

1. Purpose

The purpose of this document is to set out the Annual Crediting Rate Policy ("Policy") adopted by Pac Super Limited ("Trustee") in allocating investment income to the accounts of members of the Pac Super superannuation fund ("Trust") in a manner which is fair and equitable for all of the members of the Trust, including exiting, current and prospective members.

2. Background

The Policy has been formulated in accordance with the requirements of the governing documents of the Trust; in particular, Rule 17 of the trust deed of the Trust dated 1 January 1992, as amended from time to time. The policy has also been prepared in accordance with the requirements of paragraphs 18 and 19 of *Superannuation Prudential Standard 1/2014 Authorized Superannuation Fund Investments ("PS 1/2014")*. The Trust operates two sub-funds; the Kina Sub-Fund and the AUD Sub-Fund, collectively known as "the Funds" and the Policy applies separately to each Sub-Fund.

3. Guiding Principles

The Policy has been determined taking into account the Trustee's fiduciary duties, statutory obligations, and the requirement to adhere to governing documents of the Trust. The framework for allocating investment income requires systems and processes that can cope with different types of investments, tax law and volume of daily transactions, whilst balancing the principles of accuracy and practical cost constraints. The Trustee's primary principle is equity between members so that any assumptions or estimates used are on a reasonable and sound basis and unbiased.

4. Reserves

The Trustee has decided to maintain no investment fluctuation reserves, other than the small residual amount that results from rounding the declared crediting rates down to one decimal place.

5. Annual review process

This description of the process replaces the Annual Review Policy dated 5 July 2017.

The Annual Review process (per paragraph 19 of PS 1/2014) begins with the Administration team preparing separate contribution reconciliation worksheet for the two sub-funds showing a month-by-month contributions listing between the Administration System and Accounting System. A benefit reconciliation worksheet is also created for the benefit payments, as well as a fees reconciliation worksheet for the fees that are deducted from members' accounts and benefit payments. The membership reconciliation is also performed prior to running the review and is further reviewed and confirmed at the time of running test annual reviews.

Any variances identified during the reconciliations between the two systems for both plans are verified and adjustments are processed. **The reconciliations are repeated regularly throughout the year to ensure both systems are correctly updated with all transactions.**



There will be date differences for the AUD Sub-Fund reconciliations, due to the Administration System capturing the actual date of deposit and the Accounting Systems using the date the currency conversions are done. The variances adjustments are corrected by authorized officers with higher level of security and comments made in respective member/employer accounts for the future references.

Any new members that have joined the fund before the review is run will be created before the membership reconciliation is completed.

The tax calculation are done by the Fund Accountant and reviewed by the Tax Agent.

The draft accounts are provided by the Fund Accountant to the Auditor including all general ledger reconciliations and calculation of the overall interest return (net of fees and tax) on investments for both sub-funds.

The administration team performs test review runs to determine the crediting rate that reconciles to the Accounts Ledger confirmed to members balance. A thorough check is done to eliminate all negative balances and finalise membership numbers, before vested benefits schedules are used to finalise earning rate calculations.

Calculations (described in section 6) are done to determine the crediting rate for each sub-fund. These recommended rates are then submitted to the Board to review and approve. The review is run for both sub-funds which rolls up account balances with interest. The test calculations for sample members are performed at this stage to confirm that the interest was calculated correctly.

The calculations are confirmed and correct, the Annual Review reports are generated for both sub-funds. The statements are then created which generates data files to be sent to Printers. These data files are further verified to confirm the data is captured correctly.

If the statement data is successfully captured then we can then close out the year end as a final process to the Annual Review and the system is only open to the current review period.

6. Annual Crediting Rate Calculation

During the annual review process contributions, benefits payments and expenses are all reconciled with the administration system then the draft accounts of each Sub-Fund are prepared and reviewed by the Trust auditor, showing the net assets of the Sub-Fund at the end of the calendar year and the investment income earned for the year, after tax and expenses. Trial runs are then conducted to determine the rate of interest that is available to be distributed to members' accounts, applying pro-rata interest at the time of each contribution and cash flows during the membership period. This earnings distribution is checked for consistency against the total net investment income for each Sub-Fund for the year, reduced by the investment income that has been credited to members whose benefits were paid out during the year. The calculated rate is rounded down to one decimal place.