

FinPro - VBI update

May 2017

General advice disclaimer



The information contained in this presentation was current at the time of publication and is provided to help you understand Vision Super's superannuation plans, products and services, and policies and procedures.



This presentation may contain general advice that does not take account of your financial situation, specific needs or objectives.



Before acting on the basis of anything contained in this document, you should consider whether it is appropriate to your needs and circumstances. We recommend that you seek professional advice, and read the relevant Product Disclosure Statement and Financial Services Guide before acquiring any financial product.



The information contained in this presentation should not be used as a substitute for legal or other professional advice, and please remember that the past performance of our financial products is not an indication of the future performance of these products.

Vision Super Pty Ltd ABN 50 082 924 561 Australian Financial Services Licence 225054 is the Trustee of the Local Authorities Superannuation Fund ABN 24 496 637 884

© Vision Super Pty Ltd, 2017. All rights reserved.

Defined Benefits promise

- To pay a guaranteed benefit
 - based on salary and years of service
- LASF plan closed to new members on 31 December 1993
- Pre 26 May 1988 members can opt to take a lifetime pension
 - The majority are likely to do this going forward
- All DB members can elect to take a deferred benefit

APRA's prudential standard - SPS 160

- Need to be able to pay out all leaving service benefits at all times
 - Measured against the vested benefits not total service benefits
- SPS 160 is a funding straitjacket
 - APRA driven - not actuarial

APRA's prudential standard - SPS 160

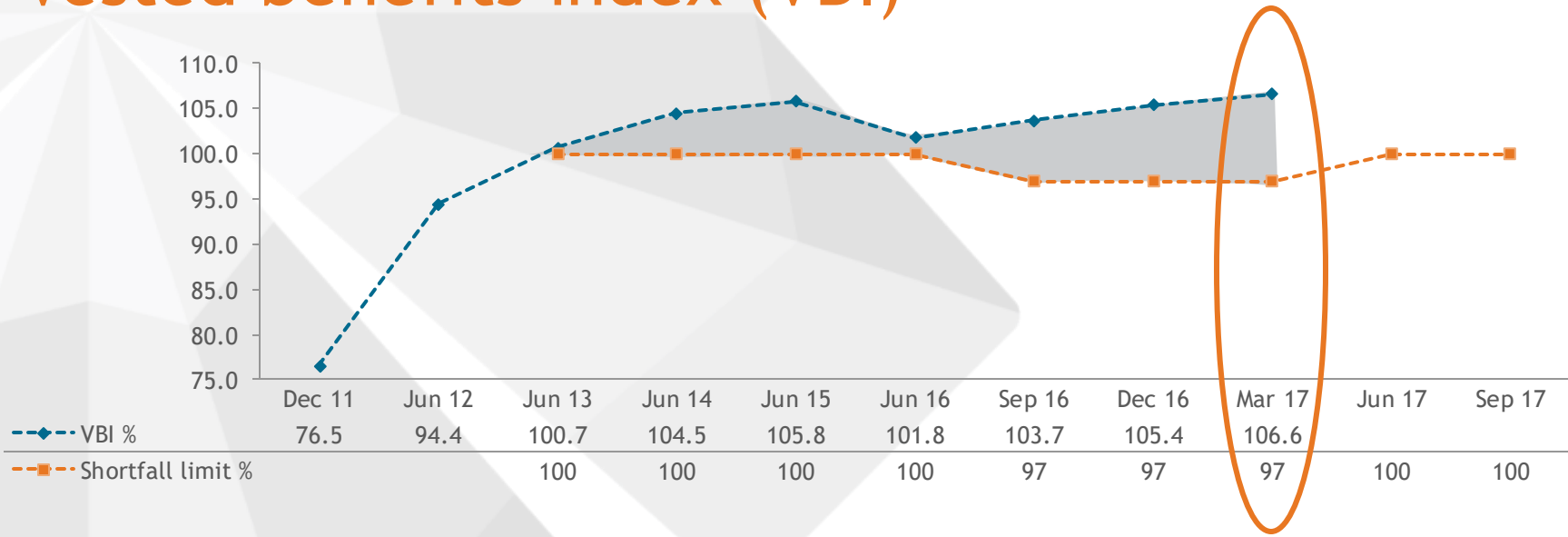
- Minimum thresholds must be met at all times

Quarter ending	VBI threshold
September	97% / 100%*
December	97%
March	97%
June	100%

* Based on whether any relevant actuarial review is underway

- If the VBI falls below the relevant threshold
 - Restoration plan required
 - VBI must be returned to at least 100% within 3 years

Vested benefits index (VBI)



NB. Shortfall limit varies based on date of test

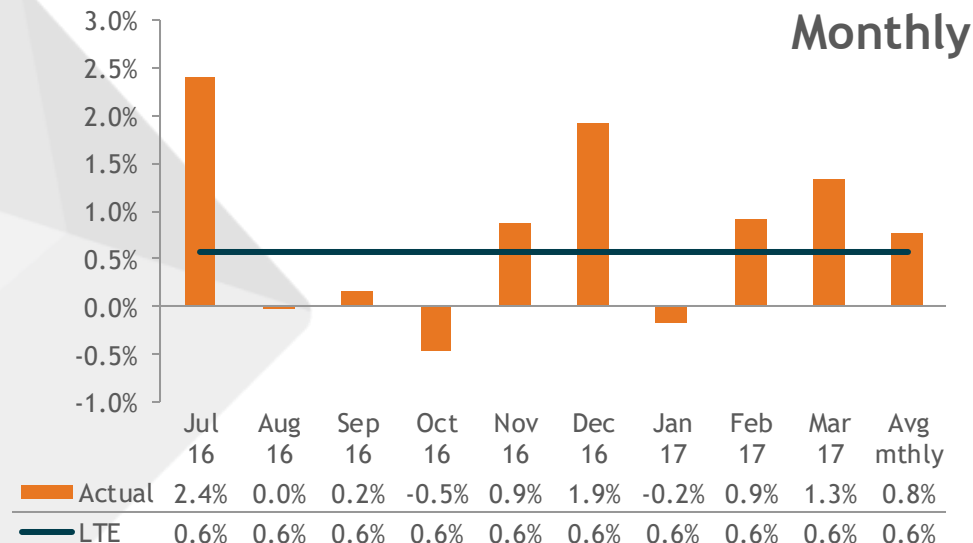
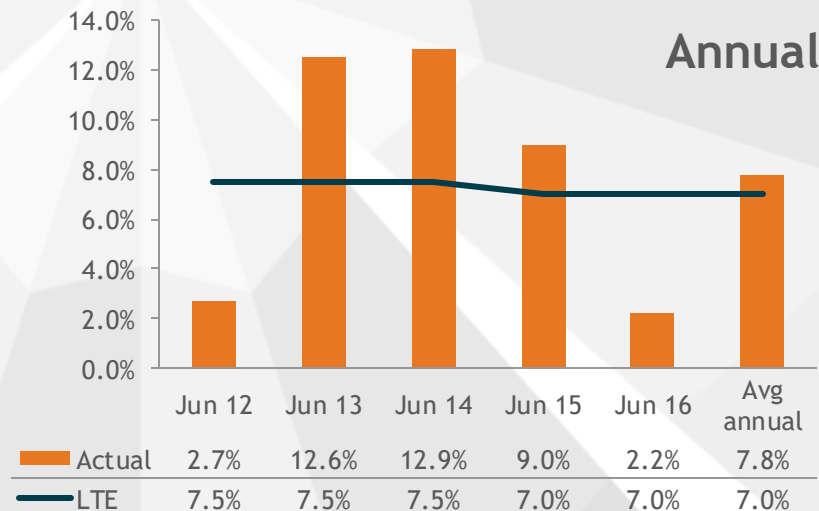
- 100% while there is an actuarial review underway (usually every 30 June until the review is completed)
- 97% all other times

Financial experience - last 6 months

	Oct 2016	Nov 2016	Dec 2016	Jan 2017	Feb 2017	Mar 2017
Investment return	-0.47%	0.88%	1.92%	-0.17%	0.92%	1.33%
Average salary growth	1.1% for the quarter			0.67% for the quarter		
Pension indexation (1/2 yearly - May and Nov)	0.18%for the quarter			n/a		

- As LASF DB matures:
 - Main driver - Actual investment returns v long-term investment expectations
 - Active member salary growth - reducing impact
 - Lifetime pensioner liability - increasing impact

Investment returns






- ✧ Volatility in the investment experience in any period
- ✧ Past performance is not an indicator of future experience



2017 Triennial Actuarial Investigation

Triennial actuarial investigation 30 June 2017

- Full investigation carried out every 3 years
- Review of **all** assumptions
- Main assumptions impacting VBIs are:

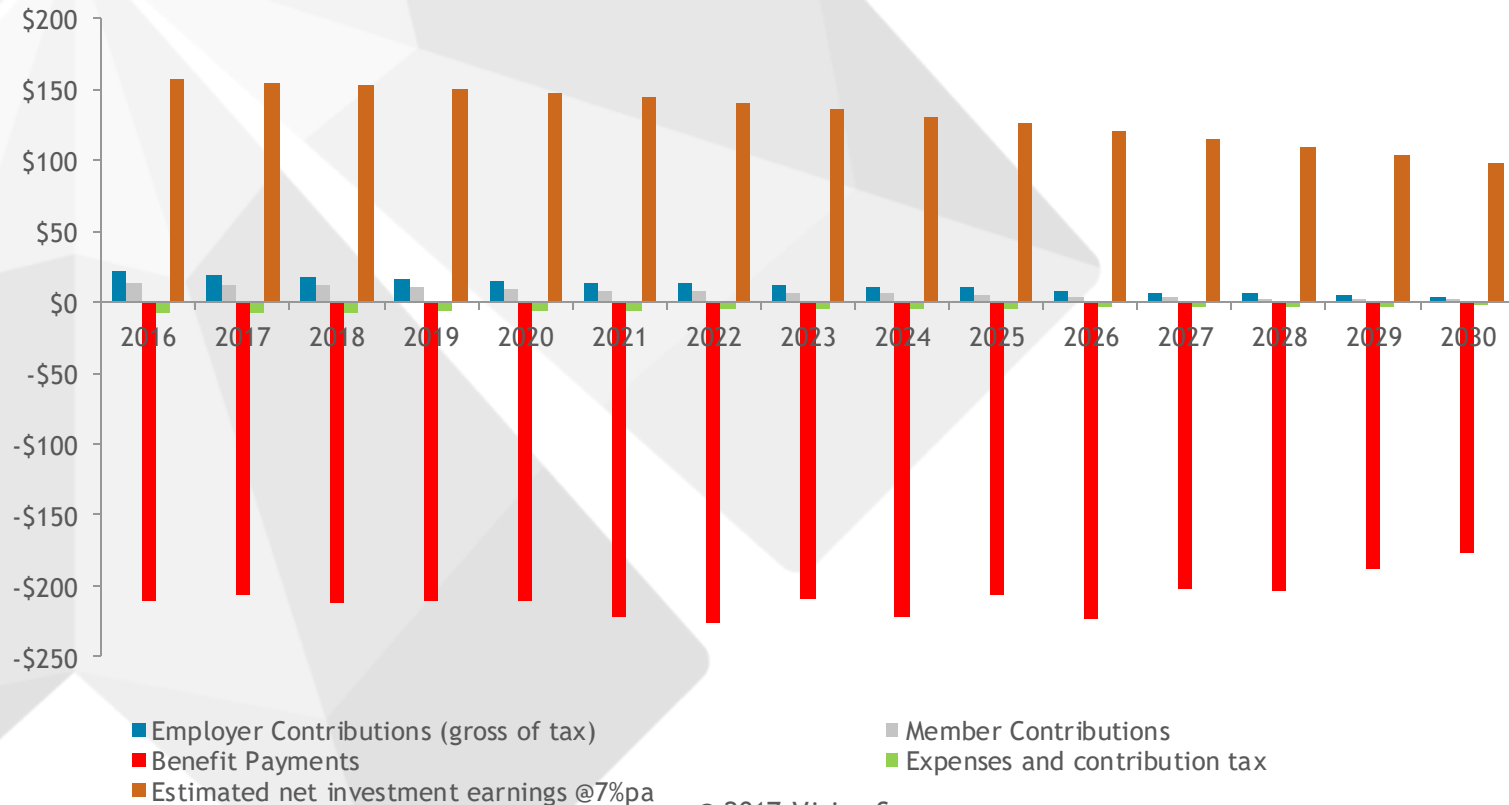
	Currently	Current expectations
Long term earning rate	7% pa	Under review
Pensioner mortality (rate of deaths)	All age groups	
Lifetime pension take-up rate	Actives - 50% Deferred - 40%	
Deferred benefit option take-up rate	80%	

LASF DB VBI - where to from here?

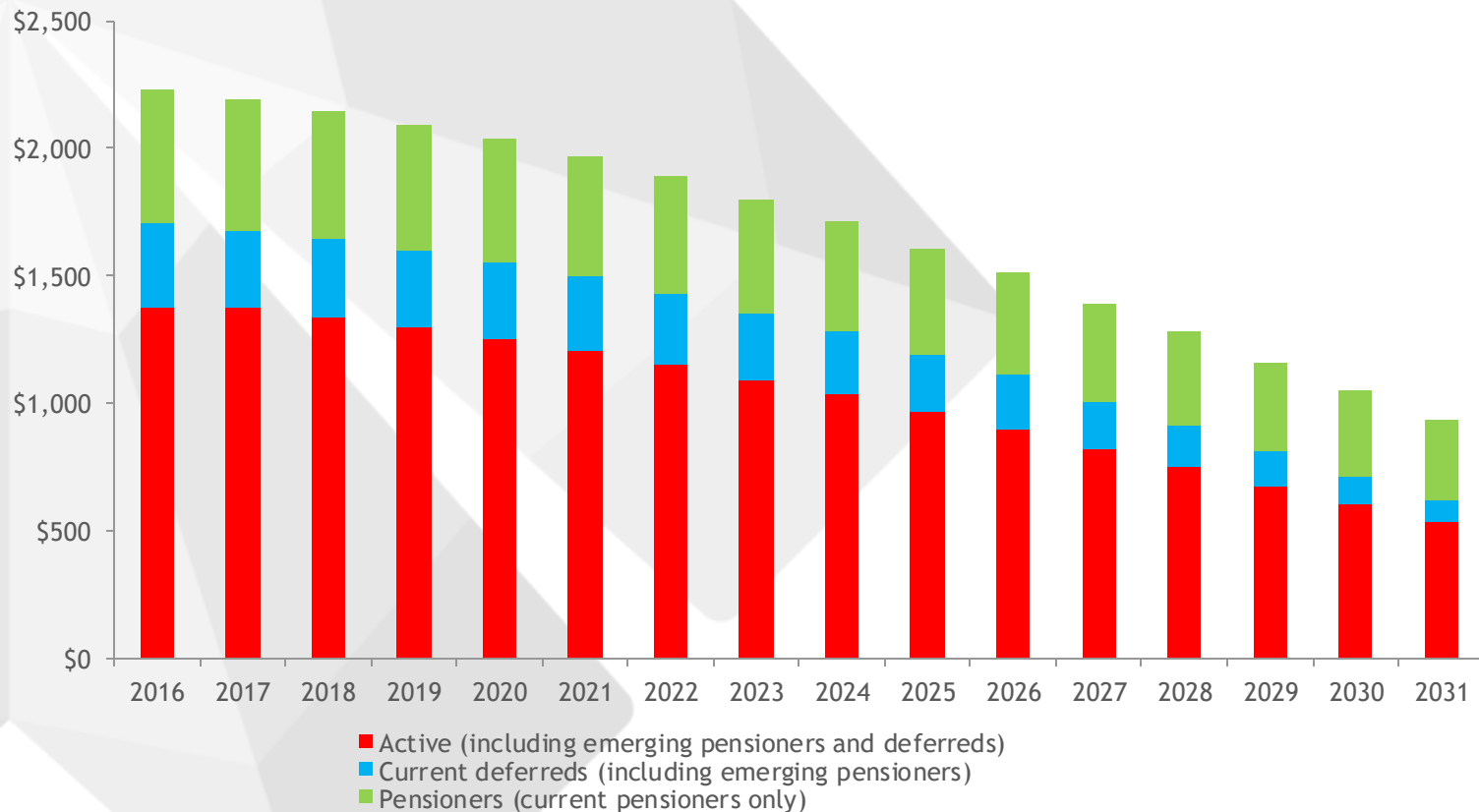
- Actual investment return is main driver of VBI
- Change to long term investment assumption has immediate one-off impact
 - Current rule of thumb - 1% reduction in return → 3% reduction in VBI
- Current long term investment assumption is 7%pa (net of tax)
- Feedback loop:
 1. Build a VBI margin with good returns
 2. Remove some investment risk (if possible)
 3. Reduction in likely investment volatility but also long term expected return
 4. Immediate one-off VBI reduction
 5. Repeat

LASF DB - Expected future cashflows (\$m)

(based on current funding arrangements)



LASF DB - Vested benefit projection (\$m)



Expected outcomes of the triennial review

- Change in some assumptions
 - eg. Pensioner mortality
- Contribution rate requirements
 - Unlikely to change (9.5%pa - linked to SG rate)
- VBI position
 - Estimated 30 June 2017 VBI - mid-late August 2017
 - Final report - December 2017

Useful resources



www.visionsuper.com.au/db

Our commitment

Every business decision made by Vision Super, every investment or operations strategy put in place, every staffing or board appointment - everything we do is grounded in a single, overarching principle:

Putting members' interest first.

