

Actuary's Report for 30 June 2016 OSF Financial Statements

The last full actuarial investigation of the OSF was made at 30 June 2014. The purpose of the actuarial investigation is to meet legislative requirements and to recommend a rate of contribution to be payable to the OSF by the Bank and nominated employers. I recommended that the Bank's contributions to the OSF defined benefit scheme be in a range of 14% to 24% of contributory defined benefit members' salaries. Further, I recommended that contributions at the defined rates continue to be made to meet the defined contribution benefits of non-contributory members and the 3% productivity benefit for contributory members. The next actuarial investigation is due as at 30 June 2017.

In the 30 June 2014 investigation, the following was determined:

- The Attained Age Funding Method was suitable and was used in the investigation. This method involves calculating the employer contribution required to fund benefits for current members accruing over their future working lifetimes, ignoring any over or under funding of Accrued Benefits at the investigation date, then adjusting this required contribution to take account of any over- or under-funding of Accrued Benefits at the investigation date.
- The value of Accrued Benefits is equal to the present value of all benefits payable in future calculated using membership to the valuation date but allowing for future salary increases. Member account balances, productivity accumulations and surcharge account balances are increased by interest alone after the valuation date. In valuing all pensions (both current and prospective) allowance has been made for indexation. A minimum of Vested Benefits, either on an individual or aggregate basis, was not applied to the Accrued Benefits. In calculating the Accrued Benefits, the same assumptions adopted for the latest actuarial investigation of the OSF have been used. Those assumptions are set out in Appendix B of the valuation report as at 30 June 2014 dated 23 December 2014. The method of determining Accrued Benefits has not changed since the previous actuarial investigation.
- The market value of assets of the OSF as at 30 June 2014 available to pay benefits was \$1,149,000,000. The expected present value of accrued benefits (i.e. that part of the benefits provided under the Rules which should be funded to date) at 30 June 2014 was \$1,039,000,000 based on the assumptions in the actuarial investigation. The accrued benefits amount included accumulation balances of \$236,194,000, resigned member liabilities of \$64,547,000, pension liabilities of \$426,461,000 and an allowance for self-insurance claims incurred but not reported of \$1,000,000. Therefore, the accrued benefits reserve index at 30 June 2014 was 111%. This indicates the OSF's satisfactory position in regards to funding benefit liabilities over the longer term.
- The value of vested benefits of the OSF (i.e. those benefits that would be paid if all members left the OSF) at 30 June 2014 was \$989,176,000. Therefore, the vested benefit index (VBI) was 116% at 30 June 2014. The vested benefits can be regarded as the minimum which should be covered by the available assets. The index, which compares assets at market value with vested benefits, is in effect an immediate solvency test.
- That the recommended range for the Bank's contributions be 14% to 24% of contributory defined benefit members' salaries. In addition, contributions at the defined rates should continue to be made to meet the defined contribution benefits of non-contributory members and the 3% productivity benefit for contributory members, until the results of the next actuarial investigation of the Fund, as at 30 June 2017, are available.
- The assets of the OSF plus contributions to be made by the members and recommended employer contributions are expected to provide adequately for the expected liabilities of the Fund (based on current benefits) over the period to completion of the next actuarial investigation as at 30 June 2017.
- That the value of the assets of the OSF at 30 June 2014 was adequate to meet the liabilities of the OSF in respect of accrued benefits in the OSF (measured as the present value of members' accrued entitlements using the valuation assumptions).
- That, as at 30 June 2014, the OSF's financial position is not unsatisfactory in terms of SIS Regulation 9.04, nor is it about to become unsatisfactory.

I have been provided with audited financial information of the OSF at 30 June 2016. The total fund VBI at 30 June 2015 was 120% and has decreased slightly to 119% at 30 June 2016. As far as I am aware no circumstances have arisen which make the current employer contribution recommendations inappropriate or require a change prior to the results of the next actuarial investigation being known.

Signed:

Name: Tim Furlan FIAA

Date: 12 September 2016