Hostplus Superannuation Fund
Maritime Permanent DB Sub-fund of Division 6 – Stevedores Division

Report on the Actuarial Investigation as at 30 June 2024

24 October 2024

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

Summary

I am pleased to present my report to the Trustee of Hostplus Superannuation Fund on the actuarial investigation into the Maritime Permanent DB Sub-fund the Division 6 – Stevedores Division as at 30 June 2024.

This Summary sets out the key results and recommendations contained in this report.

Summary of Data

The assets of the Sub-fund are invested in the Fund's Balanced option.

A summary of membership numbers and the value of net assets of the Sub-fund at 30 June 2024 are shown below:

	30 June 2024
Number of Members (Active)	89
Number of Members (FTC & LTC Pensioners)	31
Value of Net Assets	$42,762,000

Solvency

The solvency measures as at 30 June 2024 are shown below:

Measure	30 June 2024
VBI	125.1%
PVABI	158.7%
MRBI	149.3%

Funding

I recommend the Employers continue to contribute at the full rate of 12.6% of Classification Base Wage (CBW) for all Permanent Members and member contributions continue at 4.8% of CBW until at least 30 June 2027.

Contents

Throughout this report the following terms are used:

Fund
Hostplus Superannuation Fund

Sub-fund
Maritime Permanent DB Sub-fund of Division 6 - Stevedores Division

Trustee
Host-Plus Pty Limited, the Trustee of Hostplus Superannuation Fund

Employer
Full Participating Employers and Participating Employers

Trust Deed or Rules
The Fund's Trust Deed dated 1 September 2023 and subsequent amendments

The Investigation Date or Valuation Date
30 June 2024

I continue to recommend that the Employers contribute at the required amounts to meet any Superannuation Guarantee, contractual or any other obligations in respect of accumulation liabilities in the Sub-fund.

Additionally, I recommend that the Trustee continues to maintain the defined benefit contingency funding component of the legacy Maritime Super insurance reserve previously established for the purpose of meeting the amount of any emerging funding strain. The next review of the legacy Maritime Super insurance reserve is due to take place in 2025.

Other Matters involving Actuarial Oversight

I further recommend that:

- The Trustee change the investment strategy for the Sub-fund to invest in the Fund's Capital Stable investment option in order to protect the current funding surplus against adverse market movements;
- The Trustee to retain the shortfall limit of 98% based on the current investment structure of the Sub-fund;
- The Trustee monitor the financial position of the Sub-fund quarterly throughout the following investigation period, with the results reviewed by the Actuary; and
- Current external insurance arrangements for death and disablement benefits be retained.

The next actuarial investigation of the Fund should be conducted with an effective date no later than 30 June 2026, based on the APRA determination dated 29 August 2023. Without this determination actuarial investigations would otherwise be required on an annual basis.

The recommended employer contribution rates will be reviewed at that time or at an earlier date if considered appropriate as a consequence of the regular review of the VBI or as required by legislation.

I am not aware of any event since 30 June 2024 that warrants review of the recommendations in this report.

Chris Porter
Fellow of the Institute of Actuaries of Australia

24 October 2024

ABN 45 002 415 349 AFSL 229921

Level 32, 385 Bourke Street, Melbourne VIC 3000

DO: JW | TR: AV | CR/ER: CJP

Section 1: Introduction

Scope

This investigation has been prepared effective 30 June 2024 for Host-Plus Pty Limited, Trustee of Hostplus Superannuation Fund in respect of the Maritime Permanent DB Sub-fund of Division 6 – Stevedores Division, as well as Maritime fixed term (FTC) pensioners and lifetime (LTC) pensioners who are covered under Division 3 of the Trust Deed and originated from both the Stevedores Division and Seafarers Division of Maritime Super, but for whom their underlying assets have been included with the assets of this Sub-fund. This report has been prepared by the actuary to the Sub-fund, Chris Porter, FIAA (Actuary).

The Trust Deed governing the Fund requires an actuarial investigation and report to be due at least every three years. Under subparagraph 14(d) of Prudential Standard SPS 160 Defined Benefit Matters, APRA has determined on 29 August 2023 that the Trustee requires regular actuarial investigations of the Sub-fund to be made every two years.

The main aims of the investigation are to examine the current financial position of the Sub-fund and the long-term funding of the Sub-fund's benefits, and to provide advice to the Trustee on the contribution rate at which the Employers should contribute and on any other matters the Actuary considers relevant.

This investigation is primarily interested in the defined benefit liabilities of the Sub-fund, and unless otherwise specified, this report relates only to such defined benefit liabilities. The defined contribution liabilities of the Sub-fund, including those that relate to defined benefit members, are fully funded and do not impact upon the defined benefit liabilities. No investigation is required regarding the defined contribution liabilities, although in my recommendations I have continued to recommend that the Employers contribute to meet any Superannuation Guarantee, contractual or any other obligations in respect of such liabilities.

This report has been prepared in accordance with Professional Standard 400, dated March 2021, issued by the Institute of Actuaries of Australia.

Background

On 1 September 2023, members and assets of Maritime Super were transferred to the Fund via a successor fund transfer (SFT), providing continuity of the Stevedores Sub-plan in Division 6 of the Fund. The Trustee was granted an exemption from APRA on 31 August 2023 under paragraph 42 of Prudential Standard SPS 160 Defined Benefit Matters to make an adjustment to the timing requirement of an initial actuarial investigation as required under paragraph 15 of SPS 160. As such, this investigation as at 30 June 2024 is the initial investigation of the Sub-fund.

The Fund is governed by a Trust Deed which was consolidated as at 1 September 2023 and subsequent amendments. The Fund is a complying superannuation fund for the purposes of the Superannuation Industry (Supervision) Act (SIS Act) and for taxation purposes.

The Sub-fund is closed to new defined benefit members. There are no new fixed term or lifetime pension options available to Members.

Results of Actuarial Investigation

Where an actuarial investigation of the Sub-fund reveals a surplus, the Trustee with the written agreement of the Full Participating Employers and the Union (the Maritime Union of Australia) may resolve to apply part or all of the surplus to:

a. Increase pensions to existing pensioners; or

b. Improve any benefit of some or all Members; or

c. Meet certain costs or liabilities as permitted under the Trust Deed; or

d. Satisfy or reduce future contributions required of Members and Full Participating Employers; or

e. Adopt some combination of the options above.

Where an actuarial investigation of the Sub-fund reveals a deficiency, the Trustee with the written agreement of the Full Participating Employers and the Union may resolve to remove such deficiency in part or in total by making changes in the terms and contributions of the Sub-fund as are considered necessary, subject to approval of the Actuary.

Contributions

The level of Employer contributions payable in respect of each defined benefit contributing member in the Sub-fund is set out in Clause 6.1 of Schedule A1, Division 6 of the Trust Deed:

[…] the contributions payable by each Full Participating Employer each year shall be, in respect of each of its employees who is a DB Contributing Member, equal to the sum of:

a. *an amount equal to 3 percent (or such lesser amount as is determined by the application of Stevedores Rule 11) of each such employee's Classification Base Wage for each week the Member has paid or is deemed to have paid Normal Contributions; and*

b. *an amount equal to 9.6 percent (or such lesser amount as is determined by the application of Stevedores Rule 11) of each such employee's Classification Base Wage for each week the Member has paid or is deemed to have paid Normal Contributions.*

Previous Actuarial Investigation

The actuarial investigation of the predecessor fund in respect of the Sub-fund was carried out by Chris Porter, FIAA as at 30 June 2022, with the results of that investigation set out in a report dated 6 December 2022. While this report represents the initial actuarial investigation of the Sub-fund, the results of the previous investigation as at 30 June 2022, as reported to the Trustee of Maritime Super, have been shown in this report for comparative purposes.

The previous investigation report concluded that the Sub-fund was not in an unsatisfactory financial position (as defined by SIS legislation) at that date and recommended that the Employers contribute to the Sub-fund at the full rate of 12.6% of CBW for all Permanent Members and member contributions continue at 4.8% of CBW.

I understand that the Employers have contributed amounts consistent with these rates.

Experience since 30 June 2024

Since 30 June 2024 the net return on the Sub-fund's assets to 31 August 2024 was 1.6%. This return is higher than the return assumption adopted in this investigation and, in isolation, has improved the financial position of the Sub-fund.

I have taken into account experience since 30 June 2024 when carrying out the projection of the financial position of the Sub-fund from that date.

At the date of signing this report, I am not aware of any events subsequent to the investigation which would have a material impact on the conclusions or recommendations in this report.

Limitations

This report is provided subject to the terms set out herein and in our Master Services Agreement dated 10 January 2024, signed 6 February 2024 and any accompanying or referenced terms and conditions. This report is provided solely for the Trustee's use and for the specific purposes indicated above. It may not be suitable for use in any other context or for any other purpose.

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

We consent to the Trustee making a copy of this report available on the Fund's website where required in accordance with the relevant legislation.

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

In preparing this valuation, we have relied upon information and data provided to us orally and in writing by the Trustee and other persons or organisations designated by the Trustee. We have relied on all the data and information provided, including Fund and Sub-fund provisions, membership data and asset information, as being complete and accurate. We have not independently verified the accuracy or completeness of the data or information provided, but we have performed limited checks for consistency. The data and information we have relied upon is shown in the *Additional Information* section of this report.

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

Section 2: Solvency

Solvency Measures

When assessing the adequacy of the assets and future contribution rates, both the long-term and short-term solvency positions should be considered. To assess the solvency position, I have considered the following funding solvency measures:

- Vested Benefits Index (VBI), the ratio of assets to the vested benefits, which represent the total amount which the Sub-fund would be required to pay if all members were to voluntarily leave service (or are payable for benefits in the form of lifetime (LTC) or fixed term (FTC) pensions[1]) on the investigation date;
- The Present Value of Accrued Benefits Index (PVABI), the ratio of assets to the present value of accrued benefits, which represents the value in today's dollars, of expected future benefits payable based on membership completed to the valuation date[2], and
- The Minimum Requisite Benefits Index (MRBI), the ratio of assets to the portion of the Minimum Requisite Benefits[3] (MRB) as defined in the Sub-fund's Benefit Certificate that relates to defined benefits.

The following table shows the above indices as at the valuation date, as well as the results of the previous investigation for the predecessor fund as at 30 June 2022.

	As at 30 June 2024			As at 30 June 2022		
Measure	**Value of Liability**	**Value of Assets**	**Index**	**Value of Liability**	**Value of Assets**	**Index**
VBI	$34,194,000	$42,762,000	125.1%	$34,219,000	$40,936,000	119.6%
PVABI	$26,947,000	$42,762,000	158.7%	$29,769,000	$40,936,000	137.5%
MRBI	$28,642,000	$42,762,000	149.3%	$27,475,000	$40,936,000	149.0%

The VBI and MRBI have increased from those at the previous investigation date. This is primarily a result of positive experience of the Sub-fund since 30 June 2022, in particular, higher than expected investment performance, partially offset by higher than expected salary increases over the period.

The PVABI has also increased from the previous investigation date. The higher gap between the expected level of future investment returns and salary increases has reduced the level of the present value of accrued benefits, which in isolation, increased the PVABI by 15.7%. This was compounded by gains due to experience over the intervaluation period.

---

[1] The Sub-fund holds assets in respect of FTC and LTC pensioners originating from both the Stevedores and Seafarers Divisions of Maritime Super.
[2] Benefits have been apportioned to past service by calculating the projected benefit payable using only service that is completed to the valuation date in the benefits formula.
[3] The minimum benefits in respect of pensioners are the same as their vested benefits. For active members, the minimum benefits have been determined on an individual basis consistent with the MRB defined in the Benefit Certificate effective as at 30 June 2024. Minimum benefits are not maintained by the Fund's administrator.

The VBI is above 100% as at the valuation date, and as such, the Sub-fund is to be treated as being in a satisfactory financial position as at that date.

Retrenchment Benefits, Other Discretionary or Contingent Benefits

The benefit payable on retrenchment is materially the same as the resignation benefit, and therefore the Sub-fund does not have any material additional funding strain that would be caused by any retrenchments.

The Sub-fund has not historically paid any material discretionary benefits, so I have not analysed the impact of such discretionary benefits. There are no other material contingent benefits offered by the Sub-fund.

Termination Benefits

Under Rule 12.2 of Division 6 – Stevedores Division of the Trust Deed, on termination of the Sub-fund, the assets of the Sub-fund must be used in the following order subject to the relevant law and the Sub-fund must then be wound up:

a. In paying the costs, changes and expenses of the winding up of the Stevedores Division; and then
b. In providing an annuity for each pensioner member of the same amount and upon the same terms as the pension to which the pensioner is entitled; and then
c. In providing for each member who has reached age 65 at the date of winding-up, the benefits that the member would have received under the Trust Deed; and then
d. In providing for each member to whom c. does not apply, the voluntary resignation benefit under the Trust Deed; and then
e. In providing for each member to whom c. does not apply, the early retirement benefit under the Trust Deed for each member who has reached age 55 at the date of winding-up, so much of such benefit as has not been provided under d.; and then
f. In providing further benefits to members of such amount and in such manner as the Trustee, having regard to the circumstances including any benefits provided under b. to e., determined to be fair and equitable.

As set out in b., in the event of the termination of the Sub-fund, the Trustee must determine if it is obliged to secure pensions by purchasing annuities from a life insurance company or by some other arrangement.

Further, upon termination, it could become necessary to liquidate existing assets. Given the assets of the Sub-fund are invested in Fund investment options, I do not expect there would be any liquidity issues if it became necessary to quickly realise funds, and the full amount of the Sub-fund's assets at the date of termination would be available to use for meeting a. to f. (above). Therefore, I have not allowed for any discount on assets to reflect the sale of illiquid assets in the event of termination.

To broadly illustrate the Sub-fund's ability to pay benefits upon termination, I have estimated the cost of purchasing an annuity to secure the pension liability by valuing the pension liability using a discount rate that reflects the yield available on Australian high quality corporate bonds, plus a 10% loading on the liability value to make broad allowance for any administration expenses and profit margins included in the premiums charged by an insurer as well as additional expenses associated with the transfer of liabilities. I note that it is difficult to estimate the true cost of annuity contracts without seeking market quotes from an insurer.

The following table shows the estimated remaining assets available to other members in this scenario, and the ratio of remaining assets to active members to their Vested Benefits and MRBs would be 125.6% and 152.0% under this scenario:

	Coverage for Vested Benefits	Coverage for MRBs
Net Assets at 30 June 2024 in respect of DB members	$42,762,000	$42,762,000
Less: Estimated assets required to secure pension liabilities	$2,648,000	$2,648,000
Assets available to Active Members	$40,114,000	$40,114,000
Vested Benefits / Minimum Requisite Benefits for Active Members	$31,942,000	$26,389,000
Coverage for Vested Benefits / Minimum Requisite Benefits	125.6%	152.0%

Because these percentages are over 100%, I expect the Sub-fund to be able to pay the benefits required under the Trust Deed in the event that the Sub-fund is terminated. In the event that the Sub-fund is to be wound up, and that assets are not sufficient to pay members' benefits in full at that time, the Trustee has the ability under the Sub-fund Rules (Rule 12.2(c)(vi)) to reduce the benefits for members. However, in this event I would expect that the defined benefit contingency funding component of the legacy Maritime Super insurance reserve may be used to meet any funding shortfall in the first instance.

If the Sub-fund was ever terminated, the Trustee would need to seek both actuarial and legal advice at that time to consider the method of determining and payment form of benefits from the Sub-fund.

Ability to Pay Pensions

SPS 160 requires the Fund's actuary to certify whether there is a high degree of probability to pay pensions as required by the Trust Deed.

In making this certification, I have considered that in the case of a wind-up of the Sub-fund, the assets, after allowing for other liabilities that rank ahead of pensioners such as expenses, currently exceed the current defined benefit pension value by a large margin.

Consistent with the requirements under relevant Professional Standards, discretionary pension increases have not been taken into account.

Allowing for the above, I consider that there is a high degree of probability that the Sub-fund will be able to pay pensions as required under the Sub-fund's rules. The formal certification is set out in the *Additional Information* section of this report.

Section 3: Funding

This section considers the long-term funding of the Sub-fund and sets out the contributions required in order to fund benefits payable in future years. To determine the long-term contribution rates, I have used a projection method as described in the *Additional Information* section of this report.

Long Term Funding results

For the purpose of this section, an actuarial surplus or deficit is defined as the market value of assets less the value of the Total Service Liability.

The table below sets out the funding position of the Sub-fund.

	30 June 2024	30 June 2022
A. Value of Total Service Liabilities		
Permanent Member Defined Benefits	$31,732,000	$36,226,000
Pensioner Benefits	$2,252,000	$3,187,000
Total Service Liabilities	**$33,984,000**	**$39,413,000**
B. Value of Assets		
Market Value of Defined Benefit Assets	$42,762,000	$40,936,000
Future Permanent Member Contributions (after tax)	$2,402,000	$3,011,000
Future Full Participating Employer Contributions	$6,305,000	$7,903,000
Expenses	($625,000)	($2,429,000)
Insurance Premiums	($471,000)	($627,000)
Contributions Tax	($781,000)	($727,000)
Total Net Assets	**$49,592,000**	**$48,067,000**
C. Actuarial Surplus / (Deficit) (B – A)	**$15,608,000**	**$8,654,000**

The table above shows that the Sub-fund's position has moved from a surplus of $8.654 million as at 30 June 2022 to a surplus of $15.608 million as at 30 June 2024. This movement is largely due to the change in financial assumptions and the investment return experience over the intervaluation period.

The actuarial surplus of $15.608 million shows that the Sub-fund's assets are expected to be more than sufficient to cover the Total Service Liability as at 30 June 2024, subject to the payment of future recommended contributions by Members and Employers, and the actuarial assumptions being borne out in the future.

Given the size of the anticipated actuarial surplus and after taking into consideration the coverage of vested benefits also being in surplus, it is appropriate to consider the options available to the Trustee to manage the expected future surplus and ensure the Sub-fund is not over-funded.

Rule 11.2 of Division 6 – Stevedores Division of the Trust Deed requires that:

If the results of the investigation reveals a surplus, the Trustee may, with the written agreement of the Full Participating Employers, by way of Special Resolution in accordance with Schedule A4, and the Maritime Union, resolve to apply part or all of the surplus to:

a. *Increase pensions to existing Pensioner Members; or*

b. *Improve any other benefits of some or all Members, whether by increasing the scale of benefits, by improving the terms on which they are available, or by any other means; or*

c. *Pay, discharge or otherwise deal with (as applicable) any liability, loss, cost, charge, expense, allegation, debt, cause of action, claim, proceeding, suit or demand of any nature, whether present or future, fixed or unascertained, actual or contingent, and, where relevant, whether at law, in equity, under statute or otherwise; or*

d. *Satisfy or reduce future contributions required of Members and Full Participating Employers; or*

e. *Adopt some combination of a., b., c., or d. above.*

Given the multi-employer nature of the Sub-fund, I anticipate that there may be complexity associated with surplus ownership and obtaining the agreement of the Employers and Union on how to manage the surplus, including a reduction to future contribution rates. Furthermore, if a subsequent deficit emerges in the future, then the Trustee may find it challenging to get the agreement of the Employers and Union to increase contributions to fund any shortfall. In my opinion, it is therefore appropriate to maintain a reasonable surplus in the Sub-fund to provide certainty around the future financial position and avoid the complexities of requiring additional contributions from Employers and members in the future.

In my opinion it would be a prudent first step for the Trustee to consider the appropriate level of investment risk for the Sub-fund. Given the current strong financial position, in my opinion it would be an appropriate time to consider de-risking the Strategic Asset Allocation to reduce the impact of future market volatility on the financial position of the Sub-fund.

I therefore consider that it would be prudent for the current contributions to be maintained at the full rate of 12.6% of CBW for all Permanent Members and member contributions of 4.8% of CBW, in conjunction with a change to de-risk the Strategic Asset Allocation of the Sub-fund.

Contingency Funding Component of Insurance Reserve

The Fund maintains the legacy Maritime Super insurance reserve which includes a defined benefit contingency funding component in the event that the defined benefit assets of the Sub-fund are insufficient to meet residual defined benefit liabilities.

- The value of the DB contingency funding component of the insurance reserve (Reserve) at 30 June 2022 (the date of the last review of the insurance reserve) was $5.2 million, and at this date I recommended the DB contingency funding component of the Reserve to reduce to $1.85 million with a transfer of $3.35 million to the General component of the Reserve. I understand that the recommended transfer took place in 2023;
- Monies may be transferred from the Reserve to the defined benefit assets under any restoration plan required under applicable legislation to restore the VBI to over 100%. It is expected that such transfers would consist of top-ups to under-funded benefits, plus any required capital transfers needed under the restoration plan to meet a funding target;

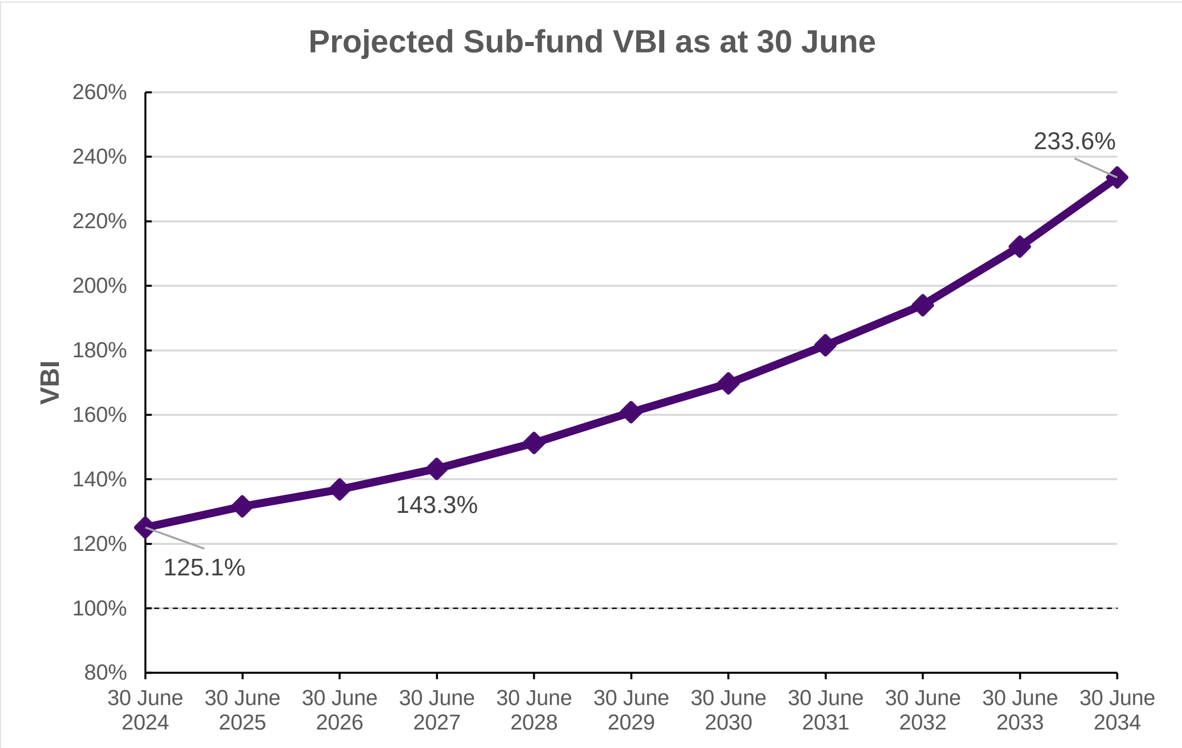
- Any monies transferred from the Reserve to the defined benefit assets may be returned to the Reserve when the VBI of the Sub-fund is in excess of 100%; and
- The Reserve could be further augmented from any source as determined by the Trustee.

A separate review of the legacy Maritime Super insurance reserve is expected to be conducted in early 2025, but my current expectation is that it is unlikely that the Sub-fund will need to rely on the DB contingency funding component of the Reserve in the future.

Vested Benefit Projection

In order to assess whether the current contribution program is likely to maintain the Sub-fund in a satisfactory financial position (i.e. a VBI above 100%), I have projected the Sub-fund's Vested Benefits Index over the next ten years based on the contributions recommended above and assuming the Sub-fund's assets remain invested in the Balanced option.

I have allowed for actual investment return experience to 31 August 2024 in this projection.



As can be seen from the graph, on the basis of the selected actuarial assumptions, the recommended Employer and Member contribution rates of 12.6% and 4.8% of CBW, respectively, along with expected investment returns in line with the Balanced investment option, is sufficient to maintain a satisfactory financial position.

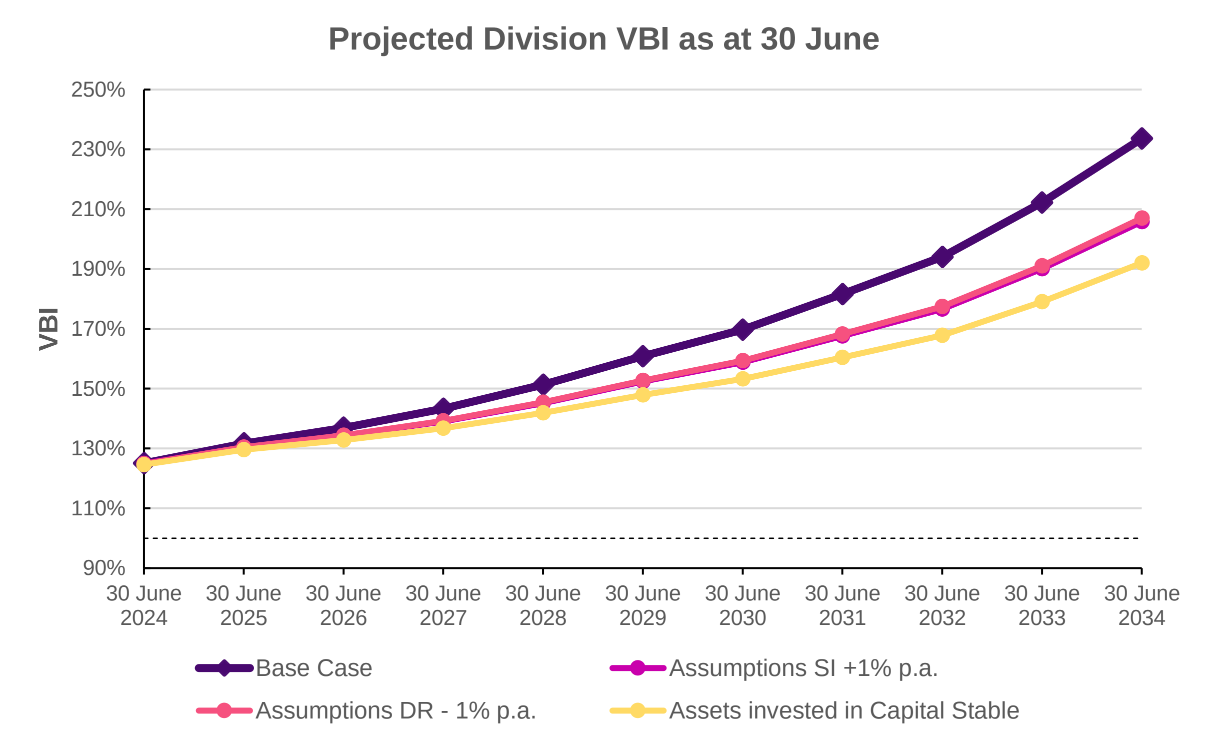
Sensitivity Analysis

In making a recommendation on the level of contributions that the Employers and Members should make to the Sub-fund, it is useful to consider the sensitivity of the analysis above to reasonable variations in the valuation assumptions.

The following table shows the PVABI calculated if key assumptions had been varied as described below:

	This Valuation Basis	Scenario 1	Scenario 2	Scenario 3
Description	**Base Case**	**Investment Return Sensitivity**	**Salary Inflation Sensitivity**	**Capital Stable investment option**
Discount Rate (net)	7.2%	6.2%	7.2%	5.6%
Discount Rate (gross)	8.4%	7.4%	8.4%	6.5%
Expected Salary Growth	2.6%	2.6%	3.6%	2.6%
Present Value of Accrued Benefits Index	158.7%	150.4%	150.4%	145.4%

Similarly, the Sub-fund's projected VBI over the next ten years under the varied assumptions are shown in the graph below:



These results show that the PVABI, as well as the Sub-fund's projected financial position, is moderately sensitive to long-term actuarial assumptions. While the sensitivities have been selected to be illustrative of reasonable changes in the valuation assumptions, they do not represent the upper or lower bounds of possible outcomes and more extreme outcomes are possible.

Of particular note is the projection using the Capital Stable investment option, which shows that the VBI continues to be maintained above 100% with a margin if the Trustee were to de-risk the Sub-fund's assets into the Capital Stable investment option.

Summary

On the basis of the above results, I recommend the following:

- the Trustee change the investment strategy for the Sub-fund to invest in the Fund's Capital Stable investment option;
- Employers contribute at the full rate of 12.6% of CBW for all Permanent Members and members contribute at the rate of 4.8% of CBW until at least 30 June 2027 in respect of defined benefit members. These contributions are sufficient to meet the funding requirements of the Sub-fund under the recommended investment strategy (above);
- Employers contribute at the required amounts to meet any Superannuation Guarantee, contractual or any other obligations in respect of accumulation liabilities in the Sub-fund; and
- the VBI position continues to be monitored quarterly throughout the following investigation period, with the results reviewed by the Actuary, to ensure that these contribution recommendations remain appropriate.

Section 4: Other Matters Involving Actuarial Oversight

Investments

The net market value of assets is based on the asset values declared by the respective external fund managers at 30 June 2024 which in turn are based on the market values of the assets after allowing for realisation costs.

I note that Professional Standard 404 defines the ‘Fair Value’ of assets as the value of assets before the deduction of transaction costs. Based on the type of assets held by the Sub-fund I do not expect realisation costs to be material. I have therefore used the net market value of assets for the purpose of this investigation.

Investment Strategy

The assets of the Sub-fund are invested in the Fund’s Balanced option.

The Balanced option is a diversified portfolio, including some growth assets and some lower risk investments. The Balanced Option’s target is to invest 76% of the fund in growth assets and 24% of the fund in defensive assets.

The return objective of the Balanced option is:

- Accumulation: to outperform CPI by 3.0% p.a. on average over 10-year periods, and by 4.0% p.a. on average over 20-year periods.
- Pension: to outperform CPI by 3.5% p.a. on average over 10-year periods, and by 4.5% p.a. on average over 20-year periods.

The strategic asset allocation of the Balanced option as at 30 June 2024 is shown in the below table:

Asset Class	Balanced option	Capital Stable option
Australian Shares	21%	8%
International Shares	29%	11%
Private Equity	10%	1%
Property	10%	10%
Infrastructure	11%	11%
Credit	7%	7%
Alternatives	4%	6%
Diversified Fixed Interest	4%	28%
Cash	4%	18%
Total Growth Assets	**76%**	**37%**
Total Defensive Assets	**24%**	**63%**

In my opinion, given the current and projected surplus in the Sub-fund, the Trustee should change the investment strategy of the Sub-fund to invest in the Capital Stable option in order to remove significant investment risk and ensure the security of the benefits for the future.

The Capital Stable option is a diversified portfolio, including some growth assets and some lower risk investments. The Capital Stable option's target is to invest 37% of the fund in growth assets and 63% of the fund in defensive assets.

The return objective of the Capital Stable option is to outperform CPI by 2.0% p.a. on average over 20-year periods.

Unit Pricing and Investment Reserving Policy

As the benefits of Permanent Members of the Sub-fund are pure defined benefits, there is no crediting rate applicable to the Sub-fund. The exception applies to offset accounts which are credited with interest calculated at the One Year Swap Rate. In my view, this remains appropriate.

Investment reserves are not held as there is no smoothing of investment earnings in the setting of unit prices. This remains appropriate.

Liquidity

I understand that the Fund's Balanced option currently has a soft limit for illiquid allocation of 40% of assets. The Capital Stable option has a soft limit of 30%. As such, in my opinion the Fund has sufficient liquidity under both the current and recommended options to meet payments from regular cashflows.

Shortfall Limit

The Trustee currently has an approved shortfall limit of 98%.

Based on the Sub-fund's benefit design and the target asset allocation of the Capital Stable option described above, in my opinion the 98% shortfall limit would remain reasonable for the Sub-fund.

Insurance

Death and Disablement Benefits

At the investigation date, the Sub-fund has death and total and permanent disablement (TPD) insurance with MLC Limited in respect of the future service portion of their death and disablement benefits.

The formula used to calculate the level of insurance is:

Death/TPD Benefit *less* Vested Benefit

Where Vested Benefit is the benefit payable if a member were to immediately, voluntarily leave service:

- If the member is over age 55, the Early Retirement Benefit; or
- If the member is under age 55, the member's Resignation Benefit.

Early Retirement Benefit and Resignation Benefit are as outlined in Section 5 of this report.

On this basis, I consider the current insurance arrangements adequate and recommend that the current insurance formula be maintained.

Section 5: Additional Information

Risks

The table below summarises the main risks to the financial position of the Sub-fund.

Risk	Approach taken to risk
Investment returns on the existing assets could be insufficient to meet the Trustee's funding objectives	The Trustee takes advice from the Actuary on possible assumptions for future investment returns. In setting the future contributions, the Actuary considers the effect on the future financial position if investment returns are less than expected. The Trustee is able to access additional funding through the defined benefit contingency funding component of the legacy Maritime Super insurance reserve at subsequent valuations if future returns prove insufficient.
Price inflation or salary increases could be different from that assumed which could result in higher liabilities	The Trustee invests in assets that are expected to be correlated to future inflation in the longer term (sometimes referred to as "real" assets). This means that, over the longer term, such assets are expected to keep pace with inflation. Such assets include equities, property and index-linked bonds.
Falls in asset values might not be matched by similar falls in the value of the Sub-fund's liabilities	The Trustee considers this risk when determining the Sub-fund's investment strategy. To the extent that such falls in asset values result in deficits at future valuations, the Trustee is able to access additional funding through the defined benefit contingency funding component of the legacy Maritime Super insurance reserve.
Liquid assets are not sufficient to meet cashflow requirements of the Sub-fund when they fall due	The assets of the Sub-fund are invested in the Fund's Balanced investment option. As such, the total assets under management are sufficient to cover any potential cashflows of the Sub-fund.
Sub-fund members live longer than assumed	The Trustee adopted mortality assumptions that it regards as prudent estimates of the life expectancy of members.
Legislative changes could lead to increases in the Sub-fund's liabilities	The Trustee takes legal and actuarial advice on changes in legislation and consults with the Employers or Unions, where relevant.

Economic risk | Demographic risk | Legal risk

Benefits summary

Definitions

DB Contributing Member:	A Member who is contributing to the Maritime Permanent DB section of the Sub-fund in accordance with the Rules.
DB Non-Contributing Member:	A Member who has ceased to make contributions to the Maritime Permanent DB section, or a Member who has ceased contributing because they have reached age 70.
Credited Interest:	Interest at the rate of 5% per annum for the period ended 30 June 1974, 6% per annum for the period ended 30 June 1976, and thereafter at a rate determined in accordance with a policy set out in writing and adopted by the Trustee, having regard to the achieved and expected earning rate of the Sub-fund, and any election the Member has made regarding the investment of the relevant portion of their benefit.
Fund Service Weeks:	Total number of completed weeks of membership of the Sub-fund in respect of which a DB Contributing Member has made Normal Contributions.
Classification Base Wage ('CBW'):	For Permanent Members, the greater of: • 75% of the Member's base salary; and • $650 p.w. (GWE Members) or $590 p.w. (other Members).
Fund Service Benefit:	18% of CBW for each Fund Service Weeks, with an additional loading applied to pre 1 July 1994 service that increases all weeks accrued up to that date by 10%.
Normal Retirement Date:	The Member's 65th birthday.
Offset Account:	An account containing miscellaneous items in respect of a Maritime Permanent DB Member including the amount of any outstanding Surcharge paid or payable by the Trustee in respect of a Member increased with interest, and any payments or refunds received by the Trustee in respect of the Member.
One Year Swap Rate:	The interest rate identified as the 'One Year Swap Rate' as at the close of business 1 July each year by the Commonwealth Bank of Australia.
Past Service Benefit:	$50 for each full year of Past Service in the industry which was completed prior to the commencement date of the Fund and was recognised for long service leave purposes. Each completed month in any fraction of a year of past service counts pro rata for benefit.
Potential Benefit:	A benefit equal to 18% of CBW for each week in the period from the date of termination to Normal Retirement Date, payable only to eligible Members.

Defined Benefit Members (Maritime Permanent DB Members)

Normal Retirement Benefit

For a Maritime Permanent DB Member retiring after age 65 but before age 70 this benefit comprises the sum of:

- the Voluntary Contribution Benefit;
- the Fund Service Benefit; and
- the Past Service Benefit; less
- the Offset Account.

Late Retirement Benefit

For a Maritime Permanent DB Member retiring after age 70 this is the benefit at age 70 with Credited Interest.

Early Retirement Benefit

For a Maritime Permanent DB Member retiring on or after age 55 this benefit comprises the sum of:

- the Voluntary Contribution Benefit;
- a percentage of the Fund Service Benefit, the percentage being based on age at retirement in years and completed months (some specimen percentages are shown below); and
- the Past Service Benefit; less
- the Offset Account.

Resignation Benefit

The benefit payable to a Maritime Permanent DB Member comprises the sum of:

- the Voluntary Contribution Benefit;
- a percentage of the Fund Service Benefit, the percentage being based on age at retirement in years and completed months (some specimen percentages are shown below); and
- the Past Service Benefit; less
- the Offset Account.

Retrenchment Benefit

The benefit for a Maritime Permanent DB Member comprises the sum of:

- the Voluntary Contribution Benefit;
- a percentage of the Fund Service Benefit, the percentage being based on age at retirement in years and completed months (some specimen percentages are shown below); and
- the Past Service Benefit; less
- the Offset Account.

Specimen Percentages applied to the Fund Service Benefit in respect of Early Retirement, Retrenchment and Resignation are shown below:

Age in Years	Percentage
42 and under	87
44	89
46	91
48	93
50	95
52	97
54	99
55 and above	100

Total and Permanent Disablement Benefit

The benefit payable to a DB Contributing Member comprises the sum of:

- the Voluntary Contribution Benefit;
- the Fund Service Benefit;
- the Potential Benefit; and
- the Past Service Benefit; less
- the Offset Account.

The benefit payable to a DB Non-Contributing Member comprises the sum of:

- the Voluntary Contribution Benefit;
- the Fund Service Benefit;
- the Potential Benefit (subject to the Trustee's discretion); and
- the Past Service Benefit; less
- the Offset Account.

Death Benefit

The benefit payable in respect of a Maritime Permanent DB Member is equal to the Total and Permanent Disablement Benefit, plus any additional benefit payable under the Voluntary Death Cover arrangement.

Fixed Term Income

This product is now closed. A Member who is entitled to a benefit may apply for all, or part of, that benefit to be paid as a fixed term pension on such terms as set by the Trustee.

Short Term Guaranteed Income

This product is now closed. A Member who is entitled to a benefit may apply for all, or part of, that benefit to be paid as a short term guaranteed income pension on such terms as the Trustee may determine from time to time.

Summary of Data Used in this Investigation

Membership Data

The administrator of the Fund, Australian Administration Services Pty Ltd, a member of MUFG Pension and Market Services (MUFG), has responsibility for maintaining member records, payment of benefits and other administrative tasks of the Sub-fund.

MUFG provided data in respect of members of the Sub-fund as at 30 June 2024, including members who had left the Sub-fund since the previous investigation of the Sub-fund under the prior fund as at 30 June 2022.

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

The following tables show a summary of the membership as at 30 June 2024 and 30 June 2022:

Permanent Members (active)

	30 June 2024	30 June 2022
Number of Members	89	105
Average Age	53.3	52.4
Average Service	19.2	18.1
Total CBW (per week)	$163,823	$171,806
Average CBW (per week)	$1,841	$1,636

Pensioners

	30 June 2024		30 June 2022	
	FTC	LTC	FTC	LTC
Number of Members	28	3	32	3
Average Age	81.8	81.2	80.2	79.2
Total Annual Pension	$538,504	$25,513	$520,127	$23,824
Average Annual Pension	$19,232	$8,504	$16,254	$7,941

Assets Data

I have been provided with financial statements of the Sub-fund which I understand, given the size and materiality of the Sub-Fund, have not been subject to audit review. I have relied on these statements in determining the net asset relating to defined benefits in the Sub-fund.

The net assets exclude any amount held to meet the Trustee’s Operational Risk Financial Requirement.

I am satisfied that there are no material data discrepancies and that the data provided is suitable for the purpose of this investigation. I have relied on the information provided for the purposes of this investigation. Although I have no reason to doubt the quality of asset information provided, the results of this investigation are dependent on the quality of the asset information. Any changes to the asset values above will have an impact on the outcome of the investigation and any resulting recommendations.

Funding Method, Assumptions and Experience

Funding Method

In this valuation, I have used a variant of the Aggregate Funding Method to assess the adequacy of the Sub-fund to provide benefits to existing members. A description of the method is as follows:

- The present value of total benefits (based on both accrued and potential future service and projected CBW) and expenses expected to be paid in the future is calculated.
- Similarly, the member and employer contributions are also projected and discounted to obtain the expected present value of these contributions.
- The Sub-fund's surplus or deficit is calculated as the present value of benefits and expenses, less the net assets and the present value of future contributions.

The Sub-fund rules specify that the Maritime Permanent DB member and Full Participating Employer contribution rates used to determine the level of surplus or deficit are fixed in the first instance at 4.8% and 12.6% of CBW respectively. The Sub-fund rules further specify the actions which may be taken by the Trustee in the event that the actuarial valuation reveals a surplus or deficit. Note that a change cannot be made to the basis of determination of member or Employer contributions without the consent of the Full Participating Employers and the Maritime Union of Australia.

In producing my recommendations, I have also taken into account the pace of funding required to maintain certain short term solvency measures, in particular, that legislation requires the VBI to be above 100%.

This is consistent with the method used in the previous actuarial investigation. In my view this method remains appropriate.

Assumptions

In order to determine the value of expected future benefits and Sub-fund assets, it is necessary to make assumptions regarding the timing and amount of future benefit payments, expenses and contributions. In doing so it is important to examine the experience of the Sub-fund since the last valuation to see whether the previous assumptions have been borne out in practice.

While each of the assumptions used is normally the actuary's best estimate of future experience, in practice, the actual experience in any (short) period can always be expected to differ from the assumptions to some extent. However, it is intended that over longer periods, they will provide a reasonable estimate of the likely future experience and financial position of the Sub-fund.

In the short-term, as the actual experience emerges differently to the experience implied by the assumptions, the financial position of the Sub-fund will also vary from that expected. However, adjustments to contribution rates, if any, can be made to reflect these differences in the following actuarial investigation.

Financial Assumptions

Valuation assumptions can be broadly divided into demographic assumptions, which relate to characteristics of current and future members of the Sub-fund, and financial assumptions, which are assumptions other than demographic assumptions. The following sections first consider the financial assumptions that are to be adopted for this valuation.

Investment Returns

The actual rate of return on the Sub-fund's assets (net of tax and investment expenses that are deducted from the investment return) from 30 June 2022 to 30 June 2024 are set out in the table below:

Year Ending	Net Investment Return
30 June 2023	8.00%
30 June 2024	7.60%
Overall	7.80% p.a.

Over the two-year period to 30 June 2024 the assets held in the Sub-fund returned 7.8% p.a. which is higher than the rate assumed in the previous investigation of 5.6% p.a. (net of tax). In isolation, this has had a positive impact on the financial position of the Sub-fund.

While short-term differences between actual investment return experience and the actuarial assumption can affect the long-term financial position of the Sub-fund as measured by the actuarial investigation, the assumption used in the investigation must be based on long-term expectations since the investigation involves valuing payments in the future.

Based on models of future investment returns developed by WTW and current strategic asset allocation of the Sub-fund, the current expectations of investment returns over the remaining lifetime of the Sub-fund, net of taxation and investment management expenses, is 7.2% p.a. in respect of active members and 8.4% p.a. in respect of pensioners. On this basis, I have assumed a long-term investment earning rate of 7.2% p.a. in respect of actives and 8.4% p.a. in respect of pensioners for this investigation, which is higher than the assumed long-term earning rates used for the previous investigation of 5.6% p.a. and 6.2% p.a. respectively.

I have recommended that the Trustee adopt a more conservative investment strategy in the future to reduce the volatility of the financial position and maintain the surplus assets that have been built up in the Sub-fund. If the Trustee accepts my recommendation to invest the Sub-fund assets in the Fund's Capital Stable option, then I would adopt a long-term investment earning rate of 5.6% p.a. in respect of actives and 6.5% p.a. in respect of pensioners at the investigation date.

Salary Increases

The average salary increases during the investigation period for the members remaining in the Sub-fund as at 30 June 2024 was 5.0% p.a. This is higher than the salary increases assumption adopted for the previous actuarial investigation of 2.9% p.a. This has had a negative impact on the financial position of the Sub-fund.

A long-term salary increase assumption of 2.6% p.a. is consistent with current long-term expectations of price increases based on modelling by WTW. I have therefore adopted this rate for the purpose of this investigation.

Pension Increases

FTC and LTC pension increases are based on the terms of conversion of the pension, offering either nil increases, increases fixed at 5% p.a., or increases linked to price inflation. The majority of pensions offer increases fixed at 5% p.a., which is higher than the price inflation assumption adopted for the previous actuarial investigation of 2.9% p.a. This has had a negative impact on the financial position of the Sub-fund.

I have adopted a price inflation assumption of 2.6% p.a. for this investigation, based on modelling by WTW.

Administration Expenses and Insurance Costs

For this investigation, I assumed:

- A weekly administration fee of $4.1888 per member, in line with the MUFG administration expenses and an annual administration fee of $78 per member in respect of Hostplus fees;
- Operational costs of $80,000; and
- An allowance for insurance premiums of 0.9% of CBW, based on the expected costs of such premiums, having regard to the premium rates charged to members of the Fund and the occupation rating of Sub-fund members.

Fixed dollar expenses are assumed to increase in line with CPI.

In the previous investigation, I assumed:

- General administration expenses of 0.215% p.a. of assets; and
- An allowance for insurance premiums of 1.0% of CBW.

Demographic Assumptions

Rates at which Employee Members Cease Service

I have analysed the rates at which employee members cease service during the period from 30 June 2022 to 30 June 2024. There were 16 exits, compared to the 17 expected. Of the 16 exits, 10 occurred prior to the SFT date and 6 occurred after.

Because of the small number of employee members remaining in the Sub-fund, I have retained the same assumed rates as the ones used in the previous investigation.

Sample exit rates per 10,000 members in the Sub-fund are shown in the table below:

Age	Death	Disablement	Withdrawal	Retirement
40	6.9	34.5	100	-
45	11.5	57.4	100	-
50	20.6	103.2	100	-
55	38.5	192.6	-	500
60	61.9	309.5	-	1,000
61	69.3	346.7	-	1,000
62	75.4	376.8	-	1,000
63	82.5	412.7	-	1,000
64	86.7	433.3	-	1,000
65	-	-	-	10,000

Pensioner Mortality and Spouse Assumptions

There were 4 FTC and no LTC pensioner deaths over the intervaluation period.

As the number of pensioners in the Sub-fund is very small, it is difficult to draw conclusive information from completing a demographic analysis.

For this valuation I have retained the same pensioner mortality assumptions as used in the previous investigation.

The mortality assumptions are based on the mortality studies in respect of the population of Australia. An adjustment to these rates has been applied to reflect that pensioners in the Sub-fund are likely to exhibit lighter mortality rates than the general Australian population. Additionally, allowances have been made for future improvements.

Assumption	30 June 2024	30 June 2022
Base Table	70% of ALT 2015-17	70% of ALT 2015-17
Future Mortality Improvements	2% p.a. from 1 July 2016	2% p.a. from 1 July 2016

Statutory Statements Under SPS 160

Hostplus Superannuation Fund, Maritime Permanent DB Sub-fund of the Stevedores Division Actuarial Investigation as at 30 June 2024

The statements required under paragraphs 23(a) to (i) of SPS 160 for initial and regular investigations are set out below:

A. Fund Assets

At 30 June 2024 the net market value of assets of the Sub-fund, excluding any amount held to meet the Operational Risk Financial Requirement (ORFR), was $42,762,000.

B. Projection of Defined Benefit Vested Benefit Index

Based on the actuarial assumptions and the recommended contributions set out in G below, I project that the likely future financial position of the Sub-fund over the three years following the investigation date will be as follows:

Date	Defined Benefit Vested Benefits Index
30 June 2024	125.1%
30 June 2025	131.6%
30 June 2026	136.9%
30 June 2027	143.3%

C. Accrued Benefits

The value of the accrued liabilities of all members as at 30 June 2024 was $26,947,000.

In my opinion, the value of the assets of the Sub-fund at 30 June 2024 was adequate to meet the liabilities in respect of accrued benefits in the Sub-fund (measured as the present value of members' accrued entitlements using the actuarial assumptions).

This assessment has been made using assumptions and a valuation method which I regard as reasonable.

D. Vested Benefits

The value of the vested benefits of all members as at 30 June 2024 was $34,194,000.

In my opinion, the financial position of the Sub-fund is not unsatisfactory and the shortfall limit does not need to be reviewed at this time.

E. Minimum benefits

The value of the liabilities in respect of the minimum benefits of members as at 30 June 2024 was $28,642,000 which is less than the value of assets held at that date.

F. Funding and Solvency Certificates

Funding and Solvency Certificates applicable to the Sub-fund covering the period from 1 September 2023 (the date of the SFT) to 30 June 2024 required by the Superannuation Industry (Supervision) Act have been provided. In my opinion, I am likely to be able to provide Funding and Solvency Certificates for the Sub-fund covering the period from 30 June 2024 to 30 June 2027.

G. Employer Contributions

The report on the actuarial investigation of the Sub-fund at 30 June 2024 recommends:

- That the Employers continue to contribute at the full rate of 12.6% of CBW for all Permanent Members and member contributions continue at 4.8% of CBW until at least 30 June 2027; and
- That the Trustee continues to maintain the defined benefit contingency funding component of the insurance reserve established for the purpose of meeting the amount of any emerging funding strain.

H. Payment of Pensions

In my opinion, at the valuation date, there is a high degree of probability that the Sub-fund will be able to pay the pensions as required under the Trust Deed and Rules applying to the Sub-fund.

I. Pre-July 1988 Funding Credit

No pre-July 1988 funding credits have been granted to the Fund.

Chris Porter
Fellow of the Institute of Actuaries of Australia

24 October 2024

ABN 45 002 415 349 AFSL 229921

Level 32, 385 Bourke Street, Melbourne VIC 3000

DO: JW | TR: AV | CR/ER: CJP

About WTW
At WTW (NASDAQ: WTW), we provide data-driven, insight-led solutions in the areas of people, risk and capital. Leveraging the global view and local expertise of our colleagues serving 140 countries and markets, we help you sharpen your strategy, enhance organisational resilience, motivate your workforce and maximise performance. Working shoulder to shoulder with you, we uncover opportunities for sustainable success — and provide perspective that moves you. Learn more at wtwco.com.