benefits.

9.16 There are many other risks in respect of the funding of the Defined Benefit plans but we have not included those that we do not consider to be currently material.

Appendix A: Summary of Benefits and Conditions

The benefits are set out in the Fund’s Trust Deed. The Fund has been governed by the Trust Deed originally dated 26 June 1998 on and from 1 July 1998. The Trust Deed has subsequently been amended numerous times. This report is based on a copy of the Trust Deed including amendments up to 1 July 2014.

Membership

The Defined Benefit plan was closed to new members on 31 December 1993. From that date, new employees have joined Vision Super Saver, which provides accumulation style benefits.

The benefits and conditions described below relate to Defined Benefit plan members only.

Contributions

Members contribute at a rate of 6% of salary. Their contributions cease after 40 years of service. Authorities pay the balance required to provide the benefits.

Retirement Benefit

A lump sum benefit calculated as a percentage of final salary for each year (part years counting pro rata) of membership to retirement. The percentage is 21% for membership completed prior to 1 July 1993 and 18.5% for membership completed after 30 June 1993. A maximum of 40 years of membership counts towards the retirement benefit. Members may retire from age 55 and benefits cease to accrue at age 65.

Death Benefit

For members under 60 years of age, a lump sum of 21% of final salary for each year of actual and prospective membership to age 60. For members aged 60 or over, a lump sum of 21% of final salary for each year of actual membership. A maximum of 40 years of membership counts toward the death benefit.

Members with a medical classification of Grade B, C or D are entitled to a lower death benefit.

Total and Permanent Disablement Benefit

For members under 60 years of age, a lump sum equal to a percentage of final salary for each year of actual and prospective membership to age 60. The percentage is 21% for actual membership completed prior to 1 July 1993, 18.5% for actual membership completed after 30 June 1993, and 21% for prospective membership between the date of disablement and age 60. For members aged 60 or more, the benefit is a lump sum equal to the retirement benefit. A maximum of 40 years of membership counts towards the total and permanent disablement benefit.

“Disablement” generally means a continuous or recurring impairment of health of a member which renders him or her unable to perform his or her duties, or any other duties for which he or she is suited by education, training or experience, or would be suited as a result of retraining.

Members with a medical classification of Grade B, C or D are entitled to a lower disability benefit.

Ill-Health and Retrenchment Benefits

The accrued retirement benefit (i.e. counting membership to date of ill health or retrenchment).

There is also a Temporary Disability benefit.

Resignation Benefit

A lump sum of either:

a an immediate benefit equal to the sum of:

- 15% of final salary for each year (if any) of membership prior to 1 July 1993, excluding any portion of the last five years relating to pre 1 July 1993 membership;
- 13.5% of final salary for each year (if any) of membership after 30 June 1993, excluding the last five years;
- 9% of final salary for the last five years of membership; or

b a deferred benefit payable from age 55 equal to the accrued retirement benefit at the date of leaving, increased with the relevant investment return to payment after age 55.

Part of the immediate resignation benefit may be subject to preservation regulations.

“Old Benefit” Entitlements

Members who joined prior to 25 May 1988 have the option of taking up to 50% of their lump sum retirement benefits as a pension, based on prescribed conversion factors. The conversion factors reduce from 13.6 at age 55 to 12.6 at age 60 and 12.0 at age 65. This option also applies to members who joined prior to 25 May 1988 and elect to defer their benefit upon resignation until after age 55.

Certain other minimum benefits apply in respect of previous entitlements for certain groups of members.

Minimum Requisite Benefit

All benefits are subject to a minimum of the Minimum Requisite Benefit specified in the Benefit Certificate.

Appendix B: Membership Movements

Defined Benefit Plan

Membership as at 1 July 2020		**1,954**
Transfers/Rejoiners[1]		1
Exits		
Retirement, Resignations and retrenchments	250	
Death	3	
Total and Permanent Disablement	2	
Total exits		(255)
Membership as at 30 June 2021		**1,700**

[1]As advised by the Fund Administrator this member was originally classified as a pending exit but was subsequently transferred to a new Defined Benefit employer and re-instated as an active DB member.

Pensioners

Pensioners as at 1 July 2020	**4,189**
New pensioners	136
Pensions ceasing	(201)
Pensioners as at 30 June 2021	**4,124**

Appendix C: Summary of Valuation Assumptions

Financial Assumptions

The most significant financial assumptions are:

- Active members:
  - investment returns (net of tax and expenses) 4.75% p.a.
  - salary inflation growth 2.75% p.a.
- Pensioners:
  - investment returns (gross of tax; net of expenses) 5.50% p.a.
  - CPI increases 2.25% p.a.
- administration expenses: 2.75% of salaries and 2.00% of pension

For Fixed term pensions a real investment return of 0.50%p.a. has been assumed.

Demographic Assumptions

Active Members

The table below illustrates the decrement rates assumed for active members. The decrement rates represent the percentage of members leaving the plan each year by each cause.

Year of Age	Deaths %	Disablements %	Resignations %	Retirements %
20	0.03	-	13.42	-
30	0.02	0.01	6.48	-
40	0.05	0.05	3.77	-
50	0.14	0.27	2.44	-
60	0.43	0.82	-	15.0
64	0.66	0.00	-	15.0

Pensioners – Defined Benefit plan

The table below illustrates the rates of mortality assumed for pensioners. The figures represent the percentages dying in the years of age shown.

Year of Age	Retirement /Spouse Male %	Disability Male %	Retirement /Spouse Female %	Disability Female %
60	0.49	1.26	0.30	0.58
65	0.73	1.95	0.45	0.99
70	1.16	3.00	0.76	1.68
75	2.11	4.56	1.40	2.84
80	3.99	6.84	2.77	4.74
85	7.81	10.06	5.73	7.73
90	14.43	14.39	11.60	12.18

Mortality improvement based on the 125-year experience from the Australian life tables 2015-2017.

Deferred Benefit Option on Resignation – Defined Benefit plan

It has been assumed that 80% of those who resign will take the deferred benefit option. Deferred benefits are assumed to be accessed at age 60.

Pension Option – Defined Benefit plan

It has been assumed that 60% of active members and 45% of deferred beneficiaries who joined the Defined Benefit plan prior to 25 May 1988 will elect to take the pension option upon retirement. Members who take this option are assumed to take 50% of their benefit as a pension.

Other Pension Assumptions

Males (pensioners or reversionary spouses) are assumed to be 3 years older than their female spouses. For current active members and deferred beneficiaries, the age based proportion married assumptions are applied at the date of commencement of a pension; for current pension members, the age based proportion married assumptions are applied at the date of the valuation.

Appendix D: Asset Allocation

Asset Class	Actual Asset Allocation 30 June 2021 (%)	Strategic Asset Allocation (%)
Australian Equity	24.5	22.5
International Equity	28.5	30.5
Private Equity	1.6	0
Property*	8.3	8.0
Infrastructure	8.4	8.0
Opportunistic Investments#	2.7	0
Alternative Debt	14.7	18.5
Fixed Interest	3.8	6.0
Cash	7.5	6.5
Total	**100.0**	**100.0**
Allocation to Illiquid Assets	23.4	25.8
Allocation to Growth Assets	74.2	71.3

* 2.3% of actual property is listed and liquid.

Includes Currency and Innovation and Disruption Asset Class.

Appendix E: Total Service Liability Surplus/(Deficit)

		($million)
Present Value of Active Member Liabilities		1,045.9
Retirement	981.7	
Death	22.9	
Disablement	24.2	
Resignation	17.1	
plus Deferred Beneficiary Liability		347.7
plus Present Value of Life Time Pensions		824.5
plus Present Value of fixed Term Pensions		0.9
less Family Offset and Surcharge Account balances		(6.8)
plus Present Value of Future Expenses		42.5
plus Allowance for tax on Contributions		4.3
Total Benefit Liability		**2,259.0**
Compared to:		
Assets		2,413.5
plus Value of ongoing member contributions (6%)		40.5
plus Value of ongoing Authority contributions (SG)		75.3
Total Assets		**2,529.3**
Surplus of Total Assets over Total Benefit Liability		270.3

Appendix F: Actuarial Statements required under SPS 160 Paragraph 23(a) – (h)

Defined Benefit Plan – Division C (LASF)

The following statements are prepared for the purposes of actuarial statements and Paragraphs 23(a) to (h) of SPS160. It relates to the Defined Benefit sub-plan with benefits specified in Division C of the Vision Super Trust Deed.

Background

The effective date of the most recent actuarial review of the Defined Benefit plan is 30 June 2021. The actuarial investigation was undertaken by Matthew Burgess, Fellow of The Institute of Actuaries of Australia, on behalf of Towers Watson Australia Pty Ltd (AFSL 229921).

This statement has been prepared for the Trustee of Vision Super as part of the actuarial investigation in accordance with the Professional Standards issued by The Institute of Actuaries of Australia.

Assets (SPS160 23(a))

The fair value of the Defined Benefit plan assets at 30 June 2021 was $2,413.455 million.

This value of assets at 30 June 2021 excludes amounts held to meet the Operational Risk Financial Requirement (ORFR) and was used to determine the required contributions.

Financial Condition SPS160 23(b)

The projected likely future financial position of the LASF Defined Benefit plan during the three years following the valuation date and based on my best estimate assumptions is as follows.

Date	Vested Benefits Index (%)
30 June 2021	109.8%
30 June 2022	111%
30 June 2023	112%
30 June 2024	114%

The projected financial position is shown only for the defined benefit members.

Accrued Benefits (SPS160 23(c))

Accrued Benefits have been determined as the present value of expected future payments arising from membership completed as at the review date plus any additional accumulation benefits at face value. Accrued Benefits have not been subjected to a minimum of vested benefits.

In determining Accrued Benefits, the major assumptions adopted were:

- 2.0% p.a. real investment return over salary inflation. This comprised a 4.75% p.a. net of tax investment return assumption and a 2.75% p.a. salary inflation assumption.
- 3.25% p.a. real investment return over price inflation. This comprised a 5.50% p.a. gross of tax investment return and a 2.25% p.a. CPI assumption.
- The investments for fixed term pensions are matched to the liabilities by investing in fixed interest securities including CPI linked bonds. Based on current CPI indexed bond interest rates a real discount rate (i.e. discount rate above CPI) of 0.5% has been assumed.

The future rate of investment return used to determine the accrued benefits is the anticipated rate of return on the Defined Benefit plan assets.

Assumptions were also made about rates members would withdraw from service because of death, total and permanent disablement and resignation. Under these assumptions, the average expected future membership period of the members is around 8 years.

The past membership component of all benefits payable in future from the Defined Benefit plan in respect of the current membership are projected forward allowing for future salary increases and then discounted back to the valuation date at the assumed rate of investment return.

Using the above method, the total value of accrued benefits and the fair value of the Defined Benefit plan assets at 30 June 2021 were:

Value of accrued benefits:	$2,127.9 million
Fair Value of Assets:	$2,413.455 million. The ratio of the actuarial value of the assets to the value of the total accrued benefits was 113.4% which indicates an adequate coverage of the value of the accrued benefits as at the date of the actuarial investigation.

In our opinion, the value of the assets of the Defined Benefit plan at 30 June 2021 was adequate to meet the liabilities of the Defined Benefit plan in respect of accrued benefits in the Defined Benefit plan. The assets are considered adequate in the longer term based on the contributions recommended below, and assumptions as to the future experience which we regard as appropriate.

Vested Benefits (SPS160 23(d))

Vested benefits are the benefits to which members would be entitled if they voluntarily left service.

At the date of the actuarial investigation, the total vested benefits and fair value of the Defined Benefit plan total assets were:

Total Vested Benefits:	$2,198.8 million
Fair Value of Assets:	$2,413.455 million

The ratio of the net market value of the Defined Benefit plan assets to total vested benefits was 109.8%, which indicates a satisfactory coverage of Vested Benefits as at the date of the actuarial investigation.

In our opinion, the Fund's financial position is satisfactory.

The Trustee has determined the short fall limit to be 97%. In my opinion this does not need to be reviewed.

Minimum Benefits and Funding and Solvency Certificates (SPS160 23(e) and (f))

Funding and Solvency Certificates (FSC) for the Fund covering the period from 1 July 2020 to 30 June 2021 as required by the Superannuation Industry (Supervision) Act have been provided.

In our opinion, the solvency of the Fund will be able to be certified in any Funding and Solvency Certificate required under the Superannuation Industry (Supervision) Regulations during the three year period to 30 June 2024 if experience is as assumed.

We note that for the purpose of issuing an FSC, the appropriate funding measure is in respect of coverage of minimum benefits (MRBs), which in this fund are considerably less than vested benefits, and are covered sufficiently by Defined Benefit plan assets. At 30 June 2021, the ratio of assets to MRBs is 151.2%. The total Minimum Requisite Benefits as at 30 June 2021 was $1,595.9 million.

Recommended Contributions (SPS160 23(g))

We recommend that the Authorities contribute the following amounts from 1 July 2021:

a Any outstanding unfunded liability from the 30 June 1997, 31 December 2002, 31 December 2008 and 31 December 2011 actuarial investigations; plus

b An additional contribution to cover the excess of the benefits paid as a consequence of retrenchment above the funded resignation or retirement benefit (the funded resignation or retirement benefit is calculated as the minimum of (100% and VBI) multiplied by the vested benefit), plus contribution tax; plus c 10.0% of members' salaries, increasing with increases in the Superannuation Guarantee Charge; plus

d Additional top up contributions that may be recommended in the future, if the Defined Benefit plan becomes in an unsatisfactory financial position.

Authorities also need to contribute the amount of members' salary sacrifice contributions.

The amounts of required contributions will be reviewed in the next triennial actuarial review of the Defined Benefit plan to be conducted with an effective date no later than 30 June 2023. An earlier actuarial review should be undertaken if there are any significant changes in the Defined Benefit plan.

Pensions (SPS160 23(h))

In our opinion, there is a high degree of probability that the Defined Benefit plan will be able to pay the pensions as required under the Defined Benefit plan's Trust Deed. We expect that this position will continue to be able to be certified during the three year period to 30 June 2024.

These statements can only be expressed as an expectation and not as a certainty because the future financial position of the Defined Benefit plan depends on unknown factors such as future investment returns, future Plan membership changes, etc.

Matthew Burgess

Matthew Burgess
Fellow of the Institute of Actuaries of Australia

Surath Fernando
Fellow of the Institute of Actuaries of Australia

7 September 2021