BT Super for Life Westpac Group Plan

Actuarial Valuation as at 30 June 2012

24 October 2012
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Section 1: Purpose and Summary

Purpose

The Defined Benefit Plan within BT Super for Life Westpac Group Plan provides benefits which are of the “defined benefit” type where benefits are defined by salary and period of membership.

With such a plan, a regular actuarial review is necessary to:

- examine the sufficiency of the assets in relation to members’ accrued benefit entitlements;
- determine the Bank contribution rate required so that the Defined Benefit Plan maintains a satisfactory financial position;
- examine the suitability of the insurance and investment arrangements;
- satisfy the requirements of the Participation Schedule, and
- meet legislative requirements. Regulation 9.29A of the Superannuation Industry (Supervision) Regulations requires that for a fund which is paying at least one defined benefit member a defined benefit pension and has five or more members, an actuarial valuation is to be completed at an effective date that is no later than:
  - one year after the previous valuation, or
  - as otherwise determined in writing by APRA in relation to a particular fund, a period which is not less than one year and not more than three years after the previous valuation.

Regulation 9.30 of the Superannuation Industry (Supervision) Regulations requires that the actuarial valuation is to be provided to the Trustee within 12 months of the effective date.

The Trustee has obtained confirmation from APRA, in a letter dated 28 June 2012, that the Plan is required to complete their actuarial valuations on a triennial basis, with the first valuation effective 30 June 2012.

This report satisfies both the requirements of the Participation Schedule and superannuation law.

This report has been prepared for the Trustee, BT Funds Management limited, in my capacity as Plan Actuary.

This report has been prepared in accordance with Professional Standard 400, dated August 2010, issued by the Institute of Actuaries of Australia.

This report presents the results of the first actuarial valuation of the Plan at 30 June 2012. The last valuation of the Former Plan (see Section 2), which was conducted by me, Brad Jeffrey FIAA of Towers Watson Australia Pty Ltd, was carried out at 30 June 2009 with the results set out in a report dated 13 October 2009.
Summary

An actuarial valuation is essentially a budgetary exercise. A range of contribution strategies is possible depending upon the attitude of the Bank and Trustee to the timing of financing the accruing benefit entitlements of members.

The Bank has adopted a Funding Policy, dated 1 October 2011, which currently sets a Target Funding Level. The Trustee has noted this Policy and the recommendations contained in this report are consistent with the Policy.

Bank contributions

We recommend that the Bank contributes to the Plan at the following rates of superannuation salaries for the three year period commencing 1 July 2012.

a) Defined Benefit Members

From 1 July 2012 to 30 September 2012, contributions should continue at the rates payable by the Bank immediately prior to 1 July 2012. These rates were different depending upon whether the Defined Benefit Member was a member of the Former Plan or Plum (see Section 2). We are satisfied those rates were appropriate for that 3 month period.

From 1 October 2012, we recommend Bank contributions in respect of Defined Benefit Members of:

- 11.8% of superannuation salaries, plus
- the cost of members’ nominated and voluntary salary sacrifice contributions, plus
- the cost of additional contributions of the Bank in respect of service recognition contributions and pre-elected bonus contributions and any extra contributions required to satisfy the SG requirement in respect of a member.

These contribution rates include an allowance for administration and insurance expenses in respect of Defined Benefit Members.

b) Accumulation Members

In respect of Accumulation Members, we recommend the Bank contribute:

- contributions at the rate specified in the SG legislation, applied to Ordinary Time Earnings, and
- the premium in respect of the Accumulation Members’ insured Death and Total and Permanent Disablement Benefits, and Total and Temporary Disablement Benefits, as advised by the insurer.

Note: The above contributions exclude any contributions in respect of members not on an Australian payroll.
Financial position

Our investigation shows the Defined Benefit Plan is in a solvent financial position (see Section 6). The Superannuation Industry (Supervision) Act (the SIS Act) requires statements to be made in respect of two measures of the financial position of the Defined Benefit Plan, these measures being related to the current and projected “vested benefits” and the present value of the “accrued benefits” of members.

Vested benefits

Vested benefits are the benefits payable if all members voluntarily resigned from service. If the net assets of a fund are sufficient to meet the fund’s vested benefits then the fund is in a satisfactory financial position.

Our investigation shows that the Defined Benefit Plan was in a satisfactory financial position at 30 June 2012. The ratio of the Defined Benefit Plan’s assets to vested benefits known as the Vested Benefits Index (VBI), with a comparison to the previous valuation, is as follows:

<table>
<thead>
<tr>
<th></th>
<th>30 June 2012</th>
<th>30 June 2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Defined Benefit Plan</td>
<td>108%</td>
<td>97%</td>
</tr>
</tbody>
</table>

The increase in the Defined Benefit Plan’s VBI from 30 June 2009 to 30 June 2012 is largely due to favourable investment experience in the 6 month period following the previous valuation, and additional Bank contributions up to 31 October 2010.

As covered in Section 6, we have also tested the vested benefits by including an allowance for the option retiring members have to convert part of their lump sum to a pension. Including the same allowance for this option as is used for funding purposes, the VBI reduces from 108% to 106%, which is still a satisfactory financial position.

Assuming:

1. the benefits described in the Participation Schedule remain unchanged,
2. Bank contributions are paid at the recommended rates, and
3. the future experience of the Defined Benefit Plan is in accordance with the assumptions made in this actuarial valuation,

then the assets of the Defined Benefit Plan should remain in excess of the vested benefits (under either measure) up to 30 June 2015. On this basis, the financial position of the Defined Benefit Plan is expected to remain satisfactory.
Present value (or “actuarial value”) of accrued benefits

The present value of accrued benefits is the actuarial value (using the assumptions and methodology detailed in this report) of the expected future benefits payable from a fund to the current members and their dependants in respect of fund membership completed up to the date of the actuarial investigation. This is a measure of a fund’s strength on the basis that the fund continues to operate.

The Defined Benefit Plan’s net assets were adequate to cover the present value of the accrued benefits of all Defined Benefit Members at the valuation date, with an excess of net assets to present value of accrued benefits of $78.3 million. The ratio of the Defined Benefit Plan’s assets to the present value of accrued benefits is:

<table>
<thead>
<tr>
<th></th>
<th>30 June 2012</th>
<th>30 June 2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Defined Benefit Plan</td>
<td>106%</td>
<td>95%</td>
</tr>
</tbody>
</table>

Assuming:

1. the benefits described in the Participation Schedule remain unchanged,
2. Bank contributions are paid at the recommended rates, and
3. the future experience of the Defined Benefit Plan is in accordance with the assumptions made in this actuarial valuation,

then the assets of the Defined Benefit Plan should remain in excess of the present value of accrued benefits up to 30 June 2015.

Target benefits

The vested benefits and present value of accrued benefits are statutory measures. The Bank’s Funding Policy also sets another financial measure, the Target Funding Level (see Section 5).

The Plan’s net assets were just sufficient to cover the Target Funding Level at the valuation date, with a surplus of net assets to the Target Funding Level of $7.3 million.

Certification of pension payments

In accordance with Regulation 9.31(1)(ba) of the Superannuation Industry (Supervision) Regulations, the Actuary is required to provide an opinion on the probability of the Plan being able to meet the pension payments in respect of members currently in receipt of pensions.

In my opinion, as at 30 June 2012, there is a high degree of probability that the Plan will be able to meet the pension payments in respect of the members currently in receipt of pensions as required under the Plan’s Participation Schedule.
Plan’s Financial Statement under AAS25

Under Australian Accounting Standard 25 (AAS25) the financial statements of a fund must include a summary of the most recent actuarial report. We have prepared a summary of this valuation, which may be appended to the Plan’s accounts in future until superseded by a future actuarial valuation.

Investments

The Trustee has developed objectives and a policy for the investment of the Defined Benefit Plan’s assets.

At 30 June 2012, the investment policy was to have the assets supporting the Plan’s defined benefit liabilities invested 70% in growth, return seeking, assets such as shares and property, with the balance in defensive, risk reducing, assets such as government bonds and cash.

While the current investment policy is considered suitable for the Defined Benefit Plan’s liabilities in respect of the Defined Benefit Plan membership at 30 June 2012 given the Bank’s Funding Policy and approach to making contributions to the Plan, we recommend that prior to the next actuarial valuation, the Trustee and Bank review the investment objectives and policy to ensure that both parties are comfortable with the potential investment return and volatility aspects of the investment policy, including the potential impacts on the Defined Benefit Plan’s financial condition and funding requirements.

As covered in Section 4, in view of a number of factors including the changing proportions of employee members’ and pensioners’ liabilities, we recommend that the review separately consider the employee members and pensioners groups.

Insurance

The total amount of insurance protection against death and total and permanent disablement benefits is adequate as at 30 June 2012.

Regulatory requirements

Regulation 9.30 to the SIS Act requires certain specific information to be included in actuarial reports. A summary of this information is included in Appendix F to this report. Note that this is a summary only and, although the Trustee may choose to provide this summary to any members who request details of the actuarial valuation, members are entitled to a copy of the full report.

Superannuation Guarantee (SG) increases from 1 July 2013

The SG rate is currently 9% of Ordinary Time Earnings, though it will increase to 9.25% from 1 July 2013, 9.5% from 1 July 2014 with further increments of 0.5% scheduled at each 1 July thereafter until it reaches 12% by 1 July 2019.
The impact of these future changes in the SG rate has not been taken into account in this valuation. We need to work with the Bank to establish the benefit design changes that will be made to meet the requirements of the future changes in the SG. Once the benefit design is established, we will determine the impact on the Bank’s contribution requirements.

A preliminary assessment, though, indicates that in respect of the Defined Benefit Members, there is unlikely to be any material impact on the Bank’s contribution requirements in the period up to the next actuarial valuation.

**Next valuation**

The next valuation should be held no later than 30 June 2015. The position against the minimum and targeted funding levels should continue to be monitored at least annually, or more frequently if the Plan’s experience is materially different to the assumptions on which this valuation is based. At the time of writing this report, we recommend six monthly assessments.

Brad Jeffrey  
Fellow of the Institute of Actuaries of Australia  
As Actuary to the BT Super for Life Westpac Group Plan  
24 October 2012

Luke Carroll  
Fellow of the Institute of Actuaries of Australia  
24 October 2012
Section 2: Background and Benefits

The BT Super for Life Westpac Group Plan (the “Plan”) is an employer sub-plan within BT Super for Life, which is itself a plan within Retirement Wrap. All assets and liabilities of the Westpac Staff Superannuation Plan (the “Former Plan”) were initially transferred via a successor fund arrangement into another plan within Retirement Wrap (the “WSSP Plan”), effective 30 September 2011. All assets and liabilities of the WSSP Plan were then transferred under an inter-fund transfer arrangement into the BT Super for Life Westpac Group Plan effective 31 March 2012.

Members of the Plan can be categorised as either Accumulation Members or Defined Benefit Members, due to the nature of their primary benefit entitlements. Defined Benefit Members include pensioners whose pension is of a defined benefit nature.

The assets supporting the Defined Benefit Members’ liabilities are contained in two pools known as the DB Active Pool (in respect of employee members) and DB Pension Pool (in respect of pensioners) – with the exception that the assets supporting the accumulation add on benefits of Defined Benefit Members that are subject to member investment choice, known as “SuperSave” accounts in the case of the Former Plan members, are invested as part of the assets supporting the entitlements of the Accumulation Members. Collectively, the DB Active Pool and DB Pension Pool and the associated liabilities are referred to as the Defined Benefit Plan in this report.

Consequently, in this report, where we refer to assets and liabilities in respect of Defined Benefit Members, we are excluding the SuperSave Accounts of the Defined Benefit Members. We also exclude the assets and liabilities in respect of Accumulation Members.

Effective 30 April 2012, the members of the St George Staff Super sub-plan within the Plum Superannuation Fund (“Plum”) transferred under a successor fund arrangement into the Plan. Those former Plum members entitled to purely accumulation benefits became Accumulation Members of the Plan. Those former Plum members with defined benefit entitlements became Defined Benefit Members of the Plan. In the same manner as the Defined Benefit Members of the Former Plan, the accumulation add on entitlements of former Plum defined benefit members that are subject to member investment choice have been invested as part of the assets supporting the Accumulation Members entitlements, and hence are also excluded from the assets and liabilities referred to in this report in respect of Defined Benefit Members.

The Plan is governed by a Participation Agreement (including Schedule 1 – Participation Schedule) executed under the Trust Deed of Retirement Wrap. The Former Plan was initially established by a Trust Deed dated 18 September 1981 as the Australian Staff Superannuation Scheme. The Former Plan was renamed the Westpac Staff Superannuation Plan in 1992. Retirement Wrap is a regulated complying superannuation fund. The Defined Benefit Membership of the Plan is closed to new members.

Benefit design

A summary of the main provisions of the Plan contained in the Participation Schedule is included as Appendix A to this report.
Superannuation Guarantee (SG) increases from 1 July 2013

The SG rate is currently 9% of Ordinary Time Earnings, though it will increase to 9.25% from 1 July 2013, 9.5% from 1 July 2014 with further increments of 0.5% scheduled at each 1 July thereafter until it reaches 12% by 1 July 2019.

The impact of these future changes in the SG rate have not been taken into account in this valuation. We need to work with the Bank to establish the benefit design changes that will be made to meet the requirements of the future changes in the SG. Once the benefit design is established, we will determine the impact on the Bank’s contribution requirements.

A preliminary assessment, though, indicates that in respect of the Defined Benefit Members, there is unlikely to be any material impact on the Bank’s contribution requirements in the period up to the next actuarial valuation.

Changes to the Plan since the previous actuarial review

There have been no changes the benefit design of the Defined Benefit Members since the previous valuation at 30 June 2009.

There have been changes to the insurance arrangement in respect of Plan members since the previous valuation:

- Total and Permanent Disablement cover in respect of members who work less than 15 hours per week, casual members, or members who joined the Former Plan prior to 1 July 1992 is now fully insured through the Plan’s insurer. The Former Plan previously self-insured these benefits.

- Total and Temporary Disablement benefits are now fully insured through the Plan’s insurer. The Former Plan previously self-insured these benefits.

Contribution history

Bank contributions paid to the Plan (and Former Plan and the WSSP Plan) over the 3 year period ending 30 June 2012 have been in line with the recommendations of the Actuary as follows:

- 11.5% of the superannuation salaries of Defined Benefit Plan members*, plus
- 9.4% of the superannuation salaries of Accumulation Plan members*, plus
- the cost of members’ nominated and voluntary salary sacrifice contributions, and the cost of additional contributions of the Bank under Clause 25.1(a) of the Former Plan Trust Deed in respect of service recognition contributions and pre-elected bonus contributions, and any extra contributions required to satisfy SG requirements in respect of Plan members; plus
- a contribution of $11 million per month from 1 July 2009 to 31 October 2010.

* Excluding any contributions in respect of members not on an Australian payroll.
Section 3: Data

Sources of information

For membership data, we have relied on the administrative records at 30 June 2012, as provided to us by Russell Investment Group for membership information.

For accounting and asset data, we have relied on the Former Plan’s audited financial statements for the 2 years ending 30 June 2011 and for the 3 months ending 30 September 2011, together with unaudited financial information in respect of the DB Active Pool and DB Pension Pool for the 9 months ending 30 June 2012 provided by the BT Financial Group’s Investment Accounting team. We have also relied on information concerning asset allocation supplied by Advance Asset Management.

Where possible, the information provided has been checked for reasonableness and is considered suitable for the purposes of this investigation.

Summary of data

The membership details are summarised in Appendix B. In brief there were 3,684 members as at 30 June 2012, of which 3,609 were active members with total full-time equivalent superannuation salaries of $346.8 million. In addition, there were 1,722 pensioners with annual pensions of $45.5 million, $6.7 million of which have been temporarily commuted.

A reconciliation of the full membership between the last valuation date and this valuation date is enclosed as Appendix C to this report.

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

The average attained age of Defined Benefit Members has increased from 46.4 years to 49.1 years since 30 June 2009. The average completed membership of Defined Benefit members has also increased from 18.2 years to 21.0 years. The average age of pensioners has decreased from 77.3 years to 75.0 years with the average annual pension in payment having increased from $25,109 to $26,408.

The average rate at which members left the Plan (including the Former Plan and WSSP Plan) over the last three years was around 10% p.a.

There were 3,509 employee members of the Defined Benefit Plan at the valuation date who were present at the previous valuation. Their superannuation salaries over the intervening three years have increased from $299.8 million to $336.4 million or on average by 4.1% p.a.
Section 4: Assets

Accounts

We have been supplied with financial statements covering the twelve month periods to 30 June 2010 and 30 June 2011, the 3 month period to 30 September 2011, in respect of the Former Plan and financial information for the 9 month period to 30 June 2012 in respect the WSSP Plan and Defined Benefit Plan. This information has been combined to produce the consolidated financial statement for the period 30 June 2009 to 30 June 2012 shown in Appendix D to this report.

The financial statements indicate that the Bank has been contributing in accordance with the recommendations of the last valuation report (and subsequent approved changes to these recommendations since the last valuation report).

Net Market Value of Defined Benefit Plan assets

The breakdown of the market value of the Defined Benefit Plan’s assets in respect of Defined Benefit Members at 30 June 2012 is summarised below:

<table>
<thead>
<tr>
<th>Market Value of Assets at 30 June 2012</th>
<th>$ million</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investment Assets</td>
<td>1,419.8</td>
</tr>
<tr>
<td>Cash</td>
<td>15.1</td>
</tr>
<tr>
<td>Current Assets</td>
<td>81.7</td>
</tr>
<tr>
<td>Current Liabilities</td>
<td>(24.2)</td>
</tr>
<tr>
<td>Total</td>
<td>1,492.4</td>
</tr>
</tbody>
</table>

Asset allocation of Defined Benefit Plan assets

The breakdown of the Defined Benefit Plan’s assets by investment class at 30 June 2009 and 30 June 2012 is summarised below.

<table>
<thead>
<tr>
<th>Asset Class</th>
<th>30 June 2009</th>
<th>30 June 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Australian Equities</td>
<td>28%</td>
<td>25.5%</td>
</tr>
<tr>
<td>International Equities</td>
<td>28%</td>
<td>25.5%</td>
</tr>
<tr>
<td>Property</td>
<td>7%</td>
<td>9%</td>
</tr>
<tr>
<td>Growth Alternatives</td>
<td>4%</td>
<td>10%</td>
</tr>
<tr>
<td>Australian Fixed Interest</td>
<td>12%</td>
<td>6%</td>
</tr>
<tr>
<td>International Fixed Interest</td>
<td>11%</td>
<td>9%</td>
</tr>
<tr>
<td>Defensive Alternatives</td>
<td>5%</td>
<td>8%</td>
</tr>
<tr>
<td>Cash and Other Assets</td>
<td>5%</td>
<td>7%</td>
</tr>
<tr>
<td>Total</td>
<td>100%</td>
<td>100%</td>
</tr>
</tbody>
</table>
Nature of Defined Benefit liabilities

The nature of defined benefit liabilities does not bear the same direct relationship with the assets as exists with accumulation style liabilities. The defined benefit liabilities are primarily influenced by the nominated member contribution rates, salary growth and length of membership in the case of employee members, and price inflation in the case of pensioners, whilst the growth of supporting assets depends on a range of factors including:

1. the level of contributions, and
2. the level of investment returns.

In respect of defined benefit liabilities, the Bank bears the investment risk, in terms of funding, as its level of contributions depends on the level of investment returns achieved, given that nominated member contribution rates are fixed.

An investment strategy which is framed to take a long-term view will often adopt relatively high levels of equity investment in order:

1. to secure attractive long term investment returns, and
2. to provide an opportunity for capital appreciation and dividend growth, which gives some protection against inflation.

The main constraint in this situation occurs if potential fluctuations in asset values mean the total asset value could fall below the level of Vested Benefits, placing the Defined Benefit Plan in an unsatisfactory financial position.

While the impact of a sudden sharp fall in asset values can be limited by maintaining a buffer of assets over and above the level of vested benefits, the level of the buffer may not always be sufficiently high to safeguard against all investment outcomes, and is dependent on the investment strategy (i.e. in particular, the growth assets component). However, the buffer should be at a level where the risk of the asset values falling below the level of vested benefits under a particular investment strategy is acceptable to the Trustee and the Bank.

Investment objectives and guidelines for Defined Benefit Plan

The principal investment objectives associated with the investment strategy are:

1. Real Return Objective:
   - to achieve returns (net of tax and investment expenses) in the long term (in excess of 10 years) that exceed the average rate of price inflation (measured by the Consumer Price Index (CPI)) by 3.5% p.a. or more.

2. Downside Risk Objective:
   - to limit the probability of a negative return to once in every 4 years.
We have taken account of the investment objectives of the Plan and the investment guidelines under which the Plan’s investment managers operate in setting our actuarial assumptions in Section 4 of this report.

**Suitability of investment strategy for Defined Benefit Plan**

As reflected above, the current investment strategy has the assets supporting the Plan’s defined benefit liabilities invested 70% in growth, or return seeking, assets.

While the current investment policy is considered suitable for the Defined Benefit Plan’s liabilities in respect of the Defined Benefit Plan membership at 30 June 2012, given the Bank’s Funding Policy and approach to making contributions to the Plan, we recommend that prior to the next actuarial valuation, the Trustee and Bank review the investment objectives and policy to ensure that both parties are comfortable with the potential investment return and volatility aspects of the investment policy, including the potential impacts on the Defined Benefit Plan’s financial condition and funding requirements.

In undertaking this review, we recommend that employee members and pensioners be considered separately. Though the liabilities of both groups are “defined benefit” in nature, their circumstances are sufficiently different that different investment strategies could be appropriate. For example, pension liabilities are purely linked to price inflation, and of course, pensioners are no longer employees with future employment periods over which to spread Bank contributions. Employee members’ liabilities are based on benefits that are the greater of a defined benefit (largely dependent on salary growth) and an accumulation benefit (largely influenced by investments returns).

The changing mix of the liabilities between employee members and pensioners is worthy of note. In the 2006 actuarial valuation of the Former Plan, pensioner liabilities represented 29.4% of the actuarial value of accrued benefits. In the 2009 actuarial valuation, this percentage was 30.8%. In this valuation, pensioner liabilities represented 34.2% of the actuarial value of accrued benefits.
Section 5: Valuation Method, Plan Experience and Actuarial Assumptions

Actuarial Valuation

To carry out an actuarial valuation, it is necessary to decide on:

- the valuation method to be adopted,
- the value of the assets for the purposes of long term assessment, and
- the assumptions as to the factors which will affect the cost of the benefits to be provided by the fund in the future.

Valuation method

This valuation in respect of the Defined Benefit Plan has been carried out using the Attained Age funding method, as was the previous valuation at 30 June 2009.

The Attained Age funding method aims to spread the expected future cost of the Defined Benefit Plan’s benefits over the average future working lifetime of the members to produce a fairly level contribution as a percentage of the Defined Benefit Members’ superannuation salaries, but also allows for any surplus or deficit that currently exists in the Defined Benefit Plan.

The calculation of the contribution rate under this method consists of two parts.

The first part is the “normal cost”. The total normal cost is expressed as a level percentage of expected future salaries and is equal to the sum of:

- the cost based on actuarial assumptions of the benefits accruing to the members in respect of all future membership following the valuation date, plus
- the cost of insurance premiums, administration and taxation expenses.

The second part is the “adjustment cost” contribution required to amortise any surplus or deficiency at the valuation date.

The surplus or deficiency in respect of completed membership is then calculated as the difference between:

- the actuarial value of the Defined Benefit Plan’s assets attributable to defined benefit liabilities, and
- the present value of all Defined Benefits accrued to the date of the valuation based on the valuation assumptions adopted.
The Bank also has in place a Funding Policy described below. The surplus or deficiency in respect of completed membership (and resulting adjustment cost) also needs to consider this Funding Policy and the required Target Funding Level.

Therefore, the normal cost represents what would be, if assumptions were borne out in practice, a stable cost (as a percentage of superannuation salaries) for all defined benefits that will accrue in respect of future service. In relation to the adjustment in respect of benefits accrued through service to the valuation date, the surplus or deficit of assets relative to the Target Funding Level can be spread over a period decided by the Bank and the Trustee.

**Funding Policy**

The Bank has adopted a Funding Policy which is dated 1 October 2011.

That policy sets a long term funding level target summarised as follows:

1. 107% of the actuarial value of current pensioner liabilities, plus
2. 104% of the actuarial value of accrued liabilities for Defined Benefit Plan members (excluding their SuperSave Accounts), plus
3. 100% of vested liabilities of Accumulation Plan members and the SuperSave Accounts* of Defined Benefit Plan members.

* Includes member investment choice accounts for former St George Plan members.

If the market value of the Plan’s assets falls below the Plan’s vested benefit liabilities resulting in the Plan being in an unsatisfactory financial position, the Bank will contribute amounts sufficient to restore the Plan to a satisfactory financial position over a period no longer than 2 years from the date of calculation.

**Actuarial value of assets**

For the purposes of this valuation, we have valued assets at their market values as set out in the financial statements as at 30 June 2012:

<table>
<thead>
<tr>
<th>Market Value of Assets at 30 June 2012</th>
<th>$ million</th>
</tr>
</thead>
<tbody>
<tr>
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<tr>
<td><strong>Total</strong></td>
<td><strong>1,492.4</strong></td>
</tr>
</tbody>
</table>
Plan experience and valuation assumptions

It is important when setting the valuation assumptions to examine the experience since the previous valuation to see whether the previous assumptions have been borne out in practice. Our letters dated 29 June 2012 (in respect of economic assumptions) and 7 September 2012 (in respect of demographic assumptions) provided detailed analysis of the Defined Benefit Plan’s experience, and contained the recommended assumptions for this valuation. A summary of the major items of experience over the last three years is given in the following paragraphs.

**Investment return**

The assumption for investment returns on Defined Benefit Plan assets at the last valuation was 7.5% p.a. (8.0% p.a. for pensioner assets). The Defined Benefit Plan’s net investment returns over the three years to 30 June 2012 in respect of the Defined Benefit Plan assets have been as follows:

<table>
<thead>
<tr>
<th>Year ending 30 June</th>
<th>Net Investment Return</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>12.0%</td>
</tr>
<tr>
<td>2011</td>
<td>8.9%</td>
</tr>
<tr>
<td>2012</td>
<td>0.6%</td>
</tr>
<tr>
<td>Average over the 3 years</td>
<td>7.0% p.a.</td>
</tr>
</tbody>
</table>

The average net investment return was 0.5% p.a. lower than the assumed rate. This underperformance has had a slight negative effect on the Defined Benefit Plan’s financial position.

For this valuation, we have adopted a slightly lower long term future investment return equal to 7.3% p.a. net of expenses and taxes (8.0% p.a. for pensioner assets). This assumption is consistent with the Trustee’s investment policy and asset allocation for Defined Benefit Plan assets.

**Salary inflation**

The assumed rate of superannuation salary inflation (excluding promotional increases) was 3.8% p.a. at the last valuation. The average rate of growth of superannuation salaries (excluding an allowance for promotional increases on the assumed basis) for members who were present at both the last and current valuation dates was 3.0% p.a. This has increased the accrued liabilities of the Defined Benefit Plan by less than expected. For this valuation, we have increased the assumed rate slightly to 4.0% p.a. for inflationary increases in superannuation salary.

**Salary promotion**

We have investigated the Defined Benefit Plan’s experience of promotional salary increases by comparing the actual increases for members at each age with the age scale assumed at the 2009 valuation. Our analysis has shown that the actual promotional salary scale was similar in shape to the expected promotional salary scale. We have therefore maintained the promotional salary scale assumptions as used in the previous valuation.
Rates at which members leave service and retire

We have analysed the rates at which members resign and retire from the Defined Benefit Plan and compared the actual experience of the Defined Benefit Plan to that expected based on the previous valuation assumptions. A summary of the comparison is set out in the table below:

<table>
<thead>
<tr>
<th></th>
<th>Actual</th>
<th>Expected</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retirement</td>
<td>420</td>
<td>787</td>
</tr>
<tr>
<td>Resignation</td>
<td>807</td>
<td>670</td>
</tr>
</tbody>
</table>

For this valuation, as explained in our letter of 7 September 2012, we have not changed the assumptions used at the previous valuation.

Rates at which members leave due to death or Total and Permanent Disablement (TPD)

The Defined Benefit Plan is effectively now fully insured for death benefits and total and permanent disablement benefits. We have changed the assumptions for these items to reflect the current rates used by the insurer of the Defined Benefit Plan’s death and total and permanent disablement benefits.

The table below summarises the changes we have made to the assumed rates at which members leave due to death and total and permanent disablement.

<table>
<thead>
<tr>
<th>Assumptions</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Active member mortality</td>
<td>Applying the rates provided by the insurer that are being used to premium rate the Plan.</td>
</tr>
<tr>
<td>Pensioner mortality</td>
<td>Maintain the assumptions that were derived in the pensioner mortality investigation carried out in 2010.</td>
</tr>
<tr>
<td>Active member total and permanent disablement</td>
<td>Applying the new rates provided by the insurer that are being used to premium rate the Plan. The premium rates used for members who joined the Former Plan before 1 July 1992 are now the same as is used for all other members. We have therefore adopted the same TPD decrement assumption for these members as is used for other members.</td>
</tr>
</tbody>
</table>

New members

The Former Plan was closed to new defined benefit member entrants since 1 January 1999.
**Expenses**

In the last valuation, it was assumed that the Defined Benefit Plan’s operational expenses would be equal to 0.75% of defined benefit members’ superannuation salaries. The experience has been roughly in line with this assumption.

Using the new fee basis charged in respect of the Defined Benefit Plan in BT Super for Life (being 0.2% of Defined Benefit Plan assets), we have adopted an allowance for the Defined Benefit Plan operational expenses, for this valuation, of 0.8% of defined benefit members’ superannuation salaries (which is consistent with the charging basis).

**Death and Total and Permanent Disablement (TPD) Insurance**

In the last valuation, we made an allowance for death and TPD insurance premiums of 0.4% of superannuation salaries.

In respect of the Plan’s Defined Benefit Members, we have used an assumption for this valuation of 0.35% of Defined Benefit Members’ superannuation salaries, based on the current insurance expense for defined benefit members, charged by the Plan’s insurer. Members’ full death and TPD benefits have been valued. This allowance of 0.35% has been used solely to determine the assumed tax deductible component of the insurance premium cost.

In respect of Accumulation Members, we recommend the Bank contribute to the Plan the premiums as advised by the insurer.

**Total and Temporary Disablement (TTD) Insurance**

In the last valuation, we made an allowance for the cost of TTD benefits for Defined Benefit and Accumulation Members of 0.5% and 0.3% of superannuation salaries respectively.

For this valuation, in respect of defined benefit members, we have reduced this assumption to 0.1745% of superannuation salaries. This is based on the current insurance expense for defined benefit members, charged by the Plan’s insurer.

In respect of Accumulation Members, we recommend the Bank contribute to the Plan the premium as advised by the insurer.

**Form of benefits**

The experience of the Former Plan Defined Benefit Plan membership over the past 3 years is that 45% of eligible members elected to take their benefit in the form of a pension, compared to 50% assumed at the previous valuation. We believe it is reasonable to maintain the 50% take-up assumption.
Marital status

We do not have sufficient data to analyse the actual marital status of the Defined Benefit Plan’s members. We have however compared the rates assumed at the 2009 valuation with the marital statistics included in the latest available Australian census figures and overseas population statistics. We have maintained the assumptions used at the previous valuation for this valuation.

Summary of valuation assumptions

A summary of our valuation assumptions is set out in Appendix E to this report.
Section 6: Solvency and Funding Measures

There are several methods used to assess the current financial situation of a fund. These measures are dealt with below.

**Vested Benefits**

Pursuant to superannuation law, a fund (or a section of a fund) is in a “satisfactory” financial position if the assets of the fund cover the Vested Benefit entitlements of the members of the fund. The Vested Benefits represent the benefit entitlements of members should they voluntarily leave the fund.

The Vested Benefits Index (VBI) is the ratio of assets to the related vested benefits, and is a test of the Defined Benefit Plan’s financial position if all members voluntarily left the Defined Benefit Plan on the valuation date.

The Vested Benefits at 30 June 2012 are set out in the table below in respect of the Defined Benefit Plan:

<table>
<thead>
<tr>
<th>Benefit Category</th>
<th>$ million</th>
</tr>
</thead>
<tbody>
<tr>
<td>Westpac active members</td>
<td>880.6</td>
</tr>
<tr>
<td>Ex-St George active members</td>
<td>26.7</td>
</tr>
<tr>
<td>Notified exits</td>
<td>7.3</td>
</tr>
<tr>
<td>Preserved members</td>
<td>2.8</td>
</tr>
<tr>
<td>Pensioners</td>
<td>483.4</td>
</tr>
<tr>
<td>Defined benefit offset accounts*</td>
<td>(17.4)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1,383.4</strong></td>
</tr>
</tbody>
</table>

* Surcharge, Early Release offset.

The following table shows the progression of the Vested Benefits Index over the review period.

<table>
<thead>
<tr>
<th></th>
<th>30 June 2012 $ million</th>
<th>30 June 2009 Defined Benefits Only* $ million</th>
</tr>
</thead>
<tbody>
<tr>
<td>Market Value of Assets</td>
<td>1,492.4</td>
<td>1,255.3</td>
</tr>
<tr>
<td>Vested Benefits</td>
<td>1,383.4</td>
<td>1,299.3</td>
</tr>
<tr>
<td>Vested Benefits Index (VBI)</td>
<td>108%</td>
<td>97%</td>
</tr>
</tbody>
</table>

* Excludes SuperSave Accounts (which were included in the 2009 actuarial valuation report disclosure).
Previous practice (including at the previous valuation) has been, in calculating the VBI, to assume that employee members over age 55 take their benefit in lump sum form (which is the primary benefit described in the Participation Schedule). If we now apply the funding assumption concerning the take-up by retiring members of the option to convert part of their lump sum to a pension (which is also used in the actuarial value of accrued benefits measure), the value of the vested benefits of Defined Benefit Members will increase to $1,410.2 million, and the VBI will decrease to 106%.

Under either approach, as at 30 June 2012, the net Market Value of the assets of the Defined Benefit Plan exceeded the Vested Benefits, and the Plan was in a satisfactory financial position.

The improvement in the VBI (when compared on a like with like basis to the position at the previous valuation) has largely been due to the very favourable experience in the first 6 months after the previous valuation, in which period the net investment return was 13.8%, and the additional funding contributions of $11 million per month the Bank paid up to 31 October 2010.

**Actuarial value of accrued benefits**

An indication of the funding status of a fund is given by the ratio of the fund’s assets to the Actuarial Value of Accrued Benefits (AVAB). This is called the Actuarial Value of Accrued Benefits Index (AVABI).

The AVAB represents the value in today’s dollars of future benefits based on membership completed to the review date, allowing for future salary increases, investment earnings and expected incidence of payment, including conversion of lump sums to pensions. It is equivalent to the term “Accrued Benefits” used in Australian Accounting Standard 25. A minimum of the vested benefit has been applied to the AVAB on an individual basis.

The Actuarial Value of Accrued Benefits Index should not be used to compare the level of funding between superannuation funds but is better used as a measure to assess the funding status of a superannuation fund from time to time. Different superannuation funds can be expected to have different Actuarial Value of Accrued Benefits Indices depending on the age and employment history of the members.
The following table sets out the composition of the AVAB at 30 June 2012 in respect of the Defined Benefit Plan:

<table>
<thead>
<tr>
<th>Accrued Benefit Liabilities</th>
<th>30 June 2012 $ million</th>
</tr>
</thead>
<tbody>
<tr>
<td>Active members (Westpac and Ex-St George)</td>
<td>937.9</td>
</tr>
<tr>
<td>Notified exits</td>
<td>7.3</td>
</tr>
<tr>
<td>Preserved members</td>
<td>2.8</td>
</tr>
<tr>
<td>Pensioners</td>
<td>483.4</td>
</tr>
<tr>
<td>Defined benefit offset accounts*</td>
<td>(17.3)</td>
</tr>
<tr>
<td><strong>Total AVAB</strong></td>
<td><strong>1,414.1</strong></td>
</tr>
<tr>
<td><strong>Market Value of Assets</strong></td>
<td><strong>1,492.4</strong></td>
</tr>
<tr>
<td><strong>Excess of Assets over AVAB</strong></td>
<td><strong>78.3</strong></td>
</tr>
</tbody>
</table>

* Surcharge, Early Release offset.

The following table shows the progression of the Actuarial Value of Accrued Benefits Index over the review period:

<table>
<thead>
<tr>
<th></th>
<th>30 June 2012 $ million</th>
<th>30 June 2009 Defined Benefits Only* $ million</th>
</tr>
</thead>
<tbody>
<tr>
<td>Market Value of Assets</td>
<td>1,492.4</td>
<td>1,255.3</td>
</tr>
<tr>
<td>Actuarial Value of Accrued Benefits</td>
<td>1,414.1</td>
<td>1,328.9</td>
</tr>
<tr>
<td>Actuarial Value of Accrued Benefits Index</td>
<td>106%</td>
<td>94%</td>
</tr>
</tbody>
</table>

* Excludes SuperSave Accounts (which were included in the 2009 actuarial valuation report disclosure).

The primary reasons for the change in the indices are similar to the reasons for the change in the Vested Benefit indices.

**Minimum Requisite Benefits**

The Bank’s Superannuation Guarantee (SG) obligation is either fully or partly met for all members by the minimum benefits provided under the Plan. The required Benefit Certificate is dated 25 July 2012.

A Funding and Solvency Certificate dated 25 July 2012 has been issued to the Trustee corresponding to the above mentioned Benefit Certificate (this Certificate will be updated in conjunction with this valuation). The purpose of this certificate is to specify the required Bank contributions needed to fund the minimum benefits used to offset the SG charge.

Pursuant to Regulation 9.06 of the SIS Regulations, the Plan is “solvent” if the net realisable value of the assets of the Plan exceeds the Minimum Requisite Benefits (MRB) of all members of service.
The net realisable value of the Defined Benefit Plan assets at 30 June 2012 was $1,492.4 million. From this, needs to be deducted the value of benefits for members who have left the Plan. This is set out below:

### Benefit Category | $ million
---|---
Notified exits | 7.3
Preserved members | 2.8
Pensioners | 483.4
**Total** | **493.5**

Thus the net realisable assets of the Defined Benefit Plan as at 30 June 2012 (net of the value of benefits for members who have left service) were $998.9 million.

The Minimum Requisite Benefits for remaining members were:

### Benefit Category | $ million
---|---
Westpac active members | 700.3
Ex-St George active members | 17.4
**Total** | **717.6**

The net realisable assets in respect of Defined Benefit Members thus exceed the Minimum Requisite Benefits of Defined Benefit Members by $281.3 million (ratio of 139%, compared to 117% at 30 June 2009 in respect of Defined Benefit Members).

**Benefits payable on termination**

On termination of the Plan, Clause 1.11 of the Participation Schedule states that on termination of the Plan, assets should be:

1. applied to meet all expenses incurred in the dissolution of the Plan, and
2. applied to meet benefit entitlements (including pensions) that arose before the date of termination, and
3. distributed in respect of other members in such a way as the Trustee considers equitable, upon the advice of the Actuary and with the approval of the Participating Employer, taking account of the provisions of the Participation Schedule and any other relevant circumstances.

The termination provisions do not specify a minimum benefit to be paid but apply assets in an order of priority. Hence, assets are to be distributed to the extent possible to meet former and current members’ entitlements.
This does not mean that assets will be sufficient to meet all members’ entitlements’. Depending on how pensioners’ entitlements are met, given they have a higher priority than employee members’ entitlements, there may be insufficient assets to meet 100% of the benefit entitlements of remaining Plan members (accumulation or defined benefit) on termination of the Plan.

**Various factors that may impact on measures**

In the following paragraphs, we comment on a number of factors that may influence the measures in this Section. These factors are not exhaustive and are not meant to cover all possible factors that may influence these measures.

The net market value of assets does not include any assets, to our knowledge, that materially depend on the employer that have not been paid, nor any materially illiquid assets.

The Future Income Tax Benefit included in the net market value of the assets is of the order of 1.5% of the market value of assets. If this asset was excluded, each indices would still exceed 100% at the valuation date.

If the value of the pensions in payment was determined on an equivalent market value basis, then the indices in this Section would be materially affected, and we expect would fall below 100% as at the valuation date. We would be pleased to investigate this further.

Benefits are, by and large, fully vested and materially the same benefit is paid on retrenchment as it is on resignation.

We have made allowance for the option that may be exercised by retiring members to take a pension in valuing the liabilities in the actuarial value of accrued benefits, and also indicated the impact of including allowance for this option in the vested benefits. If more retiring members than expected take up the pension option, the indices will reduce, though at the valuation date, would not have reduced below 100%.

We discuss sensitivities further in Section 9.
Section 7: Valuation Results

It should be emphasised that the funding indices shown in Section 6 relate to the current position at the valuation date. A projection of the Defined Benefit Plan is required to assess the adequacy of Bank contribution rates to provide benefits in the future.

Such a projection has been carried out using the funding method and assumptions discussed in Section 5 and set out in Appendix E in respect of the defined benefits. The results of the valuation are summarised in this Section.

Normal Long Term Contribution Rate (“Normal Cost”)

As described in Section 6, total accrued defined benefits of $1,414.1 million represent the present value of all expected future benefits in respect of Defined Benefit Membership accrued up to 30 June 2012. We have similarly calculated the present value of all expected future benefits in respect of expected defined benefit membership after 30 June 2012 (“future service defined benefits”).

The amount of long term Bank contributions needed if the current surplus is ignored is calculated as the present value of Future Service Defined Benefits less the present value of expected future member contributions.

This is the normal cost described in Section 5.

<table>
<thead>
<tr>
<th>Description</th>
<th>$ million</th>
</tr>
</thead>
<tbody>
<tr>
<td>Future Service Defined Benefits</td>
<td>251.1</td>
</tr>
<tr>
<td>Less Value of future member contributions</td>
<td>72.5</td>
</tr>
<tr>
<td>Defined Benefit Liability to be funded from future Company contributions</td>
<td>178.6</td>
</tr>
<tr>
<td>Value of 1% future superannuation salaries</td>
<td>19.3</td>
</tr>
<tr>
<td>Future Net Company contribution rate required</td>
<td>9.2%</td>
</tr>
<tr>
<td>Plus Allowance for 15% contributions tax</td>
<td>1.6%</td>
</tr>
<tr>
<td>Plus Allowance for insurance costs*</td>
<td>0.2%</td>
</tr>
<tr>
<td>Plus Allowance for expenses</td>
<td>0.8%</td>
</tr>
<tr>
<td>Total Gross Company Contribution Rate required</td>
<td>11.8%</td>
</tr>
</tbody>
</table>

* This is the cost of TTD insurance. The cost of cover for Death and TPD benefits has been included in the value in the Future Service Defined Benefits above.
Adjustment costs

The surplus/deficit of assets relative to the Actuarial Value of Accrued Benefits (and allowing for the required Target Funding Level) at 30 June 2012 is shown below:

<table>
<thead>
<tr>
<th>Description</th>
<th>$ million</th>
</tr>
</thead>
<tbody>
<tr>
<td>Actuarial Value of Accrued Benefit</td>
<td>1,414.1</td>
</tr>
<tr>
<td>Target Funding Level (TFL)</td>
<td>1,485.1</td>
</tr>
<tr>
<td>Net Assets</td>
<td>1,492.4</td>
</tr>
<tr>
<td>Excess over TFL</td>
<td>7.3</td>
</tr>
</tbody>
</table>

The above table indicates that there is a surplus of $7.3 million relative to the Target Funding Level.

As explained in Section 5, an adjustment cost is combined with the normal cost to amortise any surplus or deficit in respect of the Actuarial Value of Accrued Benefits, as well as having regard to the Target Funding Level. At the valuation date, the excess over the TFL was of such a small magnitude that we recommend no adjustment be made to the normal cost. This is on the basis that, given there are sufficient assets, the TFL should be met at the valuation date rather than built up over future years.

Recommended Bank contribution rate

An actuarial valuation is essentially a budgetary exercise, as there are various ways in which the funding of future liabilities can take place. Over the life of the Plan, inputs to the Plan (basically contributions and investment income) must match its outputs (basically benefits and costs). Because, in relation to defined benefit liabilities, it is not possible to predict the extent of future investment income or benefits, Bank contributions will be required at varying rates throughout the life of the Plan. The rate at which the Defined Benefit Plan’s assets are built up to meet its future liabilities can be quickened or slowed, depending upon the Bank’s and Trustee’s attitude to the level of assets required at any point in time to meet its accrued liabilities.

The Bank has adopted a Funding Policy which outlines the Bank’s current intentions in relation to a minimum funding level and Target Funding Level. This policy influences the pace at which the Bank makes contributions to the Plan.

We therefore recommend that the following Bank contributions be paid to the Plan:
**a) Defined Benefit Members**

From 1 July 2012 to 30 September 2012, contributions should continue at the rates payable by the Bank immediately prior to 1 July 2012. These rates were different depending upon whether the Defined Benefit Member was a member of the Former Plan or Plum. We are satisfied those rates were appropriate for that 3 month period.

From 1 October 2012, the recommended Bank contributions in respect of Defined Benefit Members of:

- 11.8% of superannuation salaries, plus
- The cost of members’ nominated and voluntary salary sacrifice contributions, plus
- The cost of additional contributions of the Bank in respect of service recognition contributions and pre-elected bonus contributions and any extra contributions required to satisfy the SG requirement in respect of a member.

These contribution rates include an allowance for administration and insurance expenses in respect of defined benefit members.

**b) Accumulation Members**

In respect of Accumulation Members, we recommend the Bank contribute:

- Contributions at the rate specified in the SG legislation, applied to Ordinary Time Earnings, and
- The premium in respect of the Accumulation Members’ insured Death and Total and Permanent Disablement Benefits, and Total and Temporary Disablement Benefits, as advised by the insurer.

**Changes since the previous valuation**

As addressed Section 6, the accrued financial position of the Defined Benefit Plan, from a funding perspective, is measured by the difference between the net Defined Benefit Plan assets and Actuarial Value of Accrued Benefits. Over the period since the previous actuarial valuation as at 30 June 2009, this financial position changed from a shortfall of $73.6 million to an excess of $78.3 million (i.e. a difference of $151.9 million).

The reasons for the change in this financial position can be broadly grouped into:

- Change due to changes in the assumptions used to measure the actuarial value of accrued benefits, and
- Change due to the experience of the Defined benefit Plan being different from assumptions used at the previous valuation.
In terms of changes in assumptions, the most significant change was the narrowing of the gap between the expected long term rate of return and expected inflation. In the case of employee members, this gap (based on salary inflation) narrowed by 0.4% p.a.. In the case of pensioners, the gap (based on price inflation) narrowed by 0.25% p.a. Narrowing the gap increases the present value of the accrued liabilities compared to assets. However a change of this magnitude would not produce a significant impact on the overall results – we estimated that these changes may have increased the value of accrued benefits at this valuation, all other things being equal, compared to the previous valuation by an amount in the magnitude of $20 million.

Other changes in the assumptions, we estimated, would have had a less material impact on the actuarial value placed on accrued benefits. Hence, overall, the changes in assumptions did not have a material influence on the change in the value of accrued benefits, nor would they materially influence the future contribution recommendations.

In respect of experience, the primary influence on the improvement in the accrued financial position was the payment by the Bank of additional contributions of $11 million per month, from 1 July 2009 to 31 October 2010. These contributions injected, after allowance for contributions tax, approximately $150 million over and above regular contributions to the Defined Benefit Plan.

As indicated in Section 5, and in the economic assumptions and democratic assumptions reports, the various elements of the Defined Benefit Plan’s experience did not exhibit materially different outcomes to those expected based on the assumptions used at the previous valuation. Looking at two typically key experience items, the average net investment return was 7.0% p.a. compared to an assumption of 7.5% p.a. (i.e. slightly negative result) and average salary inflation was estimated to be 3.0% p.a. compared to an assumption of 3.8% p.a. (i.e. a slightly positive result), hence the effect of these items was likely to have largely offset each other. Other items of experience did not have a material impact on the position.

**Projection of results**

We have tested the impact of the adoption of the recommended Bank contribution rates above, by projecting the cash flows of the Defined Benefit Plan and the build-up of the Defined Benefit Plan’s assets over the next 5 years, and comparing the Defined Benefit Plan’s assets to the projected levels of the Vested Benefits and the Actuarial Value of Accrued Benefits in respect of Defined Benefit Members.

<table>
<thead>
<tr>
<th>Projection Date</th>
<th>Plan Assets $ million</th>
<th>Vested Benefits $ million</th>
<th>VBI %</th>
<th>Actuarial Value of Accrued Benefits $ million</th>
<th>AVABI %</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 July 2012</td>
<td>1,492.4</td>
<td>1,383.4</td>
<td>108%</td>
<td>1,414.1</td>
<td>106%</td>
</tr>
<tr>
<td>1 July 2013</td>
<td>1,449.4</td>
<td>1,342.4</td>
<td>108%</td>
<td>1,361.4</td>
<td>106%</td>
</tr>
<tr>
<td>1 July 2014</td>
<td>1,417.4</td>
<td>1,304.5</td>
<td>109%</td>
<td>1,321.7</td>
<td>107%</td>
</tr>
<tr>
<td>1 July 2015</td>
<td>1,390.3</td>
<td>1,270.8</td>
<td>109%</td>
<td>1,286.6</td>
<td>108%</td>
</tr>
<tr>
<td>1 July 2016</td>
<td>1,363.6</td>
<td>1,237.0</td>
<td>110%</td>
<td>1,251.9</td>
<td>109%</td>
</tr>
<tr>
<td>1 July 2017</td>
<td>1,332.8</td>
<td>1,198.3</td>
<td>111%</td>
<td>1,212.5</td>
<td>110%</td>
</tr>
</tbody>
</table>
The indices continue to improve in the projection period as a result of further surplus being generated. This is due to future investment earnings on the current excess assets over the Vested Benefits and AVAB at 30 June 2012.

Certification of pension payments and other considerations

Under Regulation 9.31(1)(ba) of the Superannuation Industry (Supervision) Regulations, the Actuary is required to provide an opinion on the probability of the Plan being able to meet the pension payments in respect of members currently in receipt of pensions.

In my opinion, as at 30 June 2012, there is a high degree of probability that the Plan will be able to meet the pension payments in respect of the members currently in receipt of pensions.

Considerations I have taken onto account in forming this view include:

- The Plan currently has sufficient liquidity to meet the pension payments.
- The investment strategy, when considered in conjunction with the Bank’s Funding policy and commitment to making contributions, is currently suitable.
- The actuarial assumptions include allowance for future improvements in pensioner mortality.
- There is no “surplus” generated on the death of the pensioner that is paid out of the Plan.
- The Bank’s plan to address any unsatisfactory financial position, as outlined in its Funding Policy.

Future review

The financial status of the Plan is sensitive to actual financial experience (principally, investment returns and superannuation salary increases) and membership movements. We therefore recommend that a check is placed on the financial position at least every six months (i.e. as at 31 December and 30 June), or more frequently at the discretion of the Trustee, and also at any time if the Defined Benefit Plan membership reduces significantly, or the Defined Benefit Plan’s financial experience is materially different to that expected under the assumptions on which this valuation is based.

The next actuarial valuation is due no later than 30 June 2015.
Section 8: Insurance Arrangements

Current arrangements

The Former Plan previously self-insured the following benefits:

1. the Total and Permanent Disablement cover in respect of members who work less than 15 hours per week, are temporary (casual) employees or who joined the Plan prior to 1 July 1992,
2. the portion of the Pension Death and Total and Permanent Disablement benefits which exceed the Lump Sum Death and Total and Permanent Disablement benefits in respect of the Defined Benefit members of the Plan,
3. the full value of the Total and Temporary Disablement benefits.

External insurance now covers items 1 and 3 above. The value of future benefits in respect of item 2 is included in the assessment of the normal cost.

Exposure

The insurance coverage of the Plan is considered adequate if the assets of the Plan are sufficient to cover the death benefits of the Plan after any insured components have been allowed for.

The current level of insurance in respect of Defined Benefit members is calculated as:

\[ \text{Death/TPD Benefit – Vested Benefit} \]

The following table shows the adequacy of the Defined Benefit Plan’s insurance cover:

<table>
<thead>
<tr>
<th></th>
<th>$ million</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lump Sum Death and Disablement Benefits</td>
<td>1,750.1</td>
</tr>
<tr>
<td>Less Aggregate Group Life Insurance</td>
<td>849.5</td>
</tr>
<tr>
<td>Exposure</td>
<td>900.6</td>
</tr>
<tr>
<td>Net Assets (excluding Assets in respect of Pensioners)</td>
<td>1,009.0</td>
</tr>
</tbody>
</table>

The Net Assets at 30 June 2012 are sufficient to meet the Defined Benefit Plan’s exposure of $900.6 million. The current insurance arrangements are considered adequate and no changes are recommended.
Section 9: Sensitivity Analysis and Material Risks

Sensitivity Analysis

For the purpose of this investigation, the “gap” between the investment return (net of tax) and salary inflation assumption (excluding promotional scale) is 3.3%. Other assumptions could be used and the table below shows the impact of varying the “gap” between these long term assumptions on the Defined Benefit Plan’s financial position and long term contribution rate. No changes have been made to the demographic assumptions adopted for this valuation in the scenarios below.

<table>
<thead>
<tr>
<th></th>
<th>This Valuation Basis</th>
<th>Scenario 1</th>
<th>Scenario 2</th>
</tr>
</thead>
<tbody>
<tr>
<td>&quot;Gap&quot; between investment return and salary inflation assumptions</td>
<td>3.3% p.a.</td>
<td>+1% p.a. (i.e. 4.3% p.a.)</td>
<td>-1% p.a. (i.e. 2.3% p.a.)</td>
</tr>
<tr>
<td>Actuarial Value of Accrued Benefits Index</td>
<td>106%</td>
<td>110%</td>
<td>99%</td>
</tr>
<tr>
<td>Impact on Bank Contribution Rate (% of superannuation salaries)</td>
<td>n/a</td>
<td>-5.5%</td>
<td>+6.2%</td>
</tr>
</tbody>
</table>

These results indicate that future Bank contribution rates, when expressed as a percentage of employee members’ superannuation salaries, is very sensitive to future investment returns. This phenomenon is due to a combination of factors, including:

- The material pension liabilities, which account for 34% of the value of accrued defined benefit liabilities.
- The majority of the value of total defined benefit liabilities have already accrued. The accrued liabilities of employee members represent 78% of the total defined benefit liabilities of employee members.

Consequently, given that the Defined Benefit Plan is closed to new members, any change in the value of accrued liabilities (in respect of employee members or pensioners) relative to expectations means that the resultant impact on Bank contribution rates can be quite material when expressed as a percentage of employee members’ future superannuation salaries.

It should be noted that the variations selected in the sensitivity analysis above do not indicate upper or lower bounds of all possible outcomes. Further analysis can be carried out if required.
Material Risks

Investment Returns

For this valuation I have adopted an investment return assumption (net of tax and investment management expenses) of 7.3% p.a. However, if actual investment returns are less than this, with all other actuarial assumptions borne out, then the funding position (Vested Benefits Index) will worsen and increased Bank contributions may be required.

For example, the following graph illustrates the sensitivity of the Defined Benefit Plan’s funding position (Vested Benefits Index) to an investment return different to that expected in the year to 30 June 2013 (first year of the projection). Returns for the period after 30 June 2013 are assumed to be the long term expected return of 7.3% p.a.

![Projected VBI - Sensivity to return in year 1](image)

The +20% return in year 1 exceeds the expected return of +7.3% by approximately the same extent to which the -5% return is less than the expected return. However, the graph indicates that a -5% return is expected to worsen the VBI by a greater extent than a +20% return will improve it. This skew is due to the minimum accumulation account underpin benefit design. This underpin design means there is a limit to which the Bank can benefit from strong investment returns. After a certain level of return (different for each member), members’ underpin accounts will become greater than their defined benefits. At this point, additional excess investment returns increase the members’ ultimate benefit and therefore cease to improve the Plan’s financial position.

Again, the variations selected in the projections for 2013 do not indicate upper or lower bounds of all possible outcomes. Further analysis can be carried out if required.
Salary Inflation

For this valuation I have adopted a salary inflation assumption of 4.0% p.a., plus a promotional scale. However, if actual salary increases are greater than this, with all other actuarial assumptions borne out, then the funding position (e.g. the Vested Benefits Index and Actuarial Value of Accrued Benefit Index) will worsen and increased Bank contributions may be required. Further analysis can be carried out if required.

Pensioner mortality

We have made allowance for both socio economic factors and improvements in pensioner mortality in the decrement basis used to value pension benefits. If pensioners experience improvements in mortality at greater rates than allowed, or experience lighter mortality than anticipated in the socio economic factors, then the cost of the pensions will increase, and the financial position of the Plan will be worse than anticipated. The reverse is also true, i.e. if mortality improvement proves to be less than our allowance, or socio economic factors not as light, the cost of the pensions will decrease. Further analysis can be carried out if required.

Pension take-up rate

In determining the actuarial value of accrued benefits, we have made allowance for 50% of retiring members to take up the option to convert 50% of their lump sum benefit to a pension on the basis permitted under the Participation Schedule. If more members take up this pension option, the value of the liabilities will increase, and increased Bank contributions may be required. Further analysis can be carried out if required.

Change to investment strategy

Any change to the investment strategy that impacts on the future expected return on the assets supporting Defined Benefit Members’ entitlements will potentially have material impact on the financial position of the Defined Benefit Plan (as illustrated by the Sensitivity Analysis). Prior to any change to the investment strategy, we recommend that we be asked to undertake an assessment of the potential impact on both the financial position of the Plan and future Bank contribution requirements.
Appendix A: Summary of the Benefits

Defined Benefit Plan

A. Former Westpac Staff Superannuation Plan

Eligibility

The Defined Benefit Plan is closed to new members.

Member contributions

Members are not required to contribute to the Plan, but can nominate to contribute at an integer rate of between 1% and 8% of superannuation salary. The nominated contribution rate determines the level at which their benefits accrue. The nominated contribution rate may be altered at any time.

Members may also contribute additional amounts to supplement their benefits. A member’s additional contributions are credited to an account called the SuperSave Account.

If a member’s average rate of nominated contributions exceeds 5% when service terminates, the excess, with credited interest, is transferred to the member’s SuperSave account.

Bank contributions

The Bank contributes the balance of the cost of the benefits provided by the Plan.

Accounts

The following accounts are maintained, as required, for each Defined Benefit member of the Plan:

- A Post 92 Member Account into which the nominated member contributions made to the Plan since 1 July 1992, less an allowance for tax (if applicable), is credited. This account is capped on termination of service to an amount equal to the accumulated value of contributions at the rate of 5% of superannuation salary since 1 July 1992.
- A Pre 92 Member Account equal to the nominated member contributions made to the Plan prior to 1 July 1992, less an allowance for tax (if applicable).
- An SGC Account into which SG Contributions (at the rate of 9% of Ordinary Time Earnings (OTE) capped at the Superannuation Guarantee (SG) Maximum Contributions Base), less an allowance for tax and insurance premiums, is credited.
- A SuperSave Account into which any additional member contributions, rollovers, one-off credits or the excess account i.e. nominated member contributions in excess of the accumulated value of 5% of superannuation salary since 1 July 1992 (if any), less an allowance for tax (if applicable), and any extra contributions on SG earnings over the OTE requirement are credited.
A Surcharge Account into which any surcharge tax paid by the Plan on behalf of the Member is credited.

Each account (except the SuperSave Account excluding the excess contributions) is credited with interest at the Credited Interest Rate. The Credited Interest Rate is determined annually by the Trustee based on the investment earnings of the Defined Benefit Plan net of income tax and expenses. The SuperSave Account excluding the excess account is credited with investment earnings in line with the Member’s chosen investment options.

Definitions

“Accrued Retirement Benefit” means the sum of the benefit accrual rates applying for each year of membership of the Plan multiplied by FAS. For packaged members, membership prior to 31 December 1999 is multiplied by pre-FAS.

There is a maximum to the Accrued Retirement Benefit equal to the lesser of 720% of FAS and 18% of FAS for each year of membership.

“Benefit Accrual Rate” means the percentage at which a member’s lump sum benefit increases for each year of membership and is dependent on the member’s nominated contribution rate for that year, as set out below:

<table>
<thead>
<tr>
<th>Nominated Contribution Rate (post tax or equivalent pre-tax)</th>
<th>Benefit Accrual Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>0%</td>
<td>8%</td>
</tr>
<tr>
<td>1%</td>
<td>10%</td>
</tr>
<tr>
<td>2%</td>
<td>12%</td>
</tr>
<tr>
<td>3%</td>
<td>14%</td>
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<tr>
<td>4%</td>
<td>16%</td>
</tr>
<tr>
<td>5%</td>
<td>18%</td>
</tr>
<tr>
<td>6%</td>
<td>20%</td>
</tr>
<tr>
<td>7%</td>
<td>22%</td>
</tr>
<tr>
<td>8%</td>
<td>24%</td>
</tr>
</tbody>
</table>

For each year of contributory membership prior to 1 July 1992, the benefit accrual rate is 18%. Where a member has purchased additional membership the benefit accrual rate is also 18% for that period.

In the case of part time members, the benefit accrual rate each year is multiplied by the ratio of the hours worked by the member each week to the standard hours per week for a full time member.

“Final Average Salary” (FAS) means the average rate of superannuation salary received over the last three years of membership, or in the case of a member who dies or retires due to Total and Permanent Disablement before age 60, is the FAS applying as if the member had continued in service until age 60 on the superannuation salary that applied at the date of death or Total and Permanent Disablement.
“Pre-Final Average Salary” (Pre-FAS) means average rate of Pre-superannuation salary received over the last three years of membership, or in the case of a member who dies or retires due to Total and Permanent Disablement before age 60, is the Pre-FAS applying as if the member had continued in service until age 60 on the Pre-superannuation salary that applied at the date of death or Total and Permanent Disablement.

“Pre-Superannuation Salary” means the member’s superannuation salary determined in accordance with the method used to determine superannuation salary prior to 31 December 1999.

“Projected Accrued Retirement Benefit” means 18% of FAS for each future year of membership to age 60.

“Superannuation Salary” means:

- for full time packaged members – 100% of package salary
- for other full time members – the annual rate of base salary
- for part time members – the annualised rate of base salary

**Retirement Benefit**

A member who leaves service after age 55 and who has completed five years’ membership, is entitled to a Retirement Benefit. The member may elect to take:

- the lump sum option, or
- the complying pension option.

In addition, a lump sum benefit equal to the member’s SuperSave Account less the Surcharge Account is paid.

The lump sum option is equal to the greater of:

- the member’s Accrued Retirement Benefit,
- the member’s lump sum Withdrawal Benefit, and
- the sum of:
  - the member’s Accrued Retirement Benefit (calculated using service prior to 1 July 1992), plus
  - the member’s Post 92 Member Account, plus
  - the member’s SGC Account.
The complying pension option is:

- at least 50% of the lump sum option must be taken as a lump sum, plus
- a complying pension which is guaranteed for five years and has a 50% reversionary spouse pension.

The complying pension on retirement is equal to:

\[
\frac{(100 - N)}{100} \times \frac{\text{Lump Sum Option}}{10.8} \times (1 - 0.03 \times T)
\]

where:

- \(N\) is the percentage of the lump sum option that the member elects to receive in lump sum form.
- \(T\) is the number of years that the member’s retirement precedes age 60.

**Total and Permanent Disablement Benefit**

If a Member becomes totally and permanently disabled while in service, a member may elect to take one of the following benefits:

- the lump sum option, or
- the complying pension option.

In addition, a lump sum benefit equal to the member’s SuperSave Account less the Surcharge Account is paid.

The lump sum option on Total and Permanent Disablement (TPD) in service is equal to the greater of:

- the sum of:
  - the member’s Accrued Retirement Benefit at the time of TPD, plus
  - if the member became totally and permanently disabled prior to age 60, the member’s Projected Accrued Retirement Benefit,
  
  up to a maximum of 720% of FAS,
- the member’s lump sum Withdrawal Benefit,
the sum of:

- the member’s Accrued Retirement Benefit (calculated using service prior to 1 July 1992), plus
- the member’s Post 92 Member Account, plus
- the member’s SGC Account, and

if the member became totally and permanently disabled prior to age 65, the sum of:

- 200% of FAS, adjusted for part time members,
- any contributions or amounts used to purchase service under various rules.

The complying pension option on TPD in service is equal to:

- a lump sum equal to 50% (or such greater amount as the member nominates) of the lump sum option on TPD, plus
- a pension equal to 50% of the lump sum option on TPD, divided by 10.8.

**Death before Retirement Benefit**

On the death in service of a member, a death benefit is payable to the member’s dependants. If the Trustee decides a death benefit is to be paid to the member’s spouse, the spouse may elect either the lump sum option or the complying pension option. If the death benefit is payable to anyone else, the benefit is equal to the lump sum option.

In addition, a lump sum benefit equal to the member’s SuperSave Account less the Surcharge Account is paid.

The lump sum option on death in service is equal to the greater of:

- the sum of:
  - the member’s Accrued Retirement Benefit at the time of death, plus
  - if the member died prior to age 60, the member’s Projected Accrued Retirement Benefit,
  - up to a maximum of 720% of FAS,
- the member’s lump sum Withdrawal Benefit,
• the sum of:
  – the member’s Accrued Retirement Benefit (calculated using service prior to 1 July 1992), plus
  – the member’s Post 92 Member Account, plus
  – the member’s SGC Account, and

• if the member died prior to age 65, the sum of:
  – 200% of FAS, adjusted for part time members, plus
  – any contributions or amounts used to purchase service under various rules.

The complying pension option on death in service is equal to:

• a lump sum equal to 50% of the lump sum option on death, plus
• a spouse pension equal to 50% of the lump sum option on death divided by 10.8, plus
• for each dependent child (maximum of four to count) an allowance equal to 25% of the spouse pension. If there is only one dependent child, the child’s allowance is equal to 40% of the spouse pension. A child’s allowance is payable until age 18 but can be continued until 23 if the child is in full time education.

**Death after Retirement Benefit**

If a member elected the lump sum option on retirement or TPD, no further benefit is payable on death after retirement.

If a member elected the complying pension option, the following pensions are paid:

• to the spouse – a pension, equal to 50% of the member’s pension,
• for dependent children – for each dependent child (maximum of four to count) an allowance equal to 25% of the spouse pension. If there is only one dependent child, the child’s allowance is equal to 40% of the spouse pension. A child’s allowance is payable until age 18 but can be continued to age 23 if the child is in full time education.

If the member dies within five years of retirement the spouse’s or dependent children’s pensions are equal to the member’s pension for the balance of the five years. If no pensions are payable because there are no surviving dependants, a lump sum equivalent to the remaining payments in the five years after the member’s retirement is paid.
Withdrawal Benefit

If a member leaves the service of the Bank for any other reason, a member will receive the greater of:

- the lump sum benefit, and
- if eligible, the discounted accrued benefit.

In addition, a lump sum benefit equal to the member’s SuperSave Account less the Surcharge Account is paid.

The lump sum benefit is equal to:

- the member’s Pre 92 Member Account, plus
- 10% of the member’s Pre 92 Member Account for each year of membership, up to a maximum of 100%, plus
- the member’s Post 92 Member Account, plus
- the greater of:
  - 10% of the member’s Post 92 Member Account for each year of membership, up to a maximum of 100%, and
  - the member’s SGC Account, plus
- additional contributions (if any) used to purchase additional membership.

A member is eligible to receive the discounted accrued benefit if they satisfy one of the following conditions:

- the member has been a member of the Plan for at least ten years, or
- the member is aged at least 40 and has been a member of the Plan for at least five years and joined the Plan on or prior to 11 October 1996.

The discounted accrued benefit is equal to the member’s Accrued Retirement Benefit discounted by 2% for each year remaining from the date of leaving service to age 55.
Total and Temporary Disablement Benefit

On Total and Temporary Disablement, an income at the rate of 70% of the member’s superannuation salary is payable. In the case of part time members this benefit is based on the Member’s income in the fortnight prior to disablement.

The benefit does not commence until the member has been disabled for at least a week and all sick pay entitlements have been taken. The benefit is payable for a maximum of two years and not beyond age 65.

A member, while in receipt of this benefit, is deemed to be making nominated contributions at the rate of 5% of superannuation salary for defined benefits (if applicable).

Additional pension plan provisions

“Indexation of Pensions” – All pensions are adjusted each year at the lesser of 5% and the increase in the Consumer Price Index (CPI). The Trustee has discretion subject to Bank approval, to grant adjustments up to the CPI increase in any year where this exceeds 5%.

“Purchase of Pensions” – A member who is entitled to receive a retirement or TPD benefit may purchase a pension with the lump sum component of their benefit. The rates at which lump sums are converted to a pension are determined by the Plan’s actuary from time to time.

“Pensions Currently Being Paid” – The Plan currently provides pensions to a number of pensioners who retired from predecessor funds of the Plan and from other schemes sponsored by the Bank. Generally pensions are the same as those paid to new retiring members as described above. However, there are a number of special conditions associated with some of the pensions, in particular:

- Pensioners from the Officers’ Provident Fund (Women Staff), Officers’ Provident Fund (Male Staff) and pensioners from the Plan who retired prior to 15 July 1997 (under what are now the Schedule C Rules) have the option to commute or partially commute their pension every seven years. If they die during the seven year period any reversionary pension commences immediately. At the end of seven years they decide whether or not to commute their pension for the next seven years. Pensioners must give one year’s notice of their intention to commute. The factors for seven year commutation are determined by the Trustee and reviewed by the Actuary after each triennial valuation.

- Most Plan pensions, except those payable under the Officers’ Provident Fund (Women Staff), allow for a reversion to dependants. The percentage of the member’s pension that is payable to a spouse on their death varies between pensioners. The reasons for the variations are that:
  - in the case of members who retired early under the Rules which applied prior to 1 July 1992 there was an early retirement discount that only applied to their pensions, not the reversionary pensions,
  - in the past some members had the option to commute part of their pensions, but were not allowed to commute the reversionary component of their pension.
B. Former St George Plan Members

Ex-M&F Members Category

Normal Retirement Benefit

The benefit payable on a member’s retirement at age of 60 is a lump sum equal to:

- Retirement Benefit Factor x Final Average Salary (“FAS”); plus
- Member Investment Choice Account; less
- Surcharge Account

Where:

- Final Average Salary is the greater of the average of a member’s Superannuation Salary (“Super Salary”) on each 1 October over the last three (3) years and the Super Salary five (5) years prior to ceasing employment – this may also include a FAS Bonus for some members; and
- Retirement Benefit Factor for each benefit category is:

<table>
<thead>
<tr>
<th>Category M&amp;F A</th>
<th>Category M&amp;F B</th>
<th>Category M&amp;F C</th>
</tr>
</thead>
<tbody>
<tr>
<td>15% x fund membership to retirement date</td>
<td>15% x fund membership to retirement date; plus 15% x each year over age 55 to age 60</td>
<td>10% x fund membership to age 40; plus 17.5% x fund membership from age 40; plus 15% x each year over age 55 to age 60</td>
</tr>
</tbody>
</table>

* Note: The Retirement Benefit Factor is subject to a maximum of 7.0.

Early Retirement Benefit

A member is permitted to retire from age 55 at their option. The benefit payable on early retirement is the member’s Retirement Benefit based on membership completed at their actual retirement date.

Late Retirement Benefit

Upon reaching age 60, the normal retirement benefit will be crystallised into the Member Investment Choice Account. All future contributions are paid to this account.

Leaving Service Benefit

The benefit payable on leaving the Plan is a lump sum equal to:

- Compulsory Member Account as at 01/07/1992 x Vesting Scale 1; plus
- Compulsory Member Account from 01/07/1992 to 30/06/1998 x Vesting Scale 2; plus
- Compulsory Member Account from 01/07/1998 to 30/06/2000 x Vesting Scale 3; plus
- Compulsory Member Account from 01/07/2000 to 30/06/2002 x Vesting Scale 4; plus
- Compulsory Member Account post 01/07/2002 x Vesting Scale 5; plus
- Your Member Investment Choice Account; less
- Surcharge Account.

Details of the relevant Vesting Scales are provided below:

<table>
<thead>
<tr>
<th>Past Membership</th>
<th>Vesting Scale 1</th>
<th>Vesting Scale 2</th>
<th>Vesting Scale 3</th>
<th>Vesting Scale 4</th>
<th>Vesting Scale 5</th>
</tr>
</thead>
<tbody>
<tr>
<td>0</td>
<td>100%</td>
<td>200%</td>
<td>220%</td>
<td>240%</td>
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<tr>
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<td>250%</td>
<td>250%</td>
<td>250%</td>
<td>250%</td>
</tr>
</tbody>
</table>

**Death Benefit and Total & Permanent Disablement ("TPD") Benefit**

The benefit payable on Death or Total & Permanent Disablement in service before age 60 is the member’s prospective Normal Retirement Benefit based on Super Salary at the date of death or disablement.
**Total and Temporary Disablement ("TTD") Benefit**

The benefit payable due to Total and Temporary Disablement is an amount payable monthly in arrears, after completion of a 90 day waiting period, for a maximum period of twenty-four (24) months and calculated at an annual rate equal to:

- 75.0% of Total Employment Cost ("TEC")/Award Salary up to $320,000; and
- 50.0% of TEC/Award Salary above $320,000,

subject to a total maximum benefit of $25,000 per month.

**Member Contribution Rates**

Members are required to contribute to the Plan at the rate of 5.0% of Super Salary up to age 60.

**Minimum Benefits**

All retirement benefits payable to members are subject to a minimum of the member’s Leaving Service Benefit. In addition, a member’s benefit is subject to a further minimum of the member’s Minimum Requisite Benefit as defined in the Plan’s Superannuation Guarantee Benefit Certificate.

**Frozen Members**

Certain members have a “Frozen Retirement Benefit Factor” in respect of their membership of the Previous Plan and do not accrue new defined benefits. Upon leaving the Plan for any reason they are provided with a benefit calculated in the same manner as for other Ex-M&F Members using this factor or their accumulation account balances that were also frozen previously.

**Pre-1990 Members Category**

**Normal Retirement Benefit**

The benefit payable on a member’s retirement at age 60 is equal to a lump sum equal to:

a. The greater of:
   - Retirement Benefit Factor x Final Average Salary; and
   - Retirement Account; less

b. Member Investment Choice Account

c. Surcharge Account
Where,

- Final Average Salary is defined as the greater of the average of a member’s Super Salary on 1 July in each of the last three (3) years and the Super Salary five (5) years prior to ceasing employment; and
- Retirement Benefit Factor for each benefit category is a multiple fixed as at 1 July 1990.
- Contribution to the Retirement Account are:
  - Category A: 25% of 69% of TEC
  - Category C: 20% of 71% of TEC
  - Categories E and G: 15% of 74% of TEC

**Early Retirement Benefit**

A member is permitted to retire from age 50 at their option. The benefit payable on early retirement is guaranteed not to be less than the member’s Retirement Benefit based on membership completed at their actual retirement date, with a discount rate of 1% p.a. prior to age 55 applied to the Retirement Benefit Multiple calculation.

**Late Retirement Benefit**

Upon reaching age 60, the normal retirement benefit will be crystallised into the Member Investment Choice Account. All future contributions are paid to this account.

**Leaving Service Benefit**

The benefit payable on leaving the Plan is guaranteed not to be less than a lump sum equal to:

- where the member has completed less than seven (7) years Plan membership – the sum of the member’s own contributions and allocated accumulation accounts; or
- where the member has completed seven (7) or more years Plan membership – the sum of the allocated accumulation account and discounted Early Retirement Benefit amount calculated as at the date of leaving the Plan. The discount rate is 1.5% prior to age 55.

Less the balance of their surcharge account.
Death Benefit and Total & Permanent Disablement ("TPD") Benefit

The benefit payable on Death or Total & Permanent Disablement in service before age 60 is the maximum of:

Category Pre-1990 1 (Category A)

- 15% of Super Salary x future membership to age 60 plus the Retirement Account;
- 3.45 x Super Salary; and
- Retirement Benefit Factor x 69% of TEC.

Category Pre-1990 2 (Category C)

- 20% of Super Salary x future membership to age 60;
- 3.55 x Super Salary; and
- Retirement Benefit Factor x 71% of TEC.

Category Pre-1990 3 (Categories E and G)

- 25% of Super Salary x future membership to age 60;
- 3.7 x Super Salary; and
- Retirement Benefit Factor x 74% of TEC.

Plus the Member Investment Choice Account,

Less the Surcharge Account.

Total and Temporary Disablement ("TTD") Benefit

No insured benefit is payable on leaving the Plan due to Total and Temporary Disablement.

Member Contribution Rates

Members are not required to contribute to the Plan.

Minimum Benefits

All benefits payable to members are subject to a minimum of the member’s Minimum Requisite Benefit as defined in the Plan’s Superannuation Guarantee Benefit Certificate.
Accumulation Plan

Eligibility

All new employees are eligible to join the Accumulation Plan upon commencement of employment with the Bank. All new permanent full time or part time employees will automatically become members of the Accumulation Plan.

Member contributions

Members are not required to contribute to the Accumulation Plan, but may do so if they wish to. Member contributions are credited to their Member Contributions Account, less an allowance for tax (if applicable), and credited with investment earnings in line with their chosen investment options.

Bank contributions

The Bank contributes 9% of Ordinary Time Earnings to the Plan in respect of each Accumulation Plan member. In respect of salary and salary related pay items, the Bank does not limit its contributions to the Maximum Earnings Base (MEB), though the Bank does apply to MEB limit to non-salary pay items.

Bank contributions are credited to the member’s Employer Contributions Account, less an allowance for tax, administration fees and premiums for any additional insurance purchased, and credited with investment earnings in line with their chosen investment options.

In addition, the Bank contributes the cost of the Accumulation Plan’s basic cover (and guaranteed cover) for death and disability benefits.

Death and Total and Permanent Disablement benefits

Both permanent and temporary employees are provided with basic death and total and permanent disablement lump sum cover, in addition to the withdrawal benefit, as follows:

Permanent employee members under age 60:

Basic death and TPD cover is calculated as:

\[ 10\% \times \text{Superannuation Salary} \times \text{Years from age}\* \text{to age 60} \]

* Age is calculated on 1 July equal to or immediately preceding calculation date in whole years.
Superannuation salary does not include non-salary pay items, and it is not limited to the Maximum Earnings Base.

Subject to minimum benefit guarantees based on previous benefit designs, and subject to minimum amount as per the following table:

<table>
<thead>
<tr>
<th>Age at last 1 July</th>
<th>Base cover</th>
<th>Age at last 1 July</th>
<th>Base cover</th>
</tr>
</thead>
<tbody>
<tr>
<td>20–34</td>
<td>$50,000</td>
<td>64</td>
<td>$12,000</td>
</tr>
<tr>
<td>35–39</td>
<td>$35,000</td>
<td>65</td>
<td>$10,000</td>
</tr>
<tr>
<td>40–59</td>
<td>$20,000</td>
<td>66</td>
<td>$8,000</td>
</tr>
<tr>
<td>60</td>
<td>$20,000</td>
<td>67</td>
<td>$6,000</td>
</tr>
<tr>
<td>61</td>
<td>$18,000</td>
<td>68</td>
<td>$4,000</td>
</tr>
<tr>
<td>62</td>
<td>$16,000</td>
<td>69</td>
<td>$2,000</td>
</tr>
<tr>
<td>63</td>
<td>$14,000</td>
<td>70 or more</td>
<td>Nil</td>
</tr>
</tbody>
</table>

Temporary employee members:

Basic death and TPD cover is calculated as:

<table>
<thead>
<tr>
<th>Age at last 1 July</th>
<th>Base cover</th>
</tr>
</thead>
<tbody>
<tr>
<td>Up to 34</td>
<td>$50,000</td>
</tr>
<tr>
<td>35 to 39</td>
<td>$35,000</td>
</tr>
<tr>
<td>40 to 65</td>
<td>$25,000 less $1,000 for each year by which age exceeds 40</td>
</tr>
</tbody>
</table>

Subject to providing satisfactory evidence, members may purchase additional insurance, the cost of which is deducted from their Employer Contributions Account.

**Total and Temporary Disablement Benefit**

On Total and Temporary Disablement (TTD), permanent employees are entitled to an income benefit equal to 70% of the member’s superannuation salary. The benefit does not commence until the member has been disabled for at least six weeks and all sick pay entitlements have been taken. The benefit is payable for a maximum of two years and not beyond age 65.

The Bank continues its 9% contributions while the member is in receipt of the TTD benefit, and death and permanent disability benefits continue, also financed by the Bank.

Temporary employees do not receive TTD benefits.
Withdrawal Benefit

When a member leaves service for any reason other than death or Total and Permanent Disablement, the full account balances of the member are paid, i.e. their Member Contributions Account and Employer Contributions Account.

Account balances

Each member may choose where their account balances are invested. The value of the member’s account balances are determined using a unit price calculated daily by the custodian for each type of unit.
Appendix B: Details of Membership

<table>
<thead>
<tr>
<th>Membership Category</th>
<th>Number of Members</th>
<th>Total Salaries ($ million)</th>
<th>Average Salaries ($)</th>
<th>Average Age (years)</th>
<th>Average Completed M'ship (years)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Active Members</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Females: Full time</td>
<td>1,455</td>
<td>124.7</td>
<td>85,692</td>
<td>49.2</td>
<td>19.7</td>
</tr>
<tr>
<td>Females: Part time</td>
<td>876</td>
<td>55.7</td>
<td>63,531</td>
<td>48.5</td>
<td>19.2</td>
</tr>
<tr>
<td>Males</td>
<td>1,278</td>
<td>166.4</td>
<td>130,242</td>
<td>49.3</td>
<td>23.7</td>
</tr>
<tr>
<td><strong>Total for Active Members</strong></td>
<td><strong>3,609</strong></td>
<td><strong>346.8</strong></td>
<td><strong>96,089</strong></td>
<td><strong>49.1</strong></td>
<td><strong>21.0</strong></td>
</tr>
</tbody>
</table>

| Other Members       |                   |                             |                      |                     |                                  |
| Notified Exits      | 45                | n/a                         | n/a                  | n/a                 | n/a                             |
| Preserved Members   | 5                 | n/a                         | n/a                  | n/a                 | n/a                             |
| Non Member Spouses  | 25                | n/a                         | n/a                  | n/a                 | n/a                             |
| **Total**           | **3,684**         |                             |                      |                     |                                  |

**Superannuation salary increases**

The average annual rate of superannuation salary increases for Active DB Plan members over the review period for those members who have been employees throughout the review period was approximately 4.1% p.a.

**Details of pensioner membership as at 30 June 2012**

<table>
<thead>
<tr>
<th>Membership Category</th>
<th>Number</th>
<th>Total Pensions ($'000)</th>
<th>Average Pension ($)</th>
<th>Total Pensions in Payment ($'000)</th>
<th>Average Age (years)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retired:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Females</td>
<td>381</td>
<td>5,647</td>
<td>14,822</td>
<td>5,167</td>
<td>67.2</td>
</tr>
<tr>
<td>Males</td>
<td>705</td>
<td>26,222</td>
<td>37,194</td>
<td>23,158</td>
<td>73.1</td>
</tr>
<tr>
<td>Dependants</td>
<td>636</td>
<td>13,606</td>
<td>21,393</td>
<td>10,407</td>
<td>82.6</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1,722</strong></td>
<td><strong>45,475</strong></td>
<td><strong>22,493</strong></td>
<td><strong>38,732</strong></td>
<td><strong>75.3</strong></td>
</tr>
</tbody>
</table>

**Pension increases**

The average annual rate of pension increase over the review period of Pensioners who have been pensioners throughout the review period was approximately 2.5% p.a.
Appendix C: Changes in Membership

<table>
<thead>
<tr>
<th>Category</th>
<th>Membership at 30 June 2009*</th>
<th>Membership at 30 June 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Active Members</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Females: Full time</td>
<td>1,928</td>
<td>1,455</td>
</tr>
<tr>
<td>Females: Part time</td>
<td>1,255</td>
<td>876</td>
</tr>
<tr>
<td>Males</td>
<td>1,605</td>
<td>1,278</td>
</tr>
<tr>
<td>Total</td>
<td>4,788</td>
<td>3,609</td>
</tr>
</tbody>
</table>

* Excludes non-active members such as Preserved Members and Notified Beneficiaries.

Changes in Active Defined Benefit Plan membership for the period 30 June 2009 to 30 June 2012

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Active members at 30 June 2009</td>
<td>4,788</td>
</tr>
<tr>
<td>Resignations</td>
<td>-822</td>
</tr>
<tr>
<td>Retirement</td>
<td>-435</td>
</tr>
<tr>
<td>Death</td>
<td>-8</td>
</tr>
<tr>
<td>Permanent Disablement</td>
<td>-19</td>
</tr>
<tr>
<td>St George Entrants</td>
<td>105</td>
</tr>
<tr>
<td><strong>Active members at 30 June 2012</strong></td>
<td><strong>3,609</strong></td>
</tr>
</tbody>
</table>

Changes in Pensioner Membership for the Period 30 June 2009 to 30 June 2012

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Pensioners at 30 June 2009</td>
<td>1,748</td>
</tr>
<tr>
<td>New Pensioners</td>
<td>289</td>
</tr>
<tr>
<td>Deaths where pensions ceased</td>
<td>-315</td>
</tr>
<tr>
<td><strong>Pensioners at 30 June 2012</strong></td>
<td><strong>1,722</strong></td>
</tr>
</tbody>
</table>
### Appendix D: Consolidated Revenue Account*

<table>
<thead>
<tr>
<th></th>
<th>2010 ($ million)</th>
<th>2011 ($ million)</th>
<th>2012 ($ million)</th>
<th>Three Year Period to 30 June 2012 ($ million)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Opening Net Assets</strong></td>
<td>2,458.8</td>
<td>2,867.3</td>
<td>3,126.3</td>
<td>2,458.8</td>
</tr>
<tr>
<td><strong>Plus:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contributions</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>– Member</td>
<td>9.4</td>
<td>10.3</td>
<td>13.2</td>
<td>32.9</td>
</tr>
<tr>
<td>– Bank Contributions</td>
<td>329.2</td>
<td>215.1</td>
<td>92.1</td>
<td>636.4</td>
</tr>
<tr>
<td>– Transfers in from other plans</td>
<td>35.4</td>
<td>44.8</td>
<td>10.6</td>
<td>90.8</td>
</tr>
<tr>
<td>Investment Income</td>
<td>296.1</td>
<td>279.4</td>
<td>-78.1</td>
<td>497.4</td>
</tr>
<tr>
<td>Insurance Proceeds</td>
<td>4.4</td>
<td>3.1</td>
<td>3.0</td>
<td>10.5</td>
</tr>
<tr>
<td>Transfer from Plum (St George)</td>
<td>33.0</td>
<td>33.0</td>
<td>33.0</td>
<td>33.0</td>
</tr>
<tr>
<td><strong>Less:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transfers out to AB Pool**</td>
<td>-1,537.9</td>
<td>-1,537.9</td>
<td>-1,537.9</td>
<td>-1,537.9</td>
</tr>
<tr>
<td>Benefits Paid</td>
<td>187.6</td>
<td>242.7</td>
<td>157.6</td>
<td>587.9</td>
</tr>
<tr>
<td>Premiums</td>
<td>4.4</td>
<td>3.4</td>
<td>5.3</td>
<td>13.1</td>
</tr>
<tr>
<td>Expenses</td>
<td>8.4</td>
<td>9.1</td>
<td>5.2</td>
<td>22.8</td>
</tr>
<tr>
<td>Surcharge</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td>Income Tax</td>
<td>65.6</td>
<td>38.6</td>
<td>1.6</td>
<td>105.8</td>
</tr>
<tr>
<td><strong>Closing Net Assets</strong></td>
<td>2,867.3</td>
<td>3,126.3</td>
<td>1,492.4</td>
<td>1,492.4</td>
</tr>
</tbody>
</table>

* Numbers may not add exactly due to rounding.

** On establishment of the WGP, the assets supporting Accumulation Member entitlements, and the member investment choice accounts of Defined Benefit Members, were transferred out of the Defined Benefit Plan assets to the Accumulation Plan.
Appendix E: Valuation Method and Assumptions

Valuation Method

Attained Age Normal Method.

Asset Value

Market value taken from the unaudited accounts at the valuation date.

Investment Returns

7.3% p.a. compound (net of investment expenses and taxes); 8.0% p.a. compound has been used for pension assets which are not subject to tax on investment earnings.

Rate of Pension Increases

2.75% p.a. compound.

Inflationary Salary Increase

4.0% p.a. compound.

Promotional Salary Increase Rate

Examples of rates of promotional salary increases are set out below:

<table>
<thead>
<tr>
<th></th>
<th>Male</th>
<th>Female Full Time</th>
<th>Female Part Time</th>
</tr>
</thead>
<tbody>
<tr>
<td>25</td>
<td>5.0%</td>
<td>2.8%</td>
<td>1.0%</td>
</tr>
<tr>
<td>30</td>
<td>3.3%</td>
<td>2.4%</td>
<td>1.0%</td>
</tr>
<tr>
<td>35</td>
<td>2.7%</td>
<td>1.9%</td>
<td>1.0%</td>
</tr>
<tr>
<td>40</td>
<td>1.9%</td>
<td>1.8%</td>
<td>1.0%</td>
</tr>
<tr>
<td>45</td>
<td>1.2%</td>
<td>1.5%</td>
<td>1.0%</td>
</tr>
<tr>
<td>50</td>
<td>0.7%</td>
<td>1.0%</td>
<td>1.0%</td>
</tr>
<tr>
<td>55</td>
<td>0.2%</td>
<td>0.5%</td>
<td>1.0%</td>
</tr>
<tr>
<td>60</td>
<td>0.0%</td>
<td>0.4%</td>
<td>0.0%</td>
</tr>
</tbody>
</table>
Rates of Mortality, TPD, and Leaving Service (Active Members)

Examples of rates at which members leave the Plan per year per 10,000 members:

<table>
<thead>
<tr>
<th>Age</th>
<th>Death</th>
<th>TPD</th>
<th>Leaving Service Age</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>Male</td>
</tr>
<tr>
<td>25</td>
<td>3</td>
<td>1</td>
<td>1,658</td>
</tr>
<tr>
<td>30</td>
<td>3</td>
<td>1</td>
<td>1,307</td>
</tr>
<tr>
<td>35</td>
<td>3</td>
<td>2</td>
<td>1,053</td>
</tr>
<tr>
<td>40</td>
<td>3</td>
<td>3</td>
<td>897</td>
</tr>
<tr>
<td>45</td>
<td>5</td>
<td>6</td>
<td>761</td>
</tr>
<tr>
<td>50</td>
<td>8</td>
<td>11</td>
<td>663</td>
</tr>
<tr>
<td>55</td>
<td>12</td>
<td>20</td>
<td>0</td>
</tr>
<tr>
<td>60</td>
<td>18</td>
<td>34</td>
<td>0</td>
</tr>
</tbody>
</table>

Rates of Mortality (Pensioners)

Examples of rates at which Pensioners leave the Plan per year per 10,000 Pensioners.

<table>
<thead>
<tr>
<th>Age</th>
<th>Male</th>
<th>Female</th>
</tr>
</thead>
<tbody>
<tr>
<td>65</td>
<td>84</td>
<td>48</td>
</tr>
<tr>
<td>70</td>
<td>134</td>
<td>78</td>
</tr>
<tr>
<td>75</td>
<td>232</td>
<td>139</td>
</tr>
<tr>
<td>80</td>
<td>403</td>
<td>256</td>
</tr>
<tr>
<td>85</td>
<td>693</td>
<td>496</td>
</tr>
<tr>
<td>90</td>
<td>1,140</td>
<td>917</td>
</tr>
<tr>
<td>95</td>
<td>1,617</td>
<td>1,463</td>
</tr>
<tr>
<td>100</td>
<td>1,974</td>
<td>1,978</td>
</tr>
</tbody>
</table>

The rates are assumed to reduce by 2.0% p.a. from 1 July 2009.
Rates of Early Retirement

The number of members reaching a given age who are expected to retire per year per 10,000 members:

<table>
<thead>
<tr>
<th>Age</th>
<th>Male</th>
<th>Female</th>
</tr>
</thead>
<tbody>
<tr>
<td>55 to 60</td>
<td>3,000</td>
<td>2,000</td>
</tr>
<tr>
<td>61</td>
<td>4,400</td>
<td>3,600</td>
</tr>
<tr>
<td>62</td>
<td>5,800</td>
<td>5,200</td>
</tr>
<tr>
<td>63</td>
<td>7,200</td>
<td>6,800</td>
</tr>
<tr>
<td>64</td>
<td>8,600</td>
<td>8,400</td>
</tr>
<tr>
<td>65</td>
<td>10,000</td>
<td>10,000</td>
</tr>
</tbody>
</table>

Number of Dependent Children

Examples of the number of dependent children are set out below:

<table>
<thead>
<tr>
<th>Age</th>
<th>Male</th>
<th>Female</th>
</tr>
</thead>
<tbody>
<tr>
<td>20</td>
<td>0.34</td>
<td>0.34</td>
</tr>
<tr>
<td>25</td>
<td>0.52</td>
<td>1.05</td>
</tr>
<tr>
<td>30</td>
<td>1.36</td>
<td>1.77</td>
</tr>
<tr>
<td>35</td>
<td>2.02</td>
<td>2.33</td>
</tr>
<tr>
<td>40</td>
<td>2.55</td>
<td>2.65</td>
</tr>
<tr>
<td>45</td>
<td>2.46</td>
<td>2.30</td>
</tr>
<tr>
<td>50</td>
<td>1.75</td>
<td>1.00</td>
</tr>
<tr>
<td>55</td>
<td>0.72</td>
<td>0.46</td>
</tr>
<tr>
<td>60</td>
<td>0.36</td>
<td>0.21</td>
</tr>
<tr>
<td>65</td>
<td>0.00</td>
<td>0.00</td>
</tr>
</tbody>
</table>

Future Expense Allowance

Investment expenses are allowed for in the investment returns shown above which are assumed to be net of investment expenses.

Administration expenses equal to 0.8% of superannuation salaries have been allowed for.
**Insurance Premiums**

Total and Temporary Disablement insurance costs in respect of the Defined Benefit members equal to 0.1745% of superannuation salaries have been allowed for.

Group life insurance costs in respect of the Defined Benefit members equal to 0.35% of superannuation salaries have been allowed for in determining deductible expenses for tax purposes.

**New Entrants**

No allowance for new entrants.

**Taxes**

Tax on investment income is allowed for in the Investment Returns shown above.

Tax on contributions has been allowed for at 15% of Bank contributions reduced by allowable deductions (administration and insurance costs). No allowance has been made for GST or Reduced Input Tax Credits.

**Surcharge Tax**

No allowance has been made for the Surcharge Tax as the Trustee offsets any tax payable by the Plan against the benefits of the relevant members, if the member does not reimburse the Plan for the surcharge payable.

**Pension take-up rate**

It has been assumed, in the case of the Former Plan members, that 50% of members retiring after age 55 will elect to convert 50% of their lump sum to a pension, using the complying pension option under the Participating Schedule.

**Marital Status**

We have maintained our assumption, also used at the previous valuation, concerning the proportions of members married.

In valuing, pensions, we have assumed males are three years older than their spouses.

**Composition of Membership**

It has been assumed that members remain in their current Category and continue to contribute at the rate at which they were contributing at the valuation date.
Appendix F: Actuarial Statement

Superannuation Industry (Supervision) Regulations

The following statements are made in response to Regulation 9.31 of the Superannuation Industry (Supervision) Regulations:

1. These statements relate to the Defined Benefit Plan within the BT Super for Life Westpac Group Plan as at 30 June 2012.

2. The value of the assets at 30 June 2012 used to assess the long term Bank contribution rates to the Plan was $1,492.4 million.

3. It is my opinion that the value of the assets of the Defined Benefit Plan is sufficient to meet the value of the liabilities of the Defined Benefit Plan in respect of accrued benefits at the review date. If a minimum of the vested benefit is applied on an individual member basis, these liabilities are 108% covered. The assets are considered adequate in the longer term based on the contribution rates recommended below, and assumptions as to the future experience which I regard as reasonable.

We recommend that the Bank contributes to the Plan at the following rates of superannuation salaries for the three year period commencing 1 July 2012.

a) Defined Benefit Members

From 1 July 2012 to 30 September 2012, contributions should continue at the rates payable by the Bank immediately prior to 1 July 2012. These rates were different depending upon whether the Defined Benefit Member was a member of the Former Plan or Plum. We are satisfied those rates were appropriate for that 3 month period.

From 1 October 2012, we recommend Bank contributions in respect of Defined Benefit Members of:

- 11.8% of superannuation salaries, plus
- the cost of members’ nominated and voluntary salary sacrifice contributions, plus
- the cost of additional contributions of the Bank in respect of service recognition contributions and pre-elected bonus contributions and any extra contributions required to satisfy the SG requirement in respect of a member.

These contribution rates include an allowance for administration and insurance expenses in respect of Defined Benefit Members.
b) Accumulation Members

In respect of Accumulation Members, we recommend the Bank contribute:

- contributions at the rate specified in the SG legislation, applied to Ordinary Time Earnings, and
- the premium in respect of the Accumulation Members’ insured Death and Total and Permanent Disablement Benefits, and Total and Temporary Disablement Benefits, as advised by the insurer.

Note: The above contributions exclude any contributions in respect of members not on an Australian payroll.

4. In my opinion, the Defined Benefit Plan was in a satisfactory financial position at 30 June 2012. Assuming that:
   a the benefits described in the Participation Schedule remain unchanged, and
   b Bank contributions are paid at the recommended rates, and
   c the future financial experience of the Plan is in accordance with the actuarial assumptions made at 30 June 2012,

then the Plan’s financial position is likely to remain satisfactory during the 3 years following 30 June 2012.

5. All Funding and Solvency certificates that were required or were material during the period of the investigation have been obtained.

I consider that an Actuary is likely to be able to certify the solvency position of the Defined Benefit Plan in any Funding and Solvency Certificate that may be required under the Superannuation Industry (Supervision) Regulations during the three year period commencing from 30 June 2012.

6. In my opinion, as at 30 June 2012, there is a high degree of probability that the Defined Benefit Plan will be able to meet the pension payments in respect of the members currently in receipt of pensions as required under the Participation Schedule.

Dated this 24th day of October 2012

Brad Jeffrey
Fellow of The Institute of Actuaries of Australia