Russell Investments

REPORT ON THE ACTUARIAL INVESTIGATION AS AT 30 JUNE 2015

National Australia Bank Group Superannuation Fund A

29 March 2016

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1 EXECUTIVE SUMMARY

1.1 I am pleased to present this report to the Trustee of the National Australia Bank Group Superannuation Fund A, PFS Nominees Pty Ltd (the “Trustee”), on the actuarial investigation of the National Australia Bank Group Superannuation Fund A (the “Fund”) as at 30 June 2015. The Fund is the default fund for all full time and part time employees of National Australia Bank Limited (the ”Bank”).

1.2 This report meets the requirements of Professional Standard 400 of the Institute of Actuaries of Australia. The requirements of APRA’s Prudential Standard SPS 160 Defined Benefit Matters are also met, with Appendix D setting out a statement of those requirements.

Purpose

1.3 In accordance with the Superannuation Prudential Standard SPS 160 Defined Benefit Matters, actuarial investigations of the Fund are required at intervals of not more than three years, noting that the Fund has an exemption from the one year actuarial investigations generally required where defined benefit pensions are payable.

1.4 Rule 9.5 of the Fund refers to the Actuary making an investigation of the position and prospects of the Fund and reporting on that investigation.

1.5 The purpose of this report is:

- to meet the requirements of the Trust Deed and the relevant superannuation legislation, including the requirements of SPS 160;
- to examine the current financial position of the Fund;
- to provide advice to the Trustee on the level of funding and reserves in the relation to the Defined Benefit Members;
- to recommend the level of contributions from the Bank; and
- to provide the statement for the purpose of Australian Accounting Standard AAS25

Previous investigation

1.6 The previous investigation of the Fund was carried out by me, Kate Maartensz, as at 30 June 2012, with the findings of that investigation set out in the report dated 19 December 2012.

1.7 The previous investigation, as at 30 June 2012, recommended that:

- The Bank contribution in respect of Category 1 members be retained at 10.0% of salaries, being 9.5% to members' accounts, 0.4% for death and disablement cover and 0.1% for administration costs;
- The Death and Disablement (D&D) Reserve be retained at $4.2 million at 30 June 2012;
- The reserve to provide the Fund N Guarantee be retained at $10.5 million;
- The Bank continue to make no contributions in respect of Category 3, 4 members and CBCOPF;
- The Bank continue to make deemed member contributions in respect of Category 1 members as required;
- That the small amount of unallocated reserves be held in the Fund to assist with appropriate reserving requirements and as a buffer against investment experience; and
- The contribution rates for each Category, as well as the adequacy of the Fund N Guarantee Reserve and Death & Disablement Reserve be reviewed as part of the next actuarial investigation of the Fund, due no later than 30 June 2015.

1.8 These recommendations were adopted by the Trustee

Significant events Since Previous Investigation

1.9 There have been a range of legislative changes by the Government as part of its Stronger Super reforms, including MySuper (a requirement for a low cost default accumulation option), SuperStream (aimed at the administration efficiency of the superannuation system) and Prudential Standards (intended to increase governance of funds). As a result, some changes were made to the way accumulation benefits were provided to Category 1 members, however these changes don't affect the funding of the defined benefit liabilities.

1.10 Under SPS 160, Trustees are required to set a Shortfall Limit, being the extent to which the Trustee believes the Fund can be in an unsatisfactory financial position and still reasonably expect that, because of corrections to temporary negative market fluctuations in the value of assets, the funding can be restored to a satisfactory financial position within one year.

1.11 A Shortfall Limit of 100% was adopted by the Trustee, based on actuarial recommendation. This reflected the investment strategy of the defined benefit liabilities as well as the nature of those liabilities within the Fund.

1.12 The trusteeship and administration of the Fund was transferred to PFS Nominees and Plum financial Services Limited respectively during 2014.

1.13 Following the change in trustee and administrator of the Fund:

- A Defined Benefit Reserve was established to hold assets backing the defined benefit liabilities; and
- A small number of pensioners and pension liabilities in respect of former Bank employees ("ex-NAB pensioner") and Bank of New Zealand employees ("ex-BNZ pensioner") were transferred into the Fund.

1.14 None of these changes are expected to have had a materially adverse impact on the Fund's financial position.

Membership

1.15 A summary of the defined benefit membership at 30 June 2015 is provided below:

Active Members	Number	Average Salary	Average Age (years)
Category 1 – ex-Fund N only	436	$65,374	48.8
Category 3	[redacted]	[redacted]	[redacted]

Pensioners	Number	Average Pension Amount (p.a.)	Average Age (years)
Category 3, 4, CBCOPF*, ex-NAB and ex-BNZ	22	$13,720	90.3

** In addition there was 1 deferred pensioner who has commuted his pension for [redacted] years and was not receiving pension payments as at 30 June 2015.*

Assets & Investments

1.16 At 30 June 2015 the net market value of the total net assets available to meet members' benefit liabilities were reported in the audited accounts to be was $4,269.7 million, inclusive of $8.1 million of Operation Risk Reserve.

1.17 At 30 June 2015, the net market value of the Defined Benefit Reserve was $25.7 million. After adjusting this amount for a benefit payable in respect of an exited member, the net value of the Defined Benefit Reserve used to assess the financial position of the defined benefit liabilities was $25.6 million.

1.18 The value of the total net assets is used to determine the contribution recommendations and to assess the Fund's financial position as a whole which is predominantly of accumulation nature whilst the net value of the Defined Benefit Reserve is used to determine the contribution recommendations and to assess the financial position in relation to the defined benefit liabilities.

1.19 Diversified and asset class specific investment options are offered to members of Category 1, retained benefit members and spouse members.

1.20 The Defined benefit Reserve is invested in the Growth option, which has a current strategic allocation to growth, defensive and alternative assets of 72%, 12% and 16% respectively.

1.21 I am satisfied that the investment objectives & strategy and liquidity policy are from within the range of strategies considered reasonable considering the liabilities of the Fund.

Funding & Funding Method

1.22 For the purposes of this valuation we have a target of ensuring, in the first instance, that the recommended contributions are, on the basis of the selected assumptions, able to maintain a Benefit VBI for defined benefits that is in excess of 100% over the three years following the valuation date (when the next actuarial investigation is required). The Projected Benefit Funding Method will be used to assess the capability of the recommended employer contributions to achieve the funding objective on the basis of the selected assumptions

Summary of Experience and Assumptions

1.23 The following notes the main elements of the financial and demographic experience over the three years from 1 July 2012 to 30 June 2015 and comments on the impact of this experience:

Financial Experience and Assumptions

1.24 The assets backing the defined benefit liabilities are invested in the Growth option of the Fund. This option has returned an average of 12.4% p.a. over the three years ending 30 June 2015, which is higher than the rate of investment return expected at the last actuarial investigation of 6.5% p.a. (net) for the period and in isolation would have had a positive funding impact.

1.25 Salary growth for Category 1N members and Category 3 members in their categories at both the start and the end of the period have been 3.9% p.a. and 2.7% p.a. respectively, slightly lower than the 4% p.a. salary growth expected. Pension increases have been 2.2% p.a. on average, slightly lower than the 2.5% p.a. pension increases assumed.

1.26 Importantly, the “gap” between investment returns and salary growth or pension increases has been greater than assumed in the valuation of the defined benefit liabilities at the previous investigation. Therefore, overall, the assets supporting the defined benefit liabilities have grown at a higher rate relative to the growth in the salary or inflation linked liabilities. In isolation, this experience has had a positive impact on funding.

1.27 Administration and insurance costs are now met by debits from MySuper/Category 1 member accounts. This will slightly reduce account balances to that previously expected, which in isolation would be expected to have a small adverse impact.

1.28 We have assumed the following financial assumptions for this investigation:

- Based on the current investment strategy for the Defined Benefit Reserve and Russell's long term capital market assumptions, a future net of tax investment return of 6.0% p.a. (in relation to active members) and a future gross investment return of 6.75% p.a. (in relation to pension members);
- Based on discussion with the Bank, a long term salary inflation rate of 4.0% p.a. for defined benefit members;
- Based on long term economic outlook, expected future pension increases (in line with CPI increases) of 2.5% p.a.; and
- Administration and insurance costs of 1.5% of salary.

Demographic Experience and Assumptions

1.29 The rate of resignation for Category 1N members has been slightly more than expected. As the defined benefit VBI has been more than 100%, this will have had a positive impact on funding, as no guarantee amount would be required to be paid from the Defined Benefit Reserve and that reserve would be funding the guarantee for fewer members.

1.30 The number of Category 1N members retrenched over the period has also been less than expected, the rate being around 7% over the 3 year period, compared to the 20% assumed a the previous investigation. This would be expected to have had a slightly positive impact, because the guarantee was paid in relation to fewer retrenchments.

1.31 There were fewer Category 1N retirements over the period than expected, however this is not likely to have had a material impact on funding.

1.32 The death and disability experience for the last 3 years has been lighter than expected, however with the Fund now externally insured this experience does not directly impact the Fund's financial position – though does influence the proportion of members expected to continue on to retirement ages.

1.33 The defined benefit liabilities represent a very small portion of the Fund's overall liabilities (less than 1% of total assets) so the investment, salary and demographic experience over the past three years is not expected to significantly affect the overall financial position.

1.34 In relation to Category 3, 3 members left whereas we assume all members remain in the Fund to retirement age. The impact of these exits is not expected to be material and in any case as the exits occurred when the DB VBI over 100% would have had a favourable impact on funding.

1.35 The resignation, retirement, death and disablements rates for Category 1N adopted at the previous investigation have all been retained for this current investigation.

1.36 We have also retained the assumption that all Category 3 members will remain in the Fund until retirement age and the pension mortality assumptions applied to all pensioners adopted at the previous investigation.

Financial Position as at 30 June 2015

1.37 The financial position of the Fund overall and the Defined Benefit liabilities as at 30 June 2015 were considered. The results showed that 30 June 2015:

- The Fund VBI was 101.2% and the Defined Benefit VBI was 434.6%. The Fund was therefore in a satisfactory financial position, as that term applies under SPS 160 and is not required to be treated as in an unsatisfactory financial position;
- The Accrued Benefit Index was 101.2% for the Fund and 404.7% for the Defined Benefit liabilities;
- The coverage of retrenchments benefits (i.e. if all members were retrenched) by the assets was 101.1% for the Fund and 270.2% for the Defined Benefit liabilities; and
- The coverage of MRBs by the assets was 101.2% for the Fund and 490.5% for the Defined Benefit liabilities.

1.38 The total service liabilities of the defined benefit members, i.e. the value of the benefits expected to be paid in future in respect of service up to the date of expected exit (based on the assumptions adopted for this investigation) was also considered. It was found that the Defined Benefit Reserve is expected to exceed the total service liability by an amount of $18.6 million.

1.39 Although the investment return on the Defined Benefit Reserve since 30 June 2015 up to 29 February 2016 has been less than expected, reducing the financial position slightly, on all measures of the financial position funding remains strong.

VBI Projections and Sensitivity Analysis

1.40 The sensitivity of the financial position in relation to defined benefit liabilities, as measured by the VBI and coverage of retrenchment benefits as well as the surplus of the Defined Benefit Reserve over the total service liabilities vested benefits, to changes in assumptions were considered. The results showed that the financial position was expected to remain strong, with a Defined Benefit VBI over 100% in these scenarios.

1.41 Even assuming adverse investment experience, such as an immediate fall in the Defined Benefit Reserve and member's accumulation accounts of 20%, the VBI was expected to remain over 100% as at 30 June 2015 and the Defined Benefit Reserve was still expected to exceed the estimated total service liabilities. The coverage of retrenchment benefits also remained over 100%, however reduced to 110% in this case – reflecting that funding of the guarantee is very sensitive to investment experience, as adverse experience reduces the assets and increases the amount of the guarantee payable.

1.42 The Defined Benefit VBI was also projected over the next three years, both on the base assumptions and several adverse investment experience assumptions, demonstrating the impact of both immediate adverse investment experience and adverse experience over the longer term.

1.43 The Defined Benefit VBI remained over 100% under these future scenarios.

1.44 Of course, these assumptions or alternative scenarios will not be borne out in practice exactly as they described above and these results should be considered only as illustrative of the future. Also, while the above scenarios have been selected to provide a range of possible economic outcomes, they do not represent upper or lower bounds for all possible outcomes.

Insurance

1.45 The Fund externally insures all the death and disablement benefit risk and retains no self-insurance risks. I have reviewed the insurance arrangements, including the formula for cover amounts, and consider them to be within the range of reasonable arrangements.

Material Risks

1.46 The funding position is dependent on future experience, and if that experience is adverse the Bank may need to make additional contributions. The risks relating to adverse experience include:

- That investment returns may be lower than expected;
- That salary and price inflation is higher than expected;
- That pensioners live longer than expected; and
- That the Bank is unwilling or unable to pay recommended contributions if the VBI were to fall below 100%.

1.47 These risks are largely mitigated at this time by the strong funding position, however should be considered further if the funding position deteriorated significantly.

Contribution Rate Recommendations

1.48 As a result of my investigation I recommend that:

- The Bank contribution rate in respect of Category 1 members continue to be at the rate agreed with the Trustee, currently 10.0%, or higher as required to meet legislative requirements;
- The Bank continue to pay deemed member contributions in respect of Category 1 members as required;
- No Bank contributions are required in relation to the funding of the Category 1 members' Fund N guarantee;
- The Bank continue to make no contributions in respect of Category 3, Category 4, Category CBCOPF members and pensioners;

1.49 I also recommend that the financial position of the defined benefit liabilities be monitored regularly, noting that the quarterly monitoring currently undertaken by the administrator meets this requirement. I also recommend that the formula currently being used to determine the insured component of death and disablement benefits of the Fund be retained.

1.50 The next actuarial investigation of the Fund should be conducted with an effective date of no later than 30 June 2018, and that the financial position and contribution rates be reviewed as part of that next actuarial investigation.

2 INTRODUCTION

Outline of the Fund

2.1 National Australia Bank Group Superannuation Fund A (the "Fund") was established on 1 August 1985. Members of other Group Superannuation funds were invited to join the Fund at that time. Significant transfers into the Fund occurred with effect from 1 January 1986. The Fund remains open to all new Bank employees immediately on commencing service with the Bank, with all new members joining the MySuper category.

2.2 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.

2.3 The rules governing the operation and design of the Fund's benefits are set out in the National Australia Bank Group Superannuation Fund A Rules effective since 1 July 2005 with amendments effective 8 December 2014 ("the Deed").

2.4 The Fund includes several categories of Members which may be summarised as follows:

- Accumulation category, i.e. MySuper and Category 1, provides benefits to employee members that are defined predominantly in terms of the accumulation of contributions with interest. In combination these represent the biggest portion of the membership and new members may only join the accumulation category.

  A relatively small number of Category 1 members have defined benefit guarantees (ex-Fund N members).

- Category 3 provides benefits largely defined in terms of the final average salary of members. Its members were previously members of the CBC Women's Provident Fund.

- Category 4 no longer has any active members but includes former Bank employees in receipt of pension benefits. Its members were previously members of National Australia Bank Group Superannuation Fund B.

- Category CBCOPF provides pension benefits to former employees of the CBC Bank who previously received their pension benefits from the CBC Officers' Provident Fund.

- Additional pensioners, representing a small number of ex-NAB and ex-BNZ pensioners transferred into the Fund in 2014.

- Retained benefit members (also known as Ex-Employee members) and spouse members.

2.5 The main benefit provisions of these categories as at 30 June 2015 are summarised in Appendix A.

Purpose

2.6 In accordance with the SPS 160, actuarial investigations are required at intervals of not more than three years, noting that the Fund has an exemption from the one year actuarial investigations generally required where defined benefit pensions are payable.

2.7 Also, Rule 9.5 of the Fund refers to the Actuary making an investigation of the position and prospects of the Fund and reporting on that investigation. The investigation must address the matters stipulated under legislation, including recommendations on the level of contributions to be made by the Bank.

2.8 The purpose of this report is:

- to meet the requirements of the Trust Deed and the relevant superannuation legislation;
- to examine the current financial position of the Fund;
- to provide advice to the Trustee on the level of funding and reserve;
- to recommend the level of contributions from the Bank;
- to meet the reporting requirements of SPS 160; and
- to provide the statement for the purpose of Australian Accounting Standard AAS25.

2.9 I am pleased to present this report to the Trustee of the National Australia Bank Group Superannuation Fund A, PFS Nominees Pty Ltd (the “Trustee”), on the actuarial investigation of the National Australia Bank Group Superannuation Fund A (the “Fund”) as at 30 June 2015.

Previous Actuarial Investigation

2.10 An actuarial investigation is conducted every three years and the previous actuarial investigation of the Fund was carried out by me as at 30 June 2012 and, in a report dated 19 December 2012, recommended that:

- The Bank contribution in respect of Category 1 members be retained at 10.0% of salaries, being 9.5% to members’ accounts, 0.4% for death and disablement cover and 0.1% for administration costs;
- The Death and Disablement (D&D) Reserve be retained at $4.2 million at 30 June 2012;
- The reserve to provide the Fund N Guarantee be retained at $10.5 million;

- The Bank continue to make no contributions in respect of Category 3, 4 and CBCOPF;
- The Bank continue to make deemed member contributions in respect of Category 1 members as required;
- The small amount of unallocated reserves be held in the Fund to assist with appropriate reserving requirements and as a buffer against investment experience; and
- The contribution rates for each Category, as well as the adequacy of the Fund N Guarantee Reserve and D&D Reserve be reviewed as part of the next actuarial investigation of the Fund, due no later than 30 June 2015.

We understand that these recommendations were adopted by the Trustee.

Key Events Since Previous Investigation

2.11 There have been a number of significant events affecting the Fund since the previous investigation at 30 June 2012, including Fund or Bank initiated changes as well as changes required to comply with relevant legislation, such as:

- The introduction of the MySuper arrangements from 1 January 2014;
- Amendments to the insurance premiums charging basis from 1 January 2014, which are now based on age and the level of insurance cover;
- Amendments to the administration fees effective from 1 January 2014 which are now based on a fixed rate per week and a percentage of members' account balance;
- Changes to the definition of Total and Permanent Disablement, the removal of the partial disablement benefit and changes to the cover provided under the Extra Cover Death, Disablement and Temporary Disablement options;
- The establishment of the Operational Risk Reserve as part of the Stronger Super reform;
- Changes to the Unit Prices which are now calculated daily instead of weekly; and
- Appointment of PFS Nominees as the new trustee of the Fund, replacing the previous trustee National Australia Bank Superannuation Fund Pty Ltd from 8 December 2014;

2.12 In addition, there were a number of legislative changes. These were reflected in the Fund's rules as appropriate and include:

- Changes relating to low income superannuation contribution, concessional and non-concessional contribution limits and contribution tax for high income earners;

- An increase in the Superannuation Guarantee (SG) requirements from 9% to 9.25% on 1 July 2013 and then to 9.5% on 1 July 2015. Further increases in the SG rates were deferred, with the next increase (to 10%) scheduled to occur from 1 July 2021 and then 0.5% increases each year thereafter until the SG rate reaches 12%; and
- Changes relating to the Medicare levy which affects the taxable superannuation lump sum and income stream payments;

2.13 SPS 160, relating to defined benefit matters which applied from 1 July 2013 on a mandatory basis. Key requirements of SPS 160 affecting the Fund are the requirement to set a Shortfall Limit (discussed above) and the need to obtain an actuarial investigation and advice regarding a restoration plan should funding fall below certain trigger levels.

2.14 Overall, whilst both the Deed and legislative changes may affect individual members (e.g. by affecting the fees or premium debited or the benefit tax paid), in the majority of cases, where members have only an accumulation entitlement, the Fund's benefit liability is similarly affected. Therefore these changes do not have a significant impact, if any, on the funding of benefits or the financial position of the fund.

3 MEMBERSHIP

Membership Data

3.1 We requested, and were provided with, the individual membership data for the following groups of defined benefit members from the Fund's administrator (Plum):

- Active members of ex-Fund N Category 1 (Category 1N) and Category 3 as at 30 June 2015 (including, for any relevant member, previous Fund information);
- Members of Categories 1N and 3 who ceased membership between 1 July 2012 and 30 June 2015; and
- Pensioners of Category 3, 4, CBCOPF, ex-NAB and ex-BNZ as at 30 June 2015 together with details of exited pensioners during the period between 1 July 2012 and 30 June 2015.

3.2 We have performed checks on the data provided for the defined benefit members above. Data queries were raised and satisfactorily resolved with the Fund's administrator.

3.3 In addition, the administrator of the Fund also provided the individual membership data for Category 1/MySuper members (those with only accumulation benefits), as well as the aggregate account data for other accumulation members which included Retained Benefit Accounts, Spouse Accounts, and Allocated Pensions. This report relies on the accuracy of the balances provided; while we have checked the reasonableness of the balances, we have not independently verified them.

3.4 I am satisfied that the data provided is reasonable for the purposes of this actuarial investigation.

Defined Benefit Membership Summary and Statistics – Active Members

3.5 The movement in the Category 1N active membership over the three years to 30 June 2015 is summarised in the following table.

CATEGORY 1N ACTIVE MEMBERSHIP MOVEMENTS BETWEEN 1 JULY 2012 TO 30 JUNE 2015			
Number of Members at 30 June 2012			609
LESS Exits			173
	Resignation*	63	
	Retirement*	42	
	Retrenchment	34	
	Portability Transfer^	32	
	Death	1	

CATEGORY 1N ACTIVE MEMBERSHIP MOVEMENTS BETWEEN 1 JULY 2012 TO 30 JUNE 2015		
Terminal Medical Condition	1	
Number of Members at 30 June 2015		436

* Resignations on and after age 55 are classified as Retirements.
^ Including transfer out of Category 1N as a result of partial withdrawal.

3.6 Over the same period, the active membership of Category 3 reduced from [redacted] The average age of the remaining members has increased from [redacted]

3.7 The Category 3 active membership has, and is expected to continue to, decrease rapidly as the existing membership ages and also because the Category has been closed to new entrants for some time.

3.8 Below is a summary of the key membership statistics for active defined benefit members of the Fund as at 30 June 2015 and, for comparison purposes only, at the date of the previous investigation of 30 June 2012:

ACTIVE MEMBERSHIP STATISTICS	AS AT 30 JUNE 2012	AS AT 30 JUNE 2015
Category 1N		
Number of members	609	436
Average Salary	$57,487	$65,374
Average Age	46.8	48.8
Average Past Membership	23.1	26.2
Category 3		
Number of members	[redacted]	[redacted]
Average Salary	[redacted]	[redacted]
Average Age	[redacted]	[redacted]
Average Past Membership	[redacted]	[redacted]

Membership Summary and Statistics – Pensioners

Category 3

3.9 There was [redacted] Category 3 pensioner as at 30 June 2015, with an annual pension of [redacted] This pensioner was also in the Fund as at 30 June 2012.

Category 4

3.10 Category 4 comprises former employees who were previously members or pensioners of Fund B. There are no longer any active Category 4 members, only pensioner members.

3.11 Since the previous investigation as at 30 June 2012, as a result of deaths the number of pensioners has reduced from 15 to 7. The following table shows the number of Category 4 pensioners and pension amounts at the current investigation date.

	Number of Pensioners	Total Annual Pension	Average Annual Pension
Males	[redacted]	[redacted]	[redacted]
Females	[redacted]	[redacted]	[redacted]
TOTAL	[redacted]	[redacted]	[redacted]

Category CBCOPF

3.12 This category also has only pensioners, being former members and pensioners of the CBC Officers' Provident Fund. The following table provides a summary of the number of pensioners and annual pension amounts at the current investigation date.

	Number of Pensioners	Total Annual Pension	Average Annual Pension
Males	[redacted]	[redacted]	[redacted]
Females	[redacted]	[redacted]	[redacted]
TOTAL	[redacted]	[redacted]	[redacted]

3.13 In addition, there was [redacted] pensioner who has elected to commute five years of pension payments and is still within that five year commutation period, which is due to end on 12 September 2017. This pensioner, now aged [redacted] had also previously commuted his pension for 5 years and was within that 5 year period at 30 June 2012.

Ex-NAB and Ex-BNZ Pensioners

3.14 The pensioner and the pension liabilities of a small number of former Bank employees and of the spouses of former BNZ employees were transferred into the Fund (the Fund had always administered these pensions in any case).

3.15 The following table provides a summary of the number of pensioners and annual pension amounts at the current investigation date.

	Number of Pensioners	Total Annual Pension	Average Annual Pension
Females	[redacted]	[redacted]	[redacted]
TOTAL	[redacted]	[redacted]	[redacted]

All Pensioners

3.16 The overall movement in all pensioners, excluding the commuted pensioner, since the previous investigation is summarised below:

TOTAL PENSIONER MOVEMENTS	Number of Pensioners
Number of Pensioners at 30 June 2012	33
plus Pensioners Transferred in	7
less Pensioner Deaths	18
Number of Pensioners at 30 June 2015	22

3.17 Below is a summary of the key membership statistics for Fund pensioners being paid as at 30 June 2015 and, for comparison purposes only, at the date of the previous investigation of 30 June 2012.

PENSIONER STATISTICS	As at 30 June 2012	As at 30 June 2015
Category 3		
Number of Pensioners	[redacted]	[redacted]
Average Pension Amount	[redacted]	[redacted]
Category 4		
Number of Pensioners	[redacted]	[redacted]
Average Pension Amount	[redacted]	[redacted]
Category CBCOPF*		
Number of Pensioners	[redacted]	[redacted]
Average Pension Amount	[redacted]	[redacted]
Ex-NAB and Ex-BNZ		
Number of Pensioners	[redacted]	[redacted]
Average Pension Amount	[redacted]	[redacted]
All Pensioners		
Number of Pensioners	[redacted]	[redacted]
Average Pension Amount	$[redacted]	[redacted]

* *In addition there [redacted] pensioner at 30 June 2015 who has commuted his pension for 5 years and is still within that 5 year period, so is currently receiving no pension payments. This pensioner, now aged [redacted], had also previously commuted his pension for 5 years and was within that 5 year period at 30 June 2012.*

4 ASSETS AND INVESTMENTS

Data

4.1 In this section we consider the appropriate value of assets to use for the actuarial investigation. We have relied on the audited financial accounts of the Fund for the year ended 30 June 2015 for our analysis.

Value of Assets

4.2 The market value is an objective value of assets and is the best estimate of the immediately realisable value of the Fund's assets. The market value has been used in determining the recommended Bank contribution and assessing the financial position of the Fund. Its use is also consistent with actuarial Professional Standard 404.

4.3 The net market value of assets available to meet members' benefit liabilities at 30 June 2015 was $4,269.7 million (inclusive of $8.1 million of Operational Risk Reserve), as provided in the audited financial accounts. For the purpose of assessing the financial position of the Fund, we have excluded the Operational Risk Reserve from the net assets.

4.4 As the Fund has moved from weekly to daily unit prices, there is no adjustment to the assets required to reflect the movement in unit prices from the last declared date to the investigation date (as was required as at 30 June 2012).

Reserves

4.5 In addition to assets held within member accumulation account balances, there are four reserves held by the Fund. They are:

- Operational Risk Reserve: established to comply with APRA's Prudential Standard SPS 114 – Operational risk Financial Requirement (ORFR). Its primary objective is to address an operational risk (as defined in the ORFR Strategy document) and remediate members appropriately and in a timely manner.
- Defined Benefit Reserve: established to hold assets backing the defined benefit liabilities of Category 1N, Category 3 active member and pensioners.
- Administrative Reserve: established to hold excess funds over and above the other Reserves and member account balances.
- Activity Reserve: established to receive administration fees, insurance premiums and taxation costs deducted from member accounts on a monthly basis. This Reserve is used as a clearing account to pay for administration fees and costs including legal, audit, actuarial expenses, as well as insurance premiums and tax costs.

4.6 Note that this arrangement is different to the previous management of the assets, where the assets supporting all fund benefits were considered in total, and reserve amounts for the various defined benefit liabilities then recommended as part of those total assets.

4.7 The new arrangement isolates the assets supporting the defined benefit liabilities, noting that the funding of the underlying accumulation benefits (for Category 1N members) continues to sit with the members individual accumulation accounts – i.e. for these members it is only the "guarantee" (i.e. the excess of the prior Fund N defined benefit amount over the Category 1 accumulation balance) that needs to be funded from the Defined Benefit Reserve.

4.8 It is the value of the Defined Benefit Reserve that is relevant when measuring the financial position of the defined benefit portion of the Fund. Various checks have been applied to the data. I am satisfied that the data provided is reasonable and that there are no errors in the data which would have a material effect on the results of this actuarial investigation. Nonetheless, the results of this investigation are dependent on the quality of the asset information and any changes to the asset values above will have an impact on the outcome of the investigation and any resulting recommendations.

4.9 The market value of the Defined Benefit Reserve at 30 June 2015 was $25.7 million, as advised by the Fund's administrator. This amount excludes the Operational Risk Reserve of $8.1 million.

4.10 We have adjusted the Defined Benefit Reserve to allow for a benefit currently payable in respect of an exited member with a Category N guarantee by $0.1 million. The adjusted Defined Benefit Reserve of $25.6 million was used for the purpose of this investigation.

Member Investment Choice

4.11 Member Investment Choice (MIC) was introduced from 1 July 1999 and is available to all MySuper/Category 1 members as well as Retained Benefit members and Spouse members.

4.12 There are currently nine investment options offered by the Fund, being five pre-mixed options (MySuper, High Growth, Growth, Balanced, and Capital Stable) and four asset specific options (Australian Shares, Overseas Shares and Fixed Interest and Cash).

Unit Pricing and Crediting Rate Policy

4.13 Since the previous investigation the Fund has moved from weekly to daily unit pricing.

4.14 The Trustee has set out a Unit Pricing Policy to document the objectives and processes in regards to the unit pricing methodology it has adopted for its daily unit pricing for all the investment options.

4.15 The policy also sets out the method for valuing the assets. It also includes a daily check of the unit price movement against relevant benchmark indices by both the Custodian and Plum NAB Wealth Finance Investment Control. The unit holdings are also checked to ensure consistency between the Custodian and the Fund. The method provides a unit price based on the net asset value after allowing for fees, taxes and management fee rebate.

4.16 Daily tax provision estimates are accounted for at an asset class level and flow through to the investment options as part of the daily unit price process. On a monthly basis, the provision for tax for each investment option is actualised. On an annual basis, the provision is again actualised when the income tax return for the Fund is lodged. The actual tax payable for each investment option is reconciled to tax provided for during the year and an adjustment is made to relevant unit prices.

4.17 In addition to the daily unit pricing policies applicable to the investment options, the Trustee has also set out a Crediting Rate Policy to manage the allocation of earnings to relevant benefits payable to defined benefit members. A crediting rate is declared on a monthly basis in arrears, based on the unit price movement of the Growth investment portfolio for the previous month.

4.18 In addition to the monthly crediting rate, an interim rate is used to calculate the allocation of earnings to benefits between the calculation of the crediting rates. The interim rate to be applied is based on the 10-year Commonwealth Government Bond Rate. An interim rate will apply for a maximum not exceeding one month and the impact on members is not expected to be material over such short periods given the accounts to which it relates. It is also not expected to cause material gains or losses to the Fund given the small number of defined benefit members.

4.19 Overall, we consider both the unit pricing and crediting policies adopted by the Trustee to be within the range of approaches that is reasonable.

Investment Objectives

4.20 The Trustee has set investment objectives for each of the Fund's investment options, which are detailed in appropriate member communication material. The default option applied when members don't make an investment selection, including Spouse and Retained Benefit members, is the MySuper option.

4.21 The assets of Operational Risk Reserve, Defined Benefit Reserve and Administration Reserve are invested in the Growth investment option, the objective of which is to earn 3% pa above CPI over rolling 10 year periods. The assets attributable to defined benefit funding under the previous asset arrangement were also invested in the Growth option.

4.22 The assets of the Activity Reserve are invested in the Cash investment option.

4.23 The Fund's assets in respect of the accumulation liabilities of MySuper/Category 1, Retained member and Spouse member benefit liabilities are invested in accordance with the investment choices made by those members (or the default investment option if no choice is made). The change in unit price for the various MIC options represents the full earnings (including income and any change in market values) on the underlying assets for that investment option. Therefore, for these members' accounts, the valuation of the assets attributable to the investment options is consistent with the balance of their accounts.

Investment Strategy

4.24 In seeking to achieve the various investment options' long-term objectives, the Fund will maintain a diversified mix of assets, with investment options having different ranges of exposure to growth assets such as shares and property.

4.25 The following table sets out the current benchmark asset allocations for each of the pre-mixed investment options. The asset class specific investment options, e.g. Fixed Interest option, are invested entirely in that asset class.

	High Growth	MySuper	Growth	Balanced	Capital Stable
Australian Equities	48%	34%	34%	22%	15%
Overseas Equities	30%	26%	26%	13%	5%
Alternative Investments	10%	12%	12%	10%	7%
Property	12%	12%	12%	10%	10%
Fixed Interest	-	14%	14%	35%	43%
Cash	-	2%	2%	10%	20%
TOTAL	**100%**	**100%**	**100%**	**100%**	**100%**

Defined Benefit Investments

4.26 As noted above, the assets held in the Defined Benefit Reserve in respect of the defined benefit liabilities are invested in the Growth option.

4.27 The current target allocation and possible ranges for the Growth option is as shown below. The annual reports show that actual allocation was within the possible ranges for each asset class at during the investigation period.

Asset Allocation for Growth Option at 30 June 2015	Benchmark	Ranges
Australian Equities	34%	20% - 40%
Overseas Equities	26%	20% - 40%
Property	12%	5% - 20%
Growth Assets	***72%***	

Fixed Interest	14%	0% - 25%
Cash	2%	0% - 20%
Defensive Assets	***16%***	
Alternative Investments^	12%	5% - 25%
TOTAL	**100%**	

^ *includes growth and defensive assets*

4.28 I am satisfied that the investment objective and strategy currently adopted by the Trustee for the defined benefit assets held in respect of the defined benefit liabilities are within the range of strategies considered reasonable for a fund of the size and with the benefit design of the Fund, having regard to the risk objectives of the sponsoring employer.

Liquidity

4.29 The Fund considers its policy for liquidity management within its overall Investment Strategy policy. This policy, including the liquidity policy section, is reviewed at least annually or if certain events occur (including changes to investment options, new investment options offered to members, changes to the structure of the fund, legislative changes, market changes or other social, political or catastrophic events).

4.30 The underlying aim of the Liquidity policy is to maintain liquidity that ensures all benefits are paid when due and that the Fund's investment settlement and other payment obligations are met without incurring significant unexpected costs.

4.31 The Liquidity policy defines "liquid assets" as those which can be redeemed at fair market value within 30 business days. This reflects the definition of "illiquid assets" in the SIS Regulations as investments that cannot be converted to cash within 30 days without significant adverse impact on the realisable value. It is against these definitions that the Trustee monitors its liquidity levels.

4.32 Under the Fund's liquidity policy, at least 60% of total assets of the Fund should be liquid, which under foreseeable circumstances should allow the Fund to meeting its benefit and other payment obligations within required timeframes and without incurring additional costs. This level of liquidity will also allow the Fund to manage the assets within the asset allocation ranges specified.

4.33 In the 2014 Investment Strategy Plan it notes that the investment adviser, JANA, is required to report to the Trustee on the level of liquid and illiquid assets at least twice annually. Formal stress testing should take place at least once annually and at the point that any significant market or other event could pose liquidity challenges for the Fund.

4.34 The Liquidity policy also details the steps to be taken if certain liquidity events that may put at risk the Fund's desired liquidity level occur or the requirements of the policy are not met. The Fund Secretary is to assess whether the event puts at risk the Fund meeting its objectives. If so, the Trustee must be informed immediately and decide an appropriate plan to restore liquidity.

4.35 For the growth option, we note that the target exposure to liquid assets such as listed shares, fixed interest and cash is at least 76%.

4.36 I believe the fund's liquidity policy is within the range of policies considered reasonable having regard to the liability profile of the fund.

5 FUNDING

General

5.1 Over the life of the Fund, the total income (mainly contributions and investment income) must be sufficient to meet the total expenditure (mainly benefits and expenses). The funding method is the method by which the actuary considers the long-term financial position of the Fund with a view to ensuring the Fund's assets will be sufficient over the long term to meet its liabilities as they arise.

5.2 For accumulation benefits (most of Category 1, retained benefit and spouse members), which are equal to accumulated contributions (less tax and fees as applicable) plus interest and represent the bulk of the Fund's benefit liabilities, funding is determined by the contribution rate adopted by the employer. At any time, the liability for these members is equal to the accumulated monies.

5.3 For defined benefits (such as the Fund N Guarantee, Category 3 benefits and pension entitlements), a pool of assets is built up over time and is available to meet benefit and expense payments as they arise. The pool of assets is built up by member and employer contributions, as applicable, and investment income on assets already accumulated. This pool of money is now represented by the Defined Benefit Reserve.

5.4 The pool is reduced by benefit payments, tax and expenses. The amount of defined benefits which the Fund will be liable to pay from the pool in future cannot be known in advance since benefits depend on members' salaries near their date of leaving, their completed membership at that date and their reason for leaving. Similarly, the total amount of pension payments is not known as this depends on actual mortality rates.

5.5 It is thus necessary to estimate the future defined benefit liabilities and hence the amount that will be required in the pool of assets. The estimate is made based on a set of assumptions about future experience. These assumptions are divided into two categories:

- financial assumptions (e.g. rates of salary growth and investment income); and
- demographic assumptions (e.g. rates of retirement, resignation, death & disablement).

5.6 While each of the assumptions used is normally the actuary's best estimate of future experience, in practice, the Fund's actual experience in any period will always be expected to differ from the assumptions to some extent – particularly for smaller membership categories where experience can vary significantly over short periods. However, it is intended that over longer periods, and when all of the assumptions are combined, they will provide a reasonable estimate of the likely future experience and financial position of the Fund.

5.7 The assumptions adopted for this purpose are discussed in Section 6 and 7 with a summary of the assumptions adopted also included in Appendix B.

Funding Method

5.8 In line with APRA's emphasis on ensuring that the assets being adequate to cover the liabilities in respect of vested benefit over the short term, we have a target of ensuring, in the first instance, that the recommended contributions are, on the basis of the selected assumptions, able to maintain a Benefit VBI for defined benefits that is in excess of 100% over the three years following the valuation date (when the next actuarial investigation is required).

5.9 The Trustee, in conjunction with the Employer, may seek to apply a funding target that is in excess of a 100% Defined Benefit VBI or which considers other aspects of the Fund's operation (such as contribution levels or corporate disclosure requirements).

5.10 As such, the Projected Benefit Funding Method is used to assess the capability of the recommended employer contributions to achieve the funding objective on the basis of the selected assumptions by:

- projecting members' expected future Vested Benefits;
- projecting the expected future values of defined benefit assets, based on assumed employer contribution rates (currently nil), and then
- assessing the ability of those employer contributions to achieve the funding objective, and if necessary
- determining alternative employer contributions considered necessary to achieve the funding objective.

5.11 This analysis is set out in Section 9.

5.12 In the previous actuarial investigation, the contribution recommendations were based on the establishment of reserves based on the expected value of total service liabilities as well as an estimate of the amount required for the Fund N guarantee.

5.13 Use of the projected benefit funding method is consistent with this approach, though greater emphasis is now placed on the projected funding position as well as the position as at the investigation date.

5.14 We also still consider the value of the total service liabilities relative to the Defined Benefit assets.

6 EXPERIENCE AND ASSUMPTIONS - FINANCIAL

'Gap' Between Investment Returns and Salary Growth

6.1 The assumption of major significance in the valuation of the Fund's future defined benefit liabilities and contributions is the difference (or 'gap') between the assumed future rate of investment earnings and the assumed growth rate liabilities. The gap or real return, for active members, is the difference between the assumed future rate of investment earnings and the assumed future growth in salaries. For pensioners, it is the difference between the assumed future rate of investment earnings and the assumed future pension increases.

6.2 These factors offset each other in their financial effect - hence it is the difference between the rates that is important rather than the absolute values ascribed to them. The higher the real rate of return assumed the lower the value placed on the liabilities (and the contributions required to fund them, if applicable).

6.3 The future investment return assumption is based on the asset allocation applicable to the defined benefit assets (in this case the Growth option), and expectations about the future returns for specific asset sectors. The future salary inflation assumption is also based on current economic drivers as well as relevant salary agreements in place and discussion with the employer. The future pension increase assumption is also based on current economic drivers as well as relevant Rules of the Fund.

6.4 Whilst the assumptions are set independently, regard is nonetheless had to the resulting "gap", bearing in mind past experience of the relationship between investment markets and economic indicators such as salary growth.

6.5 In the previous investigation of the Fund as at 30 June 2012 an effective gap of 2.5% p.a. was used for active defined liabilities, comprising net investment returns of 6.5% p.a. and non-promotional salary growth of 4% p.a. In addition, promotional salary increases were adopted for Category 3 members. The effective gap of 4.5% p.a. was used for pension liabilities, comprising net investment return of 7.0% p.a. and pension increase of 2.5% p.a..

Investment Returns

6.6 For the years ended 30 June 2010 to 2015, the net (after tax) returns on the Growth option (being the one in which the defined benefit assets are invested) are shown below. These returns are as reported in the relevant Annual Report to Members.

Period	Growth Option (per annum)
1 Year ended 30 June:	
2011	6.5%
2012	1.3%
2013	13.6%
2014	14.0%
2015	9.7%
3 Years ended 30 June 2015	
NAB Growth Option	12.4%
5 Years ended 30 June 2015	
NAB Growth Option	8.9%

6.7 The return on the Defined Benefit assets over the investigation period has been 12.4% p.a., which is significantly higher than the 6.5% p.a. assumed. This has a twofold effect, both increasing the assets funding the defined benefit liabilities and, for Category 1 N members invested in the growth option (which is the default option), increasing their account balances more than expected and therefore reducing the amount of the guarantee required to be paid. In isolation, this has had a positive impact on funding of the defined benefit liabilities.

Category 1N – Salary Increases and "Gap"

6.8 The two main effects present in relation to salary changes are:

- Increases reflecting productivity improvements or seeking to offset inflation; and
- Increases that reflect individual promotion or change in value to the Bank.

6.9 The following table shows the average increase in salary for members of Category 1N (i.e. ex-Fund N members). Also shown is the increase in average salary over the period for ex-Fund N members in the Fund at both dates (i.e. "stayers").

	At 30 June 2012	At 30 June 2015
Number of Members	609	436
Total Salaries	$35,009,750	$28,502,919
Average Salary	$57,487	$65,374
Increase in Average Salary	4.4% p.a.	
Increase in Average Salary for "stayers"	3.9% p.a.	

6.10 The average increase in salary for members in the fund at the Fund at both the start and end of the period (i.e. "stayers") is 0.5% p.a. lower than the increase in average salary for all ex-Fund N members, reflecting the impact on the average of members who exited the fund.

6.11 The "gap" between investment returns (12.4% p.a.) and salary growth for stayers (3.9% p.a.) of 8.5% p.a. is greater than the 2.5% p.a. gap assumed in the valuation of the Fund N Guarantee at the previous investigation. Therefore, overall, the assets supporting the Fund N Guarantee have grown at a higher rate relative to the growth in the salary related Fund N Guarantee liability. In isolation, this experience has had a positive impact on the Fund N Guarantee funding.

Category 3 – Salaries and "Gap"

6.12 The following table shows the increase in average salary for members of Category 3.

	At 30 June 2012	At 30 June 2015
Number of Members	[redacted]	[redacted]
Total Salaries	[redacted]	[redacted]
Average Salary	[redacted]	[redacted]
Increase in Average Salary	[redacted]	
Increase in Average Salary for "stayers"	[redacted]	

6.13 As the number of members in this category is only relatively small, the change in average salary is heavily influenced by membership movements (i.e. exits). This is demonstrated by the difference in increase in average salary overall and the increase for "stayers". Given the age and profile of the members, it is also possible that their careers (and thus salaries) have plateaued, leading to relatively low salary increases.

6.14 At the last investigation as at 30 June 2012, it was assumed that investment returns would exceed the rate of non-promotional salary growth by a differential of 2.5% p.a. In addition a promotional salary scale was assumed to apply, however this was relatively flat at the ages attained by most Category 3 members now and doesn't significantly reduce the assumed "gap".

6.15 The actual investment return (12.4% p.a.) has been higher than the salary growth (2.7% p.a.) over the investigation period. The actual gap of 9.7% p.a. was greater than the 2.5% p.a. assumed in the valuation of the Category 3 liabilities at the previous investigation. Overall, the assets supporting the Category 3 liabilities have grown at a higher rate relative to the growth in the salary related benefits and this experience, in isolation, has had a positive impact on the funding of that benefit category.

Pension Increases

6.16 Pension increases have been applied to most of the pensioners as follows for the respective calendar years:

Pension Increases	
1/1//2013	2.0%
1/1/2014	2.2%
1/1/2015	2.3%
Last 3 calendar years	2.2% p.a.

6.17 The pension increases for ex-BNZ pensioners are applied half yearly (on 1 April and 1 October), but are still based on increases in the CPI. Therefore similar increases would have applied to these pensioners.

6.18 The rate of long term pension increase assumed at the previous investigation was 2.5% p.a. Over the last three years, pensions have increased by 2.2% p.a., slightly lower than assumed. It was also assumed that investment earnings would exceed pension increase by a gap of 4.5% p.a., whereas this gap has been 10.2% p.a. for the investigation period. In isolation, this experience has had a positive impact on the funding of the defined benefit category of the Fund.

Employer and Member Contributions

Category 1N Employer Contribution

6.19 The Superannuation Guarantee (SG) contribution rate is 9.5% at 30 June 2015. The SG rate is expected to remain at 9.5% until 30 June 2021, and gradually increasing to 12% by 1 July 2025. The Bank is currently contributing at 10% of salary which is 0.5% higher than the SG contribution rate.

6.20 We have assumed that the Bank contribution will remain at 10% until 1 July 2022. From 1 July 2022, the bank contributions are assumed to match the SG contribution rate.

6.21 Members' account balances are expected to grow more quickly with the Bank contributions increasing above 10% to meet Superannuation Guarantee requirements in the future and this may have a beneficial impact on the requirements of the Fund N reserve (as the difference between the account balance and Fund N benefit will be reduced). However, given the maturity of Category 1N membership, we do not expect the impact to be significant.

Category 3

6.22 It is assumed that the policy of not requiring Category 3 members to contribute will continue.

Administration and Insurance Expenses

6.23 The Bank currently contributes at 10% of salary in respect of Category 1 members. Both the administration fee and insurance premiums are deducted directly from member accounts.

6.24 In valuing the Fund N guarantee for Category 1N members, we have assumed that 1.5% of salary as part of the Bank's contribution would be used to pay for the administration fee and insurance premiums for each member. This assumption is derived from the administration fee and insurance premiums expected to be paid by Category 1N members, based on the current member fees and insurance premium rates. Of the 1.5% of salary, 1.1% relates to insurance costs and 0.4% relates to administration fees.

6.25 This allowance for administration and insurance costs is higher than previously allowed for and in isolation would have an adverse financial impact on the funding of the Fund N guarantee for Category 1N members, as it will reduce the expected accumulation balance and hence increase any guarantee amount payable.

Taxation

6.26 Any change in the taxation regime applying to superannuation funds in Australia could have an impact on the financial status of the Fund, though changes to tax on member benefits do not affect the financial portion of the Fund.

6.27 Although there were changes to the treatment of employer and member contributions during the period (i.e. reduction to the limits on concessional and non-concessional contributions, with tax penalties if limits are exceeded), this change did not affect the funding of the Fund's defined benefit liabilities as in practice the effect of the contributions limits and/or additional tax applied only to a member's individual tax liability (or to the extent they were permitted to be paid from the fund, their accumulation liabilities).

6.28 I have assumed that the current regime will continue and that the tax rate presently applying to the Fund will be maintained in future i.e. that the Fund will remain a regulated and complying fund under SIS and the Tax Act respectively and that a concessional tax rate of 15% will apply to net deductible contributions and investment earnings and that investment income relating to pension assets remains tax free.

6.29 Should the tax regime applying to superannuation funds change, the Trustee should review the impact of such changes on the defined benefit funding and employer contribution requirements.

Financial Assumptions Adopted

6.30 The defined benefit liabilities represent a very small portion of the Fund's overall liabilities (less than 1% of total assets) so the investment, salary and pension increase experience over the past three years is not expected to significantly affect the Fund's overall financial position.

Investment Return

6.31 In determining the assumed future rate of investment returns, we have considered the capital market assumptions of Russell and the Fund's long term investment objective.

6.32 In this investigation, I have assumed a future net of tax and fees investment return of 6.0% p.a. and a future gross investment return of 6.75% p.a.. The expected investment return has reduced from 6.5% p.a. (net) and 7.0% p.a. (gross) reflecting the lower long term return assumptions on various asset classes.

6.33 As discussed below, the expected increase in CPI is 2.5% p.a., so that an expected return of 6.0% p.a. supports that the investment strategy is expected to meet its objective of CPI plus 3.0%.

Salary Increases

6.34 In the 2012 investigation, the assumed rate of salary inflation was 4.0% p.a.. NAB has indicated that this is in line with the current NAB Enterprise Agreement which is due to expire. The next Enterprise Agreement negotiation will commence in 2016. NAB have confirmed that a long term salary inflation assumption of 4.0% continues to be reasonable for this investigation.

6.35 I have maintained the salary inflation assumption at 4.0% p.a..

6.36 The previously adopted promotional salary scale for Category 3 members assumes no promotional salary increase after age 45. All Category 3 members are over age 45 at 30 June 2015. Hence, I have not allowed for any promotional salary increase for Category 3 members for this investigation and consider it suitable as all these members are approaching retirement.

Pension Increases

6.37 In this investigation, I have maintained the expected rate of pension increases at 2.5% p.a. reflecting the views of Russell and the CPI target of 2-3% set by the Reserve Bank of Australia.

6.38 The financial assumptions adopted for this investigation are set out in Appendix B.

7 EXPERIENCE AND ASSUMPTIONS - DEMOGRAPHIC

General

7.1 The majority of Category 1 members receive accumulation only benefits. For these members, their benefit entitlement equals the sum of their accounts and therefore exactly matches the assets held on their behalf.

7.2 However, 436 members of Category 1 also have a “Fund N Guarantee” (also referred to as Category 1N members in this report), i.e. a defined benefit guarantee based on their prior membership of Fund N.

7.3 For these members, in order to assess the value of their benefit entitlements now and in the future (and thus the overall financial position of the Fund) benefit projections and demographic assumptions are required. Similarly, the valuation of benefits Category 3 active members and all defined benefit pensions also require demographic assumptions.

7.4 However, the membership of these categories is now too small for actual experience to be a statistically reliable basis for determining what those assumptions should be – although some comment on experience is nonetheless included. Appropriate assumptions for these categories are based on broader industry experience and the experience of similarly structured defined benefit groups.

Category 1N Members – Withdrawal and Retrenchment Rates

7.5 We have compared the actual withdrawal experience of Category 1N members against the rates of withdrawal adopted at the last investigation. For the purpose of the analysis we have treated the portability transfers, for members who were below age 55 at transfer, as withdrawals from Category 1N as they cease to be entitled to the Fund N guarantee.

7.6 We found that actual withdrawals have been more than expected based on these rates, with 79 actual withdrawal compared to 39 expected withdrawals.

7.7 The Fund N Guarantee only applies to members who remain in the Fund until age 55 or who are retrenched. Unlike many defined benefit liabilities it does not grow gradually as a member reaches age 55, but is effectively a “cliff” design. To strengthen the funding basis, it is reasonable to slightly underestimate the level of withdrawal and thus overestimate the number of members remaining in the Fund and attaining age 55 (and thus be entitled to the guarantee). Bearing in mind the need for some margin to ensure adequate funding of the guarantee, I have not increased the assumed rates of withdrawal for Category 1N members.

7.8 Finally, we note that 34 Category 1N members were retrenched during the period, thus becoming entitled to their Fund N benefit guarantee. This rate of retrenchment is equivalent to approximately 7% of the average membership over the 3 year period. This rate of retrenchment is lower than the assumption adopted previously that 20% of Fund N members would be retrenched over a three year period.

7.9 Rates of retrenchment are difficult to predict, and their impact on a small group of members even more difficult. Nonetheless the impact may be material if the retrenchment of members under age 55 occurs, as they are then are entitled to the guarantee. We discuss the impact of retrenchments when we consider the Fund's current and projected financial position.

Category 1N Members – Retirement Rates

7.10 We have compared the actual retirement experience of Category 1N members against the rates of retirement adopted at the last investigation. For the purpose of the analysis we have treated the portability transfers, for members who were age 55 and above at transfer, as retirements from Category 1N.

7.11 We found that actual retirements have been less than expected based on these rates, with 58 actual retirements compared to 148 expected retirements.

7.12 Although the actual experience of retirements has been less than expected, the rate of retirement is not expected to have a significant impact on the assessment of the Fund N Guarantee liability because the funding is intended to provide the guarantee amount by age 55. The impact of investment movements on the guarantee amount after age 55 is more material than the rate of retirement itself. Nonetheless, it is reasonable to overestimate retirements to bring forward funding of the guarantee, noting in particular that the low resignation assumptions and the expectation that some Category 1N members will defer resignation until attaining age 55 in order to secure the benefit of the Fund N Guarantee (if any). While changes to the preservation age may affect some members and defer retirement, this would not be expected to have an adverse impact and is discussed when we consider the current and projected financial position.

7.13 I have therefore decided to retain the retirement rates of those adopted at the previous investigation.

Category 1N – Death and Disability Rates

7.14 The number of Category 1N members who died or became disabled during the three years ending 30 June 2015 is too few to be statistically reliable.

7.15 With external insurance, the incidence of deaths and disability don't adversely affect the Fund's financial position. In fact, as the Fund is currently in a strong financial position, they act to improve that position further (as the excess of assets over the funded portion that is released when the member exits is improves the funding for the remaining members). The rates of death and disablement nonetheless influences the proportion of members expected to continue on to retirement ages.

7.16 Given that there is insufficient evidence to justify a change in assumptions, I have decided to retain the previous rates of exit due to death and disablement for this investigation.

Other Membership Categories - Exits

7.17 The membership of the other Categories is too small to gain meaningful statistics with regard to their demographic experience. Nonetheless, it is worth noting the following:

- The Category 3 active membership has continued to decline, falling from [redacted] [redacted] over the three year period. This decline is expected as the category is closed to new entrants and the average age of members is now [redacted] There was one pensioner in 2012 and 2015.
- The Category 4 pensioners have reduced from [redacted]
- The number of CBCOPF pensioners has also reduced, from [redacted]
- The number of ex-NAB and ex-BNZ pensioners has reduced from [redacted] (the number of pensioners transferred into the Fund during the investigation period) to [redacted] as at 30 June 2015.

7.18 As noted at the last investigation, the rate of reduction in pensioner members is expected to increase in future years as the pensioners continue to advance in age and no new pensioners (except for spouse and child dependants) are introduced. This continues to be true despite the transfer of ex-NAB and ex-BNZ pensioners during the investigation period, noting that the average age of these ex-NAB and ex-BNZ pensioners was age 96 as at 30 June 2015.

7.19 With [redacted] active members in Category 3, it continues to be inappropriate to apply demographic assumptions for death, disablement or withdrawal. On a group of this small size, even at the group level the assumptions are unlikely to be borne out in practice. Hence I have retained the assumption from the previous investigation that all Category 3 members will remain in the Fund until their retirement age. This is also reasonable as the discussion of the current and projected funding position effectively considers their position if they resigned or retired in the short term,

7.20 The current pensioner mortality assumptions are based on the pensioner mortality experience of the Commonwealth Public Sector. The average age of the pensioners at 30 June 2015 was 90.

7.21 We believe the current mortality assumptions are appropriate where there is insufficient data for a fund (or pension group in this case) to develop its own pensioner mortality rates.

7.22 I have retained these pension mortality assumptions for all categories of pensioner for this investigation. While we have not considered specifically mortality improvement, in the discussion of the current and projected financial position we consider the impact if each of the pensioners survived five years longer than expected.

Demographic Assumptions Adopted

7.23 The resignation, retirement, death and disablements rates for Category 1N adopted at the previous investigation have all been retained for this current investigation.

7.24 We have also retained the assumption that all Category 3 members will remain in the Fund until retirement age and retained the pension mortality assumptions applied to all pensioners adopted at the previous investigation.

7.25 The demographic assumptions adopted for this investigation are set out in Appendix B.

8 FINANCIAL POSITION AS AT 30 JUNE 2015

8.1 This section considers the financial position of the Fund as at 30 June 2015. In order for the Trustee to ensure that the benefits of the members are adequately secured, a number of measures at the valuation date are considered. These are:

- Vested Benefit Index: this measures the adequacy of existing assets to pay retirement or resignation benefits (as applicable) if all members were to voluntarily leave the Fund at the valuation date;
- Accrued Benefit Index: this index measures the adequacy of existing assets to pay accrued benefits (i.e. the portion of benefits expected to be payable in future arising from membership to the investigation date) assuming benefits are paid in the future in accordance with the actuarial assumptions;
- The coverage of retrenchment benefits: this measures the adequacy of existing assets to pay retrenchment benefits if all members were to be retrenched at the valuation date;
- The coverage of Minimum Requisite Benefits (MRB's): this measures the adequacy of existing assets to meet the minimum benefits required under Superannuation Guarantee (SG) legislation; and
- Fund Termination: we consider the financial position of the Fund if it were to be terminated at the valuation date.

8.2 We have also examine the coverage of the Total Service defined benefit liabilities by the Defined Benefit assets, consistent with analysis in the previous actuarial investigation.

8.3 In the previous actuarial valuations of the Fund, the Fund's liabilities, and appropriate levels of funding reserves, were considered separately for the different groups (i.e. Category 1N members, Category 3 members and pensioners, other pensioners) and then combined with accumulation balances and compared with the assets of the Fund in total. The measures of the Fund's financial position were therefore only calculated for the Fund as a whole.

8.4 Following the Fund's transition to Plum, a separate Defined Benefit Reserve was established to hold assets backing the defined benefit liabilities. To more clearly show the financial position of defined benefit component of the Fund as well as the Fund as a whole, we have now calculated the financial position measures (i.e. Vested Benefit Index, Accrued Benefit Index and the coverage of minimum benefits and retrenchment benefits) in respect of the defined benefits, as well as for the whole fund.

Vested Benefit Index (VBI)

8.5 Vested benefits are defined as the benefits that would be payable if all members had received withdrawal benefits or (if eligible) their retirement benefits. For this purpose, the vested benefit of pensioners is taken to be the present value of their pension entitlements, based on the actuarial assumptions adopted. For this purpose the assumptions in Appendix B have been used. As only a very small proportion of the liabilities relate to pensioners, the VBI of the fund as a whole is largely independent of the assumptions. However the DB VBI is more sensitive to assumptions as the pensioners represents around 30% of the defined benefit liability.

8.6 The Vested Benefits Index (VBI) is defined as:

$$\text{VBI} = \frac{\text{Market Value of assets attributable to current members and pensioners (excluding the ORR)}}{\text{Total value of Vested Benefits for current members and pensioners}}$$

8.7 The VBI is an indicator of short term solvency of the Fund. A VBI of 100% indicates solvency, though most defined benefit funds would aim for a ratio, in relation to the defined benefit liabilities, in excess of this figure to allow for fluctuations in asset values.

8.8 As the Fund is now predominantly accumulation (with less than 1% of vested benefits related to the defined benefit liability), and as the accumulation assets and accumulation balances are expected to be equal, at a whole Fund level only a small margin above a 100% VBI is required.

8.9 For the purposes of calculating the Fund VBI, we have used the net market value of the assets, but excluding the ORR provision. For the DB VBI we have used the adjusted market value of the Defined Benefit reserve (which also excludes any ORR requirement).

8.10 The VBI is used by APRA as its key indicator of a fund's solvency and a fund with a VBI under 100% is considered to be in an Unsatisfactory Financial Position under SPS 160. In this event, the Trustee is required to implement a three year funding plan for restoring the VBI to 100% or more and a monitoring regime during the restoration period.

8.11 We have calculated the VBI in respect of the defined benefits of the Fund as well as the VBI of the Fund as whole in the following table.

As at 30 June 2015	Defined Benefits	Total Fund
Market value of Assets	$25.6 million	$4,261.6 million
Vested Benefits	$5.9 million	$4,210.4 million

As at 30 June 2015	Defined Benefits	Total Fund
VBI	434.6%	101.2%

8.12 The VBI of the Fund as a whole was 101.2% as at 30 June 2015, which indicates that the Fund was not in an "Unsatisfactory Financial Position". The corresponding figure as at 30 June 2012 was 100.8%. The VBI has increased mainly due to a strong investment performance over the period, which not only means that the assets have grown faster than the liabilities, but in relation to the Fund N guarantee also means that the amount of the guarantee is materially reduced.

8.13 The VBI in respect of defined benefits of the Fund (DB VBI) was 434.6% as at 30 June 2015. Accordingly, there was a surplus of assets relative to vested benefits. This figure is significantly over 100%, and as noted above the impact of favourable investment experience has both increased the DB asset and materially reduced the Category 1N benefit liability (which is effectively the "difference" between accumulation benefits and a defined benefit). However the coverage of the vested benefits is just as sensitive to poor investment return as to favourable returns - with the Fund N guarantee liability increasing if the investment returns are poor as the gap between the accumulation balances and defined benefit opens up once again. The impact of adverse investment experience is considered further below and in the next section.

8.14 The actuary is required under SPS 160 to provide an opinion regarding the expected solvency of the Fund measured by the DB VBI over the next three years. I have carried out the projections of the DB VBI and these are discussed in section 9 below.

Accrued Benefit Index (ABI)

8.15 The long term measure of the Fund's financial position as at 30 June 2015 is the adequacy of its assets to provide members' Accrued Benefits (benefits payable in future years which have accrued as a result of membership up to 30 June 2015). This measure assumes the Fund continues as an ongoing entity.

8.16 For accumulation benefits of members, the accrued benefits are equal to their total account balance.

8.17 For members with defined benefits, the accrued benefit is that proportion of expected future defined benefit payments which is in respect of service to 30 June 2015, discounted to 30 June 2015. For defined benefits such as the Fund N Guarantee, the expected level and cost of the guarantee will vary depending on the assumed timing and cause of exit and so are dependent on assumptions. For this purpose the assumptions in Appendix B have been used.

8.18 While the defined benefit ABI is dependent on assumptions, the ABI for the Fund as a whole is largely independent given the defined benefit liabilities represents a very small proportion of the liabilities.

$$\text{ABI} = \frac{\text{Market Value of assets attributable to current members and pensioners (excluding the ORR)}}{\text{Total value of Accrued Benefits for current members and pensioners}}$$

8.19 For the purposes of calculating the Fund ABI, we have used the net market value of the assets, but excluding the ORR provision. For the DB VBI we have used the adjusted market value of the Defined Benefit reserve (which also excludes any ORR requirement).

8.20 We have calculated the ABI in respect of the defined benefits of the Fund as well as the ABI of the Fund as whole in the following table.

As at 30 June 2015	Defined Benefits	Total Fund
Market value of Assets	$25.6 million	$4,261.6 million
Accrued Benefits	$6.3 million	$4,210.8 million
ABI	404.7%	101.2%

8.21 The ABI of the Fund as a whole was 101.2% as at 30 June 2015. The corresponding figure as at 30 June 2012 was 100.7%. The ABI has increased mainly due to a strong investment performance over the period which has materially reduced the Category 1N guarantee liability while increasing the assets supporting the Category 1N guarantee and other defined benefit liabilities.

8.22 The ABI in respect of defined benefits of the Fund (DB ABI) was 404.7% as at 30 June 2015. Accordingly, there was a surplus of assets relative to accrued defined benefits.

Coverage of Retrenchment Benefits

8.23 The Fund N guarantee applies to Category 1N members on retrenchments, irrespective of their age. The benefits for other members are unchanged. It is therefore appropriate to consider the coverage of benefits if all members were retrenched. Retrenchment benefits are largely independent of assumptions, other than for the small amount of pension liabilities.

8.24 The retrenchment benefits ratio is determined as the ratio of the market value of assets to the total retrenchment benefits of the Fund. For the purposes of calculating the Fund ratio, we have used the net market value of the assets, but excluding the ORR provision. For the DB ratio we have used the adjusted market value of the Defined Benefit reserve (which also excludes any ORR requirement).

8.25 We have calculated the coverage the retrenchment benefits ratio in respect of the defined benefits of the Fund as well as in respect of the Fund as whole in the following table.

As at 30 June 2015	Defined Benefits	The Fund
Market value of Assets	$25.6 million	$4,261.6 million
Retrenchment Benefits	$9.5 million	$4,213.9 million
Retrenchment Benefits Ratio	270.2%	101.1%

8.26 The retrenchment benefits ratio of the Fund as a whole was 101.1% as at 30 June 2015. The corresponding figure as at 30 June 2012 was 100.3%. As with the other indices, the coverage of retrenchment benefits has increased mainly due to a strong investment performance over the period and the impact this has had on the Category 1N guarantee amounts. As the amount of the guarantee has reduced, the impact of paying retrenchments has reduced – but as with the DB VBI, the coverage of retrenchment benefits will be sensitive to both favourable and poor investment experience.

8.27 The retrenchment benefits ratio in respect of defined benefits of the Fund was 270.2% as at 30 June 2015. Accordingly, there was a surplus of assets relative to retrenchment benefits.

8.28 It is worth noting that the payment of the higher retrenchment benefits is contingent on the Actuary's approval. In practice this means that if all members were made redundant in circumstances where the assets of the Fund were not sufficient to pay the higher benefits, approval may not be given. This protects the Fund's solvency position and ensures that the VBI based on retrenchment benefits does not fall below 100%.

Coverage of Minimum Requisite Benefits

8.29 Under Superannuation Guarantee legislation, employers are required to hold a current Benefit Certificate in respect of the minimum Superannuation Guarantee benefits being provided by a defined benefit fund. These minimum benefits are known as Minimum Requisite Benefits

(MRBs). The Trustee, and the participating institutions have been provided with a current Benefit Certificate

8.30 The SIS legislation also requires a Funding and Solvency Certificate (FSC) to be in force for any fund that provides Superannuation Guarantee benefits. A FSC aims to certify that the MRBs covered by the Benefit Certificate are adequately secured. If a fund cannot meet its MRB obligations it is declared “Technically Insolvent” under SIS legislation. An FSC certifying solvency is currently in force for the Fund.

8.31 The MRBs are estimated conservatively as the vested benefits for Category 3 members (as previous analysis shows that this is reasonable) and the value of the pension for pensioners. Given the small number of such members, this does not have a material impact on the total of the Fund’s MRBs.

8.32 For Category 1N members, the minimum benefit (as far as a defined benefit liability is concerned) is nil, as their MRBs are met entirely by their Category 1 accumulation balance. For accumulation members, we have assumed that their MRBs are their accumulation balance – although the MRB is based on an SG contribution rate rather than the 10% employer contribution actually received, the SG accumulation is not tracked. The account balance is taken as a reasonable, though conservative, estimate of their MRBs.

8.33 As with the other indices, the MRBs are largely independent of assumptions, other than to value the small proportion of pension liabilities.

8.34 For the purposes of calculating the Fund MRBI, we have used the net market value of the assets, but excluding the ORR provision. For the DB MRBI we have used the adjusted market value of the Defined Benefit reserve (which also excludes any ORR requirement).

8.35 The Minimum Requisite Benefits Index (MRBI) is determined as the ratio of the market value of assets to the MRBs of members.

8.36 We have calculated the coverage the MRBI in respect of the defined benefits of the Fund below, as well as in respect of the Fund as whole in the following table.

As at 30 June 2015	Defined Benefits	The Fund
Market value of Assets	$25.6 million	$4,261.6 million
Minimum Requisite Benefits	$5.2 million	$4,209.7 million
Minimum Requisite Benefits Index	490.5%	101.2%

8.37 The MRBI of the Fund as a whole was 101.2% as at 30 June 2015. The MRBI in respect of defined benefits of the Fund was 490.5% as at 30 June 2015. The favourable investment return over the period would have improved the MRBI since 2012.

8.38 Although margin above the MRBs appears small overall, with the MRBI of 101.2%, this reflects that the bulk of the liabilities relate to accumulation members, where the assets and balances are assumed to be equivalent.

8.39 As shown above, there was a surplus of assets relative to the Minimum Requisite Benefits and therefore the Fund was not technically insolvent at the investigation date.

Fund Termination

8.40 Solvency can be considered from the point of view of the liabilities that would have arisen had the Fund been terminated on the date of the investigation. This provides an appreciation of the Fund's immediate financial strength under circumstances which are beyond the control of the Trustee.

8.41 Rule 6.5 sets out the procedure to be adopted and the benefits that would apply if the Fund were to be wound up. Effectively, all available assets would be distributed among the remaining members in such proportions as the Trustee decides. This implies that the Fund is never insolvent, because it is distributed to members to the extent that the assets of the Fund permit.

Coverage of Total Service Benefits – Defined Benefits

8.42 For members with defined benefits, the total service benefits are calculated as the expected future defined benefit payments, discounted from the date of expected future payment to 30 June 2015, including future service benefits that accrue after 30 June 2015. The assumptions used to determine the total service defined benefit liabilities are set out in Appendix B.

8.43 Consistent with the fact that the Bank is not currently required to contribute in respect of the defined benefit liabilities, we have not allowed for any future employer contributions into the Defined Benefit Reserve.

8.44 Similar results were considered in the 30 June 2012 actuarial investigation, though for the different categories separately and in order to recommend the level of reserve set aside for defined benefit liabilities.

As at 30 June 2015	Defined Benefits
Market value of Defined Benefit Reserve	$25.6 million

Total Service Defined Benefits	$7.0 million
Surplus of Reserve over Total Service Benefits	$18.6 million

8.45 The results show that the Defined Benefit Reserve continues to exceed the expected value of the future defined benefit liabilities, with the surplus expected to be $18.6 million at the current time, even without allowing for future Bank and member contributions.

Experience since 30 June 2015

8.46 Investment markets have continued to be volatile since 30 June 2015. For the Growth option, in which the Defined Benefit Reserve is invested, the investment return for the 8 months to 29 February 2016 has been -1.3% (equivalent to approximately -2.0% p.a.). This is lower than the investment return assumed for this period. Since 29 February 2016, investment performance has been slightly favourable.

8.47 Assuming the assets were 2% lower than as at 30 June 2015, the various defined benefit funding indices would have reduced also, but would still be expected to be significantly above 100%.

9 VBI PROJECTIONS AND SENSITIVITY ANALYSIS

9.1 In the previous section we examined the financial position of the Fund in total and the Defined Benefit liabilities at the investigation date.

9.2 In this section, we demonstrate the sensitivity of the Fund's defined benefit financial position to:

- The major economic assumptions relating to the long term investment returns and rates of salary increase;
- Material falls in asset values; and
- The resignation and retirement rates of Category 1N members.

9.3 We also examine the expected level of the VBI in future years.

Sensitivity to Assumptions

9.4 As discussed in Section 8, the various measures of Fund's overall funding position are largely independent of the actuarial assumptions, mainly because the defined benefit liabilities represent such a small proportion of the total fund liabilities.

9.5 However as the pension liability represents a more material portion of the defined benefit liabilities, we examine the sensitivity of several defined benefit funding measures to changes to the assumptions.

9.6 The results are shown, in relation to defined benefit liabilities only, in the following table.

Funding Measures at 30 June 2015		Surplus of Assets over Total Service Benefits ($m)	Defined Benefit VBI	Coverage of Retrenchment Benefits
Base Valuation assumptions				
- Investment return (p.a.):	6.00% for active members			
	6.75% for pensioners	18.6	434.6%	270.2%
- Salary inflation:	4.00% p.a.			
- Price inflation:	2.50% p.a.			
Salary inflation & Price inflation increased by 1% p.a.		17.1	426.0%	266.9%
Salary inflation reduced by 1% p.a., Price inflation unchanged		19.2	434.6%	270.2%

Funding Measures at 30 June 2015	Surplus of Assets over Total Service Benefits ($m)	Defined Benefit VBI	Coverage of Retrenchment Benefits
Investment return increased by 1% p.a. (both actives and pensioners)	19.4	451.2%	276.6%
Investment return reduced by 1% p.a. (both actives and pensioners)	16.8	415.9%	262.9%
Delayed retirement of Category 1N members (Retirement rates reduced by 50% and extend maximum retirement age from age 60 to age 65)	19.1	434.6%	270.2%
Increased resignation of Category 1N members (Resignation rates before age 55 doubled)	18.7	434.6%	270.2%

9.7 This analysis shows that the results are most sensitive to the long term financial assumptions, but that coverage of the various defined benefit liabilities remains strong even under these alternative assumptions. The current value of the indices don't change where the assumptions don't affect pensioners (e.g. the delayed retirement of Category 1N members), though the total service liabilities may be affected. Where the assumptions affect pensioners (such as future earning rates or inflation rates), the value of the pension liability is changed and therefore the assets available to cover other liabilities is affected.

9.8 This analysis also shows that the results are not as sensitive to the retirement and withdrawal rates of the Category 1N members as to the long term financial assumptions, which is not unexpected.

9.9 While the above sensitivity tests have been selected to provide a range of possible outcomes, they do not represent upper or lower bounds of all possible outcomes.

9.10 As might also be expected, the Fund's financial position in respect of the defined benefits will decrease if pensioners live longer than expected as pension payments will be made for a longer period. The number of pensioners is now small and their average age is 90 years.

9.11 While we have not conducted sensitivity analysis in relation to the mortality rates assumptions, in practice with so few pensioners it would only take one pensioner to live significantly longer than expected to materially affect the pension cost. However, with a total annual pension payment of just over $300,000, if payments were made for each of the pensioners for an additional five years (beyond their life expectancy based on current assumptions) this would amount to approximately an additional $1.4 million to the current value of the expected pensioner liabilities. This is a material increase in the total service defined benefit liabilities (from $7.0 million to $8.4 million) and the Vested Benefits (from $5.9 million to $7.3 million), but is well within the existing assets of the Defined Benefit Reserve.

Adverse Investment Experience

9.12 It is also useful to consider the impact of adverse investment experience, as reflected by, say an immediate fall in asset values of 20% or negative returns in the first two years following 30 June 2015.

9.13 Such experience would have two impacts:

- To reduce the value of the Defined Benefit Reserve, i.e. the assets available to fund the defined benefit liabilities; and

- In relation to Category 1N members, reduce their Category 1 accumulation balance and so increase the amount of the Fund N guarantee that may be required to be paid.

  It is possible that Category 1N members have elected an investment option that provides a more defensive investment strategy than the Growth option and therefore they do not all experience the same level of fall in assets – however they may experience some fall in accumulation balance and it is simpler to assume the same level of fall occurs across all members.

9.14 The impact of this experience on several of the funding measures is considered below:

Funding Measures at 30 June 2015	Surplus of Assets over Total Service Benefits ($m)	Defined Benefit VBI	Coverage of Retrenchment Benefits
Base Results, with current Defined Benefit Reserve	18.6	434.6%	270.2%
Defined Benefit Reserve and Category 1 Accumulation Accounts at 30 June 2015 reduced by 20%	9.0	277.8%	109.5%

9.15 The results show that the VBI would still be expected to be above 100%, however the coverage of retrenchment benefits reduces to 109.5%.

Projected Defined Benefit VBI

9.16 In addition to considering the Defined Benefit VBI at the current date, we have projected the VBI over the next three years, to 30 June 2018, on the assumptions set out in Appendix B and discussed earlier (base assumptions).

9.17 We have also projected the Defined Benefit VBI on three further basis:

- Assuming an immediate fall of 20% in both the value of the Defined Benefit Reserve and the balance of Category 1 accumulation accounts – to demonstrate the impact of adverse investment experience. All other assumptions are as assumed for the base case, i.e. as set out in Appendix B;
- Assuming two years of poor returns (-5% each year) in both the value of the Defined Benefit Reserve and the balance of Category 1 accumulation accounts – to demonstrate the impact of poor returns spread over several years. All other assumptions are as assumed for the base case; and
- Using the assumptions as set out in Appendix B, however assuming the long term return is 1% lower than for the base case. This will demonstrate the impact of adverse experience over the longer term.

9.18 The results of these projection are set out in the table and the graph below.

	Projected Defined Benefit VBI			
Date	**Base Assumptions**	**20% immediate fall in DB Reserve and Accumulation Balances**	**Negative returns (-5% pa) in first two years of projection**	**Long term return 1% lower**
30 June 2015	435%	278%	435%	416%
30 June 2016	508%	330%	419%	476%
30 June 2017	535%	347%	369%	500%
30 June 2018	652%	403%	430%	589%

9.19 The results show that even under adverse investment scenarios the Defined Benefit VBI is expected to remain well above 100%. The coverage of the total service liability and ABI would also be expected to remain strong.

9.20 The analysis was repeated, but showing the coverage of retrenchment benefits under the three alternative scenarios.

Projected coverage of Retrenchment Benefits				
Date	**Base Assumptions**	**20% immediate fall in DB Reserve and Accumulation Balances**	**Negative returns (-5% pa) in first two years of projection**	**Long term return 1% lower**
30 June 2015	270%	110%	270%	263%
30 June 2016	262%	106%	168%	247%
30 June 2017	281%	112%	119%	256%
30 June 2018	322%	119%	127%	278%

9.21 The coverage of the retrenchment benefits would initially fall to just over 100% under the “20% asset value fall” scenario, but then gradually increase. This assumes all other aspects of experience are unaffected, such as pension increases or salary growth.

9.22 The projections and sensitivity analysis suggest that the amount of the DB Reserve is likely to be more than sufficient to provide the defined benefits, either due to normal retirement and resignation or on retrenchment.

9.23 Of course, these assumptions or alternative scenarios will not be borne out in practice exactly as they described above and these results should be considered only as illustrative of the future. Also, while the above scenarios have been selected to provide a range of possible economic outcomes, they do not represent upper or lower bounds for all possible outcomes.

10 CONTRIBUTION RECOMMENDATIONS

10.1 Under Rule 5.4, contributions must be made by the Bank (and by other Associated Employers) of amounts determined by the Trustee after seeking the advice of the actuary. Contributions in respect of MySuper members are as agreed with the Bank having regard to legislative requirements.

Recommended Category 1 and Category 1N Bank Contribution Rate

10.2 At the 30 June 2015 investigation, the Bank was contributing at 10% of Fund Salary to these members' Company Account.

10.3 Both administration fees and insurance premiums are deducted from members account.

10.4 Based on the analysis and discussion above, I recommended that the Bank continues to contribute 10.0% in respect of Category 1 members, increasing the contribution rate in line with SG requirements as appropriate.

10.5 The Bank should also continue to make deemed contributions in respect of Category 1 members as required.

10.6 No additional contribution is required in relation to the funding of the Category 1N defined benefit guarantee. This recommendation will be reviewed at the next actuarial investigation (due as at 30 June 2018).

Recommended Contribution – other defined benefit liabilities

10.7 Consistent with previous recommendations, the Bank currently makes no contribution to the Fund in respect of Category 3, 4 and CBCOPF members and other pensions. Category 3 active members are also not required to contribute.

10.8 The investigation leads me to again conclude that the Bank need not contribute in respect of these other defined benefit liabilities over the next three years. This recommendation will be reviewed at the next actuarial investigation (due as at 30 June 2018).

Defined Benefit Reserve

10.9 The analysis suggests that the Defined Benefit Reserve may be more than required for the funding of the defined benefit liabilities, even allowing that the Bank makes no contributions to the funding. I suggest that the Trustee seek advice in relation to possible alternative uses of the Defined Benefit Reserve (such as offsetting employer contributions for accumulation members) and discuss the funding position with the Bank.

10.10 If the Trustee, after discussions with the Bank, wishes to use some Defined Benefit assets for other purposes they should seek updated actuarial advice about the impact of that action on the recommended employer contributions.

10.11 Also, the Bank should be advised that even though assets may appear “surplus” at this time, the actual cost of defined benefits will emerge over time as experience unfolds. If the Defined Benefit Reserve is reduced and subsequent experience is adverse, the assets may become insufficient and the Bank may be required to recommence contributions or make additional lump sum payments.

11 INSURANCE

11.1 Prior to 1 October 2007, the portion of a Category 1 member's death and disability benefit which is in excess of the amount provided by that Member's accounts was self-insured by the Fund, i.e. if this portion of the benefit becomes payable it was paid from the Fund's reserves.

11.2 Since 1 October 2007, the Fund externally insured the future service element of death and disablement benefits with MLC Limited. More recently it also externally insured the risk for Incurred But Not Reported (IBNR) claims arising in relation to disablements occurring before 1 October 2007. The Fund therefore has no self-insured risks remaining.

11.3 The insurance arrangement covers MySuper/Category 1 and Category 3 members under a full time employment or fixed term employment. Casual and Contract employees are not eligible for cover under the Group Life policy.

11.4 The insured amounts for a standard Death and TPD, partial permanent disability (PPD) cover and salary continuance cover are summarised in the table below.

Insured Benefit		
Category	**Benefits**	**Benefit Formula**
MySuper / Category 1	Death and TPD	17.5% x Fund Salary x Future Service to age 60, subject to a minimum of 1 x Salary (TPD cover reduces by 10% p.a. from age 61)
	Salary Continuance	Monthly benefit of 75% of Fund salary up to two years
Category 3	Death and TPD	The greater of: 17.5% x Salary x Future Service to age 60 and 15% Salary x Future Service to age 62

11.5 MySuper / Category 1 members may also elect to increase their cover on a voluntary basis.

11.6 We consider the insurance arrangements, which appropriately transfer funding risk to the external insurer and include cover formula in respect of defined benefits that don't inappropriately increase funding risks, to be from within the range of reasonable arrangements for the Fund at the current time.

12 MATERIAL RISK – DEFINED BENEFIT LIABILITIES

12.1 The funding position is dependent upon future experience. I have briefly considered below the material risks in respect of defined benefit liabilities. If future experience is adverse, the Bank will be required to make additional contributions. However, these risks whilst material in relation to the defined benefit liabilities are not necessarily material in relation to the Fund's total benefit liabilities or the Bank's total superannuation obligations.

Investment Risk

12.2 A significant risk facing the Fund in relation to the funding of the Defined Benefit liabilities is that investment returns will not be as high as expected.

12.3 The Trustee should continue to consider the defined benefit liabilities and the funding position when determining the investment strategy. Consideration may also be given to reducing the risk of the investments supporting the defined benefit liabilities, i.e. moving away from the Growth option as the investment strategy. This would likely increase the values placed on the defined benefit liabilities (as the assumed future investment return is reduced) with that increase possibly still met by the available Defined Benefit Reserve. Although the sensitivity analysis shows that the current funding would be expected to withstand even major falls in asset values, removing this volatility might allow the Bank, with Trustee approval, to consider alternative uses for a portion of the DB Reserve.

Salary and Price Inflation Risk

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

12.5 However, 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.

12.6 The Bank should be aware of the impact on the defined benefit liabilities of higher than expected salary growth.

Retrenchments

12.7 Category 1N members are entitled to the Fund N Guarantee upon retrenchment and therefore higher than expected retrenchments will a negative impact on the funding position. The Bank could consider this when implementing a retrenchment program and in any case should be aware of the possible need to make contributions to offset its potential impact on the Defined Benefit Reserve as a result.

Pensioner Longevity Risk

12.8 There is a risk that pensioners as a group may live longer than expected, or that one or two individual pensioners may live significantly longer, and either of these occurrences would have a negative impact on the funding position. The Bank should be aware of this risk.

Insurance Risk

12.9 The Fund no longer has self-insured benefits and therefore the risk of catastrophic events is largely mitigated by the external insurance. Such events may cause an increase in premiums, however these are now charged to members, other than for Category 3.

12.10 Overall the insurance risk is no longer considered to be material.

12.11 The death or disablement of a large number of members would involve the payment of their vested benefit in addition to any insurance. This may be a risk if the VBI is under 100%, however this is also considered below.

Legislation Risk

12.12 In the Prudential Standards (SPS 160), funds with a VBI of lower than 100% will be required to restore their VBI to 100% or above within three years. As the fund's VBI is currently over 100%, this is not a major issue for the fund. However, should the Fund's VBI fall below 100%, the Bank will be required to make additional contribution to restore the fund's VBI within three years. The amount and materiality of this contribution requirement cannot be estimated in advance, however the defined benefit liabilities now represent only a very small portion of the overall Fund liabilities and modelling also suggest the risk of a VBI under 100% is relatively low.

12.13 The Government has legislated to increase the Superannuation Guarantee Charge to 12% of Ordinary Time Earnings. This will impact the contributions payable to the accumulation members and affect the Minimum Requisite Benefit for Category 3 members.

12.14 There is a risk that legislation changes could impact on funding. For example by impacting investment returns or other aspects of experience or by changes to the tax regime (e.g. removing the tax exemption on pension assets).

Other

12.15 Other risks include:

- liquidity risk, which is discussed is section 4;

- The risk of a large number of benefit payments (such as resignations, retrenchments or death and disablement benefits) when the VBI is under 100%. This is mitigated at this time by the strong financial position of the defined benefit liabilities, however may need to be considered more closely should the Defined Benefit VBI reduce significantly or fall under 100%. If the Defined Benefit VBI were to fall under 100%, the Bank may be required to resume contributions;

- The risk that the employer is unwilling or unable to pay recommended contributions, should contributions be required to resume. Noting that the Bank is a large, regulated financial institution and that the defined benefit liabilities (and consequently funding of those liabilities) are now relatively small, this risk is not considered to be material.

12.16 There are other risks in respect of the Fund which we have not included as we do not consider to be currently material.

13 RECOMMENDATIONS

13.1 I have carried out an investigation of the Fund as at 30 June 2015, reviewing the financial position and prospects of the Fund in accordance with Rule 9.5. This report sets out the results of that investigation and incorporates my recommendations in relation to the Bank's contributions under Rule 5.4.

13.2 The actuarial investigation shows that the VBI for the Fund was 101.2% overall and 434.6% in relation to the defined benefit liabilities only. The ABI was 101.2% and 404.7% for the Fund and defined benefit liabilities respectively.

13.3 Experience since 30 June 2015 will have reduced the funding indices slightly, but they will continue to be well over 100% for defined benefit liabilities and over 100% for the Fund overall.

13.4 Based on the financial position as at 30 June 2015 and the projected benefit funding method no future employer contributions are expected to be required. Further, on the recommended contributions below, the VBI of the Fund is expected to remain above 100% over the next three years.

13.5 Funding is sensitive to investment returns, with adverse returns affecting both the assets required to fund the defined benefit liabilities as well as the amount of the Fund N guarantee that may be required to be paid.

Recommendations

13.6 As a result of my investigation I recommend that:

- The Bank contribution rate in respect of Category 1 members continue to be at the rate agreed with the Trustee, currently 10.0%, or higher as required to meet legislative requirements;
- The Bank continue to pay deemed member contributions in respect of Category 1 members as required;
- That no Bank contributions are required in relation to the funding of the Category 1 members' Fund N guarantee;

The Bank continue to make no contributions in respect of Category 3, Category 4, Category CBCOPF members and pensioners;

13.7 I also recommend:

- that the financial position of the defined benefit liabilities be monitored regularly, noting that the quarterly monitoring currently undertaken by the administrator meets this requirement;

- that the formula currently being used to determine the insured component of death and disablement benefits of the Fund be retained; and

- That the Trustee seek advice regarding alternative use of the Defined Benefit Reserve assets (such as offsetting Bank contributions for accumulation members) and discuss the financial position with the Bank. If the Trustee, after discussions with the Bank, wishes to use some Defined Benefit assets for other purposes they should seek updated actuarial advice about the impact of that action on the recommended employer contributions.

  Also, the Bank should be advised that even though assets may appear “surplus” at this time, the actual cost of defined benefits will emerge over time as experience unfolds. If the Defined Benefit Reserve is reduced and subsequent experience is adverse, the assets may become insufficient and the Bank may be required to recommence contributions or make additional lump sum payments.

13.8 The next actuarial investigation of the Fund should be conducted with an effective date of no later than 30 June 2018.

13.9 I confirm that this investigation and report meet the requirements of the Professional Standard 400 of the Actuaries Institute.

Kate Maartensz, Fellow of the Institute of Actuaries of Australia

29 March 2016

I confirm that this actuarial investigation and report satisfy Russell Employee Benefits’ Quality Assurance standards and meet the requirements of Professional Standard 400 of The Institute of Actuaries of Australia.

Tony Miller

Tony Miller, Fellow of the Institute of Actuaries of Australia

29 March 2016

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APPENDIX A - SUMMARY OF BENEFITS AND CONDITIONS RELATING TO DEFINED BENEFIT MEMBERS

Definitions

Fund Salary

The Member's actual annual salary (excluding special allowances).

NABOSF

National Australia Bank Officers' Superannuation Fund.

Normal Retirement Date

The 60^{th} birthday of a Member.

Temporary Disablement

Having been absent from employment with the Company through physical or mental incapacity for three consecutive months and in the opinion of the Trustee after having regard to such medical and other evidence as the Trustee may consider appropriate having become incapacitated to such an extent as to render the Member unable for the time being to undertake his normal duties with the Company.

Total and Permanent Disablement

Having been absent from employment with the Company through physical or mental incapacity for six consecutive months and in the opinion of the Trustee after having regard to such medical and other evidence as the Trustee may consider appropriate having become incapacitated to such an extent as to render the Member unlikely ever to engage in or work for reward in any occupation or work for which the Member is reasonably qualified by education, training or experience.

Contributions

Member Contributions

Category 1:	A percentage of Fund Salary nominated by the Member being any whole percentage of salary.
Category 3:	Deemed to be 3% of Fund Salary

Company Contributions

The company shall contribute amounts determined by the Trustee after seeking the advice of the Actuary.

MySuper / Category 1

Normal and Early Retirement and Resignation

At Normal Retirement Date, a lump sum benefit equal to the balance of the Member's Accounts at the date of resignation or retirement.

Temporary Disablement

A monthly income benefit payable for up to two years and equal to 75% of Fund Salary, or other amount payable under applicable policy effected by the Trustee, at the date of disability.

Death and Total and Permanent Disablement

The lump sum benefit payable is as follows:

(a) the balance of the Member's Accounts at the date of death or total and permanent disablement, and

(b) 17.5% of the Member's Fund Salary from the date of death or total and permanent disablement until Normal Retirement Date plus any extra cover (subject to minimum cover), provided that the Member has not opted out of the insurance cover.

For existing Members at 1 January 1995, these benefits are subject to a minimum benefit of 3.5 times Fund Salary.

Category 1N

A. Fund N Benefits at 31 December 1994 - Employer Financed Portion

Normal Retirement Date

The Member's 60th birthday.

Qualifying Membership

The period from the later of date joined Fund N plus five years and 1 July 1988, to 1 July 1992.

Average Fund Salary

The average of the Member's Fund Salary over the three years prior to calculation.

Accrued Pension

1% of Average Fund Salary times Membership at the date of calculation.

Normal Retirement

A pension for life equal to the Member's Accrued Pension at Normal Retirement Date, and subject to a maximum of 40% of Average Fund Salary.

The pension is multiplied by 10.5 to commute it to a lump sum.

Early Retirement

Payable from age 55, the benefit is the Member's Accrued Pension, reduced by 0.25% for each complete month that the retirement date precedes Normal Retirement Date. Subject to a maximum of 40% of Average Fund Salary.

Death and Total and Permanent Disablement

A lump sum equal to 10% of Fund Salary times total prospective membership at Normal Retirement Date.

Subject to a minimum of 3.5 and a maximum of 4 times Fund Salary.

Resignation

A lump sum equal to the sum of:

(a) 2.5% of Fund Salary times Qualifying Membership at the date of resignation; plus

(b) 2.8% (increased by 0.06% for each year that the Member's age at resignation exceeds 45) of Fund Salary times membership after 30 June 1992 but before 1 January 1993; plus

(c) 3.5% (increased by 0.075% for each year that the Member's age at resignation exceeds 45) of Fund Salary times membership after 1 January 1993.

Category 3

Former CBC Women's Provident Fund Members who Transferred to Fund A on 1 July 1988

Final Average Salary

The average annual rate of Fund Salary during the last five years of service.

Service

Service is deemed to include any period of service during which the Member contributed or was deemed to contribute to the CBC Women's Provident Fund.

Payments on Termination of Service (for any reason)

(a) If Service at termination is less than 7 years, the Member's contributions with interest.

(b) If Service at termination is between 7 and 10 years, twice the Member's contributions with interest.

(b) If Service at termination is 10 years or more, the greater of 2 times member contributions with interest and a lump sum equal to a percentage of the Member's Final Average Salary. The percentages for quinquennial years of Service are set out in the following table.

Completed Period of Service (years)	Where age at termination of Service is under 50 years %	Where age at termination of Service is over 50 years %
10	65	
15	90	
20	125	
25	180	
30	275	545
35	330	670
40		775
45		900

If a Member has, at the date of termination, completed at least 30 years of service and has attained age 55 then the lump sum is the greater of the amount determined from the table above and the amount certified by the Actuary as required to grant the Member an annuity for life of 60% of Final Average Salary.

The Member will also be paid the amount standing to the credit of the transfer account.

Annuities

Any Member aged 50 or more at termination may request an annuity in lieu of part or all of the lump sum benefit to which she is entitled on termination. The amount of the annuity is calculated by the Actuary.

Death or Total and Permanent Disablement

In addition to the above benefits, the Member shall receive a lump sum of 17.5% of Fund Salary for each year from the date of death or Total and Permanent Disablement until Normal Retirement Date.

The total benefit payable on Death or Total and Permanent Disablement is subject to a minimum of 3.5 and a maximum of 7 times Fund Salary.

Resignation

In addition to the above benefits, on resignation prior to reaching age 50 the Member shall be entitled to receive a lump sum of:

(a) if Service is less than 10 years, the equivalent of an accumulation of 2% of Fund Salary from 1 July 1988 with interest; or

(b) if Service is 10 years or more, the greater of the benefit in a) above and 2% times Final Average Salary times the period of Service since 1 July 1988.

Pensions - Category 4

All pensions are payable monthly for life, have a minimum term of eight years, are increased annually at a rate approved by the Bank (generally CPI), and have a reversionary factor of either 100% or 50%.

Pensions - Category CBCOPF (Pensioners Transferring from the Commercial Banking Company of Sydney Limited Officers' Provident Fund at 1 July 1994)

All pensions are payable monthly for life, have a minimum term of five years, are increased annually in line with the CPI, and have a reversionary factor of 60%. Up to 40% of the original pension is available for any dependent children.

Pensions – ex-NAB and ex-BNZ Pensioners

All pensions are single-life pension payable monthly for life. The pensions payable to ex-NAB pensioners are increased annually at a rate approved by the Bank (generally CPI) and the pensions payable to ex-BNZ pensioners are increased twice annually at a rate approved by the Bank (generally reflecting CPI).

APPENDIX B - VALUATION BASIS

Financial Assumptions

The following assumptions have been adopted for the 30 June 2015 actuarial investigation:

	(per annum)
Investment return	
- net	6.0%
- gross	6.75%.
Non-promotional salary growth	4.0%
Pension increase	2.5%

Mortality in Service, Disablement, Withdrawal and Early Retirement

Of every 10,000 Members in the Fund at the ages shown, the following numbers are assumed to exit each year from active membership by the different decrements:

Age	Death	Disablement	Withdrawal Category 1	Early Retirement
20	5	1	1,100	-
25	4	1	900	-
30	3	1	700	-
35	4	2	600	-
40	6	4	400	-
45	9	8	300	-
50	15	17	200	-
55	26	38		1,250
56	30	44		1,570
57	33	52		2,250
58	36	61		2,250
59	40	72		1,500
60	45	84		10,000

Mortality of Pensioners

Of every 10,000 pensioners, the following numbers were assumed to die each year:

Age	Males	Females
40	7	5
50	19	13
60	59	36
70	188	109
80	612	382
90	1,639	1,288
100	2,335	3,132

Expenses

The rates of return referred to above are assumed to be net of investment tax (where appropriate) and indirect cost.

It is assumed that the administration and insurance expenses for Category 1N are 1.5% of salary in total. These expenses reduce the net employer contributions and therefore the projected increase in Category 1 balance.

APPENDIX C - SUMMARY OF NET ASSETS AS AT 30 JUNE 2015

	$'000s
Assets	
Cash and cash equivalents	28,470
Life policies	4,188,687
Unlisted unit trusts	65,302
Trade and other receivable	9,568
Total assets	**4,292,018**
Liabilities	
Trade and other payables	2,190
[redacted]	[redacted]
Deferred tax liability	3,382
Investment purchase payables	4,629
Current tax liabilities	10,424
Total liabilities	[redacted]
Net Assets available to pay benefits and reserve	**4,269,740**
Represented by	
Net assets available to pay benefits	4,261,626
Operational risk reserve	8,114

APPENDIX D - SUPERANNUATION INDUSTRY (SUPERVISION) ACT 1993 REQUIREMENTS UNDER PRUDENTIAL STANDARD SPS 160

NAB GROUP SUPERANNUATION FUND A (THE “FUND”)

VALUATION AT 30 JUNE 2015

As the Actuary to the Fund, in my opinion:

D.1 The market value of the assets of the National Australia Bank Group Superannuation Fund A ("the Fund") as at the valuation date, 30 June 2015 was $4,269.7 million, inclusive of an $8.1 Operational Risk Reserve. The market value of assets excluding the ORR at 30 June 2015 was $4,261.6 million. This value was as provided in the Fund’s audited accounts as at 30 June 2015. This value was used for the value of assets for the purpose of the actuarial valuation.

D.2 The assets of Defined Benefit Reserve, excluding the defined benefit’s portion of the ORR amount, was determined to be $25.6m.

D.3 The assets and liabilities in respect of accumulation accounts are expected to remain equal. The projected likely future financial position of the defined benefit liabilities within the Fund during the three years following the valuation date and based on my best estimate assumptions is as follows.

Date	Vested Benefit Index (Defined Benefits)
30 June 2015	435%
30 June 2016	508%
30 June 2017	535%
30 June 2018	652%

D.4 In my opinion, the value of the assets of the Fund at the valuation date, excluding the amount held to meet the ORFR, was adequate to meet the value of the liabilities of the Fund in respect of accrued benefits in the Fund of Members of the Fund (measured as the present value of members’ accrued entitlements using the investigation assumptions). In forming this opinion, I have taken into account both the position of the Fund at the valuation date, and the likely future position of the Fund (based on reasonable expectations of the Fund's experience) during the three years immediately following the valuation date.

D.5 At 30 June 2015 the Fund was in a satisfactory financial position, as defined in SPS 160, and does not need to be treated as unsatisfactory. In my opinion the Shortfall Limit does not need to be reviewed.

D.6 At 30 June 2015 the value of the liabilities of the Fund in respect to the minimum benefits of members was estimated to be $4,209.7 million for the total Fund and $5.2 million in respect of the defined benefit liabilities.

D.7 Funding and Solvency Certificates for the Fund covering the period from 1 July 2012 to 30 June 2015 required by the Superannuation Industry (Supervision) Act have been provided. In my opinion, the solvency of the Fund is likely to be able to be certified in any Funding and Solvency Certificate required under the Superannuation Industry (Supervision) Regulations during the three-year period following the valuation date 30 June 2015.

D.8 In my report on the actuarial investigation of the Fund as at 30 June 2015, I recommend that in respect of the three year period immediately following the valuation date, employer contributions be made to the Fund at the following rates:

Category 1:	10.0% of salaries. The Bank should also continue to pay any deemed member contributions as required for these members.
Category 1N:	as for Category 1 members. No additional amount is required to be contributed in respect of the Fund N guarantee.
Category 3:	0% of Category 3 Members' Salaries.
Category 4:	nil
Category CBCOPF:	nil

D.9 In my opinion, there is a high probability that the Fund will be able to pay the pensions as required under the Trust Deed and Rules.

Kathryn Maartensz

Kate Maartensz, Fellow of the Institute of Actuaries of Australia

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29 March 2016

APPENDIX E - ACTUARIAL STATEMENT FOR THE PURPOSES OF AUSTRALIAN ACCOUNTING STANDARD AAS 25

REPORTING PERIOD ENDED 30 JUNE 2015

NAB GROUP SUPERANNUATION FUND A (THE "FUND")

This statement has been prepared for the purposes of AAS25 at the request of the Trustee of the National Australia Bank Group Superannuation Fund A (the "Fund").

Accrued and Vested Benefits

AAS25 requires the disclosure of Accrued and Vested Benefits at the reporting date.

For the purposes of the AAS25 the following amounts have been determined:

Report Date	Accrued Benefits ($ million)	Vested Benefits ($ million)
30 June 2012	3,140.6	3,138.2
30 June 2015	4,210.8	4,210.4

"Accrued Benefits" have been determined as the present value of expected future benefit payments which arise from membership of the Fund up to the reporting date.

"Vested Benefits" are benefits which the fund would be required to pay if all members were to voluntarily leave employment on the reporting date.

The method and assumptions used to determine Accrued and Vested Benefits are summarised in Attachment 1 to this Statement.

I, Kate Maartensz, FIAA, being the Actuary of the National Australia Bank Group Superannuation Fund A, confirm that the Accrued Benefits have been calculated in a manner consistent with Professional Standard 402 and Guidance Note 454 issued by the Institute of Actuaries of Australia.

Summary of the Actuarial Report

AAS25 also requires the notes to the Fund's accounts to include a summary of the most recent actuarial report of the Fund. Attachment 2 to this Statement provides a summary of our report dated 29 March 2016 on the actuarial investigation of the National Australia Bank Group Superannuation Fund A carried out as at 30 June 2015.

The summary has been prepared in accordance with Guidance Note 454 and Professional Standard 402 issued by the Institute of Actuaries of Australia and contains the information required under AAS25.

Kathryn Maartensz

Kate Maartensz

Fellow of the Institute of Actuaries of Australia

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29 March 2016

APPENDIX F - ATTACHMENT 1 TO AAS25 STATEMENT

NAB GROUP SUPERANNUATION FUND A (THE "FUND")

Method of Determining Accrued and Vested Benefits

Accrued Benefits were determined as follows:

(a) Category 1 members : the total accumulated amount held in respect of both member and Bank contributions;

(b) Category 1N members: the present value of Fund N Guarantee based on membership up to the date of calculations.

(c) Category 3: the present value of expected future benefit payments which arise from membership of the Fund up to the date of calculation. Benefits were apportioned between past and future membership as follows:

On retirement: the accrued benefits at the calculation date with allowance for future salary growth to the assumed retirement date.

On death and total and permanent disablement: the proportionate benefit at the calculation date excluding potential service at the assumed date of death or disablement.

The vested benefit has not been applied as a minimum to the accrued benefit for each member.

An amount of $1,591.2 million has been included in the total of Accrued and Vested Benefits, representing the value of the liabilities payable from the Fund in respect of inactive members. These liabilities comprise:

- $1.9 million representing the value of current and deferred pension benefits payable from the Fund;
- $43.4 million representing the total Spouse Accounts;
- $0.8 million representing the total of Allocated Pension Accounts; and
- $1,545.2 million representing the total of the Retained Benefit Accounts.

Vested Benefits were determined to be the benefits which the Fund would be required to pay if all members were to voluntarily leave employment on the date of calculation.

For each member, the Vested Benefit was taken to be their resignation benefit or their early retirement benefit if eligible.

Assumptions used to Determine Accrued Benefits

The assumptions used to determine the Accrued Benefits were chosen by the Actuary to the Fund and are the same as those current assumptions used for the most recent actuarial valuation of the Fund as at 30 June 2015:

- Assumed rate of Investment Return - net of tax 6.0% p.a.
- Assumed rate of Investment Return - gross of tax 6.75% p.a.
- Assumed rate of non-promotional increase in earnings 4.0% p.a.
- Assumed rate of increase in CPI 2.5% p.a.

A summary of the other assumptions used is contained in Appendix B of the actuarial investigation report as at 30 June 2015 dated 29 March 2016.

The assumed rates of Investment Return, i.e. the discount rate, are considered to be a reasonable expectation of future returns of assets held in the Defined Benefit Reserve over the average expected term of defined benefit liabilities. The assumptions used lead to a weighted average term of liabilities for defined benefit members of approximately 5.3 years.

As required under AAS25 the assumptions adopted are best estimate assumptions.

Kathryn Maartensz

Kate Maartensz

Fellow of the Institute of Actuaries of Australia

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29 March 2016

APPENDIX G - ATTACHMENT 2 TO AAS25 STATEMENT

NATIONAL AUSTRALIA BANK GROUP SUPERANNUATION FUND A

Summary of Actuarial Investigation

The latest Actuarial investigation of the National Australia Bank Group Superannuation Fund A (the "Fund") was conducted as at 30 June 2015 by Kate Maartensz, FIAA, and the results presented in a report dated 29 March 2016. This attachment provides a summary of that report and the actuary's opinion as to the financial condition of the Fund.

Funding Method and Recommended Contributions

The main objectives of the actuarial investigation and report are to establish the funding requirements of the Fund and to assess the financial position of the Fund in light of those requirements. To do this the actuary has adopted a method of funding defined benefits known as the Projected Benefit Funding Method. In addition to ensuring that the projected VBI is in excess of 100% over the three years following the valuation date, both aggregate (total service) liabilities and the impact of retrenchments were also considered

Based on these funding methods and the actuarial assumptions set out in Appendix B of the report on the actuarial investigation, the actuary made the following contribution rate recommendations.

- The Bank contribution rate in respect of Category 1 members continue to be at the rate agreed with the Trustee, currently 10.0%, or higher as required to meet legislative requirements;
- The Bank continue to pay deemed member contributions in respect of Category 1 members as required;
- No Bank contributions are required in relation to the funding of the Category 1 members' Fund N guarantee;
- The Bank continue to make no contributions in respect of Category 3, Category 4, Category CBCOPF members and pensioners;

In determining the recommended Bank contribution level, a market value of assets of $4,269.7 million was used. This amount was as provided in the audited Fund accounts as at 30 June 2015.

Accrued Benefits

The relationship between Accrued Benefits and the Fund's assets at any particular date provides some guide to the Fund's ability to provide benefits on an ongoing basis.

At the date of the latest actuarial investigation the relationship between Accrued Benefits and the value of assets used to determine the recommended contribution level (including the benefits for inactive members) was as follows:

As at 30 June 2015	Defined Benefits	Total Fund
Market value of Assets	$25.6 million	$4,261.6 million
Accrued Benefits	$6.3 million	$4,210.8 million
ABI	404.7%	101.2%

The Market values of Assets above exclude $8.1 million of Operational Risk Reserve. The ratio of the market value of assets to Accrued Benefits was 101.2%, indicating that the Fund's Accrued Benefit liability was well covered by the Fund's assets at the date of the latest actuarial investigation.

Vested Benefits

The relationship between Vested Benefits and the Fund's assets at any particular date provides an indication of the Fund's ability to meet benefit entitlements in the short term.

Vested Benefits were determined to be the benefits which the Fund would be required to pay if all members were to voluntarily leave employment on the date of calculation. For each member the Vested Benefit was taken to be their resignation benefit, or their early retirement benefit if eligible. Where the option of a deferred or immediate resignation benefit was available, it was assume that the more valuable benefit would be paid.

At the date of the last actuarial investigation the relationship between Vested Benefits and the value of Fund assets (including the benefits for inactive members) was as follows:

As at 30 June 2015	Defined Benefits	Total Fund
Market value of Assets	$25.6 million	$4,261.6 million
Vested Benefits	$5.9 million	$4,210.4 million
VBI	434.6%	101.2%

The Market values of Assets above exclude $8.1 million of Operational Risk Reserve. The ratio of market value of assets to Vested Benefits is 101.2%, indicating that the Fund's Vested Benefit liability was well covered by the Fund's assets at the date of the latest actuarial investigation.

Financial Condition

In addition to the position reported above, the actuary considered the Fund's ongoing ability to meet both Accrued and Vested Benefits over the three years following the date of the investigation. This was undertaken on the basis that the Bank will contribute to the Fund at the recommended level over the next three years.

The actuary anticipates that both Vested Benefit liabilities and Accrued Benefit liabilities will remain covered by Fund assets throughout the three years following the date of the investigation.

Kathryn Maartensz

Kate Maartensz

Fellow of the Institute of Actuaries of Australia

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29 March 2016