

FUNDING AND SOLVENCY CERTIFICATE

**FOR THE PURPOSES OF REGULATION 9.09 OF THE SUPERANNUATION
INDUSTRY (SUPERVISION) REGULATIONS (“SIS Regulations”)**

for the

LOCAL GOVERNMENT SUPER (“the Fund”)

Issue Date:	30 September 2016
Effective Date:	1 July 2016
Expiry Date:	30 June 2021
Latest Replacement Date:	30 June 2020

STATEMENT OF ADVICE

1. Application and Period of Effect

This Funding and Solvency Certificate (“Certificate”) has been prepared for the Trustee of the Fund. It complies with Professional Standard 407 issued by the Institute of Actuaries of Australia.

This Certificate is effective from 1 July 2016 to 30 June 2021. It must be replaced by 30 June 2020 at the latest.

This Certificate may be replaced earlier and must be replaced if it ceases to have effect for reasons covered in the SIS Regulations, including if:

- amounts are repatriated from the Fund to an employer-sponsor;
- another funding and solvency certificate takes effect;
- the Actuary withdraws the Certificate;
- the Trustee receives a written direction from the regulator that the Certificate be replaced;
- any of the ‘notifiable events’ listed in Note 1 of this Certificate occurs; or
- an employer-sponsor fails to pay the required minimum contributions within the required timeframe as set out in this Certificate.

This Certificate replaces the previous certificate dated 28 April 2016 prepared by myself which I consider is appropriate to replace in order to reflect the transfer of all members and assets of Pool A in to Pool B on 30 June 2016.

2. Trustee Obligations

The Trustee is required under the Regulations to:

- as soon as practicable, give a copy of this Certificate to each employer-sponsor who has defined benefit members in the Fund; and
- notify the Fund’s actuary if any of the events listed in Note 1 occurs while this Certificate is in force.

3. Certifications

I, Richard Boyfield, of Mercer Consulting (Australia) Pty Ltd, 201 Sussex Street Sydney NSW 2000, being a Fellow of the Institute of Actuaries of Australia, do hereby certify that, as at 1 July 2016, the Fund was solvent (as defined in Part 9 of the SIS Regulations) i.e. the Fund’s minimum benefit index was not less than 1.

I also certify that, if all employer-sponsors associated with the Fund contribute at least the minimum contributions set out below then, based on the assumptions given in Note 2 of this Certificate, which I consider to be reasonable expectations for the Fund, the Fund will remain solvent (as defined in Part 9 of the SIS Regulations) during the period covered by this Certificate. These contributions are the minimum required in terms of SIS Regulation 9.10(f).

Defined Benefit members (formally known as Pool B)

For all Employers, minimum contributions of: Employer Standard Defined Benefit Contributions for Contributors		
Division B	Division C	Division D
1.9 times member contributions for non-180 Point Members; Nil for 180 Point Members*	2.5% of salary	1.64 times member contributions

* For 180 Point Members, Employers are required to contribute 7% of salaries to these members' accumulation accounts, which are paid in addition to members' defined benefits.

Accumulation members (formally known as Pool A)

- The Superannuation Guarantee rate of Ordinary Time Earnings
- Any additional employer contributions agreed between the Employer and a member (e.g. additional salary sacrifice contributions)

To reduce the need for additional funding calculations purely for the purpose of this Certificate, the above specified minimum contribution rates have been struck at a level which, while lower than the current recommended rates for funding of the standard Fund benefits (i.e. additional employer lump sum contributions are excluded), are greater than the best estimate minimum contributions reasonably expected to be required to secure the solvency of the Fund on the expiry date of this Certificate.

4. Manner and Timing of Payment of Minimum Contributions

The minimum contributions are payable by monthly instalments due at the end of the month following the month to which they relate. It is acceptable for contributions to be paid more frequently than monthly, with the due date for instalments being determined based on the month in which the last day of the instalment period falls – for example, if contributions are

paid in fortnightly instalments, then instalments for pay fortnights ending in May 2017 will be due on 30 June 2017.

Under SIS Regulation 9.08(4), this Certificate will lapse and need to be replaced if the employer(s) fail to pay an instalment of minimum contributions by 28 days after the due date specified above (28 July 2017 in the example above).

5. Events since the Effective Date of this Certificate

I am not aware of any significant events that have occurred since the effective date of this Certificate, which would affect the contents of this Certificate.

6. Related Benefit Certificate

In certifying the Fund's solvency, it is necessary to compare the Fund's assets with the minimum benefits payable from the Fund for Superannuation Guarantee (SG) purposes. I have taken these to be the minimum requisite benefits specified in the Benefit Certificate I prepared dated 3 November 2015 and expiring 30 June 2020.

7. Limitations of Certification

This Certificate certifies that, at the effective date of the Certificate, the Fund was "solvent" (as defined in the SIS Regulations) for SG purposes, i.e. minimum SG benefits were covered by assets. It also certifies that on reasonable assumptions about the future, the Fund is *likely* to remain "solvent", in this limited sense, during the period covered by this Certificate, provided all associated employer-sponsors contribute no less than the levels specified. However, I am unable to **guarantee** that the Fund will remain "solvent" for the period covered by this Certificate.

Other more traditional measures of solvency, such as coverage of vested benefits, have only been considered to a limited extent and the contribution levels and notifiable events certified in this Certificate are relevant only for the limited purposes of this Certificate. Contributions may well need to be paid at higher levels for other reasons. Other solvency measures and more general contribution recommendations are separately addressed in the actuarial review reports and financial updates.



Richard Boyfield

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Note 1: Notifiable Events

The Trustee must obtain a new funding and solvency certificate from an actuary to replace this Certificate within 3 months after the occurrence of the following 'notifiable events':

- A. Any change to the governing rules that results in an increase of the benefits provided by the Fund.
- B. A new Benefit Certificate is issued which specifies higher Minimum Requisite Benefits than specified in Section 6 of this Certificate.
- C. Any payment of surplus to an employer-sponsor associated with the Fund.
- D. An employer fails to pay the minimum contributions specified in this Certificate within the time frames shown in Section 4.
- E. APRA directs the trustee in writing to obtain a new certificate or the Actuary gives the trustee written notice of withdrawal of this Certificate.
- F. Any additional notifiable event(s) advised by the Actuary after the date of issuing this Certificate.

Unless advised in writing by the Actuary as not being a notifiable event, the following are also "notifiable events" from the time the Trustee becomes aware of their occurrence and advises the Actuary:

- G. The coverage of defined benefit vested benefits by net assets available to support defined benefits falls below 85%, as measured at the Fund's administrative review date.
- H. The net earning rate of the defined benefit section of the Fund for the period from the effective date of the last completed administrative review (refer Notifiable Event G) to the end of the latest calendar quarter (i.e. 31 March, 30 June, 30 September, 31 December) is less than -10%.

- I. The average rate of defined benefit members' salary increases exceeds or is expected to exceed 10% for the period since the effective date of the last completed administrative review.
- J. A change in the definition of defined benefit superannuation salary.
- K. A benefit increase (which does not involve a change to the governing rules), including an exercise of Trustee or employer discretion resulting in the payment of a benefit higher than would otherwise have been paid.
- L. A retrenchment program affecting Fund members where the number of retrenchments are in excess of those assumed for the actuarial valuation as at 30 June 2015.
- M. Sale or purchase of a company or part of a business or an employer associated with the Fund, or the introduction of a new employer-sponsor, or the withdrawal of an existing employer-sponsor.
- N. The provision of past-service benefit entitlements to new members joining the Fund where the past-service benefit is other than the amount transferred to the Fund plus investment earnings.
- O. The transfer out of a group of members to another fund.

An event may occur which is not listed above but the Trustee believes may have a significant adverse effect on the financial position of the Fund. While such an event will not be a notifiable event requiring reporting under the SIS Regulations, it would nevertheless be prudent for the Trustee to bring the event to the Actuary's attention. The Actuary can then consider whether withdrawal of this Certificate or any other action is appropriate in the circumstances.

Note 2: Summary of Assumptions Used in Preparing This Certificate

Financial Assumptions

Investment Returns (after tax and investment fees)	6.5% p.a.
General Salary Increases	3.5% p.a.
Pension increase rate	2.5% p.a.

Allowance has also been made for promotional salary increases in addition to general inflationary increases.

Other Assumptions

Assumptions regarding rates at which members will leave the Defined Benefit Division on account of retirement, death, disablement and resignation have been based on the experience of this and other similar funds as adopted for the actuarial valuation of the Fund as at 30 June 2015. Further details can be found in the report dated 24 February 2016.