



# Annual financial report

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**30 June 2024**

**Local Authorities Superannuation Fund**  
(operating as Vision Super)

ABN 24 496 637 884  
RSE: R1000603

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Vision Super Pty Ltd  
as trustee of

Local Authorities Superannuation Fund

Directors Report

for the year ended 30 June 2024

The directors of Vision Super Pty Ltd (VSPL), the trustee of the Local Authorities Superannuation Fund (the Fund) present their report, together with the financial statements for the Fund for the year ended 30 June 2024.

**1. Directors**

The directors of VSPL during or since the end of the financial year ended 30 June 2024 and up to the date of this report were:

**Member Directors:**

Casey Nunn (Deputy Chair)  
Peter Gebert  
Diane Smith  
Lisa Darmanin (resigned 10 May 2024)  
Natasha Wark (appointed 7 August 2024)

**Employer Directors:**

Graham Sherry (Chair)  
Kerry Thompson  
Vijaya (VJ) Vaidyanath  
Stephen Brown

**Independent Director:**

Joanne Dawson

Lisa Darmanin was Chair until her resignation on 10 May 2024. Graham Sherry was Deputy Chair until then and became Chair following Lisa Darmanin's resignation. Casey Nunn was appointed Deputy Chair on 10 May 2024.

**2. Principal activities**

During the year, the principal continuing activities of the Fund consisted of providing superannuation and retirement benefits. The Fund is a defined benefit fund and provides both account-based and defined benefits (including lump sum and income stream benefits (otherwise known as pensions)).

There were no significant changes in the nature of the activities of the Fund during the year.

**3. Review of operations**

As at 30 June 2024, the Fund has 78,735 defined contribution member accounts (2023: 77,288) and 6,629 defined benefit members accounts (2023: 6,981). The defined contribution part of the Fund is open to new members. All three defined benefit plans in the Plan are closed to new members.

The directors have continued to offer the Fund's account-based members a range of premixed and single sector investment options. There were no new investment options offered to members and no investment option closures during the year.

The investment objectives and risks for each investment option vary according to the asset class mix that makes up the investment option. VSPL appoints and oversees investment managers and manages the asset allocation of each investment option to its target allocation. Each investment option is invested in line with its target asset allocation and within strategic asset allocation (SAA) ranges. Portfolios and asset classes are rebalanced periodically.

The largest defined contribution product offered by the Fund is Vision Super Saver. The Fund is an MySuper authorised fund and the MySuper members are invested in the default Balanced growth (super) investment option (a MySuper product) in Vision Super Saver.

The Balanced growth (super) investment option returned 8.42% for the year ended 30 June 2024 (2023: 10.96%). The aim of the Balanced growth (super) investment option to outperform (after fees and taxes) the rate of increases in inflation as measured by the CPI by 3.0% per annum over rolling 15-year periods and to outperform (after fees and taxes) the median default superannuation fund over rolling three year periods, assessed using the SR50 MySuper Index from the SuperRatings Fund Crediting Rate Survey. For the year ended 30 June 2024, this aim was achieved.

The directors monitor the investment performance of the investment options offered to members against the investment performance of other similar investment options. Compared to other MySuper products in the 2024 SuperRatings Survey for the year ended 30 June 2024, the Balanced growth (super) investment option return is ranked in the third quartile for 1 year but ranked is in the top quartile for the periods 5- and 10-years ended 30 June 2024.

The defined benefit members have been promised benefits from the participating employers of each defined benefit plan that are determined on the basis of various formulae based on members' salaries and length of service in the final years before they retire. The directors have continued to maintain separate investment options for each of the defined benefit plans. The investment objectives for each defined benefit plan are:

- To achieve a return that aims to meet plan liabilities and is consistent with the actuarial rate of return for the defined benefit plan. The actuarial rate of return differs for each defined benefit plan
- To have a high likelihood that the defined benefit plan will have adequate liquidity to pay benefits and costs at all times as they become due, and
- To have a probability of the vested benefit index (VBI)<sup>1</sup> falling below 100% of less than 25% over the life of the defined benefit plan.

The financial position of the defined benefit plans is a key focus for Vision Super. Membership is slowly decreasing as the members age. As a result, investment returns are increasingly the most important source of asset growth as member and employer contributions decrease. This makes the financial position of these plans increasingly susceptible to volatility in investment markets.

Each defined benefit plan has negative cash flow, that is more money flowing out than in. As such Vision Super's defined benefit investment strategies also take account of liquidity needs with a view to ensuring adequate liquidity with a margin of safety to pay all benefits as they fall due.

The largest of the three defined benefit plan is the Local Authorities Super Fund Defined Benefit (LASF DB) plan. The LASF DB investment option returned 7.84% for the year ended 30 June 2024 (2023: 11.16%). The actuarial rate of return for the period to 30 June 2024 for the defined benefit plan was 6.03%. For the year ended 30 June 2024, this objective was achieved.

The directors monitor the VBI of the three defined benefit plan regularly. As at 30 June 2024, the LASF DB plan's VBI was 105.4% (2023: 104.1%) which is above the LASF DB plan's shortfall limit at 30 June 2024 of 100%.

#### **4. Changes in state of affairs**

During the financial year, the directors continued to work towards a merger with Active Super via a successor fund transfer (SFT). A successor fund transfer deed was signed on 14 May 2024. Active Super is a defined benefit fund and provides both account-based and defined benefits (including lump sum and income stream benefits). Under the SFT, the members of Active Super, the associated member liabilities and Active Super's net assets available to pay member benefits will be transferred to the Fund. It is expected that the SFT date will be completed on 1 March 2025.

Other than the above, there was no significant change in the state of affairs of the Fund during the financial year.

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<sup>1</sup> The VBI is a measure of the capacity of a defined benefit plan to pay out all its defined benefit members' benefits from the defined benefit plan's current assets in the event the members were all to leave the defined benefit plan at the same time.

## 5. Subsequent events

Apart from the SFT with Active Super which is expected to be effective on 1 March 2025, there has not been any matter or circumstance occurring subsequent to the end of the financial year that has significantly affected, or may significantly affect, the operations of the Fund, the results of those operations, or the state of affairs of the Fund in future financial years.

## 6. Future developments

The Fund will continue to be managed in accordance with the provisions of the Fund's trust deed and the various beliefs of the VSPL board including the investment beliefs of board.

There are no likely developments to report except as may be stated elsewhere in this report or in the financial statements. Any further information on likely developments in the operations of the Fund and the expected results in the operations have not been included in the Directors' Report because the Board believes that it would be likely to result in unreasonable prejudice to the Fund.

## 7. Remuneration report

A copy of the Remuneration report as required under section 300C of the Corporations Act 2001 is set out on page 60.

## 8. Non-audit services

Details of the amounts paid or payable to the auditor (BDO Australia) during the year are disclosed in Note 18 Auditor's remuneration. The auditor did not provide any non-audit services to the Fund and the Directors have received an independence declaration from the auditor. The Directors are satisfied that the auditor's independence has not been compromised.

## 9. Auditor's independence declaration

A copy of the Auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 67.

## 10. Environmental regulation

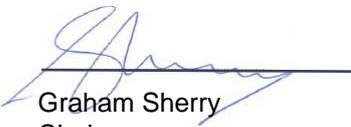
The operations of the Fund are not subject to any particular or significant environment regulations under a Commonwealth, State or territory law.

## 11. Rounding of amounts to the nearest thousand dollars

The Fund is an entity of the kind referred to in ASIC Corporations (Rounding in Financials/Directors' Reports) Instrument 2016/191, dated 24 March 2016, and in accordance with that Corporations Instrument amounts in the Directors' report and the financial statements are rounded off to the nearest thousand dollars (\$000), unless otherwise indicated.

Where the Corporations Instrument ASIC-CI 2016/191 is applied, certain amounts in the report are required to be rounded to differing levels of precision. It is important to ensure these amounts are shown using the correct level of precision and column headings and narrative information uses the correct level of rounding as required by the Corporations Instrument.

This report is made in accordance with a resolution of Directors.

Name:   
Graham Sherry  
Chair

Date: 24 September 2024  
Melbourne

**Local Authorities Superannuation Fund  
Statement of Financial Position  
as at 30 June 2024**

	<i>Note</i>	<b>2024</b>	2023
		<b>\$000</b>	\$000
<b>Assets</b>			
Cash and cash equivalents		<b>105,534</b>	102,189
Contributions receivable	5	<b>899</b>	316
Other receivables and prepayments	14	<b>605</b>	659
Outstanding settlements receivable		<b>186,449</b>	62,253
Financial assets held at fair value through profit or loss	3	<b>14,055,964</b>	12,804,434
Deferred tax assets	19	<b>76,293</b>	52,669
<b>Total assets</b>		<b>14,425,744</b>	13,022,520
<b>Equity</b>			
Operational risk financial requirement reserves		<b>35,928</b>	29,947
Administration reserve		<b>13,806</b>	21,298
Insurance reserves		<b>13,452</b>	12,379
Other reserves		<b>21,454</b>	17,936
Defined benefits that are over/(under) funded	8	<b>172,398</b>	157,115
Unallocated surplus/(deficit)		<b>143,767</b>	114,752
<b>Total equity</b>		<b>400,805</b>	353,427
<b>Liabilities</b>			
Benefits payable		<b>33,360</b>	35,404
Other payables	15	<b>13,057</b>	13,635
Income tax payable		<b>63,192</b>	1,009
Outstanding settlements payable		<b>343,951</b>	44,024
Financial liabilities at fair value through profit and loss	3	<b>64,580</b>	11,992
Deferred tax liabilities	19	<b>225,351</b>	175,777
<b>Total liabilities excluding member benefits</b>		<b>743,491</b>	281,841
<b>Member benefit liabilities</b>			
Defined contribution member liabilities	4, 6	<b>11,224,368</b>	10,285,497
Amounts not yet allocated	4, 6	<b>4,150</b>	13
Defined benefit member liabilities	4, 7	<b>2,052,930</b>	2,101,742
<b>Total member benefit liabilities</b>		<b>13,281,448</b>	12,387,252
<b>Total equity and liabilities</b>		<b>14,425,744</b>	13,022,520

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 2024**

	<i>Note</i>	<b>2024</b> <b>\$000</b>	2023 \$000
<b>Superannuation activities</b>			
Net changes in fair value of financial assets and liabilities held at fair value	12	<b>728,148</b>	839,112
Interest income		<b>112,662</b>	76,018
Distribution income		<b>125,890</b>	100,251
Dividend income		<b>175,408</b>	186,680
Other income		<b>3,255</b>	3,943
<b>Total net income</b>		<b>1,145,363</b>	1,206,004
<b>Expenses</b>			
General administration expenses	16	<b>(35,444)</b>	(29,796)
Investment expenses	17	<b>(38,517)</b>	(34,068)
<b>Total expenses</b>		<b>(73,961)</b>	(63,864)
<b>Result from superannuation activities before income tax expense</b>		<b>1,071,402</b>	1,142,140
Income tax (expense)/benefit	19	<b>(53,360)</b>	(58,367)
<b>Results from superannuation activities after income tax expense</b>		<b>1,018,042</b>	1,083,773
Net benefits allocated to defined contribution members		<b>(826,360)</b>	(918,342)
Net change in defined benefit member liabilities	13	<b>(138,834)</b>	(181,062)
<b>Operating result after income tax</b>		<b>52,848</b>	(15,631)

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 2024

	Note	DC Members \$000	DB Members \$000	Total \$000
<b>Opening balance as at 1 July 2022</b>		9,220,888	2,107,187	11,328,075
Contributions				
Employer		401,165	21,659	422,824
Member		164,928	2,047	166,975
Transfers from other superannuation plans		137,666	-	137,666
Income tax on contributions		(59,757)	(3,144)	(62,901)
<b>Net after tax contributions</b>		<u>644,002</u>	<u>20,562</u>	<u>664,564</u>
Net benefits allocated comprising:				
Net investment income		937,647		937,647
Net administration fees		(19,306)		(19,306)
		<u>918,341</u>		<u>918,341</u>
Benefits paid to members/beneficiaries		(387,277)	(91,794)	(479,071)
Transfers to other superannuation plans		(193,499)	(19,229)	(212,728)
Transfer to the ATO		(1,970)	-	(1,970)
Internal transfers from membership categories		95,690	(95,690)	-
Insurance premiums charged (including amounts transferred to the insurance reserves)		(21,101)	(108)	(21,209)
Other fees charged to members/DB sub-plans		(14)	(248)	(262)
Death and disability benefits credited to members		10,419	-	10,419
Transfers from reserves to members/DB sub-plans		31	-	31
Net change in defined benefit member liabilities	13		181,062	181,062
<b>Closing balance as at 30 June 2023</b>	6, 7	<u>10,285,510</u>	<u>2,101,742</u>	<u>12,387,252</u>
<b>Opening balance as at 1 July 2023</b>		<b>10,285,510</b>	<b>2,101,742</b>	<b>12,387,252</b>
Contributions				
Employer		441,266	19,500	460,766
Member		175,135	1,721	176,856
Transfers from other superannuation plans		173,323	(105)	173,218
Income tax on contributions		(66,418)	(2,830)	(69,248)
<b>Net after tax contributions</b>		<u>723,306</u>	<u>18,286</u>	<u>741,592</u>
Net benefits allocated comprising:				
Net investment income		846,921		846,921
Net administration fees		(20,561)		(20,561)
		<u>826,360</u>		<u>826,360</u>
Benefits paid to members/beneficiaries		(459,139)	(104,470)	(563,609)
Transfers to other superannuation plans		(220,045)	(22,268)	(242,313)
Transfer to the ATO		(2,387)	(6)	(2,393)
Internal transfers from membership categories		80,823	(80,823)	-
Insurance premiums charged (including amounts transferred to the insurance reserves)		(19,914)	(75)	(19,989)
Other fees charged to members/DB sub-plans		(17)	(290)	(307)
Death and disability benefits credited to members		13,808	-	13,808
Transfers from reserves to/(from) members/DB sub-plans		213	2,000	2,213
Net change in defined benefit member liabilities	13		138,834	138,834
<b>Closing balance as at 30 June 2024</b>	6, 7	<u>11,228,518</u>	<u>2,052,930</u>	<u>13,281,448</u>

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 2024**

	Operational risk financial requirement reserve \$000	Insurance reserves \$000	Administration fee reserve \$000	Other reserves \$000	Total reserves \$000	DB that are over/(under) funded \$000	Unallocated surplus/ (deficit) \$000	Total reserves/ equity \$000
						<i>Note 9</i>		
Opening balance as at 1 July 2022	29,947	13,060	24,733	19,656	87,396	127,327	155,949	370,672
Net transfers from/(to) DC member accounts			(31)		(31)	39,613	(30,898)	8,684
Net transfers from/(to) DB plans					-		(10,299)	(10,299)
Operating result		(681)	(3,404)	(1,720)	(5,805)	(9,825)		(15,630)
Closing balance as at 30 June 2023	29,947	12,379	21,298	17,936	81,560	157,115	114,752	353,427
<b>Opening balance as at 1 July 2023</b>	<b>29,947</b>	<b>12,379</b>	<b>21,298</b>	<b>17,936</b>	<b>81,560</b>	<b>157,115</b>	<b>114,752</b>	<b>353,427</b>
Net transfers from/(to) DC member accounts			(213)		(213)	(32,272)	21,761	(10,724)
Net transfers from/(to) DB plans		(2,000)			(2,000)		7,254	5,254
Operating result	5,981	3,073	(7,279)	3,518	5,293	47,555		52,848
<b>Closing balance as at 30 June 2024</b>	<b>35,928</b>	<b>13,452</b>	<b>13,806</b>	<b>21,454</b>	<b>84,640</b>	<b>172,398</b>	<b>143,767</b>	<b>400,805</b>

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 2024**

	<i>Note</i>	<b>2024</b> <b>\$000</b>	2023 \$000
<b>Cash flows from operating activities</b>			
Interest from cash deposits & cash equivalents		3,396	1,977
Interest from other interest bearing deposits		109,266	74,041
Distributions from unit trusts		125,890	100,253
Dividends		175,408	186,680
Insurance proceeds		13,527	10,180
Administration expenses		(35,998)	(32,123)
Investment expenses		(38,667)	(33,522)
Insurance premiums received from employers		101	104
Insurance premiums (out)		(22,465)	(22,760)
Income taxes paid		(13,956)	3,130
Other Income		3,255	3,941
<b>Net cash inflow/(outflow) from operating activities</b>	20	<b>319,757</b>	291,901
<b>Cash flows from investing activities</b>			
Sales of financial instruments		411,313	349,931
Purchases of financial instruments		(689,301)	(613,693)
<b>Net cash inflow/(outflow) from investing activities</b>		<b>(277,988)</b>	(263,762)
<b>Cash flows from financing activities</b>			
Employer contributions received		460,182	423,977
Member contributions received		176,856	166,974
Transfers from other superannuation entities		173,218	137,666
Benefit payments to members of beneficiaries		(568,036)	(499,812)
Transfers to other superannuation entities		(242,313)	(212,728)
Tax refund/(paid) on contributions		(38,331)	(41,992)
<b>Net cash inflow/(outflow) from financing activities and cash equivalents</b>		<b>(38,424)</b>	(25,915)
Net increase/(decrease) in cash and cash equivalents		3,345	2,224
Cash and cash equivalents at the beginning of the financial year		102,189	99,965
<b>Cash and cash equivalents at end of year</b>		<b>105,534</b>	102,189

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 2024

### 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 2024, this was 11.0% (2023: 10.5%)).

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 2(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 20 September 2024.

## Notes to the Financial Statements for the year ended 30 June 2024

### 2. Summary of material 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 Corporations Act 2001 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.

#### (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

From 1 July 2023, the Fund has financial reporting obligations under Chapter 2M of the Corporations Act 2001. This annual financial report has been prepared in accordance with those obligations. Apart from including a Directors' report and Remuneration report in the Fund's annual financial report, these new reporting obligations have not had a material effect on the financial statements of the Fund.

The following standards were applied for the first time for the year ended 30 June 2024. This standard did not have a material or amendments to existing impact on the amounts recognised in the prior or current periods or that will affect future periods.

## Notes to the Financial Statements for the year ended 30 June 2024

### 2. Summary of material accounting policies (continued)

#### (c) New and amended standards adopted by the Fund (continued)

Accounting standards	Nature	Application date of standard	Application date for LASF
<i>AASB 2021-2 Amendments to Australian Accounting Standards – Disclosure of Accounting Policies Definition of Accounting Estimates</i>	<p>In April 2021, the AASB issues AASB 2021-2 to improve accounting policy disclosures and clarify the distinction between accounting policies and accounting estimates. Specifically, AASB 2021-2 amends:</p> <ul style="list-style-type: none"> <li>• AASB 7 to clarify that information about measurement bases for financial instruments is expected to be material to an entity's financial statements</li> <li>• AASB 101 to require entities to disclose their material accounting policy information rather than their significant accounting policies</li> <li>• AASB 108 to clarify how entities should distinguish changes in accounting policies and changes in accounting estimates</li> <li>• AASB 134 to identify material accounting policy information as a component of a complete set of financial statements, and</li> <li>• AASB Practice Statement 2 to provide guidance on how to apply the concept of materiality to accounting policy disclosures.</li> </ul>	1 January 2023	1 July 2023
<i>AASB 2021-5 Amendments to Australian Accounting Standards – Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>	<p>In July 2021, the AASB issued AASB 2021-5 to clarify the accounting for deferred tax on transactions that, at the time of the transaction, give rise to equal taxable and deductible temporary differences.</p> <p>In specified circumstances, entities are exempt from recognising deferred tax when they recognise assets or liabilities for the first time.</p>	1 January 2023	1 July 2023
<i>AASB 2023-2 Amendments to Australian Accounting Standards – International Tax Reform – Pillar Two Model Rules</i>	<p>In June 2023, the AASB issued AASB 2023-2 to provide temporary relief from accounting for deferred taxes arising from the Organisation for Economic Co-operation and Development's (OECD's) international tax reform.</p> <p>The amendments introduce:</p> <ul style="list-style-type: none"> <li>• A mandatory temporary exception to accounting for deferred taxes arising from the implementation of the Pillar Two model rules published by the OECD, and</li> <li>• Targeted disclosure requirements to help financial statement users better understand an entity's exposure to income taxes arising from the reform, particularly in periods before legislation implementing the rules is in effect.</li> </ul>	1 January 2023	1 July 2023

## Notes to the Financial Statements for the year ended 30 June 2024

### 2. Summary of material accounting policies (continued)

#### (d) New accounting standards and interpretations

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 30 June 2024. They have not been applied in preparing the financial statements. Those that may be relevant to the Fund are set out below. The Fund does not plan to adopt these standards early.

Accounting Standard	Nature	Application Date of Standard	Application Date for Group
<i>Lack of Exchangeability – amendments to IAS 21</i>	<p>In August 2023, the IASB issued <i>Lack of Exchangeability (Amendments to IAS 21)</i> to provide guidance to specify when a currency is exchangeable and how to determine the exchange rate when it is not.</p> <p>The amendments require entities to apply a consistent approach to determining whether a currency is exchangeable into another currency and the spot exchange rate to use when it is not exchangeable.</p> <p>An entity is impacted by the amendments when it has a transaction or an operation in a foreign currency that is not exchangeable into another currency at a measurement date for a specified purpose.</p> <p>A currency is exchangeable when there is an ability to obtain the other currency and the transaction would take place through a market or exchange mechanism that creates enforceable rights and obligations.</p>	1 January 2025	30 June 2026

#### (e) Reclassification of financial information

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

#### (f) 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.

## Notes to the Financial Statements for the year ended 30 June 2024

### 2. Summary of material accounting policies (continued)

#### (f) Consolidation (continued)

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
- 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.

#### (g) 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.

#### (h) 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.

#### (i) Receivables and payables

Receivable amounts are generally received within 30 days of being recorded as receivables. Collectability of trade receivables is reviewed regularly. Receivables are measured at fair value (inclusive of any GST).

Payables include liabilities and accrued expenses owing by the Fund which are unpaid as at the end of the reporting period and are measured at fair value (inclusive of any GST). These amounts are unsecured and are usually paid within 30 days of recognition.

## Notes to the Financial Statements for the year ended 30 June 2024

### 2. Summary of material accounting policies (continued)

#### (j) Financial Instruments

The following has been applied consistently during the financial year:

##### (A) Classification

The Fund's investments and derivative liabilities are classified as fair value through profit or loss in accordance with AASB 1056.

##### (B) Recognition/derecognition

The Fund recognises financial assets and financial liabilities on the date it becomes party to the contractual agreement (trade date) and recognises changes in the fair value of the financial assets or financial liabilities from this date.

Investments are derecognised when the right to receive cash flows from the investments have expired or the Fund has transferred substantially all of the risks and rewards of ownership.

##### (C) Measurement

At initial recognition, the Fund measures financial assets and financial liabilities at fair value. Transaction costs for financial assets and financial liabilities carried at fair value through profit or loss are expensed in the Income Statement.

Subsequent to initial recognition, all financial assets and financial liabilities are measured at fair value. Gains and losses are presented in the Income Statement in the period in which they arise as net changes in fair value of financial instruments.

For further details on how the fair values of financial instruments are determined refer to Note 4.

##### (D) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the Statement of financial position when there is a legally enforceable right to offset the amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability at the same time.

#### (k) 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.

## Notes to the Financial Statements for the year ended 30 June 2024

### 2. Summary of material accounting policies (continued)

#### (k) Fair value measurement (continued)

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.

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.

#### (l) 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.

#### (m) 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.

#### (n) 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 2024

### 2. Summary of material accounting policies (continued)

#### (o) 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. The Trustee has assessed an ORFR of 0.25% of the net assets as at 30 June 2024 as appropriate for the Fund.

##### (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.

#### (p) 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 2024 and the investment valuations and other factors impacting the preparation of the financial statements as at 30 June 2024. 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.

#### (q) 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.

## Notes to the Financial Statements for the year ended 30 June 2024

### 2. Summary of material accounting policies (continued)

#### (r) 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.

#### (s) 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 dividend 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.

##### (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.

## Notes to the Financial Statements for the year ended 30 June 2024

### 2. Summary of material accounting policies (continued)

#### (t) 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.

#### (u) Expense recognition

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

#### (v) 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”.

#### (w) 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 2024, 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 2024

### 2. Summary of material accounting policies (continued)

#### (w) 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 2024, 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.

#### (x) 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 2024

### 2. Summary of material accounting policies (continued)

#### (y) 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 32% 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.

#### (z) Valuation dates

The investments held have been valued at 30 June 2024 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 2024 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 2024 and takes into accounts the members' salary and years of service subject to the minimum requisite benefit threshold.

#### (aa) 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:

<i>Assessment as investment entity</i>	The significant accounting judgements are discussed in Note 2(f)
<i>Deferred tax asset/liability recognition</i>	The significant accounting judgements are discussed in Note 2(w)
<i>Valuation of defined benefit member liabilities</i>	The key assumptions are discussed in Notes 2(bb) and 7
<i>Valuation of Investments</i>	The key assumptions are set out in Notes 2(k) and 3.

## Notes to the Financial Statements for the year ended 30 June 2024

### 2. Summary of material accounting policies (continued)

#### (bb) 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 defined 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.

## Notes to the Financial Statements for the year ended 30 June 2024

### 3. Fair value of financial instruments

The financial assets and liabilities held by the Fund at 30 June 2024 are as follows:

	2024 \$000	2023 \$000
<b>Financial assets at fair value through profit or loss</b>		
Cash and deposits	955,272	912,253
Covered bonds - Fixed	3,471	2,736
Discount securities	946,327	824,801
Fixed interest bonds	2,257,048	1,712,993
Floating rate notes	155,903	42,083
Indexed bonds	857	599
Zero coupon bonds	1,561	873
Listed equities	6,262,541	5,731,404
Listed property trusts	353,827	360,254
Listed unit trusts	80,578	71,185
Mortgage backed securities	65,477	58,736
Preference shares redeemable	9,416	25,514
Unlisted equities	120,554	115,588
Unlisted managed investment scheme	2,773,146	2,920,089
Unlisted partnership	788	3,099
Forward foreign exchange contracts	68,982	21,739
Futures	216	488
<i>Total financial assets held at fair value through profit or loss</i>	<b>14,055,964</b>	12,804,434
<b>Financial liabilities held at fair value through profit or loss</b>		
Accrued expenses	(20,933)	-
Cash and deposits	(35,987)	(7,283)
Forward foreign exchange contracts	(7,654)	(4,699)
Futures	(6)	(10)
<i>Total liabilities held at fair value through profit or loss</i>	<b>(64,580)</b>	(11,992)
Net financial assets held at fair value through profit or loss	<b>13,991,384</b>	12,792,442
Non-financial liabilities of other amounts not allocated to unitholders	-	-
	<b>13,991,384</b>	12,792,442

## Notes to the Financial Statements for the year ended 30 June 2024

### 3. Fair value of financial instruments (continued)

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

	Value at quoted market price (level 1) \$000	2024 Valuation technique – market observable inputs (level 2) \$000	Valuation technique – non-market observable inputs (level 3) \$000	Total \$000
<b>Financial assets held at fair value through profit or loss</b>				
Cash and deposits	955,272			955,272
Covered bonds - Fixed		3,471		3,471
Discount securities	114,430	831,897		946,327
Fixed interest bonds	556	2,256,492		2,257,048
Floating rate notes		155,903		155,903
Indexed bonds		857		857
Zero coupon bonds		1,561		1,561
Listed equities	6,262,541			6,262,541
Listed property trusts	353,827			353,827
Listed unit trusts	80,578			80,578
Mortgage backed securities		65,477		65,477
Preference shares redeemable	9,416			9,416
Unlisted equities			120,554	120,554
Unlisted managed investment scheme (MIS)	3,558	31,036	2,738,552	2,773,146
Unlisted partnership			788	788
Forward foreign exchange contracts		68,982		68,982
Futures	216			216
	<b>7,780,394</b>	<b>3,415,676</b>	<b>2,859,894</b>	<b>14,055,964</b>
<b>Financial liabilities held at fair value through profit or loss</b>				
Accrued expense	(20,933)			(20,933)
Cash and deposits	(35,987)			(35,987)
Forward foreign exchange contracts		(7,654)		(7,654)
Futures	(6)			(6)
	<b>(56,926)</b>	<b>(7,654)</b>	<b>-</b>	<b>(64,580)</b>
	<b>7,723,468</b>	<b>3,408,022</b>	<b>2,859,894</b>	<b>13,991,384</b>

## Notes to the Financial Statements for the year ended 30 June 2024

### 3. Fair value of financial instruments (continued)

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

	Value at quoted market price  (level 1) \$000	2023 Valuation technique – market observable inputs (level 2) \$000	Valuation technique – non-market observable inputs (level 3) \$000	Total  \$000
<b>Financial assets held at fair value through profit or loss</b>				
Cash and deposits	912,253	-	-	912,253
Covered bonds - Fixed	-	2,736	-	2,736
Discount securities	-	824,801	-	824,801
Fixed interest bonds	-	1,712,993	-	1,712,993
Floating rate notes	-	42,083	-	42,083
Indexed Bonds	-	599	-	599
Zero coupon bonds	-	873	-	873
Listed equities	5,731,403	-	-	5,731,403
Listed property trusts	360,254	-	-	360,254
Listed unit trusts	71,185	-	-	71,185
Mortgage backed securities	-	58,736	-	58,736
Preference shares redeemable	13,801	-	11,713	25,514
Unlisted equities	-	-	115,588	115,588
Unlisted managed investment scheme (MIS)	-	12,881	2,907,209	2,920,090
Unlisted partnership	-	-	3,099	3,099
Forward foreign exchange contracts	-	21,739	-	21,739
Futures	488	-	-	488
	<b>7,089,384</b>	<b>2,677,441</b>	<b>3,037,609</b>	<b>12,804,434</b>

#### **Financial liabilities held at fair value through profit or loss**

Accrued expense				-
Cash and deposits	(7,283)	-	-	(7,283)
Forward foreign exchange contracts	-	(4,699)	-	(4,699)
Futures	(10)	-	-	(10)
	<b>(7,293)</b>	<b>(4,699)</b>	<b>-</b>	<b>(11,992)</b>
	<b>7,082,091</b>	<b>2,672,742</b>	<b>3,037,609</b>	<b>12,792,442</b>

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 2(k). 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 2024

### 3. Fair value of financial instruments (continued)

#### (b) Transfers between hierarchy levels

The Fund's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

The following table represents the transfers between levels for the year ended 30 June 2024:

At 30 June 2024:	Level 1 \$000	Level 2 \$000	Level 3 \$000
<b>Transfers between levels 1 and 3:</b>			
Listed equities	-		-
	-		-
<b>Transfers between levels 2 and 3:</b>			
Unlisted managed investment		-	-
		-	-
<b>Total transfers</b>	-	-	-

At 30 June 2023:	Level 1 \$000	Level 2 \$000	Level 3 \$000
<b>Transfers between levels 1 and 3:</b>			
Listed equities	-		-
	-		-
<b>Transfers between levels 2 and 3:</b>			
Fixed interest bonds		(371,802)	371,802
		(371,802)	371,802
<b>Total transfers</b>	-	(371,802)	371,802

At 30 June 2023, the transfer from Level 2 to Level 3 of \$371,802 relates to a reclassification of a pooled credit investment after the further review of the underlying assets.

## Notes to the Financial Statements for the year ended 30 June 2024

### 3. Fair value of financial instruments (continued)

#### (b) Transfers between hierarchy levels (continued)

##### 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 Fund 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 Fund's assets custodian, JP Morgan Chase Bank NA (Sydney branch) (JPM), obtains these prices from two independent pricing sources, Refinitiv and Interactive Data. To the extent that the significant inputs are observable, the Fund categorise these investments as Level 2 financial instruments.

##### 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 Fund 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 Fund values these investments by using the prices supplied by fund managers or independent valuer directly to the custodian. Depending on whether the significant inputs to calculate the prices are market observable, the Fund classifies these investments as either Level 2 or Level 3 financial instruments.

##### Unlisted managed investment schemes

The Fund 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 Fund 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 Fund classifies these investments as either Level 2 or Level 3 financial instruments.

##### Listed investment companies

The Fund 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 Fund values this investment using the price which is supplied by the fund manager. This investment is classified as a Level 2 financial instrument.

## Notes to the Financial Statements for the year ended 30 June 2024

### 3. 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.

	2024 \$000	2023 \$000
Opening balance	3,037,609	2,406,856
Realised/unrealised gains/(losses)*	(41,534)	101,458
Purchases/applications	(133,287)	369,859
Sales/redemptions	(121,177)	(212,366)
Accrued interests	118,283	-
Adjustments	-	-
Transfers into Level 3	-	371,802
Transfers out of Level 3	-	-
	<hr/>	<hr/>
Closing balance	2,859,894	3,037,609
* Includes unrealised gains or (losses) recognised in profit or loss attributable to balances held at the end of the reporting period	(32,212)	95,894

##### Valuation inputs and relationships to fair value

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.

## Notes to the Financial Statements for the year ended 30 June 2024

### 3. Fair value of financial instruments (continued)

#### (b) Transfers between hierarchy levels (continued)

##### Valuation inputs and relationships to fair value (continued)

The following table summarises the quantitative information about the significant unobservable inputs used by the Trustee in Level 3 fair value measurements.

#### 2024

<i>Description</i>	<i>Fair value at 30 June \$000</i>	<i>Unobservable inputs</i>	<i>Relationship of unobservable inputs to fair value \$000</i>
Preference shares redeemable	-	Share price	Higher/(lower) sale price (+/- 10%) would increase/(decrease) fair value by \$0
Unlisted equities	120,554	Share price	Higher/(lower) sale price (+/- 10%) would increase/(decrease) fair value by \$12,055
Unlisted managed investment scheme	2,738,552	Unit price	Higher/(lower) redemption price (+/- 10%) would increase/(decrease) fair value by \$273,855
Unlisted partnership	788	Value of partnership interest	Higher/(lower) value of partnership interest (+/- 10%) would increase/(decrease) fair value by \$79

#### 2023

<i>Description</i>	<i>Fair value at 30 June \$000</i>	<i>Unobservable inputs</i>	<i>Relationship of unobservable inputs to fair value \$000</i>
Preference shares redeemable	11,713	Share price	Higher/(lower) sale price (+/- 10%) would increase/(decrease) fair value by \$1,171
Unlisted equities	115,588	Share price	Higher/(lower) sale price (+/- 10%) would increase/(decrease) fair value by \$11,559
Unlisted managed investment scheme	2,907,209	Unit price	Higher/(lower) redemption price (+/- 10%) would increase/(decrease) fair value by \$290,721
Unlisted partnership	3,099	Value of partnership interest	Higher/(lower) value of partnership interest (+/- 10%) would increase/(decrease) fair value by \$310

The total impact of the above on the net assets of the Fund and the result for the year would be higher or lower by \$285,990 million (2023: \$303,761 million). If the impact of the alternative assumptions caused 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 \$142,995 million (2023: \$151,880 million).

## Notes to the Financial Statements for the year ended 30 June 2024

### 4. 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:

2024	Account-based plans \$000	Defined benefit plans \$000	Total \$000
Defined contribution member liabilities	11,224,368		11,224,368
Defined benefit member liabilities		2,052,930	2,052,930
Defined benefits that are over or (under) funded		172,398	172,398
Amounts not yet allocated	4150		4,150
<b>Assets attributable to each section</b>	<b>11,228,518</b>	<b>2,225,328</b>	<b>13,453,846</b>

2023	Account-based plans \$000	Defined benefit plans \$000	Total \$000
Defined contribution member liabilities	10,285,497		10,285,497
Defined benefit member liabilities		2,101,742	2,101,742
Defined benefits that are over or (under) funded		157,115	157,115
Amounts not yet allocated	13		13
<b>Assets attributable to each section</b>	<b>10,285,510</b>	<b>2,258,857</b>	<b>12,544,367</b>

### 5. 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 2024.

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.

	2024 \$000	2023 \$000
Ongoing service	886	298
Past service - 2010	-	-
Past service - 2011	13	18
<b>Total contributions receivable</b>	<b>899</b>	<b>316</b>

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 2024

### 6. 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 2024, contribution receipts of \$13,000 (2023: \$13,000) 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.

### 7. 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 2024. The most recent comprehensive actuarial review was conducted as at 30 June 2024 for the LASF Defined Benefit (LASF DB) sub-plan and 30 June 2023 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 the 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.

Travis Dickinson of Willis Towers Watson has been engaged as the Fund Actuary to conduct the annual actuarial review as at 30 June 2024 for LASF DB. This review has been completed for LASF DB and is available on the Fund's website. Copies of triennial Actuarial Reports as at 30 June 2023 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:

	<b>As at 30 June 2024 (final) \$m</b>	As at 30 June 2023 (final) \$m
Accrued Benefits for		
LASF DB	<b>1,998,758</b>	2,038,590
CoM	<b>37,565</b>	39,502
Parks Victoria	<b>16,607</b>	23,650
	<b>2,052,930</b>	2,101,742

## Notes to the Financial Statements for the year ended 30 June 2024

### 7. Defined benefit member liabilities (accrued benefits) (continued)

#### (a) Significant estimates

The Fund has identified three financial 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:

	LASF DB	2024 CoM	Parks Victoria
Net investment return	5.6%	3.3%	4.3%
Salary inflation	3.50%	2.50% pa to 30 June 2025 and 3.5% pa thereafter	4.62% pa to 30 June 2025, 5.62% pa to 30 June 2026, and 3.5% pa thereafter
Price inflation	2.7%	2.7%	2.7%
	LASF	2023 CoM	Parks Victoria
Net investment return	5.7%	3.0%	3.8%
Salary inflation	3.50%	3.50%	3.84% p.a. to 30 June 2025, 5.35% p.a. to 30 June 2026 and 3.5% p.a. thereafter
Price inflation	2.8%	2.8%	2.8%

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)<sup>2</sup> 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 financial 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.

<sup>2</sup> The VBI is a measure of the capacity of a defined benefit plan to pay out all its defined benefit members' benefits from the defined benefit plan's current assets in the event the defined benefit members were all to leave the defined benefit plan at the same time.

## Notes to the Financial Statements for the year ended 30 June 2024

### 7. Defined benefit member liabilities (accrued benefits) (continued)

#### (a) Significant estimates (continued)

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

The other variables about which assumptions have been made in measuring defined benefit member liabilities include pension indexation rates, mortality rates and resignations.

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

Assumptions	Assumed at 30 June 2024	Reasonable possible changes	Amount of increase/(decrease) in defined benefit member liabilities \$000
<b>LASF DB</b>			
Investment return	<b>5.6%</b> (2023: 5.7%)	<b>1% / -1%</b> (2023: +1% / -1%)	<b>(126,963)/147,975</b> (2023: (130,097) / 151,995)
Salary adjustment rate	<b>3.50%</b> (2023: 3.50%)	<b>1% / -1%</b> (2023: +1% / -1%)	<b>25,424/(24,100)</b> (2023: 34,402 / (32,389))
Price inflation	<b>2.7%</b> (2023: 2.8%)	<b>1% / -1%</b> (2023: +1% / -1%)	<b>120,336/(103,657)</b> (2023: 118,825 / (101,848))
<b>CoM</b>			
Investment return	<b>3.3%</b> (2023: 3.0%)	<b>1% / -1%</b> (2023: +1% / -1%)	<b>(991)/1,063</b> (2023: (1,342) / 1,458)
Salary adjustment rate	<b>2.50% pa to 30 June 2025 and 3.5% pa thereafter</b> (2023: 3.50%)	<b>1% / -1%</b> (2023: +1% / -1%)	<b>1,043/(990)</b> (2023: 1,428 / (1,342))
Price inflation	<b>2.7%</b> (2023: 2.8%)	<b>1% / -1%</b> (2023: +1% / -1%)	<b>8/(7)</b> (2023: 3 / (2))
<b>Parks Victoria</b>			
Investment return	<b>4.3%</b> (2023: 3.8%)	<b>1% / -1%</b> (2023: +1% / -1%)	<b>(458)/490</b> (2023: (919) / 1,021)
Salary adjustment rate	<b>4.62% pa to 30 June 2025, 5.62% pa to 30 June 2026, and 3.5% pa thereafter</b> (2023: 3.84% p.a. to 30 June 2025, 5.35% p.a. to 30 June 2026 and 3.5% p.a. thereafter )	<b>1% / -1%</b> (2023: +1% / -1%)	<b>482/(460)</b> (2023: 803 / (950))
Price inflation	<b>2.7%</b> (2023: 2.8%)	<b>1% / -1%</b> (2023: +1% / -1%)	<b>-/(-)</b> (2023: 217 / (175))

At balance date, 100% of the defined benefit member liabilities have vested (2023: 100%).

## Notes to the Financial Statements for the year ended 30 June 2024

### 8. 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 indexation 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 2024.

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

	<i>Ref</i>	<b>2024</b> <b>\$000</b>	2023 \$000
LASF DB	<b>A</b>	<b>156,688</b>	141,897
CoM	<b>B</b>	<b>12,725</b>	12,163
Parks Victoria	<b>C</b>	<b>2,985</b>	3,055
		<b>172,398</b>	157,115

#### **Ref A**

LASF DB continues to remain in surplus. It is intended that the employer-sponsors will continue to make contributions based on the current funding arrangements which is consistent with the rates recommended by the Fund Actuary.

#### **Ref B**

CoM continues to remain in surplus. It is intended that the employer-sponsors will continue to make contributions based on the current funding arrangements which is consistent with the rates recommended by the Fund Actuary.

#### **Ref C**

Parks Victoria continues to remain in surplus. It is intended that the employer-sponsor will continue to make contributions based on the current funding arrangements which is consistent with the rates recommended by the Fund Actuary.

### 9. Funding arrangements

The employers have contributed to the Fund during the financial year at a rate of at least 11.0% (2023: 10.5%) 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 triennial actuarial investigation was conducted as at 30 June 2023 which was completed on 6 September 2023, 9 November 2023 and 12 October 2023 for LASF DB, CoM and Parks Victoria respectively. An annual review is conducted each intervening year to satisfy the AASB 1056 reporting requirements.

Following the completion of the triennial 30 June 2023 actuarial review of each sub-plan, the Fund Actuary did not recommend 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 2024

### 9. Funding arrangements (continued)

Following the completion of the 30 June 2024 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 \$0.013 million remains as contributions receivable as at 30 June 2024 (2023: \$0.018 million). During the 2024 year, the employers of the Defined Benefit plan have paid \$6,117 (2023: \$1,123,755) of the total amount invoiced. The total payments received to 30 June 2024 represents almost 100% (2023: almost 100%) of the 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 \$0.013 million at 30 June 2024 (2023: \$0.018 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 11.

Employees are also able to make voluntary contributions.

### 10. Guaranteed benefits

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

### 11. 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.

	2024 \$000	2023 \$000
Defined benefit plans	2,101,560	2,158,181
Accumulation plans (excluding amounts not yet allocated)	11,224,368	10,285,497
Total vested benefits	<u>13,325,928</u>	<u>12,443,678</u>
As compared to net assets available to pay benefits	<u>13,449,696</u>	<u>12,544,354</u>

## Notes to the Financial Statements for the year ended 30 June 2024

### 11. Vested benefits (continued)

Key results as at 30 June 2024, as estimated by the actuary, on the defined benefit sub-plans are as follows. The Discounted Accrued Benefits Index (DABI) and Minimum Requisite Benefits Index (MRBI) (Solvency basis) are calculated as part of each actuarial review.

Sub-plan <sup>^</sup>	Results <sup>3</sup>	30 June 2024	30 June 2023
LASF DB	VBI	105.4%	104.1%
	DABI	107.9%	107.1%
	MRBI	175.1%	170.3%
CoM	VBI	146.1%	146.8%
	DABI	n/a <sup>^</sup>	142.4%
	MRBI	n/a <sup>^</sup>	193.5%
Parks Victoria	VBI	115.9%	112.4%
	DABI	n/a <sup>^</sup>	112.9%
	MRBI	n/a <sup>^</sup>	163.3%

<sup>^</sup> The next triennial actuarial review for these plans is scheduled to be at 30 June 2026.

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 2024	30 June 2023	30 June 2024	30 June 2023	30 June 2024	30 June 2023
Net investment return	5.6%	5.7%	3.3%	3.0%	4.3%	3.8%
Salary inflation	3.50%	3.50%	2.50% pa to 30 June 2025 and 3.5% pa thereafter	3.50%	4.62% pa to 30 June 2025, 5.62% pa to 30 June 2026, and 3.5% pa thereafter	3.84% p.a. to 30 June 2025, 5.35% p.a. to 30 June 2026 and 3.5% p.a. thereafter
Price inflation	2.7%	2.8%	2.7%	2.8%	2.7%	2.8%

#### (a) LASF DB

An actuarial investigation of LASF DB as at 30 June 2024 was completed on 29 August 2024. This investigation concluded that LASF DB was in a satisfactory financial position as at 30 June 2024 as defined in Superannuation Prudential Standard 160 (SPS160). The last triennial actuarial investigation of LASF DB has been carried out as at 30 June 2023 and was completed on 6 September 2023. A total service liability actuarial surplus of \$141.4 million was calculated in the 2024 investigation (2023: \$123.6 million).

<sup>3</sup> The **VBI** is a measure of the capacity of a defined benefit plan to pay out all its defined benefit members' benefits from the defined benefit plan's current assets in the event the defined benefit members were all to leave the defined benefit plan at the same time.

The **DABI** is a measure of the capacity of a defined benefit plan to pay out its defined benefit members' benefits from the defined benefit plan's assets assuming that the defined benefit members leave the plan as expected based on their service date. For these purposes, the defined benefit members' accrued benefits are discounted between the date of the actuarial review and the expected payment date.

The **MRBI** is a measure of the capacity of a defined benefit plan to pay out the minimum benefits required to its defined benefit members' benefits from the defined benefit plan's assets. The minimum benefits is equal to the amount that needs to be paid for the employer-sponsor(s) of that plan to satisfy their superannuation guarantee (SG) obligations.

## Notes to the Financial Statements for the year ended 30 June 2024

### 11. Vested benefits (continued)

#### (a) LASF DB (continued)

The 30 June 2024 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 \$3 million (2023: \$5 million) which is included in the Insurance Reserves (refer to Note 23). The Trustee agreed the following funding plan that was recommended by the Fund's Actuary as part of the 30 June 2024 investigation. Under the plan, the Employers pay:

- Contributions equal to 11.5% of members' salaries, increasing with increases in the Superannuation Guarantee
- 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 2026.

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 2024 for AASB 1056 purposes. The last full actuarial investigation of CoM was as at 30 June 2023. This 2023 investigation concluded that CoM was in a satisfactory financial position as at 30 June 2023 as defined in SPS160. A total service liability actuarial surplus of \$7.2 million was identified by the 2023 investigation (2020 investigation: \$9.2 million). The Trustee agreed the following funding plan that was recommended by the Fund's Actuary as part of the 30 June 2023 investigation. Under the plan, City of Melbourne pays:

- A contribution rate of 0% for Division D members
- If the VBI is below 100%, top-up amounts for existing members equal to the amount increased for contribution tax: Benefits Payment less (Vested Benefit x VBI). Top up payments are to be calculated and invoiced quarterly in arrears, and
- Any additional contributions that may be required in future under SPS 160.

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

The next full triennial actuarial investigation of CoM's accrued benefits liability will be at 30 June 2026.

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 was carried out as at 30 June 2024 for AASB 1056 purposes. The last full actuarial investigation of Parks Victoria was as at 30 June 2023. The 2023 investigation concluded that the Parks Victoria sub-plan was in a satisfactory financial position as at 30 June 2023 as defined in SPS160. A total service liability actuarial surplus of \$1.2 million was identified by the 2023 investigation (2020 investigation: \$1.7 million).

## Notes to the Financial Statements for the year ended 30 June 2024

### 11. 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 2023 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 equal to the amount increased for contribution tax: Benefits Payment less (Vested Benefit x VBI). Top up payments are to be calculated and invoiced quarterly in arrears. Top-up payments are required from all retrenchments (VBI capped at 100%), but for other exits only when the VBI is below 100%. 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.

The next full triennial actuarial investigation of the Parks Victoria sub-plan's accrued benefits liability will be at 30 June 2026.

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 2024 – 11.0% (2023: 10.5%). This rate increases to 11.5% for the 2024/25 year and will 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:

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

From 26 July 2024, the relevant shortfall limit for LASF DB is 98% (previously 97%). The relevant shortfall limit for CoM is 100% and Parks is 99% from 19 February 2021.

### 12. Net changes in value of assets measured at fair value

	2024 \$000	2023 \$000
<b>Investments held at balance date</b>		
Realised gains/(losses)	82,767	6,732
Unrealised gains/(losses)	645,381	832,380
<b>Total net changes in value of assets measured at fair value</b>	<b>728,148</b>	<b>839,112</b>

## Notes to the Financial Statements for the year ended 30 June 2024

### 13. 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 \$138,834,000 (2023: \$181,062,000) 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 2024, there was an overall decrease in the defined benefit member liabilities of \$48.812m (2023: \$5.45m decrease). The decrease occurred as a result of the actual benefits paid during the year exceeding the growth in the accrued benefit liabilities for the remaining members.

Changes in financial assumption (refer to Note 8) have also decreased the defined benefit member liabilities.

### 14. Other receivables and prepayments

	<b>2024</b>	2023
	<b>\$000</b>	\$000
GST receivable	<b>267</b>	370
Prepayments	<b>328</b>	279
Other	<b>10</b>	10
	<b>605</b>	659

### 15. Other payables

	<b>2024</b>	2023
	<b>\$000</b>	\$000
Accrued expenses	<b>12,653</b>	13,231
Accrued expenses transferred from VPST	<b>404</b>	404
	<b>13,057</b>	13,635

## Notes to the Financial Statements for the year ended 30 June 2024

<b>16. General administration expenses</b>	<b>2024</b>	<b>2023</b>
	<b>\$000</b>	<b>\$000</b>
Annual lodgement fee – APRA	1,203	886
Banking Charges	57	49
External audit fees	188	121
Trustee services fees	33,488	28,038
Other administration fees	508	702
	<u>35,444</u>	<u>29,796</u>

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

<b>17. Investment related expenses</b>	<b>2024</b>	<b>2023</b>
	<b>\$000</b>	<b>\$000</b>
Investment manager fees	15,755	14,458
Custodian fees	1,561	1,813
Other investment fees and costs	14,550	11,329
Trustee services fees	4,609	4,546
Other investment operating expenses	2,042	1,922
	<u>38,517</u>	<u>34,068</u>

### 18. Auditor's remuneration

	<b>2024</b>	<b>2023</b>
	<b>\$</b>	<b>\$</b>
Amounts received or due and receivable by BDO Australia for:		
Audit of the financial statements and compliance of the entity	<u>188,462</u>	<u>121,721</u>
Total services provided by BDO Australia	<u>188,462</u>	<u>121,721</u>

### 19. Income tax

	<b>2024</b>	<b>2023</b>
	<b>\$000</b>	<b>\$000</b>
<b>Tax expense comprises:</b>		
Current tax expense	27,404	(15,564)
Adjustment relating to prior years	6	(5,777)
	<u>27,410</u>	<u>(21,341)</u>
<b>Deferred tax expense</b>		
Deferred tax expense relating to the origination and reversal of temporary differences	25,950	79,708
	<u>25,950</u>	<u>79,708</u>
Total tax expense	<u>53,360</u>	<u>58,367</u>

## Notes to the Financial Statements for the year ended 30 June 2024

### 19. Income tax (continued)

	2024 \$000	2023 \$000
<b>Reconciliation</b>		
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	1,071,402	1,142,142
Current tax expense calculated at 15%	160,710	171,322
Add(less) permanent differences – items not assessable or deductible		
Non-deductible expenses		-
Other non-assessable income	(38,448)	(31,376)
Franking credits received/receivable	5,066	5,617
Foreign tax credits	1,558	1,864
Pension exemption	(78,067)	(46,451)
Other	41,532	640
Imputation and foreign tax credits offset	(38,997)	(37,472)
Adjustments for current tax of prior periods	6	(5,777)
	<b>53,360</b>	<b>58,367</b>

### Deferred tax assets and liabilities

#### Deferred tax assets

Deferred tax assets comprise of:

Unrealised taxable capital losses	57,501	41,578
Unrealised fixed interest losses	14,762	9,296
Unrealised FX forward contract losses	-	-
Accrued expenses	624	629
Other	3,406	1,166
	<b>76,293</b>	<b>52,669</b>

#### Deferred tax liabilities

Deferred tax liabilities comprise of:

Unrealised taxable capital gains	(216,171)	(172,524)
Unrealised fixed interest gains	-	-
Unrealised FX forward contract gains	(6,738)	(2,038)
Contributions receivable	(99)	(36)
Other	(2,343)	(1,179)
	<b>(225,351)</b>	<b>(175,777)</b>



## Notes to the Financial Statements for the year ended 30 June 2024

### 20. 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:

	2024	2023
	\$000	\$000
Cash and cash equivalents	<b>105,534</b>	102,189
<hr/>		
<b>(a) Reconciliation of profit/(loss) after income tax to net cash inflow/(outflow) from operating activities</b>		
Operating result after tax	<b>353,777</b>	61,668
Adjustments for:		
Net changes of fair value of financial instruments	<b>(728,148)</b>	(839,112)
Net benefits allocated to defined contribution members	<b>826,360</b>	918,342
Net change in defined benefit member benefits	<b>(138,834)</b>	181,062
Change in operating assets and liabilities		
(Increase)/decrease in receivables	<b>54</b>	(9)
Increase/(decrease) in payables	<b>(578)</b>	(3,143)
Increase/(decrease) in tax temporary differences included in the income statements	<b>30,213</b>	(17,313)
Death and disability proceeds received from insurer and allocated to members	<b>13,528</b>	10,180
Insurance premiums paid	<b>(22,465)</b>	(22,760)
Income tax (paid)/refund	<b>(13,956)</b>	3,130
Other amounts	<b>(194)</b>	(144)
	<hr/>	
Net cash inflow/(outflow) from operating activities	<b>319,757</b>	291,901
<hr/>		

### **(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 2024

### 21. 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.

### 22. Related parties

#### (a) Trustee and key management personnel

The Trustee of the Fund is Vision Super Pty Ltd. The Trustee company had eight Directors as at 30 June 2024. The persons who were Directors of the trustee during the year and up to the date of signing this report are:

#### Member Directors:

Casey Nunn (Deputy Chair)  
Peter Gebert  
Diane Smith  
Natasha Wark (appointed 7 August 2024)  
Lisa Darmanin (resigned 10 May 2024)

#### Employer Directors:

Graham Sherry (Chair)  
Kerry Thompson  
Vijaya (VJ) Vaidyanath  
Stephen Brown

#### Independent Director:

Joanne Dawson

Each Director attended Board meetings and Board Committees during the year as a member of the Board or relevant Committee. Thirteen (13) board meeting were held during the year and the attendance was as follows:

Name	Board Meetings	
	Attended	Eligible to attend
Graham Sherry	13	13
Casey Nunn	13	13
Joanne Dawson	12	13
Peter Gebert	13	13
Diane Smith	13	13
Kerry Thompson	12	13
Vijaya (VJ) Vaidyanath	11	13
Stephen Brown	13	13
Lisa Darmanin	12	12
Natasha Wark	-	-

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 Board determined that the Chief Executive Officer, Chief Financial Officer, Chief Investment Officer and the Chief Risk Officer were Key Management Personnel (KMP) for the purposes of these financial statements. For the purposes of the financial statements for the year ended 30 June 2023, the General Manager Operations and Transitions, General Manager Strategy and Growth and Head of Human Resources were also considered to be KMP.

## Notes to the Financial Statements for the year ended 30 June 2024

### 22. Related parties (continued)

#### (b) Key management personnel and executives' compensation

The KMP's compensation based on the Australian accounting standards is presented below for year 2024. Total compensation received, or due and receivable based on these standards, by key management personnel amounted to \$3,135,945 (2023: \$4,178,763).

	2024	2023
	\$	\$
Short-term employee benefits	2,863,384	3,799,524
Other long-term benefits	82,995	118,270
Post-employment benefits	189,566	260,969
	<b>3,135,945</b>	<b>4,178,763</b>

The KMP's actual compensation (excluding non-monetary benefits) received is presented below for year 2024. Total actual compensation received, or due and receivable, by key management personnel amounted to \$2,983,631 (2023: \$3,866,882).

	2024	2023
	\$	\$
Short-term employee benefits	2,794,065	3,605,913
Other long-term benefits	-	-
Post-employment benefits	189,566	260,969
	<b>2,983,631</b>	<b>3,866,882</b>

Non-monetary benefits provided during the year was \$13,266 (2023: \$15,885).

No director fees were paid to Lisa Darmanin while she was Chair up to the date of her resignation on 10 May 2024. Service fees were paid directly to the director's nominating body (the Australia Services Union Victorian and Tasmanian Authorities and Services Branch (the ASU)) in accordance with the Company's service agreement with the ASU.

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.

	2024	2023
	\$	\$
Roll ins from KMP to LASF	-	-
Benefits paid to KMP by LASF	170,000	-
Vested benefits of KMP as members of LASF	7,724,565	7,929,729

## Notes to the Financial Statements for the year ended 30 June 2024

### 22. 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.

	<b>2024</b>	2023
	<b>\$000</b>	\$000
Trustee services fees paid/payable for the year	<b>38,097</b>	<b>32,583</b>
Trustee services fees payable at the end of the year	<b>2,784</b>	<b>3,879</b>

##### (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. PSPL has been wound up and was deregistered on 24 July 2024.

### 23. 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 \$22.5m (2023: \$21.2m).

The self-insurance reserve was reviewed as part of the 30 June 2023 investigation and the Fund Actuary recommended that this reserve be reduced to \$3m. The Fund Actuary reviews this self-insurance reserve each year and confirms the balance in his annual report to the Fund. The annual report for the year ended 30 June 2024 was completed on 29 August 2024. In this report, the Fund Actuary has recommended that this reserve be maintained at \$3 million.

## Notes to the Financial Statements for the year ended 30 June 2024

### 24. Risk management

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 Fund 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 Trustee 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 (IGF). The IGF sets out the Trustee's investment beliefs and the policies, procedures, standards, resources and governance measures relevant to the management of the Fund's investments. 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 2024

### 24. 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 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 2024

### 24. Risk management (continued)

#### (b) Credit risk (continued)

2024

	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	397,303	65,330	-	-	-	436,509	899,142
Covered bonds - fixed	2,773	698	-	-	-	-	3,471
Covered bonds - FRN	-	-	-	-	-	-	-
Discount securities	278,003	618,828	-	-	-	-	896,831
Fixed interest bonds	1,801,723	288,980	165,399	-	389	556	2,257,047
Floating rate notes	125,881	27,286	2,737	-	-	-	155,904
Indexed bonds	857	-	-	-	-	-	857
Mortgage backed securities	16,462	-	-	-	-	49,015	65,477
Zero coupon bonds	1,561	-	-	-	-	-	1,561
<b>Total</b>	<b>2,624,563</b>	<b>1,001,122</b>	<b>168,136</b>	<b>-</b>	<b>389</b>	<b>486,080</b>	<b>4,280,290</b>

\* Instruments are either not rated or ratings are not available at JPM

2023

	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	-	-	-	-	-	904,969	904,969
Covered bonds - Fixed	-	-	-	-	-	-	-
Covered bonds - FRN	1,499	196	-	-	-	1,042	2,737
Discount securities	-	-	-	-	824,801	-	824,801
Fixed interest bonds	718,999	15,157	91,017	-	-	887,819	1,712,992
Floating rate notes	20,068	19,599	1,235	-	-	1,180	42,082
Indexed bonds	599	-	-	-	-	-	599
Mortgage backed securities	-	-	-	212	-	58,524	58,736
Zero coupon bonds	-	-	-	-	-	873	873
<b>Total</b>	<b>741,165</b>	<b>34,952</b>	<b>92,252</b>	<b>212</b>	<b>824,801</b>	<b>1,854,407</b>	<b>3,547,789</b>

\* Instruments are either not rated or ratings are not available at NAB Asset Servicing.

#### Risk concentration of credit risk exposure

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

## Notes to the Financial Statements for the year ended 30 June 2024

### 24. Risk management (continued)

#### (b) Credit risk (continued)

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

	2024 \$000	2023 \$000
Australia	8,471,480	10,545,422
North America	3,306,272	1,279,890
Europe	1,050,716	480,074
Asia	534,514	265,930
Others	470,899	239,355
<b>Total</b>	<b>13,833,881</b>	<b>12,810,671</b>

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

	2024 \$000	2023 \$000
Financials	5,256,238	1,194,955
Materials	657,963	707,227
Industrials	549,448	493,270
Energy	229,766	188,138
Consumer discretionary	778,063	734,879
Consumer staples	366,324	349,016
Information technology	954,470	842,483
Health care	809,192	718,132
Telecommunication	472,087	424,568
Utilities	76,668	66,612
Real estate	424,401	458,163
<b>Total</b>	<b>10,574,620</b>	<b>6,177,443</b>

The above table does not include investments in unlisted trusts or pooled funds. The total investment in unlisted trusts or pooled funds is \$2.782b (2023: \$3.039b).

#### *Scrip lending*

As at 30 June 2024, the Fund did not have any scrip lending arrangements in place.

As at 30 June 2023, the Fund had entered into scrip lending arrangements under which legal title to certain assets of the Fund were transferred to another entity (National Australia Bank), notwithstanding the fact that the risks and benefits of ownership of the assets remained with the Fund.

The assets transferred to the other entity under these scrip lending arrangements included Australian and international equities and bonds that were held discretely by the Fund's custodian at that time (NAB Asset Servicing (NAS)). The risks and rewards of ownership to which the Fund remained exposed were 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 \$0 million (2023: \$6,214.6 million). The carrying amount of assets on loan at balance date was \$0 million (2023: \$607.9million).

## Notes to the Financial Statements for the year ended 30 June 2024

### 24. 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 \$0 million (2023: \$629 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 2024

### 24. Risk management (continued)

#### (c) Liquidity risk (continued)

As at 30 June 2024	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)
<b>Financial liabilities</b>							
Benefits payable	33,360	-	-	-	-	-	33,360
Other payables	13,057	-	-	-	-	-	13,057
Outstanding settlements payable	343,951	-	-	-	-	-	343,951
Deferred tax liabilities	225,351	-	-	-	-	-	225,351
Vested benefits	13,325,928	-	-	-	-	-	13,325,928
<b>Total undiscounted financial liabilities</b>	<b>13,941,647</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>13,941,647</b>
<b>Gross settled derivatives</b>							
<b>Options</b>							
Gross cash inflow	-	-	-	-	-	-	-
Gross cash outflow	-	-	-	-	-	-	-
<b>Futures</b>							
Gross cash inflow	-	216	-	-	-	-	216
Gross cash outflow	-	(6)	-	-	-	-	(6)
<b>Forward foreign currency contracts</b>							
Gross cash inflow	31,531	33,924	3,526	-	-	-	68,981
Gross cash outflow	(5,939)	(1,713)	(2)	-	-	-	(7,654)
<b>Total undiscounted gross settled derivatives inflow / (outflow)</b>	<b>25,592</b>	<b>32,421</b>	<b>3,524</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>61,537</b>

## Notes to the Financial Statements for the year ended 30 June 2024

### 24. Risk management (continued)

#### (c) Liquidity risk (continued)

As at 30 June 2023	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)
<b>Financial liabilities</b>							
Benefits payable	35,404	-	-	-	-	-	35,404
Other payables	13,635	-	-	-	-	-	13,635
Outstanding settlements payable	44,024	-	-	-	-	-	44,024
Deferred tax liabilities	175,777	-	-	-	-	-	175,777
Vested benefits	12,443,678	-	-	-	-	-	12,443,678
<b>Total undiscounted financial liabilities</b>	<b>12,712,518</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>12,712,518</b>
<b>Gross settled derivatives</b>							
<b>Options</b>							
Gross cash inflow	-	-	-	-	-	-	-
Gross cash outflow	-	-	-	-	-	-	-
<b>Futures</b>							
Gross cash inflow	-	488	-	-	-	-	488
Gross cash outflow	-	(10)	-	-	-	-	(10)
<b>Forward foreign currency contracts</b>							
Gross cash inflow	2,105,697	2,465,391	353,443	-	-	-	4,924,531
Gross cash outflow	(2,105,883)	(2,455,071)	(346,536)	-	-	-	(4,907,490)
<b>Total undiscounted gross settled derivatives inflow / (outflow)</b>	<b>(186)</b>	<b>10,798</b>	<b>6,907</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>17,519</b>

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.

## Notes to the Financial Statements for the year ended 30 June 2024

### 24. 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 100 basis points movement in interest rates is considered reasonably possible for cash at bank and discount securities for the 2024 reporting period. A 100 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:

2024

Asset class sector	Change in basis points	Sensitivity of interest income and changes in net assets
	Increase/decrease	Increase/decrease \$'000
Cash bank account – heritage LASF	+/-100	(-)/-
Cash bank account – heritage VPST	+/-100	(-)/-
Discount securities	+/-100	(9,463)/9,463
Fixed interest securities	+/-100	(22,570)/22,570
Floating rate notes	+/-100	(1,559)/1,559
Convertible notes	+/-100	(-)/-
Mortgage-backed securities	+/-100	(655)/655
Futures	+/-100	(2)/2
Zero coupon bonds	+/-100	(16)/16

## Notes to the Financial Statements for the year ended 30 June 2024

### 24. Risk management (continued)

#### (d) Market risk (continued)

#### (i) Interest rate risk (continued)

2023

Asset class sector	Change in basis points	Sensitivity of interest income and changes in net assets
	Increase/decrease	Increase/decrease \$000
Cash bank account – heritage LASF	+/-100	(-)/-
Cash bank account – heritage VPST	+/-100	(-)/-
Discount securities	+/-100	(1,160)/1,160
Fixed interest securities	+/-100	(115,338)/115,492
Floating rate notes	+/-100	(102)/102
Convertible notes	+/-100	(-)/-
Mortgage-backed securities	+/-100	(6)/25
Futures	+/-100	(-)/-
Zero coupon bonds	+/-100	(22)/22

#### (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 2024 reporting period.

USD	<b>+/-10%</b>
British Pounds	<b>+/-10%</b>
Euro	<b>+/-10%</b>
Japanese Yen	<b>+/-10%</b>

The percentage strengthening/weakening of the AUD against the following basket of foreign currencies as at 30 June 2024 would have increase/(decreased) the changes of the year in net assets available to

## Notes to the Financial Statements for the year ended 30 June 2024

### 24. 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	2024		2023	
	Change in Currency rate %	Effect on changes in net assets \$000	Change in currency rate%	Effect on changes in net assets \$000
USD	+/-10	(300,570)/367,364	+/-10	(114,058)/139,404
Euro	+/-10	(66,792)/81,634	+/-10	(26,924)/32,907
Japanese Yen	+/-10	(19,577)/23,926	+/-10	(8,360)/10,218
British pounds	+/-10	19,784)/24,181	+/-10	(6,066)/7,414

#### (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 20% movement in equity price is considered reasonably possible for the 2024 reporting period (2023: 20%). 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 2023. The 20% 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	2024		2023	
	Change in equity price %	Effect on changes in net assets \$000	Change in equity price %	Effect on changes in net assets \$000
Listed equities	+/-20	1,252,508/(1,252,508)	+/-20	1,146,281/ (1,146,281)
Listed property trusts	+/-20	70,765/(70,765)	+/-20	72,050/(72,051)
Listed units trust	+/-20	16,116/(16,116)	+/-20	14,237/(14,237)
Preference shares	+/-20	1,883/(1,883)	+/-20	5,103/(5,103)
Unlisted equities	+/-20	24,111/(24,111)	+/-20	23,118/(23,118)
Unlisted MIS	+/-20	554,629/(554,629)	+/-20	584,018/(584,018)
Others	+/-20	7,793/(7,793)	+/-20	10,873/(10,873)

## Notes to the Financial Statements for the year ended 30 June 2024

### 24. Risk management (continued)

#### (d) Market risk (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.

##### (A) Climate change risk

Climate change impacts can be measured as an economic cost. However, it is difficult to estimate the impacts due to:

- Knowledge gaps and the uncertainty in the various climate models
- The vulnerability of various markets to the impacts of climate change
- The ability of the human and the natural worlds to adapt to climate change, and
- The ability to predict the likely socioeconomic trends which could be either negative or positive.

From a financial perspective, the Trustee has considered the two types of climate-related risks being:

- Transition risks – those related to the transition to a lower-carbon economy which could entail policy, legal, technology and market changes, and
- Physical risks – those related to the physical impacts of climate change, such as extreme weather events, chronic heat waves, sea-level rise, erosion, and biodiversity loss.

The effects of climate change may impact different regions of the world in different ways. Regional effects of climate change may vary in nature. Some may result from a generalised global change, such as rising temperature, resulting in local effects, such as melting ice. Others may result from more specific changes to ocean currents and/or weather systems in which case the regional impact may not follow global trends.

##### ***Regional risks***

It is expected that climate change will result in sea-level rise, coastal erosion, saltwater intrusion, and flooding. At the same time, it is also expected that climate change will result in extreme weather events including more frequent and intense drought, storms and heat waves.

## Notes to the Financial Statements for the year ended 30 June 2024

### 24. Risk management (continued)

#### (d) Market risk (continued)

##### (iv) Climate-related and other emerging risks (continued)

The Fund has invested over \$50 million in the following countries which are rated as medium or high risk in relation to the impact of climate change:

	<b>Climate Change Risk Rating*</b>	<b>2024 \$000</b>	<b>2023 \$000</b>
China	<b>Medium</b>	<b>254,605</b>	125,763
India	<b>High</b>	<b>108,217</b>	95,673
Taiwan	<b>High</b>	<b>100,565</b>	69,819
Italy	<b>Medium</b>	<b>88,222</b>	61,733
Brazil	<b>High</b>	<b>68,801</b>	49,457
Spain	<b>Medium</b>	<b>60,879</b>	41,788

\* Using the methodology and definitions of Institutional Shareholder Services (ISS) sourced from their 'ISS ESG Data Desk' platform.

#### ***Economic sector risks***

A number of sectors are considered high risk in relation to the impact of climate change. The Fund's underlying investments in these economic sectors are:

	<b>2024 \$000</b>	<b>2023 \$000</b>
Automobiles and Components	129,863	153,780
Capital Goods	329,646	295,037
Energy	231,309	188,138
Food, Beverage and Tobacco	140,723	141,373
Materials	658,295	707,227
Utilities	75,131	66,612

#### **Development of sustainability reporting standards**

During the financial year, a Bill was introduced into the Australian Parliament to mandate climate-related financial disclosures. This Bill was passed on 9 September 2024. Under this legislation there will be phased implementation of the reporting requirements. As a superannuation fund, these reporting requirements will apply to the Fund no earlier than the financial year ending 30 June 2027.

### 25. Investment commitments

The Fund has a private market commitment of \$639 million (2023: \$798 million) as at the reporting date consists of the drawn commitment of \$578 million (2023: \$722 million) and undrawn commitment of \$67 million (2023: \$83 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.

## Notes to the Financial Statements for the year ended 30 June 2024

### 26. Investment in subsidiaries

	2024 \$000	2023 \$000
Private Equity Trust	-	7,564
<b>Investment in subsidiaries at fair value</b>	<b>-</b>	<b>7,564</b>

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	2024 Ownership interest (%)	2023 Ownership interest (%)
Private Equity Trust (wound up on 29 February 2024)	Australia	-%	100%

### 27. Successor Fund Transfer (SFT) deed signed with Active Super

The Trustee has continued to work towards merging with Active Super. On 7 June 2023, the Trustee of the Fund and LGSS Pty Ltd announced the signing of a Heads of Agreement to merge the Fund and Local Government Super (known as Active Super) to create a \$27 billion superannuation fund. A successor fund transfer deed was signed on 14 May 2024. The merger is expected to be completed on 1 March 2025 and the Active Super members and assets will be transferred into the Fund via SFT. A number of approvals are required prior to the final decision to approve the merger. The merger will only occur if the Directors are satisfied that it is in the best interests of members and the relevant regulatory tests are met.

### 28. Contingent liabilities/assets

The Fund has no contingent liabilities/assets as at 30 June 2024 and 30 June 2023.

### 29. Significant event after balance date

Between 30 June 2024 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.

**Vision Super Pty Ltd**  
as trustee of

**Local Authorities Superannuation Fund**

**Remuneration Report**

**for the year ended 30 June 2024**

The directors of the Trustee present the Remuneration report for the Fund for the year ended 30 June 2024.

This Remuneration report forms part of the Directors' report and has been audited in accordance with section 300C of the Corporations Act 2001. This Remuneration report details the remuneration arrangements for the key management personnel (KMP) of the Fund. The term 'key management personnel' refers to those persons having authority and responsibility for planning, directing and controlling the activities of the Fund, directly or indirectly, including any director (whether executive or otherwise) of the Trustee of the Fund.

The prescribed details for each person covered by this report are detailed below under the following headings:

- Key management personnel
- Remuneration of key management personnel
- Key terms of employment contracts.

**1. Key management personnel (KMP)**

The directors of the trustee and other KMP of the trustee as determined by the Board during the financial year were:

**Directors**

**Member Directors:**

Casey Nunn (Deputy Chair)  
Peter Gebert  
Diane Smith  
Lisa Darmanin (resigned 10 May 2024)

**Employer Directors:**

Graham Sherry (Chair)  
Kerry Thompson  
Vijaya (VJ) Vaidyanath  
Stephen Brown

**Independent Director:**

Joanne Dawson

**Other KMP**

**Name**

Stephen Rowe  
Michael Wyrsh  
Noelle Kelleher  
Nicole Schimmel

**Position**

Chief Executive Officer (CEO)  
Chief Investment Officer/Deputy CEO  
Chief Financial Officer/Company secretary  
Chief Risk Officer

## 2. The Remuneration Committee

The Board has established a number of committees to assist the Board fulfil its duties. The Board has an Investment Committee, a Benefits Committee, an Audit Committee, a Governance, Risk and Appointment Committee (GRAC) and a Remuneration Committee.

The Board delegates authority to the Remuneration Committee to act and advise the Board on remuneration, in accordance with the Remuneration Committee’s charter and the Board’s Remuneration Framework. The Remuneration Committee, in consultation with management, monitors the effectiveness of the remuneration policies and frameworks including assessing the compliance of remuneration arrangements in alignment with SPS 511 Governance.

The Remuneration Committee consists of a minimum of four directors and meets at least twice a year, or more frequently if required. The CEO and the Head of Human Resources also attend Remuneration Committee meetings. The Chair of the committee is appointed by the Board and can be any director except for the Chair of the Board.

The Remuneration Committee reviews the remuneration of directors and KMP within the scope of the Remuneration Framework and makes recommendations to the Board as appropriate. The Remuneration Committee:

- Considers management’s biennial review of the Vision Super Remuneration policy and framework
- Makes recommendations to the Board about proposed amendments of the policy and framework
- Makes recommendations to the Board about amendments to its remuneration arrangements as required.

## 3. Components of the remuneration of KMP

Details of the nature and amount of each major component of remuneration of each KMP are:

KMP	Description
<b>Directors</b>	<p>Director fees are based on comparable positions in other superannuation funds and the financial services sector more broadly. The size of this sample used for this purpose must be statistically valid and independently provided. The fees payable to individual directors may be delivered as a combination of cash and superannuation at the director’s discretion (subject to minimum Superannuation Guarantee (SG) requirements). The 2024 Directors fee was set at \$88,650 (including superannuation) (2023: \$85,652).</p> <p>In addition to the above, additional fees (including superannuation) are paid if the director is a Chair of a Committee, Deputy Chair or Chair as follows:</p> <ul style="list-style-type: none"> <li>• Chair 100% of the annual director fee</li> <li>• Deputy Chair 40% of the annual director fee</li> <li>• Investment Committee Chair \$10,000</li> <li>• Other committee chairs \$5,000 (except the Remuneration Committee)</li> </ul> <p>Directors do not receive performance-related incentives, long service leave, retirement, or termination benefits.</p>

KMP	Description
<b>The Chief Executive Officer (the CEO)</b>	<p>The CEO is rewarded with a level appropriate to the CEO's position, responsibilities, and performance, in a way that aligns with the Fund's business strategy and performance.</p> <p>The CEO receives fixed remuneration. Fixed remuneration consists of base salary, superannuation and other non-monetary benefits.</p> <p>In consultation with the Chair of the Board, the Remuneration Committee makes recommendations to the Board on performance considerations (CEO performance against approved criteria at the conclusion of the performance year).</p> <p>The CEO's remuneration is set with reference to comparable roles at similar organisations. The Remuneration Committee approves this comparable set of organisations against which to benchmark the CEO's remuneration. The size of this sample must be statistically valid and independently provided.</p> <p>Comparisons of the CEO's fixed remuneration is made against this benchmark at the median of the comparable rate. Actual remuneration is targeted within a range of 15% either side of this median. Once a role is within the benchmark range, consideration will be given every second year to any market adjustment in addition to an annual increase.</p>
<b>Other executives</b>	<p>The other Executive KMP are rewarded with a level appropriate to their position, responsibilities, and performance, in a way that aligns with the Fund's business strategy and performance.</p> <p>Executives receive fixed remuneration. Fixed remuneration consists of base salary, superannuation and other non-monetary benefits and is designed to reward for:</p> <ul style="list-style-type: none"> <li>• The scope of the executive's role</li> <li>• The executive's skills, experience, and qualifications, and</li> <li>• Individual performance.</li> </ul> <p>It is set with reference to comparable roles at similar funds. The size of this sample must be statistically valid and independently provided.</p> <p>Executive remuneration levels are reviewed annually by the Remuneration Committee of the Trustee with reference to the Fund's remuneration framework and market movements.</p>

#### 4. Statutory remuneration

The following tables have been prepared in accordance with the requirements of the Corporations Act 2001 (Cth) and the relevant accounting standards in respect of each of the KMPs.

Name and period of Financial Year 2023/24	Title and commencement date	Year	Short Term Employee Benefits	Post-employment benefits	Total Actual Remuneration	Total remuneration
			Salary and Fees	Superannuation (Employer + Salary Sacrifice)		
			[1] (\$)	[2] (\$)	(\$)	[3] (\$)
Graham Sherry [4] [5]	Chair (from 10 May 2024) 29/09/2012	2024	115,850	12,744	128,594	128,594
Casey Nunn [6]	Deputy Chair (from 10 May 2024) 01/07/2017	2024	84,043	12,704	96,747	96,747
Joanne Dawson [7]	Director 08/08/2014	2024	88,084	9,689	97,773	97,773
Peter Gebert [8]	Director 31/08/2018	2024	83,517	9,187	92,704	92,704
Diane Smith	Director 16/06/2014	2024	78,951	8,685	87,636	87,636
Kerry Thompson [9]	Director 01/01/2020	2024	83,517	9,187	92,704	92,704
Vijaya Vaidyanath	Director 01/01/2022	2024	78,951	8,685	87,636	87,636
Stephen Brown	Director 17/10/2022	2024	78,951	8,685	87,636	87,636
Lisa Darmanin [10]	Chair (from 1 July 2021 to 10 May 2024) 06/03/2018 to 10/05/2024	2024	-	-	-	-
	<b>Total</b>	<b>2024</b>	<b>691,864</b>	<b>79,566</b>	<b>771,430</b>	<b>771,430</b>

[1] This includes short-term compensated absences.

[2] Represents company contributions to superannuation as well as any additional contributions made through salary sacrifice by directors.

[3] The Directors confirm that during the financial year ended 30 June 2024:

- No short term incentives and other bonuses were paid to Directors
- No non-monetary benefits were provided to Directors
- No other short term employee benefits were paid to Directors
- No other post-employment benefits were provided to Directors
- No termination payments were paid to Directors
- No short-term employee benefits such as annual leave or longer service leave was paid/provided to Directors, and
- There were no movement in any benefit accruals for the Directors.

[4] Graham Sherry was Deputy Chair from 1 July 2021 to 10 May 2024.

[5] Graham Sherry was the Chair of the Remuneration Committee until 10 May 2024.

[6] Casey Nunn was the Chair of the Audit Committee during the 2023/24 year. A \$5,000 p.a. committee chair fee is included in her remuneration.

[7] Joanne Dawson was the Chair of the Investment Committee during the 2023/24 year. A \$10,000 p.a. committee chair fee is included in her remuneration.

[8] Peter Gebert was the Chair of the Benefits Committee during the 2023/24 year. A \$5,000 p.a. committee chair fee is included in his remuneration.

[9] Kerry Thompson was the Chair of the Governance Risk and Appointments Committee during the 2023/24 year. A \$5,000 p.a. committee chair fee is included in her remuneration.

[10] \$162,890 (including GST) was paid directly to the nominating body (Australia Services Union Victorian and Tasmanian Authorities and Services Branch) in lieu of directors fees being paid to Ms Darmanin. No superannuation contributions are required to be paid. Ms Darmanin's directorship ended on 10 May 2024.

Name and period of Financial Year 2023/24	Title and commencement date	Year	Short Term Employee Benefits		Post-employment benefits	Total Actual Remuneration	Short-term employee benefits	Long Term employee benefits	Total remuneration
			Salary and Fees [1] [2] (\$)	Non-monetary benefits provided [3] (\$)	Superannuation (Employer + Salary Sacrifice) [4] (\$)		Movement in the unused annual leave accruals [5] (\$)	Movement in the unused long service leave accruals [6] (\$)	
Stephen Rowe	Chief Executive Officer 13/01/2014	2024	810,540	13,266	27,500	851,306	38,831	31,612	921,749
Michael Wyrsh	Chief Investment Officer & Deputy CEO 02/06/2014	2024	508,080	-	27,500	535,580	13,749	19,996	569,325
Noelle Kelleher	Chief Financial Officer & Company secretary 16/05/2013	2024	431,242	-	27,500	458,742	1,276	16,264	476,282
Nicole Schimmel	Chief Risk Officer 25/02/2019	2024	352,339	-	27,500	379,839	2,197	15,123	397,159
	<b>Total</b>	<b>2024</b>	<b>2,102,201</b>	<b>13,266</b>	<b>110,000</b>	<b>2,225,467</b>	<b>56,053</b>	<b>82,995</b>	<b>2,364,515</b>

[1] Vision Super's executive officers are remunerated on the basis of Total Fixed Remuneration, comprising base salary plus superannuation. The total cost of salary, including annual/long service leave taken, allowances and any salary sacrificed benefits (excluding superannuation which is in the superannuation contributions column). Vision Super does not provide any:

- - Non-monetary benefits (except as noted in Note 3 below)
- - Short-term or long term deferred payments or benefits
- - Share based payments of any kind, or
- - Performance related benefits of any kind

and does not enter into any contracts for services (client-contractor relationship) with any director or executive officer.

[2] This does not include movements in the accrued unused annual leave based on AASB 119.

[3] Non-monetary benefits include motor vehicle and parking benefits and any associated fringe benefits tax.

[4] Represents company contributions to superannuation as well as any additional super contributions made through salary sacrifice by senior executive officers.

[5] This is the movement in the accrued unused annual service leave based on AASB 119. Payments for annual service leave taken are included in Salary and wages.

[6] This is the movement in the accrued unused long service leave based on AASB 119. Payments for long service leave taken are included in Salary and wages.

[7] The Directors confirm that during the financial year ended 30 June 2024:

- No short term incentives and other bonuses were paid to Executive officers
- No other short term employee benefits were paid to Executive officers
- No other post-employment benefits were provided to Executive officers
- No termination payments were paid to Executive officers. Termination payments include payments for unused annual and long service leave entitlements that the individual is eligible to receive, and
- There were no movement in any benefit accruals for Executive officers.

No KMP appointed during the period received any additional payment as part of his or her consideration for agreeing to hold the position.

#### 5. Bonuses granted in the current financial year

No cash bonuses were granted during the financial year.

#### 6. Merger Integration and Retention Plan

On 14 May 2024, the Company and LGSS Pty Ltd signed a Successor Fund Transfer (SFT) deed to merge LASF and Local Government Super (known as Active Super) to create a \$27 billion superannuation fund. Under the SFT, the members of Active Super, the associated member liabilities and Active Super's net assets available to pay member benefits will be transferred to the Fund. It is expected that the SFT date will be completed on 1 March 2025.

In the context of the proposed merger, Vision Super has implemented a Merger Integration and Retention Plan (the Plan) for staff employed as at 5 June 2023 in recognition of the additional work involved with merger integration and maintaining business continuity for the benefit of members.

A payment under the plan will be paid if:

- The proposed merger is successfully completed
- The eligible employee remains employed at the completion of the merger and has not given notice of the termination of employment prior to that date
- The eligible employee complies with the terms and conditions of their employment including in respect of any additional duties assigned to the eligible employee in relation to the proposed merger which requires a demonstrated commitment to the merger integration which includes but is not limited to being professional, responsive, available, collaborative and delivering discretionary effort.

In addition, an employee will still be eligible for a payment under the Plan where the employee has been made redundant and all other payment conditions have been met.

There was no compensation granted during year for each relevant KMP in respect of the above as the conditions for payment have not been met as yet.

#### 7. Key terms of employment contracts

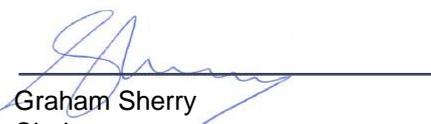
Remuneration arrangements for executives are formalised in employment agreements. All executives are employed on individual open ended employment contracts that set out the terms of their employment.

There were no variations to the terms of the individual contracts for the KMPs identified by the Board as set out above.

#### 8. Payments from related parties to KMP

Apart from the remuneration detailed above, the KMP have not received any payments, benefits or compensation from a related party of LASF.

This report is made in accordance with a resolution of Directors.

Name:   
Graham Sherry  
Chair

Date: 24 September 2024  
Melbourne

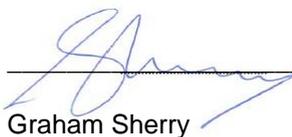
## Local Authorities Superannuation Fund

### 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 5 to 59 are drawn up in accordance with the Corporations Act 2001 including:
- Complying with the Australian Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements, and
  - Giving a true and fair view of the Fund's financial position as at 30 June 2024 and its performance for the year ended on that date
- (ii) During the year ended 30 June 2024, 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:



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Graham Sherry



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Casey Nunn

Date: 24 September 2024  
Melbourne



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Australia

## DECLARATION OF INDEPENDENCE BY JAMES DIXON TO THE DIRECTORS OF THE LOCAL AUTHORITIES SUPERANNUATION FUND

As lead auditor of the Local Authorities Superannuation Fund for the year ended 30 June 2024, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of the Local Authorities Superannuation Fund during the period.

BDO

James Dixon

Director

BDO Audit Pty Ltd

Melbourne, 24 September 2024

## INDEPENDENT AUDITOR'S REPORT

Local Authorities Superannuation Fund (ABN 24 496 637 884)

### Report by the Registrable Superannuation Entity's Auditor to the trustee and members

#### Opinion

I have audited the financial statements of the Local Authorities Superannuation Fund (the RSE) comprising the statement of financial position as at 30 June 2024, the income statement, the statement of changes in members' benefits, the statement of changes in reserves/equity and the statement of cash flows for the year then ended and the trustee's declaration.

In my opinion, the financial statements present fairly, in all material aspects, in accordance with Australian Accounting Standards, the financial position of the Local Authorities Superannuation Fund as at 30 June 2024 and the results of its operations, cash flows, changes in reserves and changes in members' benefits for the year ended 30 June 2024.

#### 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 for the audit of the financial statements* 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* (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.

#### Other information

The directors of the Trustee are responsible for the other information. The other information comprises the information in the Directors report for the year ended 30 June 2024, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

#### 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.

#### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our 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 this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (<http://www.auasb.gov.au/Home.aspx>) at:

[https://www.auasb.gov.au/admin/file/content102/c3/ar2\\_2020.pdf](https://www.auasb.gov.au/admin/file/content102/c3/ar2_2020.pdf)

This description forms part of our auditor's report.

#### **Report on the Remuneration Report**

##### **Opinion on the Remuneration Report**

We have audited the Remuneration Report included on pages 60 to 64 of the annual financial report report for the year ended 30 June 2024.

In our opinion, the Remuneration Report of the Local Authorities Superannuation Fund, for the year ended 30 June 2024, complies with section 300A of the *Corporations Act 2001*.

##### **Responsibilities**

The directors of the Trustee are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

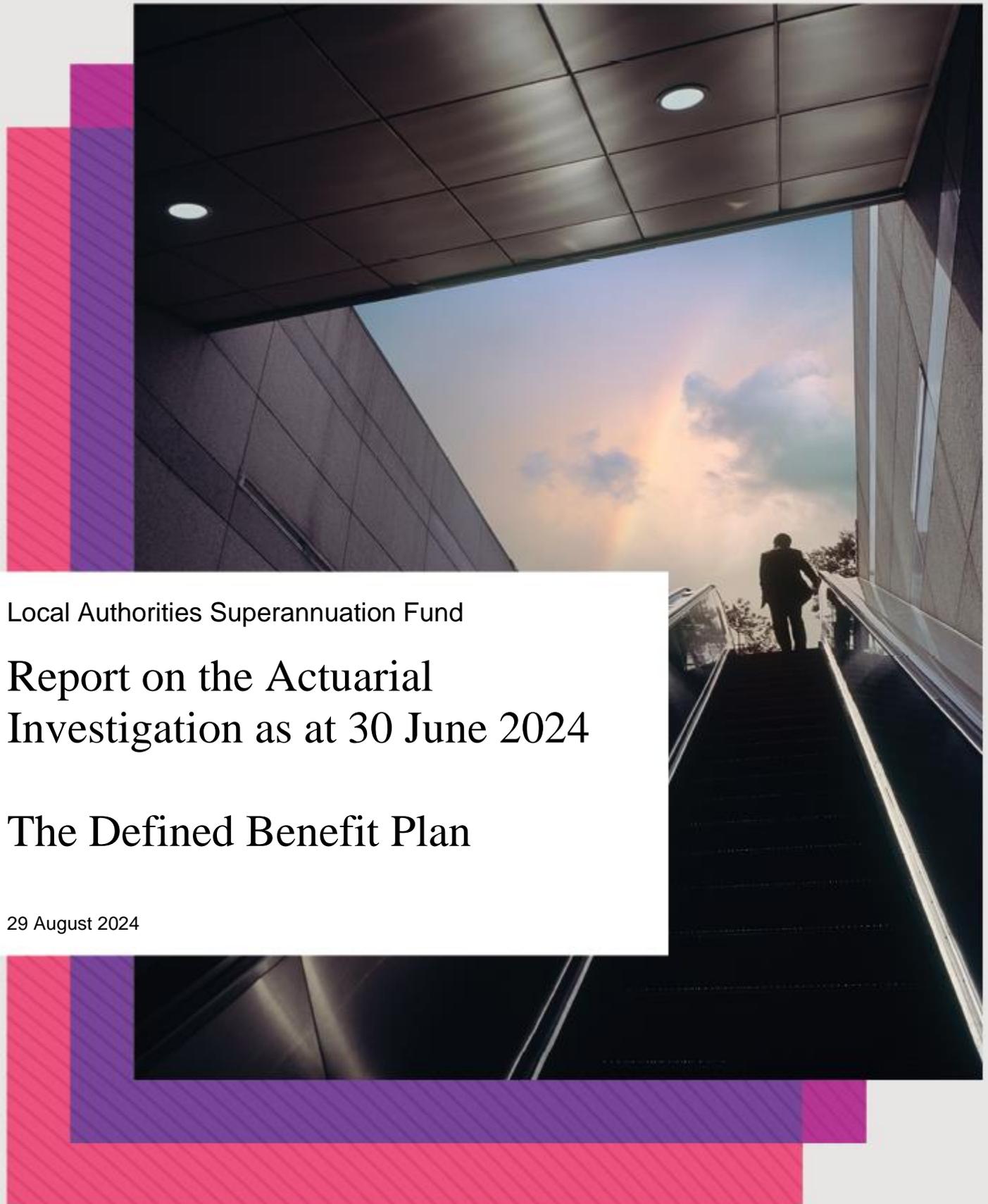
**BDO Audit Pty Ltd**

BDO

**James Dixon**

**Director**

Melbourne, 24 September 2024



Local Authorities Superannuation Fund

# Report on the Actuarial Investigation as at 30 June 2024

## The Defined Benefit Plan

29 August 2024



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# Section 1: Executive Summary

- 1.1 We are pleased to present our report on the triennial 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 actuarial investigation was conducted by Matthew Burgess, FIAA, on behalf of WTW as at 30 June 2023. The results of that valuation were published in a report dated 6 September 2023.
- 1.3 In that review, the recommended funding arrangements comprised of the following:
- a. Contributions equal to 11% of salary for employee members, increasing with changes to 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 It was recommended the self-insurance reserve be reduced from \$5 million to \$3 million to reflect the reduction in active members and overall reduction in the self-insured liability over the actuarial investigation period.
- 1.5 Various recommendations in respect of the ongoing review of the investment strategy, including liquidity, were also made.
- 1.6 We have been advised that all of the above recommendations were implemented.

## Assumptions for this actuarial investigation

- 1.7 The investment strategy of the Defined Benefit Plan has slightly reduced its allocation to growth assets from 2023. The financial assumptions used in this actuarial investigation are summarised below. The estimated future investment returns have increased reflecting the capital market assumptions from the Vision Super investment consultant.

	30 June 2024	30 June 2023
Net Investment Return	5.60% p.a. (gross: 6.30%p.a.)	5.70% p.a. (gross: 6.40%p.a.)
Salary Inflation	3.50% p.a.	3.50% p.a.
Price Inflation	2.70% p.a.	2.80% p.a.

- 1.8 For the demographic experience, we consider the following assumptions remain appropriate for this investigation.
- a. The proportion of eligible deferred beneficiaries who are assumed to elect to take the maximum allowable 50% of the benefit as a life-time pension remains at 60%.
  - b. For Pensioner members, the mortality assumes to be:
    - Male and Female mortality rates set as 50% of Australian Life Tables 2015-17 under age 75, gradually increasing to 92.5% after age 90.
    - Mortality improvement set in line with the 125-year Mortality Improvement tables published in the Australian Life Tables 2015-17.
- 1.9 We maintained the administration expense assumption at a fixed dollar total amount of \$33.7m to reflect an estimate of the present value of all future expenses over the lifetime of remaining active members. The assumed expenses in respect of pensioners remained unchanged at the present value of 2.0% of future pensions in payment.

## Results of this actuarial investigation

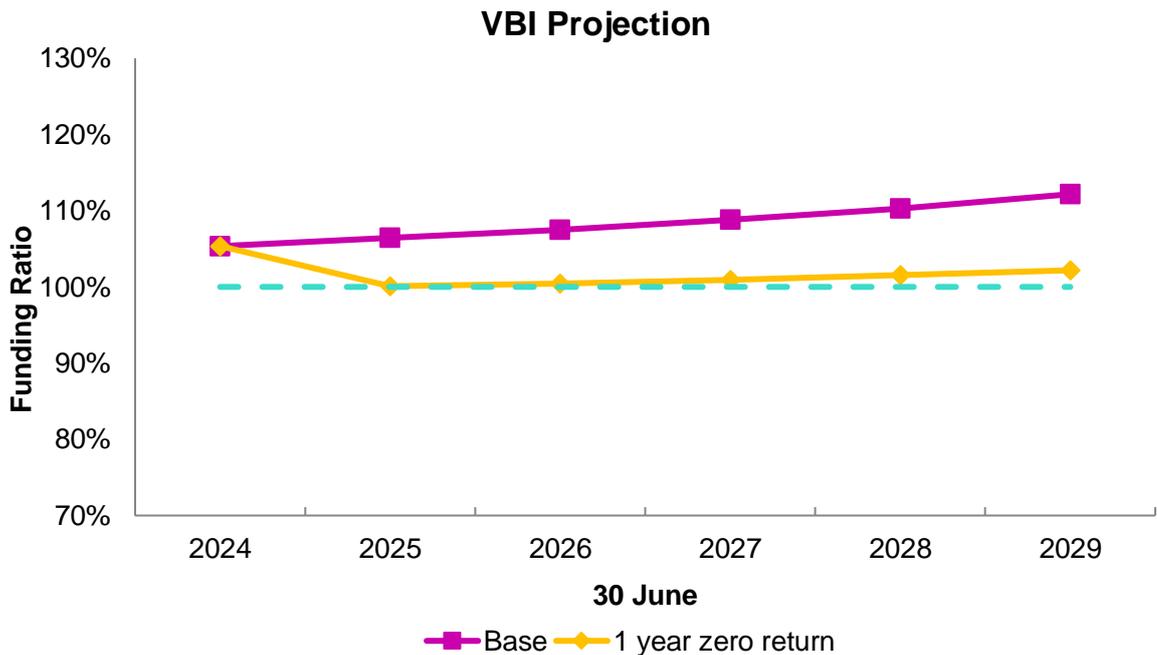
### Funding Status Measure

- 1.10 This actuarial investigation has shown that the Defined Benefit plan's financial position has improved since 30 June 2023.

	30 June 2024 Funding Indices %	30 June 2023 Funding Indices %
Vested Benefit Index <sup>1</sup>	105.4	104.1
Discounted Accrued Benefit Index <sup>2</sup>	107.9	107.1
Minimum Requisite Benefit Index <sup>3</sup>	175.1	170.3

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.

- 1.11 The increase in asset coverage of the present value of past benefits is due to financial experience (excess of investment return above salary increases and price inflation) being higher than expected over the year to 30 June 2024. The change in assumptions has had a neutral effect.
- 1.12 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.
- 1.13 We understand the Authorities increased the Division C contribution rate from 11.0% to 11.5% of Salary from 1 July 2024. Our projection below shows that, on the basis of the assumptions made in this actuarial investigation and assuming that the Authorities make contributions in line with the recommendations set out below, the Defined Benefit plan is expected to remain in a satisfactory financial position.
- 1.14 If experience is as expected the Authorities would not be expected to be required to make any further contributions because of the actuarial surplus that exists (i.e. Authority contributions could be reduced to zero). However, we have been advised that the Trustee's preference is to use surplus to lower investment risk over time to reduce the potential for additional lump sum contributions to be required from Authorities because experience is worse than expected. Hence, we have recommended that contribution rates be retained and that the Trustee continue to consider when de-risking the investment strategy is appropriate.
- 1.15 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" to the scenario that there is a nil return in the year to 30 June 2025 (and expected returns thereafter). It should be noted that a nil return is not the worst outcome that could occur.



- 1.16 In the zero-return scenario, the VBI is expected to fall to 100%, but still remain in a satisfactory financial position over the year ending 30 June 2025. This indicates that in the case of a large negative return for the year to 30 June 2025, 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

- 1.17 We recommend that the Authorities continue to adopt the current funding plan:
- a. Contributions equal to 11.5% 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.

- 1.18 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.

1.19 In regard 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 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 concurrently with funding implications as they are directly linked.

1.20 As required under SPS 160, the Trustee has set the Shortfall Limit for the Defined Benefit plan at 98%. Given the current investment strategy, we consider this Shortfall Limit is appropriate for the Defined Benefit plan noting the future consideration for a lower risk investment strategy.

1.21 We confirm that in our opinion the Defined Benefit plan's self-insurance arrangements remain appropriate. Furthermore, based on our analysis we recommend the self-insurance reserve be retained at \$3 million.

1.22 The next actuarial review should be carried out as at a date no later than 30 June 2025.



Travis Dickinson  
RSE Actuary  
Fellow of the Institute of Actuaries of Australia



Surath Fernando  
Fellow of the Institute of Actuaries of Australia

29 August 2024

Towers Watson Australia Pty Ltd  
Level 32, 385 Bourke Street,  
Melbourne VIC 3000

DO: PP | TR: SF/TB | CR/ER/SPR: TD

## 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 (Division C of the Trust Deed) as at 30 June 2023 and our report was dated 6 September 2023. 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 is expected to maintain 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
- Practice Guideline 499.08
- Practice Guideline 499.09
- Professional Standard 400
- Professional Standard 402
- Professional Standard 404
- Professional Standard 410.

### Actuarial Investigation as at 30 June 2023

2.11 The report on the actuarial investigation as at 30 June 2023 concluded that the experience of the Defined Benefit plan over the year to 30 June 2023 had been favourable and resulted in an improvement in asset coverage to vested benefits. The Defined Benefit plan remained in a satisfactory financial position and the current employer contribution rate recommendations were expected to be more than sufficient. We understood that the preference of the Trustee was to retain the contribution recommendation and reduce the investment risk if the VBI increased.

2.12 We recommended that the following funding plan be adopted:

- a. Contributions equal to 11% of salary for employee members (to increase with increases in the Superannuation Guarantee rate); plus
- 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. Payments for any outstanding contributions in respect of calls made at previous actuarial investigations (these amounts have almost all now been received); plus
- 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.

The other recommendations in the report were that:

- a. The self-insurance reserve be reduced from \$5 million to \$3 million, and self-insurance remained appropriate;
- 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
- d. The Shortfall Limit remain 97%.

2.14 The first two of these recommendations have been completed since that date. The Board has continued to de-risk Defined Benefit plan assets and the Shortfall Limit increased to 98% from 26 July 2024.

### Events since the 30 June 2023 Actuarial Investigation

- 2.15 There have been no amendments to the Defined Benefit plan benefits.
- 2.16 Subsequent to the actuarial investigation Vision Super adopted a lower risk investment strategy, whereby the actual growth asset allocation reduced from 69.5% as at 30 June 2023 to 64.7% as at 30 June 2024. Consistent with the reduction in growth assets and desire for future de-risking, the Shortfall Limit was increased from 97% to 98% from 26 July 2024.
- 2.17 The Superannuation Guarantee (SG) Contribution rate increased to 11.5% from 1 July 2024. We understand the Authorities increased the Division C contribution rate to reflect this change. There was 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 2024 was 7.8% p.a., which was higher than the return of 5.7% p.a. assumed in the 30 June 2023 actuarial investigation.

### Reliance Statement

- 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 report and such inaccuracies may produce materially different results that could require that a revised report 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 2024.
  - 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, accounts, 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 2024 together with details of exits during the period from 1 July 2023 to 30 June 2024. 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 164 (or 13.4%) from 1,227 at 30 June 2023 to 1,063 at 30 June 2024. The number of life-time pensioners has decreased by 69 (or 1.7%) from 4,030 to 3,961 over the same period.

Summary of Defined Benefit Plan Membership Data		
Active Members	30 June 2024	30 June 2023
Number	1,063	1,227
Average Age	58.7 years	58.3 years
Average Past Membership	35.5 years	34.6 years
Average Salary	\$103,175	\$99,972
<b>Life-time Pensioners</b>		
Number	3,961	4,030
Average Age	77.7 years	77.5 years
Average Annual Pension	\$19,122	\$17,930
<b>Fixed Term Pensioners</b>		
Number	2	3
<b>Deferred Beneficiaries</b>		
Number	942	1,058
Average Age	59.1 years	58.3 years
Average Account Balance	\$290,666	\$272,646

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 2024. The data showed that the full time equivalent salary of Defined Benefit plan members who remained members as at 30 June 2024 grew by 3.5% p.a. over the period. This compares to growth of 3.3% p.a. over the year to 30 June 2023 for these members.
- 3.5 The actual increase over the year to 30 June 2024 was equal to the assumed rate of 3.5% p.a. in the 30 June 2023 actuarial investigation.

## Pension Indexation

- 3.6 The pensions are indexed semi-annually based on the change in the Consumer Price Index (CPI). Over the year ending 30 June 2024, the pension increase was 4.0% p.a. This was higher than the rate of 2.8% p.a. assumed in the 30 June 2023 actuarial investigation. In isolation, this will have had a negative impact on the funding position of the Defined Benefit plan.

## Investment Returns

- 3.7 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 2024 was 7.8% p.a.
- 3.8 Comparison of the 7.8% p.a. return with the salary increase rate (from paragraph 3.4) of 3.5% p.a. shows a real return of approximately 4.3% p.a. which is higher than the 2.2% p.a. real return assumed in the 30 June 2023 actuarial investigation.
- 3.9 In respect of pension liabilities, pension increases averaged 4.0% p.a., providing a net of tax real return of 3.8% p.a. The gross of tax real return would be of the order of 4.9% p.a. which is higher than the 3.6% p.a. assumed in the 30 June 2023 actuarial investigation.
- 3.10 The 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 2024 were supplied by Vision Super for the investigation together with details of the investment strategy at 30 June 2024. 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 and have relied on these statements as being materially reflective of final audited financial statements.
- 4.2 The fair value of the Defined Benefit plan assets (including pensioners and deferred beneficiaries) as at 30 June 2024 used in the valuation was \$2,139.7 million. No amounts are included in respect of accumulation accounts of members, except certain defined benefit offset accounts and deferred beneficiaries. It also includes 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 \$3.0 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 the current 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 2024. This asset allocation does not apply for deferred benefits where members have investment choice, nor for 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 2024 was 66.1%, while the actual growth allocation was lower at 64.7%.
- 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 2024, 23.4% of the investments are in illiquid asset classes which include Infrastructure, Opportunistic Investments, Direct Property and some Alternative Debts. This is a reduction from the 26.5% actual allocation at 30 June 2023.
- 4.12 This is below the Strategic Target allocation for illiquid assets of 26.0% as at 30 June 2024, which has increased slightly from 24.8% at 30 June 2023. 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 asset to zero in the defined benefit plans. 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 98% from 26 July 2024 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 98%.

- 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 Trustee's Shortfall Limit is appropriate. We have considered that:
- a. The actual asset allocation retains an allocation to growth assets in the order of 64.7% and noting Vision Super's desire for further de-risking, the Shortfall Limit of 98% is consistent with guidance from the Actuaries Institute;
  - 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.

## Valuation of Benefit Liabilities

- 5.2 The assumptions for this actuarial investigation have been determined on a "best estimate" basis.
- 5.3 "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.
- 5.4 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.
- 5.5 Appendix C contains a summary of the assumptions used.

## Key Financial Assumptions

- 5.6 Financial assumptions for investment earnings, salary inflation and pension increases are required to value the liabilities.
- 5.7 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.)
- 5.8 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.

- 5.9 The “best estimate” financial assumptions adopted at the 30 June 2023 actuarial investigation were:
- 2.2% p.a. real long term investment return over salary inflation. This comprised a 5.7% p.a. net of tax investment return assumption and a 3.5% p.a. long-term salary inflation assumption.
  - 3.6% p.a. real investment return over price inflation. This comprised a 6.4% p.a. gross of tax investment return and a 2.8% p.a. CPI assumption.
- 5.10 The “best estimate” financial assumptions adopted at the 30 June 2024 actuarial 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:
- 2.1% p.a. real long term investment return over salary inflation. This comprised a 5.6% p.a. net of tax investment return assumption and a 3.5% p.a. long-term salary inflation assumption.
  - 3.6% p.a. real investment return over price inflation. This comprised a 6.3% p.a. gross of tax investment return and a 2.7% p.a. CPI assumption.
- 5.11 The investments for a very small group of 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 3.6% has been assumed. This discount rate is net of investment management fees and administration costs.

## Expenses

- 5.12 An analysis of expense data was undertaken at the previous triennial actuarial investigation at 30 June 2023. The expense assumptions adopted for this review are consistent with those adopted in the 30 June 2023 triennial actuarial investigation.

## Demographic Assumptions

- 5.13 An analysis of the Defined Benefit Plan’s demographic experience was undertaken at the previous triennial actuarial investigation at 30 June 2023. This analysis was undertaken last year, 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, we have retained the demographic assumptions from the previous actuarial investigation. Appendix C summarises the demographic assumptions adopted for this investigation.

## Benefits

- 5.14 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. 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 also 60% of eligible deferred beneficiaries elect to take the pension 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

- 5.15 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.
- 5.16 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.
- 5.17 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.
- 5.18 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 98%, between actuarial investigations.
- 5.19 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 5.16. 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.
- 5.20 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.

As at 30 June 2024 the assets held in respect of the 2 fixed term pensioners was slightly more than \$0.7 million and the liabilities were valued at slightly less than \$0.5 million. As a result, there is a funding surplus. In our funding considerations, the fixed term pensioners are included as part of the Defined Benefit plan and Vision Super has confirmed that the Defined Benefit plan's assets will be available to meet these liabilities.

- 5.21 In the next section we review the financial position as at 30 June 2024 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 Division C (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 expected pension take up rate.
  - For pensioners, the vested benefit is the present value of expected future pension payments including administration expenses.

- 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 2024 is:

VBI as at 30 June 2024	
Defined Benefit plan assets (\$m)	\$2,139.7
Vested Benefits (\$m)	
Active Members	\$724.9
Life-time Pensioners	\$1,019.3
Fixed term Pensioners	\$0.5
Deferred beneficiaries	\$286.3
Total Vested Benefits	\$2,031.0
Vested Benefit Index	105.4%

- 6.6 The calculated VBI for the Defined Benefit plan at 30 June 2024 is 105.4%. This compares with a VBI of 104.1% at the 30 June 2023 investigation. The Defined Benefit plan was not in an unsatisfactory financial position as at 30 June 2024.

- 6.7 The VBI for the Defined Benefit plan has increased since 30 June 2023 mainly due to the financial experience (excess of investment return above salary increases and pension increases) being higher than expected.

### 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:
- 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.
  - 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.
  - 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 2024 is:

DABI as at 30 June 2024	
Defined Benefit plan assets (\$m)	\$2,139.7
Discounted Accrued Benefits (\$m)	
Active Members	\$676.6
Life-time Pensioners	\$1,019.3
Fixed term Pensioners	\$0.5
Deferred beneficiaries	\$286.3
Total Discounted Accrued Benefits	\$1,982.7
Discounted Accrued Benefit Index	107.9%

- 6.13 The calculated DABI for the Defined Benefit plan at 30 June 2024, based on the "best estimate" assumptions, used in this investigation, is 107.9%. The DABI was estimated to be 107.1% at the 30 June 2023 investigation. The increase in DABI was mainly due to similar factors to those causing the VBI to increase described above, being better than expected real investment return during the year.

- 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 2024.

### 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 the Benefit Certificate dated 29 August 2022.
- 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, the Trustee has received legal advice that the MRB should be crystallised when a member ceases 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 MRB 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 has completed its administration systems configuration to determine the MRB percentage for all pensioners and we have relied on this information for the purpose of this 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 2024 is:

MRBI as at 30 June 2024	
Defined Benefit plan assets (\$m)	\$2,139.7
Minimum Requisite Benefits (\$m)	
Active Members	\$503.2
Life-time Pensioners	\$444.7
Fixed term Pensioners	\$0.5
Deferred beneficiaries	\$273.8
Total Minimum Requisite Benefits	\$1,222.3
Minimum Requisite Benefit Index	175.1%

6.22 As at 30 June 2024 we estimate that the ratio of the market value of assets to the amount of Minimum Requisite Benefits was approximately 175.1%. This is an improvement from the MRBI of 170.3% reported at the 30 June 2023 investigation and is mainly due to the better than expected real investment return during the year.

6.23 In accordance with the legal advice received by the Trustee, this ratio has been calculated including the pension MRBs and the deferred MRBs in the total of MRBs (rather than a deduction from the market 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, retrenchments benefits as at 30 June 2024 were \$731.8 million. As at 30 June 2024, the ratio of the market value of assets to the amount of retrenchment benefits was 105.0%. This ratio includes the value of pensioner and deferred beneficiaries' benefits. The corresponding index as at 30 June 2023 investigation was 103.7%. This increase is related to similar causes as described above for the increase in VBI.

6.30 An additional contribution is 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 2023 triennial actuarial investigation estimated that such a transfer would reduce the VBI by approximately 11%.

- 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 2024 draft 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 market 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 2024 and the amount outstanding is not material for the purpose of this investigation.
- 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 2023 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 2023.
- 6.35 There was no material deferred tax asset in the Fund as at 30 June 2024. 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 2024 "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 Trustee 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 10.2 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 10.2 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 shortfall 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 in line with 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 98%) 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 2024 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.

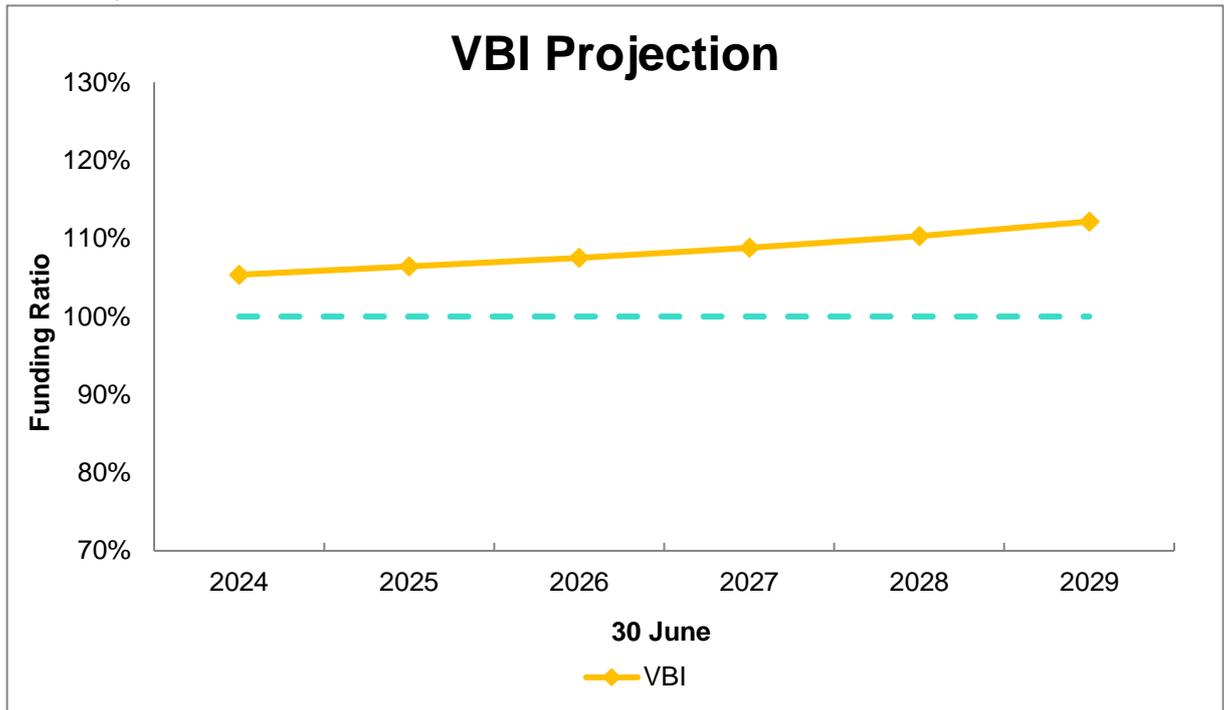
## Total Service Liability Surplus/ Deficit as at 30 June 2024

- 7.4 As at 30 June 2024 there was a total service liability surplus of \$141.4 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 \$141.4 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. 11.5% 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 2023 was \$123.6 million. The actuarial surplus has improved over the year mainly due to financial experience (excess of investment return above salary increase) being higher than assumed, which has been somewhat offset by higher-than-expected pension indexation.
- 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 \$141.4 million is higher than the expected value of all future Authority contributions (less tax) of \$50 million (refer to Appendix E). This means that if experience is as expected from 30 June 2024, 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 The above amounts assume that the Superannuation Guarantee Charge will increase from 11.5% to 12.0% and that Authorities contributions will increase in line with this. However, if this does not occur the amount of the total service liability surplus remains material, and as stated in the previous paragraph no future Authority contributions are expected to be required if experience is as expected.
- 7.8 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

- 7.9 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.

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

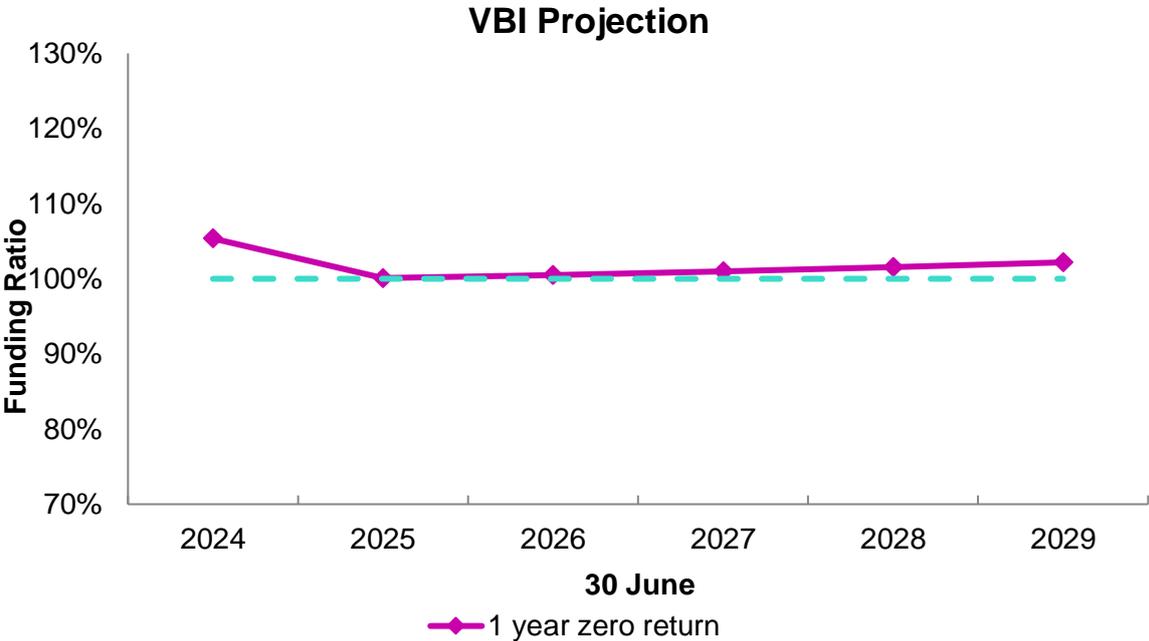


- 7.11 The chart shows the VBI is expected to stay above 100% (dashed line) over the next five years and hence no additional contribution is expected to be required from the Authorities to meet the funding requirement under SPS 160. However, in practice actual experience will be different to what is expected and the VBI may decrease or increase more quickly than expected.
- 7.12 The above chart shows that the VBI is expected to slowly increase over time. This is consistent with the total service liability surplus of \$141.4 million at 30 June 2024.

### Other Funding Issues

- 7.13 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”.

7.14 The chart below shows the impact on the VBI in an adverse scenario where the return is 0% for the year to 30 June 2025 and all other experience is as expected. A best estimate return of 5.6% p.a. is assumed from 1 July 2025.



7.15 If the return is 0% in 2024/25, the VBI is expected to fall to 100%, but still remain at a satisfactory financial position). In the event of a large negative return, however, the VBI would likely fall further 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.

7.16 On the other hand, if experience is favourable an “actuarial surplus” could result. The Board would need to consider how to treat such an “actuarial surplus” in the long term. 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 2024**

7.17 Vision Super has advised that the investment return for the month of July 2024 for the Defined Benefit plan was 2.09% (equivalent to 28.2% p.a.). This is higher than the expected return of 5.6% p.a. and therefore will have had a positive impact on the financial position and does not impact our recommendations.

- 7.18 The Superannuation Guarantee (SG) Contribution rate increased to 11.5% from 1 July 2024. We understand the Authorities increased the Division C contribution rate to reflect this change.
- 7.19 We are not aware of any other events subsequent to 30 June 2024 that would materially impact upon the results of the actuarial investigation of the Defined Benefit plan.

## Recommendation

- 7.20 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....”*

- 7.21 The VBI was 105.4% as at 30 June 2024 (refer Section 6.5). Given that this funding position is not significantly above 100%, and considering the current investment strategy’s allocation to growth or risky assets, the VBI could quickly 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.
- 7.22 In summary, we recommend that the current funding plan continue, whereby the Authorities will pay:
- a. Contributions equal to 11.5% 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.

- 7.23 However, given the \$141.4 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, we recommend Vision Super continue to regularly consider whether it is appropriate to reduce the investment risk in the current investment strategy, which could be considered together with alternative funding plans.
- 7.24 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 2024.

Statistics as at 30 June 2024	
Net Assets Available <sup>1</sup> (Defined Benefits plan assets available to meet benefits)	\$833.6m
Expected Annual Future Service death and disablement benefits to be paid for 2024/25 <sup>2</sup>	\$0.6m
Total Future Service death benefits <sup>3</sup>	\$103.2m

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 would be double the expected number in any year and then would place a significant additional financial strain on its funding.
- 8.5 The Defined Benefit plan's membership is spread throughout Victoria, reflecting the distribution of Authorities. Therefore, there is also a relatively low concentration of risk.
- 8.6 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.
- 8.7 There is a very remote possibility of a catastrophe occurring. In the last triennial actuarial investigation as at 30 June 2023, we determined that in the event of a catastrophe that resulted in 100 additional death or disablements benefits being paid that the total claims would be around 1% of assets, which would be manageable given the current financial 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 2023 triennial actuarial investigation, we recommended an insurance reserve of \$3.0 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 death and disablement claims are expected to reduce over time as employed members reduce in number and increase in average age. The total future service death benefits have reduced from \$120.5 million at 30 June 2023 to \$103.2 million at 30 June 2024 and are expected to continue to reduce. Unless we advise otherwise or a catastrophe event occurs, in our opinion, it would be sufficient to review the amount of the reserve at the next triennial actuarial investigation in 2026.
- 8.11 In accordance with our recommendations in the prior actuarial investigation, we understand that Vision Super maintains an insurance reserve of \$3.0 million for the Defined Benefit plan as at 30 June 2024. 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 2024 there were 3,961 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. Buying annuities from a life insurance company to immunise this risk would likely have a cost higher than the value of the liability allowed in this valuation. This was considered in more detail in the previous triennial actuarial investigation as at 30 June 2023.

## Liquidity Risk

- 9.10 In Section 4 liquidity risk is discussed and it is recommended that the liquidity of the Defined Benefit plan continue to be reviewed regularly by the Trustee. Also, Section 6.32 considered the potential impact on funding of having to liquidate investments at a discount.
- 9.11 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.

## Retrenchments Risk

- 9.12 The retrenchment benefit is larger than the resignation benefit for many members. A significant number of retrenchments would have a negative impact on funding and liquidity unless additional contributions are required to fund the shortfall when a member is retrenched.
- 9.13 This risk has greatly reduced over time because:
- a. the average age of members is now well over age 55. From this age members are entitled to the accrued retirement benefit upon retirement, which is equal to the retrenchment benefit so that there is no additional funding strain; and
  - b. the funding assumptions assume 80% of resigning members elect a deferred benefit. The deferred benefit is also equal to the amount of the retrenchment benefit so that there is no additional funding strain.
- 9.14 The current funding plan includes top-up contributions by the Authorities to manage this risk.

## Legislation Risk

- 9.15 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

- 9.16 Operational risks (e.g. unit pricing and administration) are not considered in this report.
- 9.17 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.
- 9.18 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 December 2022.

## 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.

### III-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

<b>Membership as at 1 July 2023</b>		<b>1,227</b>
Transfers/Rejoiners		-
<b>Exits</b>		
Retirement, Resignations and retrenchments	160	
Death	4	
Total and Permanent Disablement	-	
<b>Total exits</b>		<b>(164)</b>
<b>Membership as at 30 June 2024</b>		<b>1,063</b>

## Pensioners

<b>Pensioners as at 1 July 2023</b>		<b>4,030</b>
New pensioners*		115
Pensions ceasing		(184)
<b>Pensioners as at 30 June 2024</b>		<b>3,961</b>

\* includes one former Ports pensioner

# Appendix C: Summary of Valuation Assumptions

## Financial Assumptions

The most significant financial assumptions are:

- Active members:
  - investment returns 5.6% p.a.  
(net of tax; expenses)
  - salary inflation growth 3.5% p.a.
- Pensioners:
  - investment returns 6.3% p.a.  
(gross of tax; expenses)
  - CPI increases 2.7% p.a.
- administration expenses: Present Value of Future Expenses is set to \$33.7m for active contributors and 2.0% of future pensions in payment

For Fixed term pensions a real investment return of 3.6% 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 %	Disabilities %	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.

<b>Year of Age</b>	<b>Retirement /Spouse Male %</b>	<b>Disability Male %</b>	<b>Retirement /Spouse Female %</b>	<b>Disability Female %</b>
60	0.33	1.26	0.19	0.58
65	0.48	1.95	0.28	0.99
70	0.77	3.00	0.48	1.68
75	1.39	4.56	0.88	2.84
80	3.10	6.84	2.08	4.74
85	6.87	10.06	4.97	7.73
90	14.05	14.39	11.29	12.18

Mortality improvement based on the 125-year experience from the Australian life tables 2015-2017, applied from 30 June 2018.

### ***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 2024 (%)	Strategic Asset Allocation 30 June 2024 (%)
Australian Equity	19.6	19.8
International Equity	26.2	26.5
Private Equity	1.0	0.9
Infrastructure	7.6	6.9
Property	6.0*	4.9
Opportunistic Investments	2.3 <sup>#</sup>	2.2
Alternative Debt	15.6	14.5
Fixed Interest	16.8	17.3
Cash	4.9	7.0
<b>Total</b>	<b>100.0</b>	<b>100.0</b>
Allocation to Illiquid Assets	23.4	26.0
Allocation to Growth Assets	64.7	66.1

\* 1.84% of actual property investments are listed and liquid.

<sup>#</sup> Includes a Currency and Innovation and Disruption Asset Class.

# Appendix E: Total Service Liability Surplus/(Deficit)

		(\$million)
Present Value of Active Member Liabilities		734.8
Retirement	700.3	
Death	15.0	
Disablement	14.0	
Resignation	5.5	
<i>plus</i> Deferred Beneficiary Liability		286.3
<i>plus</i> Present Value of Life-Time Pensions		999.3
<i>plus</i> Present Value of fixed Term Pensions		0.5
<i>less</i> Family Offset and Surcharge Account balances		(5.3)
<i>plus</i> Present Value of Future Expenses		56.7
<i>plus</i> Allowance for tax on Contributions*		(1.6)
<b>Total Benefit Liability</b>		<b>2,070.7</b>
Compared to:		
Assets		2,139.7
<i>plus</i> Value of ongoing member contributions (6%)		24.3
<i>plus</i> Value of ongoing Authority contributions (SG)		48.1
<b>Total Assets</b>		<b>2,212.1</b>
Surplus of Total Assets over Total Benefit Liability		141.4

\* The estimated present value of future fund administration expenses and tax deductions related to self-insurance exceed the estimated value of future Authority contributions. This results in a small expected future tax receipt for the Defined Benefit plan. However, the value of ongoing member contributions shown in the table are net of tax, and in practice much of this amount would be made by salary sacrifice and would be taxable, which means the expected future tax receipt would be used to offset this tax. Eventually, as the number of active members reduces, the tax deductions in relation to the Defined Benefit fund are likely to exceed the taxable contributions. While we would expect this amount could be used to reduce the overall contribution tax paid by Vision Super, it would be appropriate for the Defined Benefit plan to be credited this amount.

# 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 within 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 2024. That actuarial investigation was undertaken by Travis Dickinson, 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 2024 was \$2,139.731 million.

This value of assets at 30 June 2024 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 our best estimate assumptions is as follows.

Date	Vested Benefits Index (%)
30 June 2024	105.4%
30 June 2025	106%
30 June 2026	107%
30 June 2027	109%

The projected financial position is shown only for the Defined Benefit plan 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:

- 2.1% p.a. real investment return over salary inflation. This comprised a 5.6% p.a. net of tax investment return assumption and a 3.5% p.a. salary inflation assumption.
- 3.6% p.a. real investment return over price inflation. This comprised a 6.3% p.a. gross of tax investment return and a 2.7% 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 3.6% 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 actuarial value of the Defined Benefit plan assets at 30 June 2024 were:

Value of accrued benefits:           \$1,982.7 million

Net Market Value of Assets:       \$2,139.731 million. The ratio of the actuarial value of the assets to the value of the total accrued benefits was 107.9% 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 2024 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 net market value of the Defined Benefit plan total assets were:

Total Vested Benefits:	\$2,031.031 million
Net Market Value of Assets:	\$2,139.731 million

The ratio of the net market value of the Defined Benefit plan assets to total vested benefits was 105.4%, 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 shortfall limit to be 98%. In our 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 2023 to 30 June 2024, 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 2027 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 2024, the ratio of assets to MRBs is 175.1%. The total Minimum Requisite Benefits as at 30 June 2024 was \$1,222.3 million.

## Recommended Contributions (SPS160 23(g))

We recommend that the Authorities contribute the following amounts from 1 July 2024:

- 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. 11.5% 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 2026. 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 2027.

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.



Travis Dickinson  
RSE Actuary  
Fellow of the Institute of Actuaries of Australia



Surath Fernando  
Fellow of the Institute of Actuaries of Australia

29 August 2024

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Vision Super Pty Ltd ABN 50 082 924 561 AFSL 225054 RSE licence number L0000239 is the Trustee of the Local Authorities Superannuation Fund ABN: 24 496 637 884. Level 15, 360 Collins Street, Melbourne. PO Box 18041, Collins Street East, Victoria 8003. [visionsuper.com.au](http://visionsuper.com.au). Member hotline 1300 300 820, Employer hotline 1300 304 947, Retirement hotline 1300 017 589.