



Qantas Superannuation Plan

Report on the Actuarial Review as at 30 June 2022

28 November 2022

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Reliance statement and data

This report is provided subject to the terms set out herein and under a master agreement between Qantas Superannuation Limited (the Trustee) and Russell Employee Benefits Pty Ltd dated 1 November 2013 (as amended), that was novated to Towers Watson Australia Pty Ltd effective 25 March 2017. This report is provided solely for the Trustee's use and for the specific purposes indicated above. It may not be suitable for use in any other context or for any other purpose.

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

In conducting this actuarial review, we have relied upon information and data provided to us orally and in writing by the Trustee and other persons or organisations designated by the Trustee. We have relied on all the data and information provided, including Plan provisions, membership data and asset information, as being complete and accurate. We have not independently verified the accuracy or completeness of the data or information provided, but we have performed limited checks for consistency.

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

Section 1: Purpose of the actuarial review

The Qantas Superannuation Plan (the Plan) provides superannuation benefits to the employees of Qantas Airways Limited (the Plan Sponsor) and other Associated Employers. The Plan provides both defined benefit (DB) and defined contribution (DC) benefits. A summary of the Plan is provided in Appendix A.

Current legislation requires that an actuarial review be undertaken of the Plan at least every three years. This actuarial review has been conducted having regard to the requirements of Superannuation Prudential Standard (SPS) 160 and Professional Standard PS 400 of the Actuaries Institute. It is presented to the Trustee in my capacity as Plan Actuary.

This actuarial review is made as at 30 June 2022. The main aims of the actuarial review are to:

- meet the requirements Rule 7.3 of the Trust Deed and the relevant superannuation legislation;
- examine the current financial position of the Plan and the long-term funding of the Plan's DB benefits and recommend future Plan Sponsor contribution rates;
- review the Shortfall Limit (as required under SPS 160); and
- report on the adequacy of the Plan's self-insurance reserves as required by SPS 160.

The previous actuarial review of the Plan was carried out by Nick Callil FIAA, as at 30 June 2019, with the results of that review set out in a report dated 28 November 2019.

The next actuarial review of the Plan should be conducted no later than as at 30 June 2025.

Section 2: Key observations and recommendations

The Plan was in a satisfactory financial position as at 30 June 2022 as indicated by a DB Vested Benefit Index (DB VBI) of 108.6% (total Plan VBI was 101.9%). The Plan remains in a satisfactory position when considered as a going concern as indicated by a DB accrued benefit index (ABI) of 122.5% (total Plan 104.4%). The Plan is also not technically insolvent under SIS legislation and I note that the Plan's trigger events would register the need for intervention before this level was reached.

I recommend:

- in relation to Article 12.1(b), Article 16(e), Article 21, Article 30(b) and Schedule 1 Rule 3.3(a) of Division 15, the Plan Sponsor contributes to the DB Divisions at 100% of Normal Cost contributions from 1 January 2023, and thereafter in line with the Stepped Regular Plan Sponsor Contributions strategy (see Section 7);
- the Plan Sponsor contributes at 1.5% of superannuation salaries for Division 5 Members and 0.5% of superannuation salaries for Division 10 Members in respect of insurance; and
- the Trustee maintains the Shortfall Limit at 98%.

I consider to be appropriate:

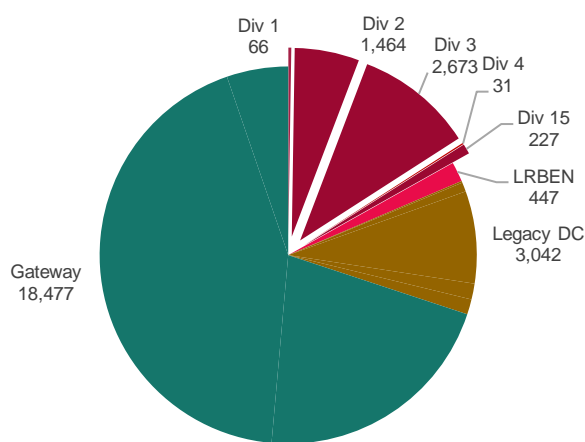
- the long-term investment objectives and strategy adopted by the Trustee;
- the crediting rate policy; and
- the level of coverage of external insurance and self-insurance reserves (see Appendix B).

Section 3: Membership

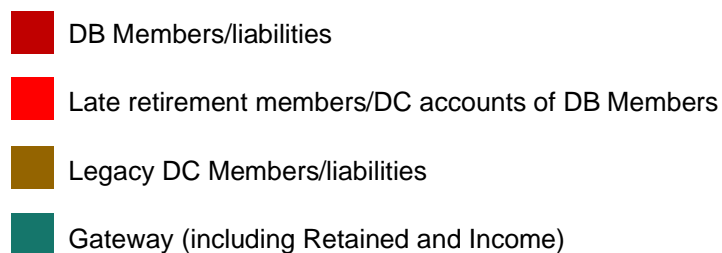
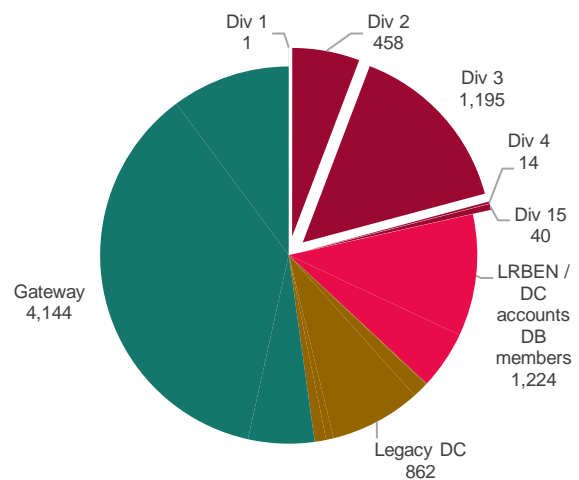
Membership data was provided by Mercer, the Plan Administrator, in respect of Members in the Plan as at 30 June 2022. The Trustee provided me with all other information I required to conduct the actuarial review. Whilst I have ultimately relied on the data provided to me, I am satisfied that the quality of data provided is reasonable for the purpose of this actuarial review. I did not identify any unknown issues with the data that would have a material effect on the results of this actuarial review.

The actuarial review considers only the DB benefits payable from the Plan (i.e. it does not consider liabilities related to the DC Divisions or the DC accounts of DB Members).

Breakdown of Plan by Member type



Breakdown of Plan by vested benefit (\$m)



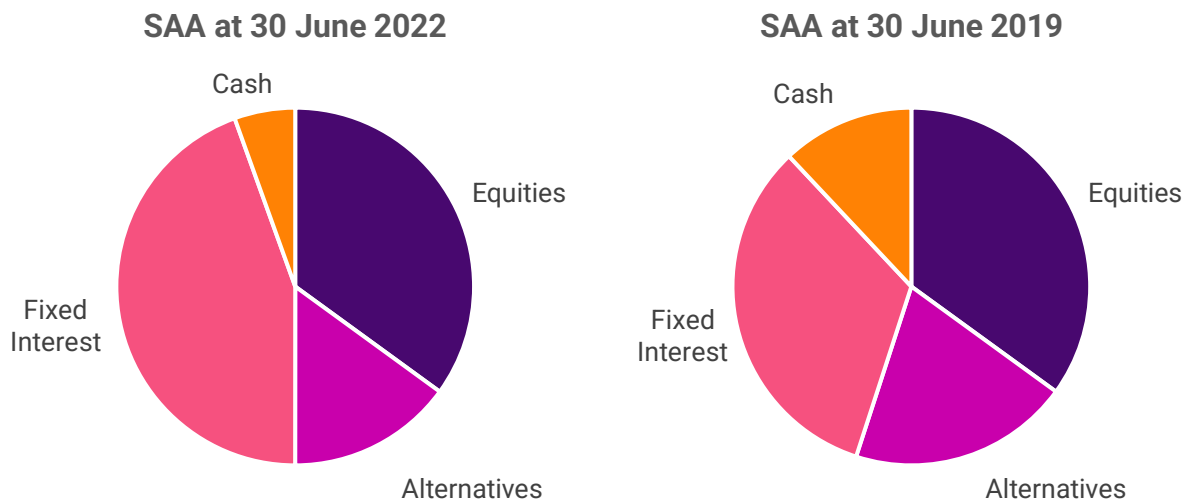
See Appendix C for a more detailed membership summary and breakdown of the movement in the number of Members in the DB Divisions during the period since the previous actuarial review.

Section 4: Assets and investment strategy

Financial information for the actuarial review was obtained from the audited Plan financial statements for the years from 1 July 2019 to 30 June 2022. The accounts were prepared in accordance with Australian Accounting Standard AASB 1056. I consider using the net market value of assets from the audited financial statements to be reasonable for the purpose of this actuarial review and consistent with the method and assumptions used for determining the Plan's liabilities. I have relied on the information provided and I am satisfied that the information appears to be correct based on our knowledge of the Plan.

At 30 June 2022 the market value of assets of the Plan available to pay benefits, as disclosed in the Plan Financial Report, was \$8,103.489m. After allowing for reserves, disposal costs and DC accounts the assets available to pay DB benefits was \$1,852.787m.

The Plan's Strategic Asset Allocation (SAA) for the assets backing the DB liabilities has not changed materially since the 30 June 2019 review was conducted, remaining at a broad 45% growth / 55% defensive split.



The long-term investment objectives and strategy adopted by the Trustee in respect of the DB assets continues to be within the range that I consider to be appropriate. This was supported by the results of Asset Liability Modelling (ALM) that was conducted alongside the actuarial review to evaluate the investment strategy for the DB assets.

See Appendix D for further details about the Plan's assets and investment strategy.

Section 5: Key assumptions

It is generally not possible to know the amount and the timing of all of the elements that make up the Plan's future income and expenditure. It is therefore necessary to estimate this income and expenditure based on a set of assumptions about future experience. The key assumptions used for the actuarial review are set out in the following table.

| Financial assumption | 30 June 2022 | 30 June 2019 |
|---|--------------|--------------|
| Discount rate for active Members (future net of tax investment return) | 6.0% p.a. | 5.3% p.a. |
| Long term salary inflation (excluding promotional increases) | 3.5% p.a. | 3.6% p.a. |
| 'Gap' between discount rate and salary inflation | 2.5% p.a. | 1.7% p.a. |

The assumption of major significance in the actuarial review of the Plan's accrued benefit liabilities and resulting contributions is the difference (or 'gap') between the assumed future rate of investment earnings and the assumed rate of future growth in salaries. These factors are offset against each other in their financial effect and therefore it is the difference between the rates that is important rather than the absolute values ascribed to them. The larger the gap the lower the value placed on the accrued benefit liabilities and the lower the resulting required employer contribution rate.

The gap for this actuarial review has increased since the previous review due to changes in the future market return expectations of the Plan's DB investment portfolio.

Summaries of the funding method and assumptions used in this actuarial review are included in Appendix E and Appendix F respectively. A comparison of the previous demographic assumptions with the Plan's actual experience over the past three years is set out in Appendix G.

Section 6: Solvency and other measures of financial position

When assessing the adequacy of the DB assets, both the long-term funding and short-term solvency positions should be considered. The funding measures considered for this purpose were:

- **Defined Benefit Vested Benefit Index (DB VBI)**

This index represents the ratio of the market value of assets less reserves to the 'vested benefits'. The value of vested benefits represents the total amount that the Plan would be required to pay if all Members were to voluntarily leave service on the actuarial review date. A VBI greater than or equal to 100% indicates that a fund would have been able to meet its obligations if all Members had voluntarily left at the actuarial review date – that is, it is in a 'satisfactory financial position'.

The DB VBI for the Plan at this review date and the previous review date are shown below.

| Vested benefit | 30 June 2022 | 30 June 2019 |
|------------------------------|---------------|---------------|
| DB assets (\$m) | 1,852.787 | 2,426.854 |
| DB Liabilities (\$m) | 1,706.375 | 2,166.801 |
| DB Surplus / (Deficit) (\$m) | 146.412 | 260.053 |
| DB VBI | 108.6% | 112.0% |

- **Defined Benefit Accrued Benefit Index (DB ABI)**

This index represents the ratio of the market value of assets less reserves to the present value of the accrued benefits of Members. The present value of accrued benefits represents the value of expected future benefit payments arising in respect of membership of the Plan up to 30 June 2022. The ABI is a simple measure of a fund's strength on a 'going concern' basis.

The DB ABI for the Plan at this review date and the previous review date are shown below.

| Accrued benefit | 30 June 2022 | 30 June 2019 |
|------------------------------|---------------|---------------|
| DB assets (\$m) | 1,852.787 | 2,426.854 |
| DB Liabilities (\$m) | 1,512.234 | 2,058.090 |
| DB Surplus / (Deficit) (\$m) | 340.553 | 368.764 |
| DB ABI | 122.5% | 117.9% |

- **Defined Benefit Retrenchment Benefit Index (DB RBI)**

This index represents the ratio of the market value of assets less reserves to the retrenchment benefits (i.e. it assumes that all Members are retrenched by the Plan Sponsor, which can trigger higher benefit payments for certain DB Members).

The DB RBI for the Plan at this review date and the previous review date are shown below.

| Retrenchment benefit | 30 June 2022 | 30 June 2019 |
|------------------------------|---------------|---------------|
| DB assets (\$m) | 1,852.787 | 2,426.854 |
| DB Liabilities (\$m) | 1,791.167 | 2,308.766 |
| DB Surplus / (Deficit) (\$m) | 61.620 | 118.088 |
| DB RBI | 103.1% | 105.1% |

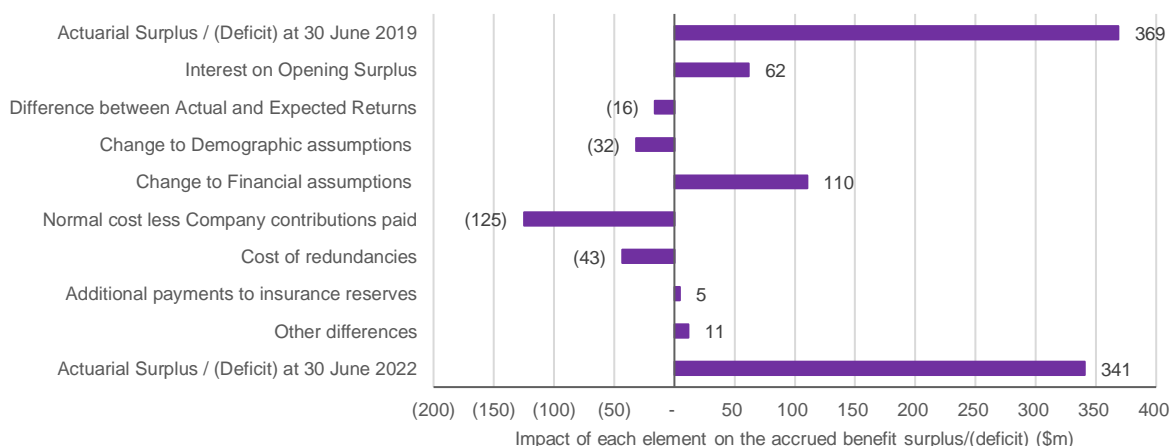
Observations and conclusions

Since the 30 June 2019 actuarial review was conducted, there were a significant number of retrenchments of the Plan Sponsor employees in response to the economic impact of COVID-19. This had a flow on impact to the Plan and largely explains the significant fall in the size of the Plan's DB assets and DB liabilities. Further, in response to a request by the Plan Sponsor, I advised that surplus assets in the Plan were sufficient to support a reduction in the DB funding contributions for the period between 1 July 2020 and 31 December 2022, and the Plan Sponsor reduced contributions accordingly in that period.

Whilst the DB VBI and DB RBI funding positions have worsened since 30 June 2019, mainly due to the reduced Plan Sponsor contributions, the Plan was still considered to be in a strong position as at 30 June 2022.

The DB ABI funding position has improved due to the increase in forward-looking 'gap' (i.e. the difference between the discount rate and wage inflation assumption) offsetting the impact of the reduced Plan Sponsor contributions. This is illustrated in the following chart that provides an analysis of the change in the accrued benefits surplus from 30 June 2019 to 30 June 2022.

Analysis of accrued benefit surplus



The actual investment returns of the DB assets over the three years to 30 June 2022 were 5.1% p.a. compared to an assumed return of 5.3% p.a. This is shown as a small negative experience item in the previous chart.

Appendix H sets out the equivalent funding measures considering the Plan as a whole (i.e. inclusive of the DC Divisions and DC accounts). Appendix H also includes the comments I am required to make regarding the coverage of the Minimum Requisite Benefits, as defined in the Superannuation Guarantee legislation, and the benefits payable on the termination of the Plan.

Section 7: Recommended Plan Sponsor contributions

The calculation of the DB funding contributions required to be paid by the Plan Sponsor, referred to as 'Regular Plan Sponsor Contributions', comprises:

- initially calculating the 'Normal Cost', which is the Plan Sponsor contribution required to fund the DB benefits that are expected to accrue to Members in the coming year. The Normal Cost includes an allowance for non-investment expenses and insurance premiums; and
- an adjustment, which may be positive or negative, as considered appropriate after consultation with the Plan Sponsor to ensure a suitable level of ongoing funding for the Plan.

The following table sets out the 2022 Normal Cost contributions for the DB Divisions and the equivalent figures calculated for the 2019 actuarial review. 'Current' contributions are the Regular Plan Sponsor Contribution rates agreed with the Plan Sponsor at the 2019 actuarial review, which the Plan Sponsor was paying prior to the agreed reduction in contributions commencing in July 2020.

| | Number of Members | Normal Cost 2022 | Normal Cost 2019 | 'Current' Contributions |
|---|-------------------|------------------|------------------|-------------------------|
| Division 2A ¹ | 957 | 11.7% | 11.3% | 11.1% |
| Division 2B ¹ | 421 | 17.2% | 14.5% | 12.7% |
| Division 2C ¹ | 86 | 13.9% | 13.2% | 11.9% |
| Division 3 | 2,673 | 13.9% | 13.6% | 11.1% |
| Division 15 | 227 | 12.7% | 12.3% | 11.2% |
| Annual contributions² | | \$69.4m | \$66.9m | \$57.2m |
| 2019 figures | | | \$98.3m | \$84.6m |

1 Divisions 1, 2 and 3 are broken down into three categories: Ground Staff (A), Flight Attendants (B) and Technical Aircrew (C). For our calculations, this is only relevant for Divisions 1 and 2 where there are some ongoing benefit differences between these categories.

2 Based on payroll at 30 June 2022.

Several contribution strategies were explored to determine an appropriate strategy for the Plan. Based on the analysis undertaken, a 'Stepped Regular Plan Sponsor Contributions' strategy was identified as being appropriate.

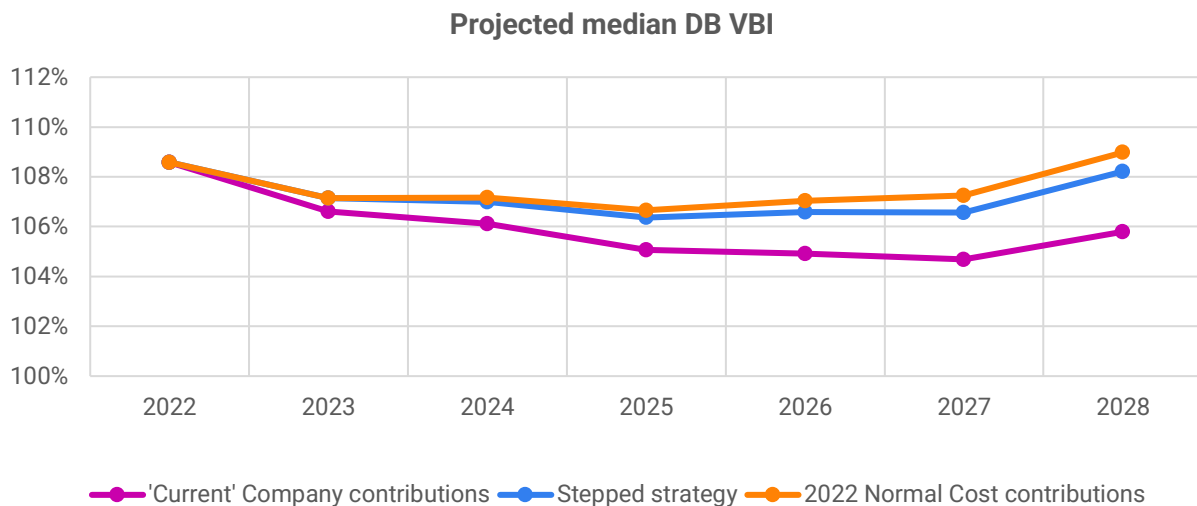
Stepped Regular Plan Sponsor Contributions strategy

Regular Plan Sponsor Contributions are set equal to 100% of Normal Cost contributions from 1 January 2023. Regular Plan Sponsor Contributions are subsequently decreased or increased depending on the Plan's quarterly funding position, as measured using the DB VBI. This arrangement is known as Stepped Regular Plan Sponsor Contributions (or 'the Stepped strategy').

The Stepped strategy shall be implemented as follows:

- a. From 1 January 2023, the Regular Plan Sponsor Contributions shall be 100% of Normal Cost contributions;
- b. If, during a period where Regular Plan Sponsor contributions are 100% of Normal Cost contributions, the DB VBI determined at the end of each quarter is 110% or more for two consecutive quarters, Regular Plan Contributions shall be reset to 85% of Normal Cost contributions; and
- c. If, during a period where Regular Plan Sponsor contributions are 85% of Normal Cost contributions, the DB VBI determined at the end of each quarter is less than 107.5% for two consecutive quarters, Regular Plan Contributions shall be reset to 100% of Normal Cost contributions.

To confirm the adequacy of Plan Sponsor Contributions under the Stepped strategy, the DB VBI was projected over the next 6 years under the Stepped strategy, and (for comparison) assuming instead 'current' Company contributions and alternatively 2022 Normal Cost contributions are paid.



Based on these projections (and the corresponding probabilities of DB VBI falling to 100%), I am satisfied that the Stepped strategy is an appropriate program for funding the Plan's DB benefits.

I am also required to provide a recommendation regarding the cost of insurance provided by the Plan Sponsor for Members of Division 5 and Division 10. Based on the cost of cover advised by the insurer, I recommend the Plan Sponsor contributes at 1.5% of superannuation salaries for Division 5 Members and 0.5% of superannuation salaries for Division 10 Members in respect of insurance.

Recommended contribution rates from 1 January 2023

| Division | Recommended contribution (% of superannuation salary) |
|------------------|--|
| DB – Division 1 | <ul style="list-style-type: none"> Contributions in accordance with Rule 12.1(a) 1.5% (to be paid to Foregone Benefits Reserve in line with Rule 7.5(b)(v)) |
| DB – Division 2 | <ul style="list-style-type: none"> Contributions in accordance with Rules 16(a) to (d), 19.1(b)(i) Category A Members: 11.7%¹ Category B Members: 17.2%¹ Category C Members: 13.9%¹ |
| DB – Division 3 | <ul style="list-style-type: none"> 13.9%¹ |
| DB – Division 15 | <ul style="list-style-type: none"> 12.7%¹ |
| DC – Division 5 | <ul style="list-style-type: none"> Administration: 0.25%² Insurance: 1.5% |
| DC – Division 10 | <ul style="list-style-type: none"> Administration: 0.23%¹ Insurance: 0.5% |

¹ Contribution from 1 January 2023 with variations in line with the Stepped Regular Plan Sponsor Contributions strategy

² Determined as part of the 2021 non-investment fee review. The administration fee is subject to an annual cap of \$1,050.

Appendix E describes in more detail the funding method used to calculate the Normal Cost and recommended contributions.

Section 8: Sensitivity of Results

The future financial positions of the Plan will ultimately depend upon the actual experience of the Plan. While the actuarial assumptions seek to estimate that experience there is a material risk arising from variation against those assumptions. Accordingly, I have also performed the actuarial review on alternative economic scenarios where the future investment return (i.e. the discount rate) is assumed to be 1% p.a. higher and 1% p.a. lower. Note that the variation in selected sensitivity analysis is for illustrative purposes and does not indicate upper or lower bounds of all possible outcomes.

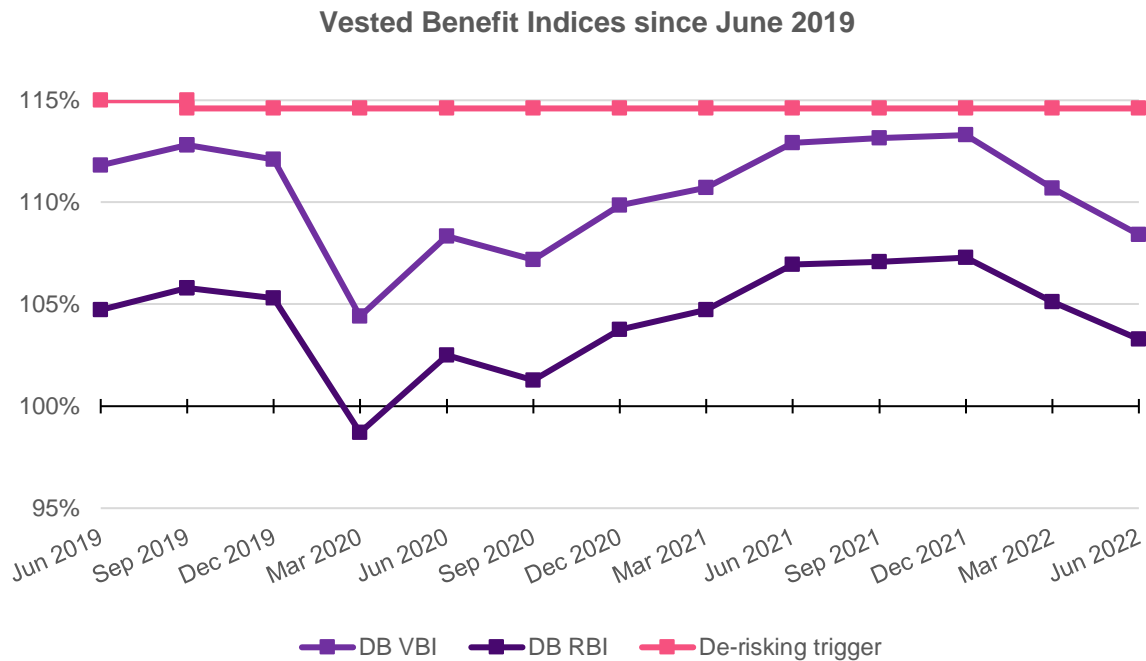
| | Baseline results | Investment return +1% p.a. | Investment return -1% p.a. |
|-------------------------------------|------------------|----------------------------|----------------------------|
| DB accrued benefits liability (\$m) | 1,512.234 | 1,392.097 | 1,650.370 |
| Change (\$m) | | (120.137) | 138.136 |

Changes to long term investment assumptions would also impact the calculation of the Normal Costs.

| Division | Normal Cost 2022 | Investment return +1% p.a. | Investment return -1% p.a. |
|-----------------------------------|------------------|----------------------------|----------------------------|
| Division 2 (Category A) | 11.7% | 11.1% | 12.4% |
| Division 2 (Category B) | 17.2% | 17.0% | 17.5% |
| Division 2 (Category C) | 13.9% | 13.8% | 14.1% |
| Division 3 | 13.9% | 12.2% | 15.7% |
| Division 15 | 12.7% | 11.9% | 13.5% |
| Annual contributions (\$m) | 69.4 | 63.3 | 76.8 |

Section 9: Monitoring the funding position of the Plan

The Trustee monitors the funding position of the Plan quarterly against a series of agreed trigger events. These trigger events can result in the payment of additional Plan Sponsor contributions, under the terms of the Additional Funding Plan (AFP), or result in a lower risk investment strategy being adopted, under the terms of the Journey Management Plan (JMP).



Additional Funding Plan (AFP)

SPS 160 defines the 'Shortfall Limit' as *'The extent to which it is considered by the Trustee that the Plan can be in an unsatisfactory financial position and there be a reasonable expectation of the Trustee that because of corrections to temporary negative market fluctuations in the value of Plan assets, the Plan can be removed from an unsatisfactory financial position within one year.'*

In accordance with the Information Note dated June 2013 issued by the Actuaries Institute, and considering the Plan's current investment strategy and specific circumstances, I recommend the Trustee maintain the existing Shortfall Limit of 98%.

Under the provisions of SPS 160, should the DB VBI fall below the Shortfall Limit, an interim actuarial review may need to be undertaken, which has as one of its main objectives the preparation of a plan to restore the DB VBI to over 100% within at least three years. In lieu of these requirements the Trustee, in conjunction with the Plan Sponsor, developed an AFP for the purpose of presenting a cost-effective response to the legislative requirements.

When triggered by the DB VBI falling below 100%, the AFP requires the Plan Sponsor to make additional contributions with the aim of restoring the funding position to a satisfactory financial position within three years. These additional contributions are supplemented by benefit payment top-up

contributions that cover the funding strain created when a Member leaves a DB Division while the DB VBI is less than 100% or a Member is retrenched while the DB RBI is less than 100%.

Over the three-year period to 30 June 2022 the DB VBI always exceeded 100% and therefore did not trigger the AFP. The DB RBI did fall below 100% for one quarter but under the terms of the AFP this did not trigger the payment of any additional contributions from the Plan Sponsor. Since the previous actuarial review, no additional benefit payment top-up contributions have been required to be made.

The terms of the AFP were reviewed as part of this actuarial review and should be reviewed again at the next date of the next actuarial review.

Journey Management Plan (JMP)

The objective of the JMP is to progressively de-risk the DB investment portfolio as the Plan's funding position improves over time, thereby reducing the volatility of DB outcomes for the Plan's stakeholders. The de-risking steps have been designed so that the risk profile may be altered without a requirement to alter the Plan Sponsor contribution rate.

The most recent de-risking trigger was reached in June 2019 when the DB VBI reached 111.8%. In accordance with the JMP the allocation to growth assets in the DB investment strategy was reduced from 50% to 45%.

The ALM, conducted in conjunction with the actuarial review, was used to evaluate the investment strategy for the DB assets and review the JMP. As a result of that review the JMP triggers were adjusted downwards slightly. The next de-risking trigger has been set at 113.4% and that would precipitate reducing the proportion of growth assets that are used to support the DB liabilities from 45% to 40%.

Section 10: Material Risks

There are numerous material risks for the Plan associated with the actuarial assumptions or actuarial management of the Plan.

| Risk | Approach taken to risk |
|--|---|
| Investment returns on the existing assets could be insufficient to meet the Trustee's funding objectives | <p>The Trustee takes advice from the Plan Actuary on assumptions relating to future investment returns. In setting the future contributions, the Plan Actuary considers the effect on the future financial position if investment returns are less than expected.</p> <p>The AFP can trigger additional contributions if the funding position deteriorates in the short term and the overall funding strategy is reviewed at least every three years at subsequent actuarial reviews.</p> |
| Price inflation or salary increases could be higher than assumed | <p>The DB liabilities are linked to salary and therefore a higher than expected rate of salary inflation could have a negative impact on the Plan's financial position unless offset by corresponding changes to investment rates.</p> <p>The Trustee invests in assets that are expected to be correlated, to some extent, to future inflation in the longer term (e.g. equities, property, index-linked bonds).</p> |
| Sponsor removes support for the Plan | The continuation of the Plan is dependent on the continued funding support of the Plan Sponsor. If the Plan Sponsor was unwilling or unable to pay contributions to the Plan, that may affect the ongoing viability of the Plan. |
| Credit risk of investments | Credit risk from the investments of the Plan is managed by the due diligence process undertaken when appointing investments managers, regular monitoring of those managers and by holding a diversified portfolio of assets. |
| Illiquidity of Plan assets | <p>Most of the benefit payments of the Plan are expected to be made in lump sum form, therefore the Plan requires access to sufficient liquid assets to meet these payments as they fall due.</p> <p>The Plan had an allocation to illiquid assets of 28% of total invested Plan assets as at 30 June 2022. It is unlikely that a scenario would arise requiring a forced realisation of the Plan's illiquid assets that results in a reduction in their realisable value.</p> <p>That said, the proportion of illiquid assets is monitored at an investment option level on a quarterly basis and the Plan Investment Governance Framework sets out the steps that should be taken if an illiquidity issue arises.</p> |
| Legislative changes lead to benefit cost increases | The Plan faces a variety of operational and other risks such as changes in taxation legislation which may in some circumstances lead to cost increases. The Trustee monitors and acts on such risks as part of their overall risk management framework. |



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Appendix A: Plan summary

The Plan commenced on 1 June 1939. Its operations are governed by a Trust Deed and Regulations effective 1 June 1939. The Plan has a hybrid benefit design in that both DB and DC benefits are payable to Members. Gateway, which is a DC Division in the Plan, is open to new Members. All other Divisions of the Plan are closed to new Members.

Governance

The Trustee of the Plan is Qantas Superannuation Limited. After various amendments over the years, the Regulations were replaced with a new set of Rules by Deed of Amendment dated 21 September 1989. Since then, further consolidated Rules have been adopted, the latest dated 1 October 2017.

The Trustee made a formal election for the Plan to be a 'regulated' fund under the Superannuation Industry (Supervision) Act with effect from 1 July 1994. The Plan therefore qualifies for concessional tax treatment.

The Financial Services Reform Act (FSR) came into effect from 11 March 2004 and the Trustee initially decided to not become licensed under FSR. On 5 July 2005 the Trustee did become licensed (AFSL 288330) to provide general financial product advice but is not licensed to provide financial planning support or 'advice' on investments such as superannuation.

The Trustee obtained its RSE Licence (RSE Licence no L0002257) from APRA in April 2006.

From 1 August 2014 the death and disablement benefits for DB Members have been insured with an external insurer. However, the Plan does retain a small amount of self-insurance.

Plan Structure

At 30 June 2022 there were 10 Divisions of the Plan with Members still accruing benefits. (Division 4 pays lifetime pensions to a small number of pensioners but there are no longer any members accruing benefits in this division.)

Division 1

Formerly known as the Improved Old Benefits Section, Division 1 provides DC benefits with a guaranteed DB lump sum underpin. Division 1 was closed to new Members on 1 July 1989.

Division 2

Formerly known as the New Benefits Section, Division 2 was open to new Members between 1 July 1989 and 31 March 1995. Division 2 provides a combination of DB and DC lump sum benefits. At 30 June 1995, Members of the Australian Airlines General Superannuation Plan (AAGSP), the Australian Airlines Flight Attendants' Superannuation Scheme (AAFASS), and Australian Airlines Pilots' Accumulation Fund (AAPAF) were given the option to elect to transfer to Division 2 or Division 3. Those who did not make an election were transferred to Division 2. For Members who were formerly Members of one of the Australian Airlines plans, their Division 2 benefits are guaranteed to be no less than those previously applying in the relevant Australian Airlines plan.

Division 3

Division 3 was opened to new Members from 1 April 1995 and primarily provides lump sum DB benefits. At 30 June 1995, Members of Division 1, Division 2, the AAGSP, the AAFASS, and AAPAF were given the option to elect to transfer to Division 3. Division 3 was closed to new Members on 30 June 2003.

Division 3A

Division 3A provided DC benefits to meet Superannuation Guarantee requirements to new casual employees. Casual employees who were Members of the AAGSP at 30 June 1995 were transferred to Division 3A and other non-contributory Members of the AAGSP were given the option of transferring to Division 3 or Division 3A. Division 3A was closed with effect from 30 June 2013.

Division 4

Division 4 provides lifetime pensions. Division 4 was created on 31 July 1995 to accommodate former Australian Airlines employees who were Members of the Commonwealth Superannuation Scheme. Division 4 is closed to new Members and there are no longer any Members accruing benefits (i.e. there are all receiving their pensions).

Division 5

Division 5 was created on 1 July 1998 and selected Members from the other Divisions have been given the option to elect to transfer to Division 5 and receive DC benefits. Division 5 was closed with effect from 30 June 2013.

Division 6

Division 6 was created on 30 June 2002 for Members of other Divisions who accepted an offer by the Plan Sponsor to transfer to Division 6 and receive DC benefits and for a large proportion of the new employees to the Airline after that date. Division 6 was closed with effect from 30 June 2013.

Division 7

Division 7 was created on 1 July 2001 to provide DC benefits for employees of subsidiary businesses of the Airline and was closed to new Members with effect from 30 June 2013 other than where an existing EBA still provides that the new Member must join this Division.

Division 10

Division 10 was created for employees of the regional airlines. On 30 June 2002 all Members of the Regional Airlines Superannuation Plan transferred to Division 10. Division 10 was closed to new Members with effect from 30 June 2013 other than where an existing EBA still provides that the new Member must join this Division.

Division 15

Division 15 was opened on 1 November 2014 to provide benefits for former AaE employee Members of the Australian Post Superannuation Scheme who transferred to the Plan under a Successor Fund Transfer arrangement. Division 15 is closed to new Members.

Gateway

The Gateway Division was created on 1 July 2016 to comply with the applicable MySuper legislation. All new employees join the Gateway Division unless required to join an alternative Division under an existing EBA. Gateway Division Members have their accounts invested in the default Glidepath strategy, unless they elect to use the Gateway Choice range of five investment options. From 1 October 2013 Members of other Divisions may elect to transfer to the Gateway Division. Gateway also includes Members of the following Divisions:

- Division 8. Division 8 was created on 1 September 2002 to allow for retained benefits in the Plan for Members after ceasing employment with the Plan Sponsor. From 1 July 2016, Division 8 was only open to former employees who were Members of one of Division 1, 2, 3, 3A, 4, 5, 6, 7, 10 and 12 at the time of leaving employment. Division 8 was closed with effect from 1 July 2015 and all Members were transferred to the Gateway Division.
- Division 9. Division 9 was created on 1 September 2002 to provide allocated pension benefits in the Plan for Members after ceasing employment with the Plan Sponsor. From 1 July 2007 the features of Division 9 were varied to take advantage of the increased flexibility offered by the Governments 'Simplified Super' changes. Division 9 was closed with effect from 1 October 2015 and all Members were transferred to the Gateway Income Division.
- Division 11. Division 11 was established on 1 June 2005 to allow Members to establish an account for their eligible Spouse and to make Member contributions to that account. This Division has since been closed with all Members transferred to the Gateway Division.
- Division 14. Division 14 was created on 30 June 2008 and became operational on 1 December 2008 to provide a transition to retirement allocated pension benefits in the Plan for Members still in employment with the Plan Sponsor. Division 14 was closed with effect from 1 October 2015 and all Members were transferred to the Gateway Income Division.

A detailed description of the benefits valued in this actuarial review is included in the Summary of Benefits Report provided separately to this Report.

Appendix B: Self-insurance reserves

From 1 August 2014 the death and disablement benefits for DB Members have been insured by MLC. MLC have been providing insurance cover in respect of Members in the DC Divisions since 1 July 2013. I am satisfied that the current insurance arrangements are appropriate for a plan of this size and type.

Although the Plan has had external insurance cover from 1 August 2014, there remains certain uninsured risks that need to be covered on a self-insured basis. Paragraph 36(a) of Prudential Standard SPS 160 'Defined Benefit Matters' requires that where a trustee is permitted to self-insure the trustee must 'maintain reserves or have other arrangements approved by APRA in place to fund current and future self-insurance liabilities'.

In this regard self-insurance reserves have been established, and are monitored on an annual basis, in respect of these uninsured risks. I consider these reserves to be appropriate. I have provided the Trustee with separate advice on these reserves (see my paper to the Trustee entitled 'Insurance Reserves – 30 June 2022' dated 5 August 2022).

| Self-insurance reserves | 30 June 2022 \$m | 30 June 2019 \$m |
|--|---------------------|---------------------|
| Disability Reserve | 6.254 | 9.703 |
| Foregone Benefits reserve | 0.209 | 0.208 |
| Defined Benefit Incurred But Not Reported (DB IBNR) reserve | Nil | 5.600 |
| Defined Contribution IBNR (DC IBNR) reserve | Nil | 2.100 |
| Current Initial Incapacitants (Divisions 3, 5 and 6) reserve | Nil | Nil |
| Total self-insurance reserves | 6.463 | 17.611 |

Appendix C: Membership

Membership summary

| | Number of Members | Account Balances (\$m) | DB Vested Benefit (\$m) | Total Vested Benefit (\$m) | Number of Members (2019) | DB Vested Benefit (\$m) (2019) |
|----------------------------------|-------------------|------------------------|-------------------------|----------------------------|--------------------------|--------------------------------|
| Gateway | 17,076 | 3,306 | N/A | 3,306 | 16,109 | N/A |
| Legacy DC Divisions ¹ | 3,498 | 1,258 | N/A | 1,258 | 5,991 | N/A |
| Allocated Pensioners | 1,392 | 807 | N/A | 807 | 1,173 | N/A |
| Total DC | 21,966 | 5,371 | N/A | 5,371 | 23,273 | N/A |
| DB – Division 1 | 66 | 57 | 1 | 58 | 177 | 3 |
| DB – Division 2 | 1,464 | 611 | 458 | 1,069 | 2,962 | 751 |
| DB – Division 3 | 2,673 | 143 | 1,195 | 1,338 | 4,400 | 1,346 |
| DB – Division 4 | 0 | 0 | 0 | 0 | 3 | 2 |
| DB – Division 15 | 227 | 19 | 40 | 59 | 339 | 50 |
| DB - Division 4 Pensioners | 31 | 0 | 13 | 13 | 28 | 13 |
| Total DB | 4,461 | 830 | 1,706 | 2,536 | 7,909 | 2,167 |
| All Members | 26,427 | 6,201 | 1,706 | 7,907 | 31,182 | 2,167 |

1. Includes Members in Divisions 3A, 5, 6, 7 and 10.

DB membership movement since 30 June 2019

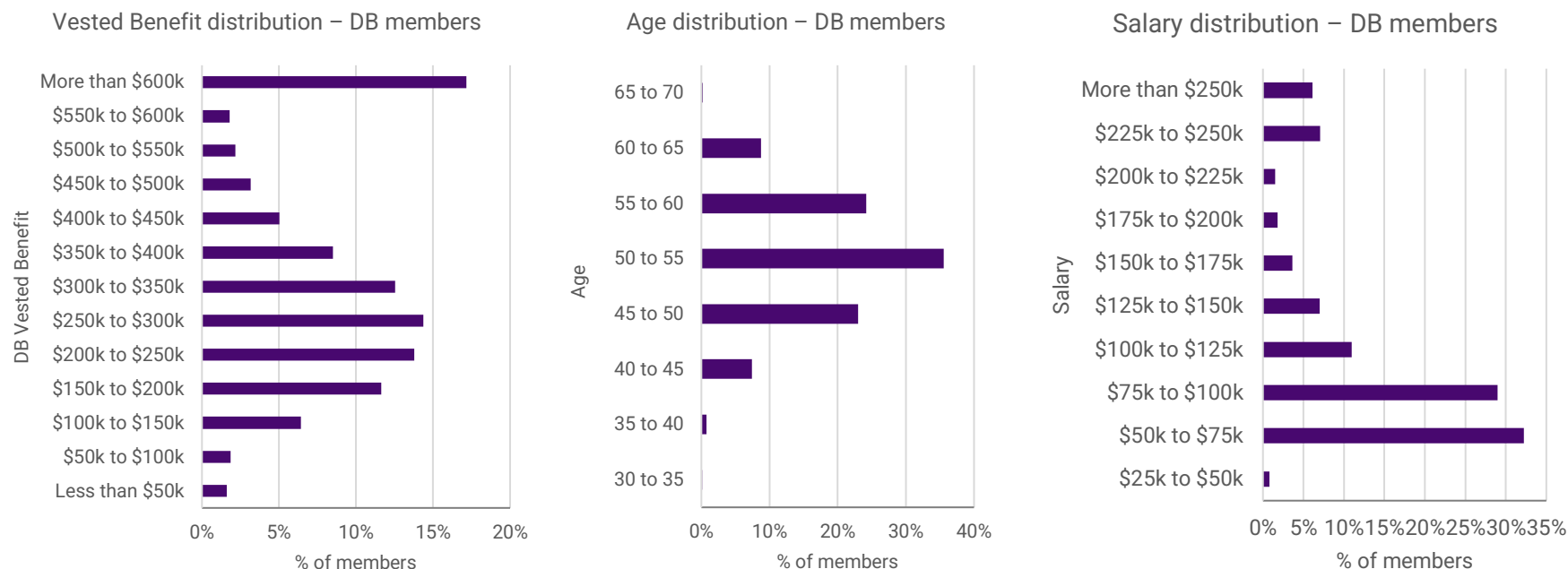
| | Division 1 | Division 2 | Division 3 | Division 4 | Division 15 | Total |
|---|------------|--------------|--------------|------------|-------------|--------------|
| Number of Members as at 30 June 2019¹ | 177 | 2,962 | 4,400 | 31 | 339 | 7,909 |
| Reasons of exits: | | | | | | |
| Retrenchment | (64) | (936) | (1,429) | - | (72) | (2,501) |
| Resignation | (1) | (21) | (116) | - | (20) | (158) |
| Retirement | (45) | (531) | (163) | - | (19) | (758) |
| Death | (1) | (11) | (14) | - | (1) | (27) |
| Disablement | - | (3) | (5) | - | - | (8) |
| Total number of exits | (111) | (1,502) | (1,727) | - | (112) | (3,452) |
| | | | | | | - |
| Reinstatements | - | 4 | - | - | - | 4 |
| | | | | | | - |
| Number of Members as at 30 June 2022 | 66 | 1,464 | 2,673 | 31 | 227 | 4,461 |

DC Division Members

For the purpose of this actuarial review, the liability for Members in DC Divisions was taken as the total value of Member DC accounts. No individual calculations are performed for the Members in DC Divisions apart from where the Trust Deed requires the actuary to calculate the deduction to be applied to Members' account for incurrence of expected expenses and insurance premiums.

DB vested benefits, age and salary profile

The average DB vested benefit is \$382k although for Division 1 and 2 Members, DC accounts form a large part of their overall benefit and this is excluded from the following chart (and the subsequent analysis). Most DB Members are aged between 45 and 60, which is expected given that these Divisions have been closed to new entrants for some time and some of the DB Divisions have a normal retirement age of 55 or 60.



Appendix D: Assets

At 30 June 2022 the market value of assets of the Plan available to pay benefits, as disclosed in the Plan Financial Report, was \$8,103.489m. The after allowing for reserves and DC accounts the assets available to pay DB benefits was \$1,852.787m.

| | 30 June 2022 \$m | 30 June 2019 (\$m) |
|-------------------------------------|------------------|--------------------|
| Net market value of assets | 8,103.489 | 8,380.850 |
| | | |
| Member DC accounts | 6,206.578 | 5,870.770 |
| Unrealised CGT benefit ¹ | 14.723 | 44.410 |
| | | |
| Disability Reserve | 6.254 | 9.703 |
| DB IBNR Reserve | 0 | 5.600 |
| DC IBNR Reserve | 0 | 2.100 |
| Other reserves | 0.209 | 0.208 |
| ORFR Reserve | 22.938 | 21.205 |
| | | |
| DB assets | 1,852.787 | 2,426.854 |

1. Unrealised capital gains tax (CGT) benefit that arose when the Plan opted for transitional CGT relief following the superannuation reforms that were announced in the 2016/17 Federal Budget. The Trustee agreed that this would be excluded from the assets when calculating the Plan's funding metrics.

The Member DC accounts are composed of the total value of those Member accounts, as advised by the Plan Administrator, which are not considered part of the DB interest of the Member. The DB assets, plus the self-insurance reserves, are used to meet:

- Guaranteed Minimum Benefits (GMB) and Past Service Accumulation, and any Sum Insured or Past Service Sum Insured payments to Division 1 Members excluding externally insured benefits;
- the excess of Division 2 benefits over the Member DC accounts, excluding externally insured benefits;
- all benefits for Members of Divisions 3, 4 and 15 other than benefits arising from Member DC accounts (e.g. voluntary contributions) and excluding externally insured benefits;
- non-investment expenses and insurance premiums relating to DB Members;
- any benefits in the other DC Divisions which exceed the aggregate account balances (e.g. minimum death and disablement benefit guarantees in Division 5 and 6 arising from transfers from other Divisions) other than externally insured benefits; and
- any other liabilities or costs of the Plan in respect of non-DB Members which are not provided by the amount of the Member DC accounts or by deductions or charges from those accounts.

Investment objectives

The Trustee has specific investment objectives for the DB assets and each of the DC Member Investment Choice (MIC) options.

| Investment Option | Annual return objective (net of fees and tax) | Time horizon (years) | Less than x years of negative years in every 20 years |
|------------------------|--|-------------------------|---|
| Defined Benefit | CPI + 2.75% | 5 | 3 |
| Thrifty | CPI + 3.0% | 7 | 5 |
| Cash | AusBond Bank Bill Index | 1 | - |
| Conservative | CPI + 1.5% | 3 | 2.5 |
| Balanced (Destination) | CPI + 2.5% | 5 | 3.5 |
| Cruising | CPI + 3.0% | 5 | 4 |
| Growth (Altitude) | CPI + 3.5% | 7 | 4.5 |
| Aggressive (Take-off) | CPI + 4.0% | 10 | 5.5 |

The Glidepath investment option was introduced as the default option for DC Members in Divisions 3A, 5, 6, 7, 10 and Gateway. The Glidepath option invests in four investment stages depending on the age of the Member: Destination, Cruising, Altitude and Take Off. The Growth option is the default investment option for DB Members in Divisions 1, 2, 3 and 15.

Member Investment Choice

MIC is available to all DC accounts of Members with the exceptions of Members of Division 1 (prior to Superannuation Date) and Division 2 Members with guaranteed DB minimum benefits from former Australian Airlines plan membership (these latter Members may elect to forego their minimum benefits if they wish to access MIC).

Under MIC, Members are entitled to select one or a mix of the investment strategies to apply to their accounts. Members may switch investment strategies.

Crediting Rate Policy

The weekly Credited Interest Rates (CIRs) reflect, as much as practical, the actual earnings on the assets after tax and investment expenses. I consider the crediting rate policy adopted by the Trustee to be appropriate.

Appendix E: Valuation method

General

In a DB fund, a pool of assets is built up over time which is available to meet benefit and expense payments as they arise. The pool of assets is built up by Member and employer contributions and investment income on assets already accumulated. The pool is reduced by benefit payments, tax and expenses.

The amount of benefits that the Plan will be liable to pay from the pool of assets in future cannot be known in advance since benefits depend on Members' salaries at their date of leaving, their completed membership at that date and their reason for leaving. The amount of future tax and expenses also cannot be known in advance. It is therefore necessary to estimate these future liabilities and hence the amount that will be required in the pool of assets.

The rate at which the Plan Sponsor contributes to the Plan is the primary inflow over which it can exercise control and is the main determinant of the pace of funding of benefits. The actuarial funding method is the method of determining this contribution rate.

Funding Method

The funding method is the method by which the actuary considers the long-term financial position of the Plan with a view to ensuring the Plan's assets will be sufficient over the long term to meet its liabilities as they arise. The funding method used for the actuarial review is the Projected Unit Credit funding method. This is the same funding method that was used for the previous actuarial review and I consider it appropriate to use this method for this actuarial review. The Projected Unit Credit funding method involves:

- calculating a 'Normal Cost', which is the employer contribution required to fund benefits accruing over the next year taking into account the future investment returns that expect to be earned on these contributions but ignoring any over or under funding of accrued benefits at the actuarial review date; and
- calculating an adjustment to the Normal Cost to take account of any overfunding or underfunding of accrued benefits at the actuarial review date.

The Normal Cost is determined by:

- calculating the amount of benefits expected to be paid in all future years to existing Members in respect of membership over the one year period following the actuarial review date, allowing for all the contingencies under which benefits can be paid (retirement, death, disablement, ill health, retrenchment and resignation) and for future salary increases; and
- allowing for expected future investment returns by discounting these amounts to determine the present value of benefits arising in respect of the next year's membership for current Members.

As a percentage of superannuation salary, this Normal Cost approximates the employer contribution required in the short to medium term based on the membership profile of existing Members.

The adjustment to the Normal Cost is determined in two stages. The first stage involves:

- calculating the amount of benefits expected to be paid in the future to existing Members in respect of membership already completed to the actuarial review date, allowing for the contingencies under which benefits can be paid (retirement, death, disablement, ill health, retrenchment and resignation) and for future salary increases;
- discounting these amounts to determine the present value of the liability for benefits accrued in the Plan up to the actuarial review date (in aggregate these are the accrued benefits);
- subtracting the accrued benefits from the assets of the Plan at the actuarial review date, with a positive result indicating over funding and a negative result indicating under funding in the Plan; and
- if appropriate, spreading the over-funding or under-funding over an appropriate number of years to obtain an adjusted employer contribution rate.

Generally, the Normal Cost is stable provided the profile of the membership remains stable. However, if there was a gradual aging of the membership, as is the case with this Plan, then all other things being equal there would also be a gradual increase in the Normal Cost of benefits under the Plan.

Projection of Funding Position

As a final stage in the process of assessing the funding position of the Plan and the required Plan Sponsor contribution rates, the expected funding position of the Plan in future years is tested against the recommended contribution rates to ensure that those rates will be adequate to meet the longer term funding requirements. These projections also allow for various stress tests to be applied to the funding program. For example, it would be expected that on the basis of the selected assumptions, the Plan's Vested Benefit Index (VBI) would remain above 100% under the recommended funding program.

Insurance premiums

From 1 August 2014 the death and disablement benefits for DB Members have been externally insured. Based on the current premium rates, I have included an allowance for the cost of insurance in the calculation of the Normal Cost as follows:

| Division | Insurance (% of superannuation salary) |
|----------|--|
| 2 | 1.7% |
| 3 | 1.8% |
| 15 | 0.3% |

Appendix F: Actuarial assumptions

It is generally not possible to know the amount, and in some cases the timing, of the elements that make up the Plan's future income and expenditure. It is therefore necessary to estimate this income and expenditure based on a set of assumptions about future experience. These assumptions are divided into two categories:

- financial assumptions relating to the rates of future investment returns, wage inflation and price inflation; and
- demographic assumptions relating to the rates of retirement, resignation, death and promotional salary increases.

While each of the assumptions used is normally the actuary's best estimate of future experience, in practice, the Plan's actual experience can always be expected to differ from the assumptions to some extent, especially in the short term. However, it is intended that over longer periods, and when all the assumptions are combined, they will provide a reasonable estimate of the future experience and financial position of the Plan.

A summary of the assumptions used in this actuarial review is set out below.

Rate of investment return

A flat rate of 6.0% p.a. compound (net of tax) has been assumed, net of investment expenses.

A flat rate of 6.6% p.a. compound (gross of tax) has been assumed, net of investment expenses.

The net of tax investment return applies to the valuation of liabilities for active members, whilst the gross of tax investment return applies to the pension liabilities (i.e. for Division 4 pensioners), reflecting that returns on assets supporting complying pensions are exempt from tax.

Rate of Salary Increases

A flat rate of 3.5% p.a. compound has been assumed, excluding promotional salary increases.

Promotional Salary Increases

As well as salary increase due to inflation, allowance was made for salary increases of a promotional nature arising from increases in seniority, promotion to higher positions, etc. A description of the scales used is set out below.

Pilots

I have assumed promotional increases in line with the following table:

| Year ending | Insurance (% of superannuation salary) |
|----------------------|--|
| 30 June 2023 | 1.8% |
| 30 June 2024 | 2.6% |
| 30 June 2025 | 0.3% |
| 30 June 2026 | 2.2% |
| 30 June 2027 | 2.6% |
| 30 June 2028 | 3.2% |
| All years thereafter | 2.1% |

Flight Attendants and Division 15 Members

I have assumed a promotional increase of 0.5% p.a.

Ground Staff

The following age based relative scale has been used for all ground staff:

| Age | Ground Staff |
|-----|--------------|
| 20 | 10,000 |
| 25 | 14,017 |
| 30 | 16,249 |
| 35 | 17,721 |
| 40 | 18,625 |
| 45 | 19,575 |
| 50 | 20,574 |
| 55 | 21,225 |
| 60 | 21,304 |
| 65 | 21,304 |

Decrement Rates

Mortality

I have allowed for mortality rates equal to 60% of the rates in the 'Australian Life Table 2015-17' table, using 60% of the male rate and 40% of the female rate. The following table shows specimen rates at various ages (based on 10,000 lives):

| Age | Death |
|-----|-------|
| 20 | 3 |
| 25 | 3 |
| 30 | 4 |
| 35 | 5 |
| 40 | 7 |
| 45 | 10 |
| 50 | 15 |
| 55 | 22 |
| 60 | 33 |

Disability

The table below shows specimen rates at various ages (based on 10,000 lives):

| Age | Disability |
|-----|------------|
| 20 | 1 |
| 25 | 3 |
| 30 | 5 |
| 35 | 8 |
| 40 | 13 |
| 45 | 20 |
| 50 | 29 |
| 55 | 39 |
| 60 | 54 |

Resignation

Sample annual rates of decrement appear in the table below. The resignation rates incorporate early retirement for those Cabin Crew Members who have reached eligibility to early retire. The number out of 10,000 Members aged X at the beginning of the year assumed to leave the Plan during the year are set out below:

| Age | Pilots | Flight Attendants | Ground Staff | Division 15 Male | Division 15 Female |
|-----|--------|-------------------|--------------|------------------|--------------------|
| 20 | 50 | 100 | 850 | 2,419 | 1,835 |
| 25 | 50 | 100 | 725 | 2,029 | 1,656 |
| 30 | 50 | 100 | 600 | 1,415 | 1,329 |
| 35 | 50 | 100 | 475 | 829 | 1,062 |
| 40 | 50 | 100 | 350 | 678 | 809 |
| 45 | 50 | 100 | 225 | 607 | 725 |
| 50 | 50 | 100 | 100 | 556 | 658 |

Retirement

Aircrew Members in Division 2 are assumed to retire on their Normal Retirement Date. The number out of 10,000 Members aged X at the beginning of the year assumed to leave the Plan during the year are set out below:

| Age | Ground Staff Division 2 | All Members Divisions 3 & 15 |
|-----|-------------------------|------------------------------|
| 55 | 200 | 150 |
| 56 | 200 | 150 |
| 57 | 200 | 150 |
| 58 | 200 | 150 |
| 59 | 200 | 150 |
| 60 | 10,000 | 500 |
| 61 | | 500 |
| 62 | | 500 |
| 63 | | 500 |
| 64 | | 500 |
| 65 | | 10,000 |

Post Disability Mortality

Post disability mortality relates to the assumed rate of mortality for Members in receipt of a disability pension. This only applies to Members of Division 1 and 2 who continue their DB accrual and receive certain company contributions to their Superannuation Date in addition to their disability pension.

The table below shows specimen rates at various ages (based on 10,000 lives):

| Age | Disability pensioners |
|-----|-----------------------|
| 30 | 236 |
| 35 | 296 |
| 40 | 406 |
| 45 | 600 |
| 50 | 948 |
| 55 | 1,572 |

Post Retirement Mortality

Post retirement mortality relates to the assumed rate of mortality after a Member has left service. This only applies to Members of Division 4 who receive a defined pension after they leave service. Our assumed rates of mortality are those equal to 60% of the rates in the 'Australian Life Table 2015-17' table.

The table below shows specimen rates at various ages (based on 10,000 lives):

| Age | Male Pensioner | Female Pensioner |
|-----|----------------|------------------|
| 55 | 26 | 16 |
| 60 | 39 | 23 |
| 65 | 63 | 37 |
| 70 | 92 | 57 |
| 75 | 158 | 101 |
| 80 | 282 | 190 |
| 85 | 521 | 377 |
| 90 | 912 | 733 |

Marital Statistics and Dependent Children

When a pensioner from Division 4 dies the pension reverts to their spouse or children if they are still alive. To value the pensions payable from Division 4, I have made the following assumptions:

- All Members are married.
- The spouses of male Members are three years younger than the male Member. The spouses of female Members are three years older than the female Member.
- No Members have dependent children.

Expenses

Investment management expenses are allowed for by assuming a net rate of investment return.

Administration, actuarial, audit and other expenses have been allowed for at the level of 0.60% of Members' superannuation salaries each year for Divisions 2, 3 and 15.

Insurance

An allowance for the cost of insurance is included in the calculation of the Normal Cost at the following rates.

| Division | |
|----------|------|
| 2 | 1.7% |
| 3 | 1.8% |
| 15 | 0.3% |

Taxation

I have assumed that the current taxation environment will remain unchanged and that the Plan will remain a complying fund and therefore be entitled to concessional tax treatment. Accordingly, future Plan Sponsor contributions have been assumed to be taxed at 15%.

Surcharge has been abolished from 1 July 2005. Any surcharge liabilities are currently passed on to Members in the form of reduced benefits and I have assumed that this will continue, thus I have not made any allowance for the cost of superannuation surcharge.

Retrenchment Benefits

For the assessment of accrued benefits, I have made no allowance for the payment of retrenchment benefits. The impact of retrenchment benefit payments and their implications for Plan Sponsor contributions have been reviewed explicitly in this report.

Appendix G: Experience analysis

In setting the demographic assumptions for this actuarial review, I have conducted an experience analysis. The purpose of the experience analysis is to review recent Member behaviour and promotional salary increases and use this to inform the assumptions adopted for future expected demographic experience.

Actual Member behaviour was reviewed over the past three years and compared to the assumptions adopted for the 2019 actuarial review. If the experience has differed significantly from that assumed, the assumption is updated to better reflect actual experience, noting that the assumptions are long term and so incremental adjustments may be appropriate.

The demographic assumptions are summarised in the following table along with the changes made for this actuarial review.

| Assumption | Comments |
|------------------------------|---|
| Mortality | Updated to reflect most recent Australian Life Tables (ALT 15-17) |
| Disablement | No change |
| Retirement | No change |
| Resignation | No change |
| Promotional salary increases | Promotional increases for pilots updated to reflect future roll out of aircraft and expected promotions amongst the defined benefit members |

Included in this appendix are examples of the analysis that we have conducted to review the experience (Ground Staff resignations, Division 3 retirements). Similar analysis (not shown here) has been conducted for other sections and demographic assumptions. The conclusions from our experience review are set out below.

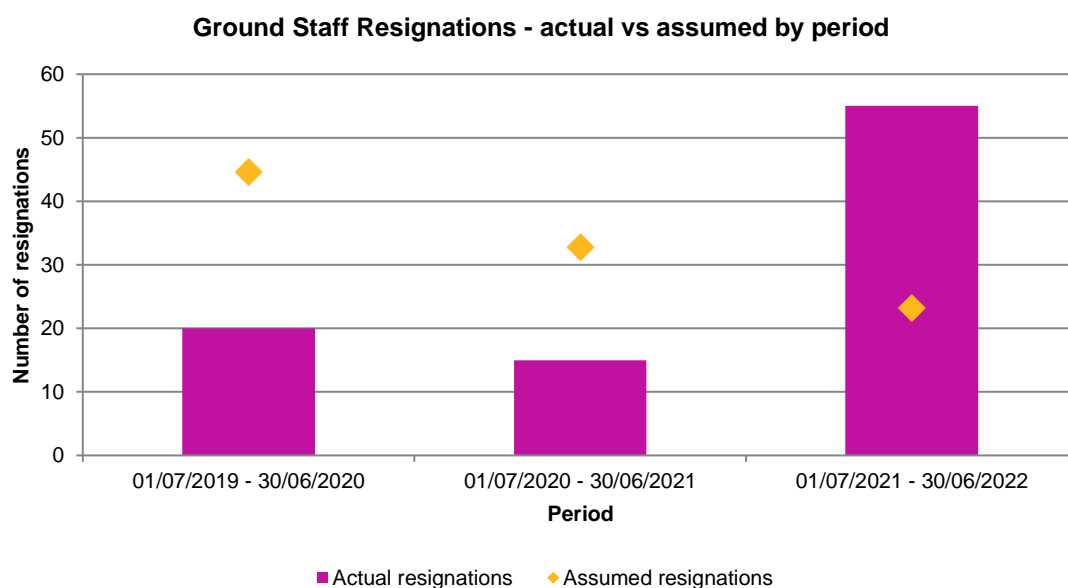
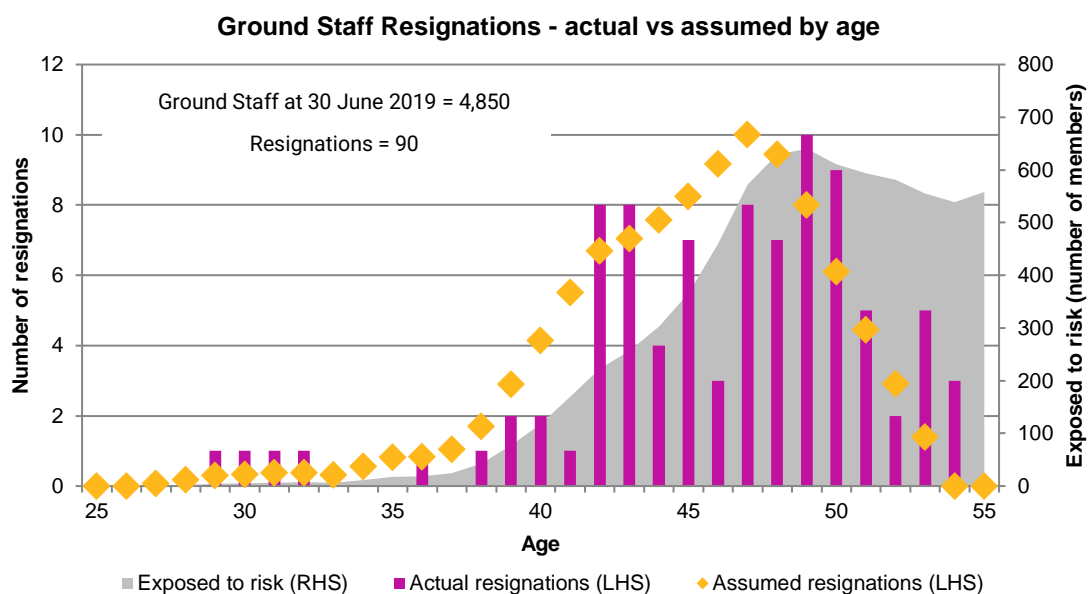
Also included in this appendix is the updated assumption used for promotional increases for pilots.

Ground Staff Resignations

Over the past three years the number of Ground Staff resignations has, in aggregate, been similar to that assumed for the 2019 actuarial review.

Breaking the experience down by period shows the actual number of resignations were less than assumed in 2019/20 and 2020/21 but more than assumed in 2021/22. Noting that 2019/20 and 2020/21 were years where employees were affected by stand down, a possible explanation is that employees that were intending to resign in 2019/20 and 2020/21 delayed their decision due to reduced job opportunities and the risk of not continuing to be eligible for the Government COVID support payments. There was then a catch up of these planned resignations in 2021/22.

Based on the 3 years of experience, the 2019 assumption used for the resignation of Ground Staff members is considered reasonable and therefore was not updated for the 2022 actuarial review.

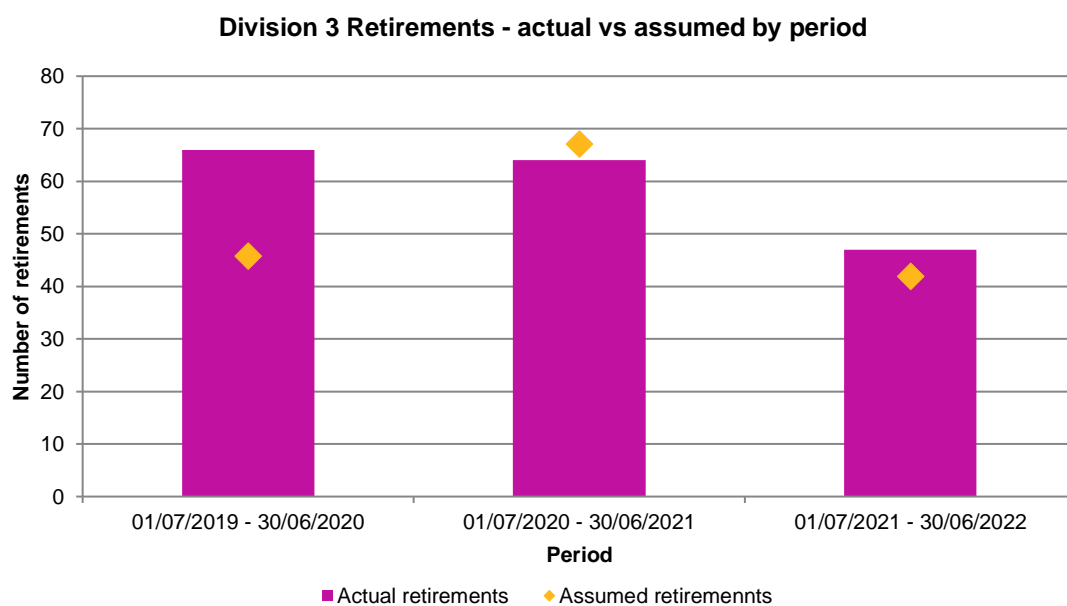
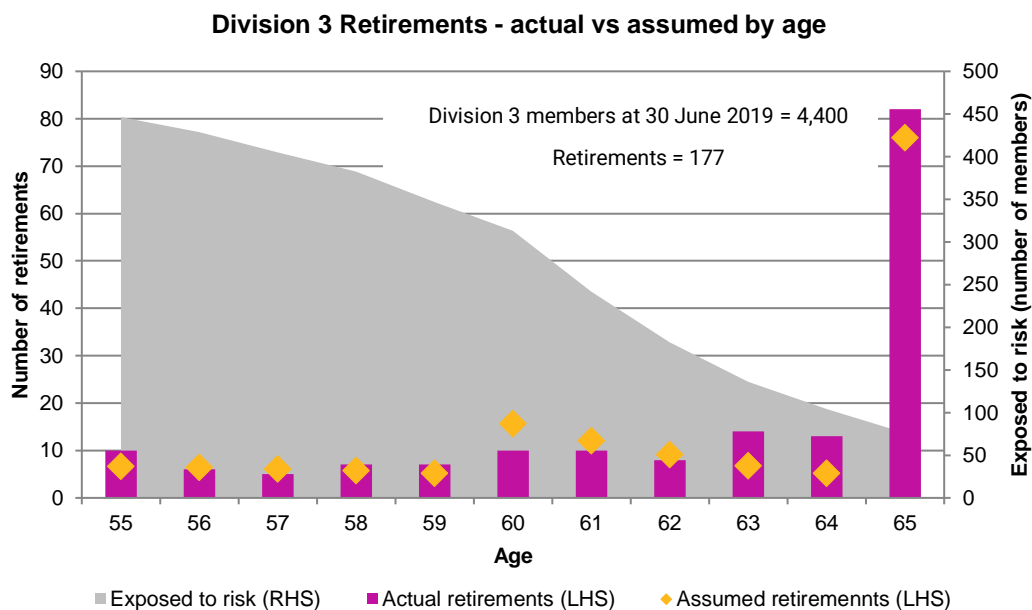


Division 3 retirements

Over the past three years the number of Division 3 retirements has, in aggregate, been similar to that assumed for the 2019 actuarial review.

Even when the experience is broken down by period, the actual number of retirements compares well with the number assumed for the 2019 actuarial review. In this regard it is noted that Division 3 members become a late retirement member when they reach age 65 (i.e. when they reach their Superannuation Date). While they may still be employed and working for the Company, their defined benefits crystallise at age 65 and from that point onwards they have an accumulation style benefit.

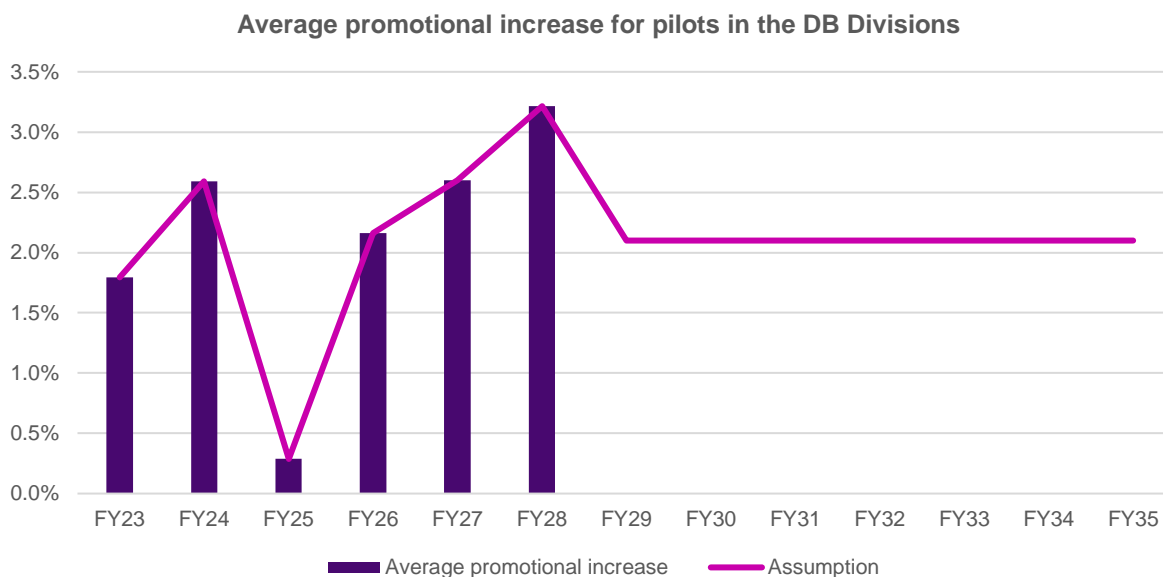
Based on the 3 years of experience, the 2019 assumption used for the retirement of Division 3 members is considered reasonable and therefore was not updated for the 2022 actuarial review.



Promotional salary increases

The Plan Sponsor provided detailed projections setting out its expectations of pilot and fleet numbers and the number and source of internal pilot promotions for the next 6 years. These projections, along with current Enterprise Bargaining Agreements, were used to derive the promotional salary increase assumptions for pilots until FY28.

Promotional scale was updated to reflect the Plan Sponsor's fleet and pilot projections. This change to the promotional salary scale increased the accrued benefits by approximately \$30m.



Appendix H: Further valuation results

This appendix sets out the long-term funding and short-term solvency positions for the entire Plan (i.e. inclusive of the DC Divisions and benefits).

Vested Benefit Index (VBI)

| Vested benefits | 30 June 2022 | 30 June 2019 |
|---------------------------|---------------|---------------|
| Assets (\$m) | 8,059.365 | 8,297.624 |
| Liabilities (\$m) | 7,912.954 | 8,037.571 |
| Surplus / (Deficit) (\$m) | 146.412 | 260.053 |
| VBI | 101.9% | 103.2% |

Accrued Benefit Index (ABI)

| Accrued benefits | 30 June 2022 | 30 June 2019 |
|---------------------------|---------------|---------------|
| Assets (\$m) | 8,059.365 | 8,297.624 |
| Liabilities (\$m) | 7,718.812 | 7,928.860 |
| Surplus / (Deficit) (\$m) | 340.553 | 368.764 |
| ABI | 104.4% | 104.7% |

Retrenchment Benefit Index (RBI)

| Vested benefits | 30 June 2022 | 30 June 2019 |
|---------------------------|---------------|---------------|
| Assets (\$m) | 8,059.365 | 8,297.624 |
| Liabilities (\$m) | 7,997.745 | 8,179.536 |
| Surplus / (Deficit) (\$m) | 61.620 | 118.088 |
| RBI | 100.8% | 101.4% |

I am also required to comment on the coverage of the Minimum Requisite Benefits, as defined in the Superannuation Guarantee legislation, and the benefits payable on the termination of the Plan.

Minimum Requisite Benefit

Under Superannuation Guarantee legislation, employers are required to hold a current Benefit Certificate in respect of the minimum Superannuation Guarantee benefits being provided by a fund. These minimum benefits are known as Minimum Requisite Benefits (MRBs).

The Benefit Certificate, current as at the date of this actuarial review, was issued 2 June 2021 with an effective date 1 July 2021 and expires 1 July 2026.

The SIS legislation also requires a Funding and Solvency Certificate to be in force for any fund that provides Superannuation Guarantee benefits. The certificate aims to certify that the MRBs covered by the Benefit Certificate are adequately secured. If a fund cannot meet its MRB obligations, it is declared 'technically insolvent' under SIS legislation.

The Funding and Solvency Certificate, current as at the date of this actuarial review, was issued 2 December 2021 with an effective date of 1 July 2021 and expires 1 July 2026.

The solvency indicator for the MRBs is the Minimum Requisite Benefits Index (MRBI), as described in SIS Regulation 9.15. At 30 June 2022 the Plan's MRBI was 109.9%. I therefore conclude that the Plan is not 'technically insolvent' under SIS legislation and note that the Plan's trigger events would register the need for intervention before this level was reached.

Termination of the Plan

Rule 4.2 of the Trust Deed states that on the termination of the Plan the Trustee shall make certain provisions for expenses and for benefits due to Members who have already left service. The balance of assets after those provisions are made will be apportioned amongst the current Members at the termination date, consistent with the provisions of the Trust Deed. The requirement to apportion the assets in this way means that the Plan is never technically unable to cover benefits payable on termination of the Plan.

Further, Rule 4.1(b)(ii) requires that if the Plan is terminated, any arrears of contribution shall be paid forthwith. If the Plan is terminated following a significant proportion of Members becoming entitled to maximum retrenchment benefits, an additional contribution might be required from the Plan Sponsor at this time depending on whether the Plan's assets were sufficient to cover the relevant retrenchment liabilities. Although this circumstance is unlikely, it is appropriate for the Plan Sponsor to recognise that this possibility exists.

In the event of termination of the Plan, and in the absence of any other alternatives, it may be necessary to provide for the liability of the Plan with respect to current lifetime pensioners, being former Division 4 Members, or Members in receipt of a permanent incapacity income benefit. This may be achieved through the purchase of suitable pensions from a third-party provider. In my opinion the Plan had sufficient assets at 30 June 2022 to meet the cost of any such purchases without any reduction in the vested benefits of other Members.

Appendix I: Prudential Standard SPS 160

QANTAS SUPERANNUATION PLAN

ACTUARIAL REVIEW AS AT 30 JUNE 2019

This summary provides the information which must be contained in the report of a regular actuarial review, in accordance with paragraph 23 of Prudential Standard SPS 160.

- a. At 30 June 2022 the value of the assets less reserves of the Qantas Superannuation Plan (the Plan) was \$8,059.365m. At 30 June 2022 the value of the DB assets less reserves was \$1,852.787m.
- b. The projected likely future financial position of the Plan the three years following the actuarial review date, and based on my best estimate assumptions, is shown in the following table. These projections exclude DC benefits.

| Date | DB assets less reserves (\$m) | DB Vested Benefits (\$m) | DB VBI (%) |
|--------------|-------------------------------|--------------------------|------------|
| 30 June 2022 | 1,852.8 | 1,706.4 | 108.6% |
| 30 June 2023 | 1,890.0 | 1,764.0 | 107.1% |
| 30 June 2024 | 1,963.9 | 1,834.8 | 107.0% |
| 30 June 2025 | 2,018.5 | 1,896.5 | 106.4% |

- c. In my opinion, the value of the assets of the Plan at 30 June 2022 were adequate to meet the liabilities in respect of the accrued benefits of Members of the Plan (measured as the value of Members' accrued entitlements using the actuarial review assumptions). I consider that the assumptions and actuarial review methods set out in this report are appropriate for determining the accrued benefit liability.
- d. At 30 June 2022 the Plan was in a satisfactory financial position, as defined in SPS 160. In my opinion the Plan does not need to be treated as being in an unsatisfactory financial position. The Shortfall Limit has been maintained at 98%.
- e. At 30 June 2022 the value of the liabilities of the Plan in respect of minimum benefits of the Members was \$7,331.035m. Minimum benefits are as defined in Regulation 5.04 of the Superannuation Industry (Supervision) Regulations.
- f. Funding and Solvency Certificates for the Plan covering the period from 30 June 2019 to 30 June 2022 have been obtained. The Plan was solvent, as defined in the Superannuation Industry (Supervision) Regulations, at 30 June 2022. In my opinion, it is likely that the solvency of the Plan will be able to be certified in any other Funding and Solvency Certificate required under the Regulations during the three year period to 30 June 2025.

- g. It is recommended that the Plan Sponsor contributes at the rates set out in the following table to meet the Normal Cost of DB benefits and insurance benefits for the period to 30 June 2022.

| Division | Recommended contribution (% of superannuation salary) |
|------------------|--|
| DB – Division 1 | <ul style="list-style-type: none"> Contributions in accordance with Rule 12.1(a) 1.5% (to be paid to Foregone Benefits Reserve in line with Rule 7.5(b)(v)) |
| DB – Division 2 | <ul style="list-style-type: none"> Contributions in accordance with Rules 16(a) to (d), 19.1(b)(i) Category A Members: 11.7%¹ Category B Members: 17.2%¹ Category C Members: 13.9%¹ |
| DB – Division 3 | <ul style="list-style-type: none"> 13.9%¹ |
| DB – Division 15 | <ul style="list-style-type: none"> 12.7%¹ |
| DC – Division 5 | <ul style="list-style-type: none"> Administration: 0.25%² Insurance: 1.5% |
| DC – Division 10 | <ul style="list-style-type: none"> Administration: 0.23%¹ Insurance: 0.5% |

1 Contribution from 1 January 2023 with changes in line with the Stepped Regular Plan Sponsor Contributions strategy

2 Determined as part of the 2021 non-investment fee review. The administration fee is subject to an annual cap of \$1,050.

- h. In my opinion, as at 30 June 2022, there is a high degree of probability that the Plan will be able to pay the DB pensions as required under the governing rules.



Nick Callil
Fellow of the Institute of Actuaries of Australia

28 November 2022

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Qantas Superannuation Plan

Summary of Benefits Report for Actuarial Review as at 30 June 2022

28 November 2022

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This report refers to Appendix A of the report of the actuarial review of the Qantas Superannuation Plan conducted as at 30 June 2022. This report summarises the benefits provided in each of the Defined Benefit Divisions of the Plan. For a full description of benefits applicable to all Members of the Plan the Trust Deed should be referred to in the first instance. Should the benefits summarised in this document differ from those in the Trust Deed, the provisions of the Trust Deed apply.

Summary of Division 1 Benefits

Categories of Member

- a. Ground Staff
- b. Flight Attendants
- c. Pilots

On a change in classification as advised by the Company, Members may transfer between the subcategories of membership.

Eligibility

Division 1 of the Plan is closed to new entrants.

Salary for Superannuation Purposes

The definition of Salary for Superannuation Purposes varies with the Member's Category as follows:

- a. Ground Staff:
 - i. Base pay, excluding shift penalties, overtime and most allowances determined by QAL not to be part of base pay.
- b. Flight Attendants:
 - i. Long Haul: Base pay equivalent to 149.6 hours per 56 days plus foreign language allowance but excluding overtime and any other allowances.
 - ii. Short Haul: Base pay equivalent to 140 hours per calendar month, excludes overtime, allowances and shift penalties.
- c. Pilots:
 - i. Long Haul: Base pay equivalent to 132 hours per 56 days plus supervisory and training allowances but excluding overseas pay and any other allowances.
 - ii. Short Haul: Base pay equivalent to 58* hours per calendar month, plus supervisory and training allowances, but excluding any other allowances.

*Increased from 55 hours at 1 September 2007

Member Contributions

The initial level of a Member's contributions is determined according to age at entry to the Plan from the following table:

| Age at joining Plan | % of Superannuation Salary |
|---------------------|----------------------------|
| 25 – 29 | 5 |
| 30 – 34 | 6 |
| 35 – 39 | 7 |
| 40 – 44 | 8 |
| 45 – 49 | 9 |
| 50 or more | 10 |

Subsequent increases in salary give rise to additional contributions at the earlier of the next Annual Review Date or when unrecognised salary increases accumulate to \$1,000 p.a. or more. A percentage contribution rate is determined from the above table based on the Member's age at the date of increase. This rate is then applied to the increase in salary to determine the dollar increase in Member contributions.

This amount is then reduced by two percent (2%) of Superannuation Salary or such lesser percentage which ensures that the Member contribution is not less than 4% of Superannuation Salary. This reduction is called the Deemed Contribution.

Compulsory Member contributions may instead be made by the Company by the way of a Salary Sacrifice Arrangement. The amount of Salary Sacrifice contributions paid pre-tax being equal to the amount of Member contributions payable post tax and taking into account of difference in tax treatments of those contributions being received by the Plan.

The total Member contribution, less any contribution taxes which are or may become payable but before the reduction for deemed contributions, is the Member's Old Contribution.

Member contributions are compulsory until the Members reach their Superannuation Date. Members can make lump sum non-concessional contributions to their Member Surcharge Account and or their Family law Offset Account.

Company Contributions

a. Basic Company Contributions

These vary with category, as follows:

- i. An amount equal to the Member's Old Contribution until the Member has five years' service. Twice the Member's Old Contribution thereafter. (Ground Staff)
- ii. An amount equal to the Member's Old Contribution until the Member has two years' service. Two and a half times the Member's Old Contribution thereafter. (Flight Attendants)
- iii. Two and a half times the Member's Old Contribution. (Pilots)

b. Other Company Contributions

- i. Deemed Contributions, being the excess (if any) of the Member's Old Contributions over the Member's Contributions
- ii. Productivity Contribution, being the excess, if any, of 2% of Superannuation Salary over the Deemed Contributions.
- iii. A further contribution of 1.5% of Superannuation Salary which is made to the Foregone Benefits Reserve.
- iv. Contributions for the GMB (Guaranteed Minimum Benefit) and PSB (Past Service Benefit)

No contributions are made specifically for these benefits, as any GMB and PSB payments are made from the General Assets of the Plan and the amount initially transferred from the GMB Plan to the General Assets was more than sufficient to cover all future GMB and PSB payments.

Member and Company contributions for Disability Members

The Company will continue to contribute for initial incapacitants the amount that it would otherwise have made if the Member was not disabled. Member contributions for initial incapacitants are paid from the Disability Reserve.

For permanent incapacitants, Member contributions are optional. If the Member ceases contributions, then that period is excluded from Credited Service for the purposes of calculating the GMB.

For permanent incapacitants, Company contributions are made from the Disability Reserve. However, productivity and deemed contributions are not payable for permanent incapacitants.

Member's Accumulated Credit

Accumulated Member, Basic Company, Salary Sacrifice and Deemed Contributions with compound interest at the rate declared from time to time by the Trustee after having regard to the net rate earned by the Plan's investments (the Credited Interest Rate) and any amounts credited from the Provident Fund Account, less contribution taxes, mortality and expense charges.

Voluntary Contribution Account

Voluntary additional contributions as an integral percentage of Superannuation Salary may be made from after-tax salary. These contributions are accumulated in the Member's Voluntary Contribution Account with compound interest at Credited Interest Rate.

Salary Sacrifice Account

Voluntary additional contributions as an integral percentage of Superannuation Salary may be made from pre-tax salary under a salary sacrifice arrangement with the Airline. These Salary Sacrifice Additional Contributions (less contributions tax) are accumulated in the Member's Salary Sacrifice Account with compound interest at the Credited Interest Rate.

Productivity Account

Accumulated Productivity Contributions with interest at the Plan's Credited Interest Rate.

Past Service Benefit (PSB)

The additional amount of contributions and interest which would have been included in the Member's Accumulated Credit if the Member had been in their Category at exit throughout their period of membership, and the Basic Company Contributions had been as defined below:

| Category | Basic Company Contributions |
|----------|-------------------------------|
| A | 2 x Member Old Contributions |
| B & C | 2½ x Member Old Contributions |

Final Average Salary

The Member's highest average superannuation salary over any five consecutive Plan years in the ten years preceding retirement or death.

Guaranteed Minimum Benefit (GMB)

Accrued Benefit Multiple (ABM) multiplied by FAS. The GMB shall not be more than 8 times Final Average Salary.

Retirement Date

Retirement may take place on the following dates:

- a. Category A: 1 July following 60th birthday or, with Company consent, at any earlier date on or after 55th birthday.
- b. Category B: 1 July following 55th birthday, or any earlier date on or after the first anniversary of appointment following 55th birthday
- c. Category C: 1 July following 55th birthday or, with Company consent, at any time after age 50.

Retirement Benefit

A benefit comprising:

- a. The greater of:
 - i. GMB, and
 - ii. Member's Accumulated Credit plus the PSB; plus
- b. Productivity Account; plus
- c. Rollover Account; plus
- d. Voluntary Contribution Account; plus
- e. Salary Sacrifice Account; less
- f. Surcharge Account and less;

- g. Family Law Account.

Early Retirement Date

The Early Retirement Date for Members of Division 1 who so elect may be any date not more than 5 years prior to the Member's Superannuation Date and shall apply to:

- a. Category B Member who has completed more than 20 years Credited Service; or
- b. Category C Member classified as a Member of the Pilots prior to 1 July 1968; or
- c. Category C Member who becomes classified as a Member of the Pilots on or after 1 July 1968 and who has completed more than 20 years of Credited Service.

With company consent Members may also be deemed as reaching their Early Retirement Date in the following circumstances:

- a. Category A Members greater than or equal to age 55
- b. Category B or C Members greater than or equal to age 45
- c. Category B or C Members with credited service since Date Joined Company greater than or equal 20 years.

Early Retirement Benefit

A benefit comprising the sum of:

- a. Member's Accumulated Credit;
- b. Past Service Benefit;
- c. Rollover Account;
- d. Productivity Account;
- e. Voluntary Contribution Account;
- f. Salary Sacrifice Account; less
- g. Surcharge Account; and less
- h. Family Law Account.

Death Benefit

A benefit comprising the sum of:

- a. Item 1 - The greater of the Member's Accumulated Credit and the Insured Benefit (calculated from a table of endowment assurance annual premium rates, listed in Schedule 1, using Old Member and Basic Company contributions);
- b. Item 2 - Provided the Member has a dependant, the Past Service Sum Insured (calculated by applying the PSB as a premium to a table of endowment assurance single premium rates, listed in Schedule 2); and
- c. The excess of the Guaranteed Minimum Benefit over the sum of Item 1 and Item 2 above (provided the Member has a Dependant);

- d. Productivity Account;
- e. Rollover Account;
- f. Voluntary Contribution Account;
- g. Salary Sacrifice Account; less
- h. Surcharge Account; less
- i. Family Law Account; and
- j. Additional Death Benefit, if any.

Disability Benefit

A benefit comprising the sum of:

- a. 70% of superannuation salary as a pension in monthly instalments (or payable as determined by the Trustee);
- b. less an adjustment for any income or lump sum benefit received in respect of the disability and for income from other paid work; plus
- c. an amount set to meet the cost of health insurance premiums.

In addition, Company contributions continue to be allocated to the Member's Accumulated Credit. These contributions are paid from the Disability Reserve after the first year of disablement. The Member may also continue to contribute.

On subsequent death or retirement the normal benefits apply, except that the GMB is ignored unless the Member elected to continue to contribute throughout the period of payment of the disability income.

Total and Permanent Disablement Benefit

A benefit comprising:

- a. the greater of:
 - i. Member's Accumulated Credit plus the Past Service Benefit, and
 - ii. if the Member has a dependant, the Guaranteed Minimum Benefit calculated as if the Member had continued in employment until the Superannuation Date; or
 - iii. an amount not exceeding the Death Benefit with the Trustee's and the Principal Company's consent.
- b. Rollover Account; plus
- c. Voluntary Contribution Account; plus
- d. Salary Sacrifice Account; less
- e. Surcharge Account; and less
- f. Family Law Account.

The benefit may be reduced by any previous Disability Benefit paid and any lump sum, workers compensation or insurance payments received in respect of disability under the Company's policies or such lower amount agreed between the Company and the Trustee.

The benefit is subject to a minimum of the benefit payable if Member voluntarily exited on the date of Disablement. With the Trustee's and the Company's consent, the benefit can be increased to equal the Member's Death Benefit.

Where a Member is classified as totally and permanently disabled while in receipt of a disability pension may in lieu of the lump sum benefit described above, elect to continue to receive the disability pension according to the Rules of the Plan.

Where a Member who is not in receipt of a disability pension is classified as totally and permanently disabled, the Member may in lieu of the lump sum benefit described above, elect to receive a disability pension according to the Rules of the Plan.

Serious Ill Health Benefit

A benefit comprising the sum of:

- a. the greater of:
 - i. Member's Accumulated Credit; and
 - ii. Guaranteed Minimum Benefit discounted by 3% p.a. for the number of years between the date of termination and the Member's Superannuation Date; plus
 - iii. Productivity Account;
- b. Rollover account;
- c. Voluntary Contribution Account;
- d. Salary Sacrifice Account; less
- e. Surcharge Account; less
- f. Family Law Account.

Withdrawal Benefit for Members over five years Credited Service

A benefit comprising:

- a. Member Account; plus
- b. Deemed Account; plus
- c. Productivity Account; plus
- d. Rollover Account; plus
- e. Voluntary Contribution Account; plus
- f. Salary Sacrifice Account; less
- g. Surcharge Account; and less
- h. Family Law Account; plus

- i. Vesting Factor multiplied by the excess of the Member's Accumulated Credit over the Member Contribution Balance, where the Vesting Factor is determined from the following table:

| Credited Service | Category A | Categories B and C |
|------------------|------------|--------------------|
| 5 | 0 | 0 |
| 6 | 0.0667 | 0.1000 |
| 7 | 0.1333 | 0.2000 |
| 8 | 0.2000 | 0.3000 |
| 9 | 0.2667 | 0.4000 |
| 10 | 0.3333 | 0.5000 |
| 11 | 0.4000 | 0.6000 |
| 12 | 0.4667 | 0.7000 |
| 13 | 0.5333 | 0.8000 |
| 14 | 0.6000 | 0.9000 |
| 15 | 0.6667 | 1.0000 |
| 16 | 0.7333 | 1.0000 |
| 17 | 0.8000 | 1.0000 |
| 18 | 0.8667 | 1.0000 |
| 19 | 0.9333 | 1.0000 |
| 20 | 1.0000 | 1.0000 |

Subject to Company consent, the Vesting Factor may be increased to a maximum of 1.00.

Member's Surcharge Account

The amounts paid to the ATO in respect of a Member (less any Surcharge Offset Contributions) are accumulated in the Member's Surcharge Account with compound interest at the Credited Interest Rate.

Surcharge Offset Contributions

Members may make voluntary surcharge offset contributions on an after-tax or pre-tax basis of amounts not exceeding the balance of the Member's Surcharge Account. These contributions are applied as deductions to the Member's Surcharge Account.

Member's Family Law Account

The amounts paid in respect of a Non-Member Spouse (less any Family Law Offset Contributions) and any costs charged by the Trustee are accumulated in the Member's Family Law Account with compound interest at the Credited Interest Rate.

Family Law Offset Contributions

Members may make voluntary family law offset contributions on an after-tax or pre-tax basis of amounts not exceeding the balance of the Member's Family Law Account. These contributions are applied as deductions to the Member's Family Law Account.

Summary of Division 2 Benefits

Plan Categories

- a. Ground Staff
- b. Flight Attendants
- c. Pilots

Eligibility

Division 2 is closed to new entrants

Salary for Superannuation Purposes

The definition of Salary for Superannuation Purposes varies with the Member's Category as follows:

- a. Ground Staff:
 - i. Base pay, excluding shift penalties, overtime and most allowances.
- b. Flight Attendants:
 - i. Long Haul: Base pay equivalent to 149.6 hours per 56 days plus foreign language allowance but excluding overtime and any other allowances.
 - ii. Short Haul: Base pay equivalent to 140 hours per month excluding any allowances, overtime and shift penalties.
- c. Pilots:
 - i. Long Haul: Base pay equivalent to 132 hours per 56 days plus supervisory and training allowances, but excluding overseas pay and any other allowances.
 - ii. Short Haul: Base pay equivalent to 58* hours per calendar month, plus supervisory and training allowances, but excluding any other allowances.

*Increased from 55 hours at 1 September 2007.

Member Contributions

Members contribute a percentage of Superannuation Salary in accordance with the following table:

| Age at joining Plan | % of Superannuation Salary |
|---------------------|----------------------------|
| Less than 25 years | 4 |
| 25 but under 35 | 5 |
| 35 years and over | 6 |

Members who have transferred from Australian Airlines plans contribute 5% of Superannuation Salary.

This contribution is credited to the Member Account and accumulated with compound interest at the rate declared from time to time by the Trustee after having regard to the net rate earned by the Plan's investments (the Credited Interest Rate).

This compulsory contribution may instead be made by the Company by the way of a Salary Sacrifice Arrangement. The amount of Salary Sacrifice contribution paid pre-tax is equal to the amount of Member contributions payable post tax, taking into account the difference in tax treatments of those contributions being received by the Plan.

In addition, Members may make extra voluntary contributions on a pre or post tax basis.

Company Contributions

The Company contributes the following amounts:

- a. 3% of the Member's Superannuation Salary paid into the Productivity Account,
- b. 2% of the Member's Superannuation Salary paid into the Company Account,
- c. for transfers from Division 1, the Company Contribution referred to in (b) above is increased by an amount as set out in the following table:

| Period from Date joined Plan to Superannuation Date | Extra Company Contribution (%) |
|---|--------------------------------|
| 35 or more | Nil |
| 30 to 34 | 2 |
| 25 to 29 | 4 |
| 20 to 24 | 6 |
| 15 to 19 | 8 |
| 10 to 14 | 10 |
| 0 to 9 | 12 |

- d. plus such other sum as advised by the Actuary as being necessary to provide the overall benefits.

Final Average Salary

The Member's highest average annual Superannuation Salary over any three consecutive Plan years in the ten years preceding retirement or death.

Retirement Date

Retirement may take place on the following dates:

- a. Category A: 1 July following 60th birthday or, with Company consent, at any time after age 55.
- b. Category B: 1 July following 55th birthday, or with Company consent, at any earlier date on or after the first anniversary of appointment after age 55
- c. Category C: 1 July following 55th birthday or, with Company consent, any time after age 50.

Accrued Retirement Benefit

- a. Category A: 11.0% of Final Average Salary for each year of Credited Service before 1 July 1988 plus 9.3% of Final Average Salary for each year of service after 1 July 1988; or
- b. Categories B & C: 12.5% of Final Average Salary for each year of Credited Service before 1 July 1988 plus 10.6% of Final Average Salary for each year of service after 1 July 1988;

discounted by 1% for each year that the day of ceasing Membership precedes the 50th birthday for Category B and C Members or the 55th birthday for Category A Members.

Credited Service excludes any period of employment prior to 1 July 1995 for Australian Airlines transfers. A TN multiple was recorded as at 30 June 1995 for AA Members' Credited Service prior to 1 July 1995 for the calculation of their benefit entitlement.

TN Accrued Retirement Benefit

For transfers from the Australian Airlines plans the TN Accrued Retirement Benefit is:

- $TN \text{ Final Average Salary} \times (\text{Transfer Multiple 1} \times D \times M + \text{Transfer Multiple 2})$

where:

Transfer Multiple 1: 9% of service in the AAFASS, 10% of service in the CSS or AAGSP after 30 June 1981 and 16.66% of service in the CSS prior to 1 July 1981.

Transfer Multiple 2: 5% of service in the AAFASS and the contributory section of the AAGSP.

D: $1 - 0.01 \times \text{Number of years between exit and the Member's 55th birthday (for Category A Members) and the Member's 50th birthday (for Category B and C Members)}$.

D only applies for the withdrawal and serious ill health benefits (i.e. D equals 1 in all other cases).

M: The factor set out in 3.16 below. M only applies on withdrawal (i.e. M equals 1 in all other cases).

Retirement Benefit or Early Retirement Benefit

A benefit comprising the sum of:

- a. Member Account;
- b. Member Extra Account;
- c. Company Account plus Company Account Portability Offset Account (if any);
- d. Productivity Account;
- e. Salary Sacrifice Account;
- f. Rollover Account;
- g. Transfer Account;
- h. Accrued Retirement Benefit;

- i. TN Accrued Retirement Benefit;
- j. 'prior service amount' for former AAGSP Members;
- k. Surcharge Account; and
- l. Family Law Account.

For transfers from Australian Airlines Plans the Retirement Benefit is subject to a minimum of the retirement benefit which the Member would have been entitled to under the rules of their old plan as described below.

Australian Airlines Retirement Benefit Guarantee

A. For former AAGSP members, the retirement benefit is subject to a minimum of the sum of:

- i. For Members with less than 4 years' service:
- ii. The greater of
 - a) Benefit Rate x AAGSP membership x TN FAS; and
 - b) Member Account;
- iii. 3% x AAGSP membership x TN FAS
- iv. Transfer Account
- v. Member Extra Account;
- vi. Salary Sacrifice Account;
- vii. Rollover Account; less
- viii. 'prior service amount'; less
- ix. Surcharge Account; less
- x. Family Law Account

where Benefit Rate is

- 7 1/3% for Members with less than two years' service;
- 8 2/3% for Members with two to three years' service; and
- 10% for Members with between three and four years' service.

- i. For Members with more than 4 years' service:
 - (a) 18% x (post 30 June 1981 AAGSP + post 30 June 1981 CSS membership) x TN FAS;
 - (b) 16 2/3% x pre 1 July 1981 CSS membership x TN FAS;
 - (c) Transfer Account;
 - (d) Member Extra Account;
 - (e) Salary Sacrifice Account;
 - (f) Rollover Account; less
 - (g) 'prior service amount'; less

- (h) Surcharge Account; and less
 - (i) Family Law Account.
- B. For former AAFASS members, the retirement benefit is subject to a minimum of the sum of:
- a. The greater of
 - i. Benefit Rate* x TN Final Average Salary x AAFASS membership;
 - ii. Notional Member Account plus the Transfer Account; plus
 - iii. if Member joined fund prior to 1 September 1979, twice the Notional Member Account; plus
 - b. Notional Productivity Account;
 - c. Transfer Account;
 - d. Member Extra Account;
 - e. Salary Sacrifice Account;
 - f. Rollover Account; less
 - g. Surcharge Account; and less
 - h. Family Law Account.

where Benefit Rate is:

- If Benefit Service is greater than 19 years and after age 50:

| Age at Ceasing Service | Benefit Rate |
|------------------------|--------------|
| 50 | 13.0 |
| 51 | 13.2 |
| 52 | 13.4 |
| 53 | 13.6 |
| 54 | 13.8 |
| 55 | 14.0 |

- If Benefit Service is 19 years or less or age is less than 50:

| Years of Benefit Service | Benefit Rate |
|--------------------------|--------------|
| 0 – 4 | 7.0 |
| 4 | 10.0 |
| 5 | 10.2 |
| 6 | 10.4 |
| 7 | 10.6 |
| 8 | 10.8 |

| Years of Benefit Service | Benefit Rate |
|--------------------------|--------------|
| 9 | 11.0 |
| 10 | 11.2 |
| 11 | 11.4 |
| 12 | 11.6 |
| 13 | 11.8 |
| 14 | 12.0 |
| 15 | 12.2 |
| 16 | 12.4 |
| 17 | 12.6 |
| 18 | 12.8 |
| 19 | 13.0 |

- C. For former AAPAF members, the retirement benefit is subject to a minimum equal to the sum of:
- Member Account;
 - Member Extra Account;
 - Salary Sacrifice Account;
 - Rollover Account;
 - Notional Company Account; less
 - Surcharge Account; and less
 - Family Law Account.

Where the Notional Company Account is an accumulation of contributions at 10% of the AAPAF Salary less contributions tax and expenses.

Late Retirement Benefit

The Retirement Benefit (subject to an Australian Airlines Guarantees for transferees) calculated at the Superannuation Date together with any further contributions increased with interest credited at the Plan's Credited Interest Rate for the selected MIC option or the declared return on DB assets for benefits with an Australian Airline Guarantee between the Superannuation Date and the date of retirement.

Death Benefit

A benefit comprising of the sum of the following:

A. For Members with surviving dependants, the greater of:

a. The sum of:

- i. Member Account (including contributions which would have been paid if the Member remained in Service until Superannuation Date based on the Superannuation Salary of the Member at the date of death);
- ii. Member Extra Account
- iii. Company Account (including contributions which would have been paid if the Member remained in Service until Superannuation Date based on the Superannuation Salary of the Member at the date of death) plus Company Account Portability Offset Account (if any);
- iv. Productivity Account;
- v. Salary Sacrifice Account;
- vi. Rollover Account,
- vii. Transfer Account;
- viii. Accrued Retirement Benefit without discounting (assuming the Member remained in employment until the Superannuation Date);
- ix. TN Accrued Retirement Benefit;
- x. less the 'prior service amount' for transfers from AAGSP; less
- xi. Surcharge Account; and less
- xii. Family Law Account.

b. The sum of:

- i. 5 x Superannuation Salary;
- ii. Member Account;
- iii. Member Extra Account;
- iv. Rollover Account;
- v. Productivity Account;
- vi. Insurance Portability Offset Account (if any);
- vii. Salary Sacrifice Account; less
- viii. Surcharge Account; and less
- ix. Family Law Account.

- B. For Members without surviving dependants, the greater of:
- a. the sum of:
 - i. Member Account;
 - ii. Member Extra Account;
 - iii. Company Account plus Company Account Portability Offset Account (if any);
 - iv. Productivity Account;
 - v. Salary Sacrifice Account;
 - vi. Rollover Account;
 - vii. Transfer Account;
 - viii. Accrued Retirement Benefit without discounting;
 - ix. TN Accrued Retirement Benefit;
 - x. less the 'prior service amount' for transfers from AAGSP; less
 - xi. Surcharge Account; and less
 - xii. Family Law Account
 - b. The sum of:
 - i. 3 x Superannuation Salary;
 - ii. Member Account;
 - iii. Member Extra Account;
 - iv. Rollover Account;
 - v. Productivity Account;
 - vi. Insurance Portability Offset Account (if any);
 - vii. Salary Sacrifice Account; less
 - viii. Surcharge Account; and less
 - ix. Family Law Account.

The Death Benefit in respect of a Member who died:

- a. on the superannuation Date, shall be equal to the Retirement Benefit; and
- b. after the Superannuation Date, shall be equal to the Late Retirement Benefit.

For transferees from Australian Airlines Plans, the Death Benefit is subject to a minimum of the greater of:

- a. the death benefit which would have been payable to the Member had the Member died on 30 June 1995, calculated as per the rules of the old TN plan less any amounts transferred out under portability or splitting; and
- b. the withdrawal benefit which would have been payable to the Member had the Member voluntarily left service on 30 June 1995, calculated as per the rules of the old TN plan less the Surcharge Account and the Family Law Account.

Note that the Surcharge and Family Law Accounts are not deducted from the minimum Death benefit as at the date of transfer.

The death benefit as determined above is increased by the amount the Additional Death benefit, if any.

Disability Benefit (Temporary or TPD)

Disability Benefit is payable to Members assessed as Initial Incapacitants for the period considered to be Totally but Temporarily Disabled. The benefit is generally payable while the Member remains Totally but Temporarily Disabled or until becoming entitled to another Plan benefit.

Where the Member is subsequently assessed as being a Permanent Incapacitant the Benefit is payable to Superannuation date, at which time the Members retirement benefit at that date will be payable.

The benefit is an annual pension during disablement equal to 70% of Superannuation Salary (less an adjustment for any income or lump sum benefit received in respect of the disability and for income from other paid work), plus health insurance premiums if the Member was insured for health benefits at time of disablement.

Transferees from the AAFASS, AAGSP and AAFAS have an option on Total and Permanent Disablement, to take a lump sum equal to the fixed dollar amount that would have been payable on the Total and Permanent Disablement immediately prior to transfer, less any amounts transferred under portability or splitting.

Serious Ill Health Benefit

A benefit comprising sum of:

- a. Member Account;
- b. Member Extra Account;
- c. Company Account;
- d. Company Account Portability Offset Account
- e. Productivity Account;
- f. Salary Sacrifice Account;
- g. Rollover Account;
- h. Transfer Account;
- i. Accrued Retirement Benefit;
- j. TN Accrued Retirement Benefit;
- k. less the 'prior service amount' for transfers from AAGSP; less
- l. Surcharge Account; and less
- m. Family Law Account.

With the consent of the Trustee and the Principal Employer the benefit may be increased to equal the Death Benefit. The discretion has only been exercised in circumstances in which the Member is suffering from a terminal illness with medical evidence.

For transferees from Australian Airlines Plans, the Serious Ill-Health Benefit defined above is subject to a minimum of the leaving service benefit to which the Member would have been entitled under the rules of their Australian Airlines Plan (see below).

Withdrawal Benefit

The sum of the following:

- a. Member Account;
- b. Member Extra Account;
- c. Company Account Portability Offset Account;
- d. the Productivity Account;
- e. Salary Sacrifice Account;
- f. Rollover Account;
- g. Transfer Account;
- h. $M \times$ (the Company Account plus the Accrued Retirement Benefit);
- i. TN Accrued Retirement Benefit;
- j. less the 'prior service amount' for transfers from AAGSP; less
- k. Surcharge Account; and less
- l. Family Law Account

where:

M: 100% for Member leaving after age 50 for Categories B & C or age 55 for Category A.
Otherwise M is determined as per the following table:

| Credited Service | M | Credited Service | M |
|--------------------|-------|------------------|--------|
| Less than one year | 0.00 | 8 | 53.33 |
| 1 | 6.67 | 9 | 60.00 |
| 2 | 13.33 | 10 | 66.67 |
| 3 | 20.00 | 11 | 73.33 |
| 4 | 26.67 | 12 | 80.00 |
| 5 | 33.33 | 13 | 86.67 |
| 6 | 40.00 | 14 | 93.33 |
| 7 | 46.67 | 15 years or more | 100.00 |

For transferees from Australian Airlines plans, the withdrawal benefit is subject to a minimum of the benefit which the Member would have been entitled to under the rules of their Australian Airlines plan (as described below).

Australian Airlines Withdrawal Benefit Guarantee

A. For former AAGSP Members the resignation benefit is subject to a minimum equal to the sum of:

- i. the greater of:
 - a) Member Account if AAGSP service is less than 4 years; and
 - b) $\text{Benefit Rate} \times \text{AAGSP membership since 1 January 1987} + 10\% \times \text{AAGSP membership prior to 1 January 1987} \times \text{TN FAS}$;
- ii. $3\% \times \text{AAGSP membership since 1987} \times \text{TN FAS}$; plus
- iii. Transfer Account; plus
- iv. Member Extra Account; plus
- v. Salary Sacrifice Account; plus
- vi. Rollover Account; less
- vii. 'prior service amount'; and less
- viii. Surcharge Account and Family Law Account.

where Benefit Rate is:

- if the Member is 35 or more and AAGSP membership is 4 years or more,

$$10\% + 5\% \times \frac{\text{Years of Membership Since Entry}}{\text{Years of Membership until 55}}$$
- if AAGSP membership is over 3 years and the Member is less than 35, 10%;
- if AAGSP membership is between 2 and 3 years, $8 \frac{2}{3}\%$; or
- if AAGSP membership is less than 2 years, $7 \frac{1}{3}\%$.

B. For former AAFASS members, the resignation benefit is subject to a minimum of the sum of:

- i. $\text{Benefit Rate} \times \text{TN Final Salary} \times \text{Benefit Service}$;
- ii. the Productivity Account;
- iii. the Transfer Account;
- iv. the Member Extra Account;
- v. the Salary Sacrifice Account;
- vi. the Rollover Account; less
- vii. the Surcharge Account and Family Law Account.

where Benefit Rate is:

- If Benefit Service is greater than 19 years and after age 50:

| Age at Ceasing Service | Benefit Rate |
|------------------------|--------------|
| 50 | 13.0 |
| 51 | 13.2 |
| 52 | 13.4 |
| 53 | 13.6 |
| 54 | 13.8 |
| 55 | 14.0 |

- If Benefit Service is 19 years or less or age is less than 50:

| Years of Benefit Service | Benefit Rate |
|--------------------------|--------------|
| 0 – 4 | 7.0 |
| 4 | 10.0 |
| 5 | 10.2 |
| 6 | 10.4 |
| 7 | 10.6 |
| 8 | 10.8 |
| 9 | 11.0 |
| 10 | 11.2 |
| 11 | 11.4 |
| 12 | 11.6 |
| 13 | 11.8 |
| 14 | 12.0 |
| 15 | 12.2 |
| 16 | 12.4 |
| 17 | 12.6 |
| 18 | 12.8 |
| 19 | 13.0 |

- A. For former AAPAF members, the resignation benefit under the old rules is the sum of the following accounts:
- i. the Member Account;
 - ii. the Member Extra Account;
 - iii. the Salary Sacrifice Account; and
 - iv. the Notional Company Account;
 - v. the Company Account Portability Offset Account; less
 - vi. the Surcharge Account; and less
 - vii. Family Law Account.
 - viii. Notional Company account receives contributions at 10% of salary, based on salary as defined for the purpose of benefit guarantees in respect of former AAPAF members.

Member's Surcharge Account

The amounts paid to the ATO in respect of a Member (less any Surcharge Offset Contributions) are accumulation in the Member's Surcharge Account with compound interest at the Credited Interest Rate.

Surcharge Offset Contributions

Members may make voluntary surcharge offset contributions on an after-tax or pre-tax basis of amounts not exceeding the balance of the Member's Surcharge Account. These contributions are applied as deductions to the Member's Surcharge Account.

Member's Family Law Account

The amounts paid in respect of a Non-Member Spouse (less any Family Law Offset Contributions) and any costs charged by the Trustee are accumulation in the Member's Family Law Account with compound interest at the Credited Interest Rate.

Family Law Offset Contributions

Members may make voluntary family law offset contributions on an after-tax or pre-tax basis of amounts not exceeding the balance of the Member's Family Law Account. These contributions are applied as deductions to the Member's Family Law Account.

Summary of Division 3 Benefits

Plan Categories

- a. Ground Staff
- b. Flight Attendants
- c. Pilots

Members cannot transfer categories within this group.

Eligibility

Division 3 is closed to new entrants.

Salary for Superannuation Purposes

The definition of Salary for Superannuation Purposes varies with the Member's Category as follows:

- a. Ground Staff:
 - i. Base pay plus shift penalties but excluding overtime and most allowances as determined by the Principal Company not to be part of base pay
- b. Flight Attendants:
 - i. Long Haul: Base pay equivalent to 187 hours per 56 days plus foreign language allowance but excluding overtime and any other allowances
 - ii. Short Haul: Base pay equivalent to 140 hours per month plus actual band payments but excluding overtime and any other allowances.
- c. Pilots:
 - i. Long Haul: Base pay equivalent to 170 hours per 56 days plus supervisory and training allowances, but excluding overseas pay and any other allowances.
 - ii. Short Haul: Base pay equivalent to 58* hours per month plus supervisory and training allowances but excluding any other allowances.

*Increased from 55 hours at 1 September 2007.

Member Contributions

Each Member contributes at 5% of Superannuation Salary.

This compulsory contribution may instead be made by the Company by the way of a Salary Sacrifice Arrangement. The amount of Salary Sacrifice Contributions paid pre-tax is equal to the amount of Member contributions payable post tax and taking into account of difference in tax treatments of those contributions being received by the Plan.

Member Voluntary Contributions

The Member can make lump sum non-concessional contributions to their surcharge offset account and/or their Family Law Offset Account.

Members may elect to make additional after-tax contributions to the Voluntary Contribution Account, together with compound interest at the Credited Interest Rate.

Voluntary Salary Sacrifice Contributions

Members may make additional contributions on a pre-tax basis.

Company Contributions

As advised by the Actuary as being sufficient to provide benefits.

Final Average Salary

The greater of:

- the Member's highest average annual Superannuation Salary over any three consecutive Plan Years out of the most recent ten Plan Years preceding retirement or death
- the average annual Superannuation Salary over the three years to the date of calculation.

Final Year Salary

Average Superannuation Salary over the one year prior to the date of calculation.

Retirement Date

Any date between the Member's 55th and 65th birthday.

Accrued Retirement Benefit

$18\% \times \text{FAS} \times \text{Credited Service}$ as a Division 3 member.

Note that for:

- a. transfers from Division 2, the ARB is increased by "Division 2 FAS" (as defined in Division 2) multiplied by:
 - i. for Category B and C Members, $12.5\% \times \text{Credited Service before 1 July 1988}$ plus $10.6\% \times \text{Credited Service between 1 July 1988 and 30 June 1995}$;
 - ii. for Category A Members, $11\% \times \text{Credited Service before 1 July 1988}$ plus $9.3\% \times \text{Division 2 Credited Service between 30 June 1988 and 30 June 1995}$.
- b. transfers from the AAFASS or the contributory section of the AAGSP, the ARB is increased by:
 - i. $\text{TN FAS} \times \text{TN Service Multiple}$ (as at 30 June 1995).

Projected Retirement Benefit

18% of Final Year Salary for each year of service from the current date to age 65 multiplied by the member's part-time factor at date of determination, plus the Accrued Retirement Benefit calculated using Final Year Salary instead of Final Average Salary.

Supplementary Benefit

A benefit comprising the sum of:

- a. Voluntary Contribution Account;
- b. Salary Sacrifice Account;
- c. Rollover Account;
- d. Transfer Account;
- e. Company Contribution Account (only for Members who transferred from Division 3A to Division 3); less
- f. 'prior service amount' for former AAGSP members; less
- g. Surcharge Account; and less
- h. Family Law Account.

Retirement Benefit

A benefit comprising the sum of:

- a. the Accrued Retirement Benefit; and
- b. the Supplementary Benefit.

Late Retirement Benefit

The Retirement Benefit calculated at the Member's 65th birthday plus any further contributions under the Rules (including SG contributions) plus interest credited at the Plan's Credited Interest Rate between the Member's 65th birthday and the date of retirement.

Death or Total and Permanent Disablement Benefit

A benefit comprising the sum of:

- a. the Projected Retirement Benefit; and
- b. the Supplementary Benefit.

The Total and Permanent Disablement Benefit is reduced by an adjustment for any income or lump sum benefit received in respect of the disability and for income from other paid work.

Note that the TPD benefit is never less than the resignation/retirement benefit as the Trustee has always restricted the offsetting amount to a maximum of the difference between the unreduced TPD benefit and the resignation/retirement benefit.

The death benefit is increased by the amount if any of the Additional Death Benefit.

Temporary Disability Benefit

A pension equivalent to 75% of Final Year Salary payable for a maximum of two years. The pension is reduced by an adjustment for any income or lump sum benefit received in respect of the disability and for income from other paid work.

The Trustee may also pay the cost of the member's health insurance premiums during the period of disability.

Retrenchment Benefit

A benefit comprising the sum of:

- a. the Accrued Retirement Benefit; and
- b. the Supplementary Benefit.

Withdrawal Benefit

A benefit comprising the sum of:

- a. the Supplementary Benefit.
- b. $BR \times \text{Credited Service} \times \text{Final Average Salary} \times (1-D)$;

where

BR is determined from the following table:

| Complete Years of Service* | BR |
|----------------------------|-----|
| 0 | 13% |
| 1 | 14% |
| 2 | 15% |
| 3 | 16% |
| 4 | 17% |
| 5+ | 18% |

* Service includes service in both the Qantas plan and any previous plan.

- In the case of a Member who has been in part time employment at any time, for the purposes of determining BR, credited service will be determined as if the Member had been in full time employment.
 - For a Member with less than 5 years of credited service, at the request of the Principal Company, BR may be increased to a higher percentage not exceeding 18%.
- D: equals the lesser of 0.3 and $0.01 \times$ the number of years remaining until the member's 55th birthday.

For transfers from Division 2 the Withdrawal Benefit, is increased by:

Final Average Salary (Division 2) $\times V \times (1 - D) \times A$

where

- A: is $12.5\% \times \text{Credited Service before 1 July 1988}$ plus $10.6\% \times \text{Credited Service between 30 June 1988 and 30 June 1995}$ for Category B and C Members; and $11\% \times \text{Credited Service before July 1988}$ plus $9.3\% \times \text{Credited Service between 30 June 1988 and 30 June 1995}$ for Category A Members.
- V: is the lesser of 1 and $0.2 \times \text{Credited Service (in Qantas Plan and in a TN previous plan)}$.
- D: is as defined above.

For transfers from the AAFASS or the Contributory Section of the AAGSP with greater than five years credited service, the Withdrawal Benefit is increased by:

$\text{TN FAS} \times (1-D) \times \text{TN Service Multiple (at 30 June 1995)}$

where

- D: is as defined above.
- BR: is as defined above

Member's Surcharge Account

The amounts paid to the ATO in respect of a Member (less any Surcharge Offset Contributions) are accumulated in the Member's Surcharge Account with compound interest at the Credited Interest Rate.

Member's Family Law Account

The amounts paid in respect of a Non-Member Spouse (less any Family Law Offset Contributions) and any costs charged by the Trustee are accumulated in the Member's Family Law Account with compound interest at the Credited Interest Rate.

Summary of Division 4 Benefits

Division 4 was created on 31 July 1995 to accommodate a closed group of approximately 300 former Australian Airlines employees who were required to cease active membership of the Commonwealth Superannuation Scheme (CSS) when the Government ceased to be a majority owner of Qantas.

On retirement these members are entitled to a lifetime pension that increases each year with CPI. A reversionary pension is payable if the member has a surviving spouse or surviving dependent children.

All Division 4 members have now retired and are receiving their pensions. There are no active Division 4 members in the Plan.

Summary of Division 15 Benefits

Eligibility

Members are former Members of the Australian Post Superannuation Scheme (APSS) who transferred into the QSP on 1 November 2014 under a successor fund transfer. Some of these Members are also former eligible employees under the Superannuation Act 1976 (the Act) and were admitted as a Member to the APSS or transferred to the APSS. Division 15 of the Plan is closed to new entrants.

Categories of Member

Full Members

All permanent and probationary full or part time employees who had completed three (post 30 June 2000) or six (pre 1 July 2000) months service with the Australian Post Corporation became Full Members. Other employees were eligible to apply to become Full Members.

Contributory Members

Prior to 1 July 2000, employees who were not eligible to become Full Members, but who had elected to contribute to the APSS were Contributory Members. From 1 July 2000, former Contributory Members are classed as Full Members.

Class A Statutory Benefit Members (Statutory Benefit Members)

All non-permanent employees and permanent employees during any probationary period of membership. This group excluded Full Members and Contributory Members and employees who elected to remain in the Commonwealth Superannuation Scheme ("CSS"). It therefore included all other employees for whom a statutory benefit is provided. This group has previously been known as Class A Productivity Members and Class A Non-Contributory Members.

Class B Statutory Benefit Members (CSS Members)

No Members in this category transferred to the Plan

Salary

Salary as determined by the Employer with the approval of the Trustee, having regard to the relevant provisions of the *Superannuation Act 1976* applicable for determining the salary of a Member for the purposes of the CSS.

Final Average Salary

Final Average Salary (FAS) is determined as the average of the Member's Equivalent Full-Time Salaries on the three birthdays immediately prior to the date of calculation. If the Member retires on the day prior to his/her 65th birthday, then the date of exit shall count as the current birthday for FAS purposes (i.e. salaries at exit and as at the two prior birthdays shall be used).

Company Contributions

As advised by the Actuary as being necessary to provide benefits.

Member Contributions

Members are not required to contribute to the Plan.

Members can contribute to the Plan from pre-tax salary (by salary sacrifice) or from after-tax salary.

Member Financed Benefit

The accumulation of Member contributions with interest, including accumulated Member contributions transferred from the CSS.

CSS Multiple

The multiple is calculated as 14.6% for years (pro-rating complete days) of contributory membership in the CSS prior to 1 July 1990.

Benefit Multiple

The Benefit Multiple is the aggregate of:

- a. sum of the Accrual Rate in Column A for each year of membership pro rata for days where Member contributions were made at the corresponding Contribution Rate as a percentage of Salary in Column B with respect to Membership before 1 July 2000; and
- b. sum of the Accrual Rate in Column C for each year of membership pro rata for days where Member contributions were made at the corresponding Contribution Rate as a percentage of Salary in Column C with respect to Membership on or after 1 July 2000.

This includes Member contributions that were made to the CSS from 1 July 1990 and the Former Scheme, APSS.

| Pre 1 July 2000 | | Post 1 July 2000 | |
|------------------------------|-----------------------------------|------------------------------|-----------------------------------|
| Column A Accrual Rate (%) | Column B Contribution Rate (%) | Column C Accrual Rate (%) | Column D Contribution Rate (%) |
| 11.3 | 2 | 14.3 | 0 |
| 12.3 | 3 | 15.3 | 1 |
| 13.3 | 4 | 16.3 | 2 |
| 14.3 | 5 | 17.3 | 3 |
| 15.3 | 6 | 18.3 | 4 |
| 16.3 | 7 | 19.3 | 5 or more |
| 17.3 | 8 | | |
| 18.3 | 9 | | |
| 19.3 | 10 or more | | |

Note that the Benefit Multiple may not exceed an average of 14.3% (adjusted for periods of part-time service) based on membership as a Full Member or Contributory Member.

Only Members classified as Full Members or Contributory Members will accrue a Benefit Multiple. Other members, however, may have a Benefit Multiple if they were previously a Full Member or Contributory Member.

Accrued Retirement Multiple

The multiple determined as the CSS Multiple plus the Benefit Multiple.

Retirement Date

Retirement may take place on or after the Member's 55th birthday.

Accrued Statutory Benefit

- 1.5% of Final Average Salary for each year of membership (counting complete days) from 1.1.88 to 30.6.90, plus
- 1.5% of Final Average Salary for each year of membership (counting complete days) from 1.1.89 to 30.6.90, plus
- 3% of Final Average Salary for each year of membership as a Class A or Class B Statutory Benefit Member (counting complete days) from 1.7.90; plus 1% of Final Average Salary for each year of membership as a Statutory Benefit Member (counting complete days) from 1.7.92; plus
- 1% of Final Average Salary for each year of membership as a Statutory Benefit Member (counting complete days) from 1.1.1993; plus
- 1% of Final Average Salary for each year of membership as a Statutory Benefit Member (counting complete days) from 1.7.1995; plus

- 1% of Final Average Salary for each year of membership as a Statutory Benefit Member (counting complete days) from 1.7.1998; plus
- 1% of Final Average Salary for each year of membership as a Statutory Benefit Member (counting complete days) from 1.7.2000; plus
- 1% of Final Average Salary for each year of membership as a Statutory Benefit Member (counting complete days) from 1.7.2002; plus
- 0.25% of Final Average Salary for each year of membership as a Statutory Benefit Member (counting complete days) from 1.7.2013; plus
- 0.25% of Final Average Salary for each year of membership as a Statutory Benefit Member (counting complete days) from 1.7.2014.

This means that the Accrued Statutory Benefit for Statutory Benefit Members has been assumed to accrue at 9.5% of Final Average Salary from 1.7.2014. The accrual is assumed to continue to increase to 12% in line with the legislative timeframe for increases in the Superannuation Guarantee.

Accrued Retirement Benefit

The accrued retirement benefit is the Accrued Retirement Multiple multiplied by Final Average Salary, plus the Member Financed Benefit, plus the Accrued Statutory Benefit.

For the Accrued Retirement Benefit payable after age 55, and the Accrued Statutory Benefit, the FAS is subject to a minimum of \$45,334 (indexed from 1 July 2015).

Retirement Benefit

A lump sum benefit is payable on retirement equal to the Accrued Retirement Benefit.

Death Benefit

For Full Members in the event of death in service a lump sum benefit equal to:

- The employer-financed part of the member's retirement benefit. This part of the benefit is projected for years (pro-rating complete days) until age 60 at an accrual rate of 14.3% of FAS, regardless of the contribution rate the Member was actually paying at the date of death.
- The member's own accumulated contributions and interest (if applicable).

For Full Members, FAS is determined at age 60 assuming that the member's salary at date of death would have continued to be paid to age 60.

For Statutory Benefit Members in the event of death in service a lump sum benefit equal to:

- The employer-financed part of the member's retirement benefit.
- An additional lump sum equal to the minimum amount of death cover required to be offered by legislation; and
- The member's own accumulated contributions and interest (if applicable).

Total and Permanent Disablement Benefit

For Full Members the benefit payable in the event of total and permanent disablement is equal to the death benefit as described above. For other Members it is equal to their Accrued Retirement Benefit.

Withdrawal Benefit

A lump sum benefit equal to their Accrued Retirement Benefit.

Member's Surcharge Account

The amounts paid to the ATO in respect of a Member (less any Surcharge Offset Contributions) are accumulated in the Member's Surcharge Account with compound interest at the Credited Interest Rate.

Surcharge Offset Contributions

Members may make voluntary surcharge offset contributions on an after-tax or pre-tax basis of amounts not exceeding the balance of the Member's Surcharge Account. These contributions are applied as deductions to the Member's Surcharge Account.

Member's Family Law Account

The amounts paid in respect of a Non-Member Spouse (less any Family Law Offset Contributions) and any costs charged by the Trustee are accumulated in the Member's Family Law Account with compound interest at the Credited Interest Rate.

Family Law Offset Contributions

Members may make voluntary family law offset contributions on an after-tax or pre-tax basis of amounts not exceeding the balance of the Member's Family Law Account. These contributions are applied as deductions to the Member's Family Law Account.

Schedule 1 – Insured Benefit Factors

| Age Next Birthday | Insured Benefit per \$1 Monthly Contribution | Insured Benefit per \$1 Fortnightly Contribution |
|----------------------|---|---|
| 16 | 732 | 1,587 |
| 17 | 712 | 1,543 |
| 18 | 692 | 1,500 |
| 19 | 692 | 1,457 |
| 20 | 652 | 1,414 |
| 21 | 633 | 1,372 |
| 22 | 613 | 1,330 |
| 23 | 594 | 1,288 |
| 24 | 575 | 1,247 |
| 25 | 556 | 1,207 |
| 26 | 538 | 1,166 |
| 27 | 520 | 1,127 |
| 28 | 501 | 1,087 |
| 29 | 483 | 1,048 |
| 30 | 466 | 1,010 |
| 31 | 448 | 972 |
| 32 | 431 | 934 |
| 33 | 414 | 897 |
| 34 | 397 | 860 |
| 35 | 380 | 824 |
| 36 | 363 | 788 |
| 37 | 347 | 752 |
| 38 | 331 | 717 |
| 39 | 315 | 682 |
| 40 | 299 | 648 |
| 41 | 283 | 614 |
| 42 | 268 | 581 |
| 43 | 253 | 548 |
| 44 | 238 | 516 |
| 45 | 223 | 484 |

| Age Next Birthday | Insured Benefit per \$1 Monthly Contribution | Insured Benefit per \$1 Fortnightly Contribution |
|----------------------|---|---|
| 46 | 208 | 452 |
| 47 | 194 | 421 |
| 48 | 180 | 390 |
| 49 | 167 | 362 |
| 50 | 154 | 334 |
| 51 | 141 | 306 |
| 52 | 126 | 273 |
| 53 | 109 | 236 |
| 54 | 94 | 204 |
| 55 | 80 | 173 |
| 56 | 65 | 141 |
| 57 | 51 | 111 |
| 58 | 38 | 58 |
| 59 | 25 | 59 |
| 60 | 12 | 60 |

When using the above Table the age taken will be the age next birthday at the date of determination of the Insured Benefit or increased in the Insured Benefit. For Members of Category B or C use the factor for someone five years older

Schedule 2 – Past Service Sum Insured Factors

| N | Factor | N | Factor |
|----|---------|----|---------|
| 0 | 1.00000 | 31 | 2.24356 |
| 1 | 1.04000 | 32 | 2.28842 |
| 2 | 1.08160 | 33 | 2.33419 |
| 3 | 1.12486 | 34 | 2.38088 |
| 4 | 1.16986 | 35 | 2.42850 |
| 5 | 1.21665 | 36 | 2.47706 |
| 6 | 1.26532 | 37 | 2.52661 |
| 7 | 1.31593 | 38 | 2.57713 |
| 8 | 1.36857 | 39 | 2.62867 |
| 9 | 1.42331 | 40 | 2.68125 |
| 10 | 1.48024 | 41 | 2.73488 |
| 11 | 1.50984 | 42 | 2.78957 |
| 12 | 1.54004 | 43 | 2.84536 |
| 13 | 1.57085 | 44 | 2.90228 |
| 14 | 1.60226 | 45 | 2.96032 |
| 15 | 1.63430 | 46 | 3.01953 |
| 16 | 1.66699 | 47 | 3.07991 |
| 17 | 1.70034 | 48 | 3.14151 |
| 18 | 1.73434 | 49 | 3.20433 |
| 19 | 1.76902 | 50 | 3.26843 |
| 20 | 1.80440 | 51 | 3.33380 |
| 21 | 1.84049 | 52 | 3.40047 |
| 22 | 1.87730 | 53 | 3.46848 |
| 23 | 1.91485 | 54 | 3.53785 |
| 24 | 1.95315 | 55 | 3.60860 |
| 25 | 1.99221 | 56 | 3.68078 |
| 26 | 2.03206 | 57 | 3.75439 |
| 27 | 2.07269 | 58 | 3.82948 |
| 28 | 2.11415 | 59 | 3.90606 |

| N | Factor | N | Factor |
|----|---------|---|--------|
| 29 | 2.15643 | | |
| 30 | 2.19956 | | |

Note:

- N is the term in years remaining to the Superannuation Date.
- The required factor is obtained by interpolating between the above factors according to the actual term to the Superannuation Date, measured in Years and Complete Months.

About WTW

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