

## Notes to the Consolidated Financial Statements

For the year ended 30 June 2019

### 31. Deeds of cross guarantee (cont.)

#### Summary of movements in (accumulated losses)/retained earnings

	AGL Energy Limited		AGL Generation Pty Ltd	
	2019 \$m	Restated 2018 \$m <sup>1</sup>	2019 \$m	2018 \$m
(Accumulated losses)/retained earnings at beginning of financial year	(171)	103	1,639	700
Profit for the year	1,632	398	292	925
Dividends paid	(774)	(682)	(1,500)	-
Remeasurement (loss)/gain on defined benefit plans, net of tax	(38)	10	(19)	14
<b>Retained earnings/(accumulated losses) at end of financial year</b>	<b>649</b>	<b>(171)</b>	<b>412</b>	<b>1,639</b>

1. Comparatives have been restated for the adoption of AASB 9 Financial Instruments and AASB 16 Leases. Refer to Note 38(c).

### 32. Defined benefit superannuation plans

AGL contributes to superannuation plans that provide defined benefit members a lump sum on retirement, death, disablement and withdrawal. Some defined benefit members are eligible for pension benefits in some cases. Lump sum benefits are calculated based on years of service and final average salary. The defined benefit plans are closed to new members.

The plans are the Equisuper Fund (EF), Electricity Industry Superannuation Scheme (EISS), State Superannuation Scheme (SSS), State Authorities Superannuation Scheme (SASS) and the State Authorities Non-contributory Superannuation Scheme (SANCS).

The Superannuation Industry Supervision (SIS) legislation governs the superannuation industry and provides the framework within which superannuation plans operate. The SIS Regulations require an actuarial valuation to be performed for each defined benefit plan every three years, or every year if the plan pays defined benefit pensions.

The plans' trustees are responsible for the governance of the plans. The trustees have a legal obligation to act solely in the best interests of plan beneficiaries. The trustees have the following roles: administration of the plans and payment to the beneficiaries from plan assets when required in accordance with the plan rules; management and investment of the plan assets; and compliance with other applicable regulations.

There are a number of risks to which the plans expose AGL. The most significant risks are investment risk, salary growth risk, inflation risk, interest rate risk, legislative risk and changes in the life expectancy for members.

AGL also contributes to defined contribution superannuation plans for employees, which are also provided by these plans. Contributions made to these defined contribution plans are expensed as incurred.

#### Amounts recognised in profit or loss

	2019 \$m	2018 \$m
Current service cost	17	20
Net interest expense	2	2
Expense recognised in profit or loss as part of employee benefits expenses	19	22

#### Amounts recognised in other comprehensive income

Remeasurements		
Return on plan assets (excluding amounts included in net interest expense)	(14)	(33)
Actuarial loss arising from changes in demographic assumptions	-	2
Actuarial loss/(gain) arising from changes in financial assumptions	96	(7)
Actuarial loss/(gain) arising from experience	8	(4)
Remeasurement loss/(gain) on defined benefit plans recognised in other comprehensive income	90	(42)

## Notes to the Consolidated Financial Statements

For the year ended 30 June 2019

### 32. Defined benefit superannuation plans (cont.)

#### Amounts included in the Consolidated Statement of Financial Position

	Note	2019 \$m	2018 \$m
Present value of funded defined benefit obligations		796	725
Fair value of plan assets		(651)	(688)
Net defined benefit liability		145	37
<b>Recognised in the Consolidated Statement of Financial Position as follows:</b>			
Defined benefit superannuation plan asset	12	(7)	(39)
Defined benefit superannuation plan liability	21	152	76
Net defined benefit liability		145	37
Net liability at beginning of financial year		37	62
Transfer to defined contribution superannuation plans		4	-
Expense recognised in profit or loss		19	22
Amounts recognised in other comprehensive income		90	(42)
Employer contributions		(5)	(5)
Net liability at end of financial year		145	37

#### Movements in the present value of defined benefit obligations

Opening defined benefit obligations		725	766
Current service cost		17	20
Interest expense		28	28
Contributions by plan participants		7	8
Actuarial loss arising from changes in demographic assumptions		-	2
Actuarial loss/(gain) arising from changes in financial assumptions		96	(7)
Actuarial loss/(gain) arising from experience		8	(4)
Benefits paid		(83)	(86)
Taxes, premiums and expenses paid		(2)	(2)
Closing defined benefit obligations		796	725

#### Movements in the fair value of plan assets

Opening fair value of plan assets		688	704
Interest income		26	26
Return on plan assets (excluding amounts included in net interest expense)		14	33
Employer contributions		5	5
Contributions by plan participants		7	8
Benefits paid		(83)	(86)
Taxes, premiums and expenses paid		(2)	(2)
Transfer to defined contribution superannuation plans		(4)	-
Closing fair value of plan assets		651	688

## Notes to the Consolidated Financial Statements

For the year ended 30 June 2019

### 32. Defined benefit superannuation plans (cont.)

#### Categories of plan assets

The major categories of plan assets as a percentage of the fair value of total plan assets at the end of the reporting period are as follows:

	EF %	EISS %	SSS, SASS, and SANCS %
2019			
Australian equities	14	25	20
International equities	19	21	27
Fixed interest securities	19	13	10
Property	7	13	8
Cash	17	7	10
Alternatives/other	24	21	25
2018			
Australian equities	15	24	22
International equities	17	22	26
Fixed interest securities	20	11	8
Property	8	13	9
Cash	17	9	11
Alternatives/other	23	21	24

All plan assets are held within investment funds which do not have a quoted market price in an active market.

The fair value of plan assets include no amounts relating to any of AGL's own financial instruments; or any property occupied by, or other assets used by AGL.

#### Principal actuarial assumptions

The principal actuarial assumptions at the end of the reporting period (expressed as weighted averages) were as follows:

	EF %	EISS %	SSS, SASS, & SANCS %
2019			
Discount rate active members	2.6	3.1	3.1
Discount rate pensioners	2.6	3.1	-
Expected salary increase rate	2.5 – 5.0	2.5	3.2
Expected pension increase rate	2.5	2.5	-
2018			
Discount rate active members	3.7	4.1	4.2
Discount rate pensioners	3.7	4.1	-
Expected salary increase rate	2.5 – 5.0	2.5 – 3.5	2.7 – 3.2
Expected pension increase rate	2.5	2.5	-

## Notes to the Consolidated Financial Statements

For the year ended 30 June 2019

### 32. Defined benefit superannuation plans (cont.)

#### Sensitivity analysis

The sensitivity analyses below have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant.

	Defined benefit obligation			
	Increase 2019 \$m	Decrease 2019 \$m	Increase 2018 \$m	Decrease 2018 \$m
Discount rate (0.5 percentage point movement)	(47)	54	(40)	46
Expected salary increase rate (0.5 percentage point movement)	32	(29)	18	(17)
Expected pension increase rate (0.5 percentage point movement)	11	(10)	9	(8)

The sensitivity analyses presented above may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

There was no change in the methods and assumptions used in preparing the sensitivity analyses from prior years.

#### Funding arrangements and employer contributions

Employer contributions are determined based on actuarial advice and are set to target the assets of the plans exceeding the total of members' vested benefits. Funding levels are reviewed regularly. Where assets are less than vested benefits, a management plan must be established to restore the coverage to at least 100%.

AGL expects to contribute \$5 million to the defined benefit plans during the year ending 30 June 2020.

The weighted average duration of the defined benefit obligation as at 30 June 2019 was EF 8 years; EISS 12 years; and SSS, SASS and SANCS 14 years.

#### Defined contribution superannuation plans

AGL makes contributions to a number of defined contribution superannuation plans. The amount recognised as an expense for the year ended 30 June 2019 was \$39 million (2018: \$36 million).

#### ACCOUNTING POLICY

##### Defined benefit superannuation plans

For defined benefit superannuation plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each reporting period. Actuarial gains and losses are recognised directly in other comprehensive income, in the period in which they occur.

Changes in the net defined benefit liability, including all actuarial gains and losses that arise in calculating AGL's obligation in respect of the plan are recognised in other comprehensive income when they occur. All other expenses relating to the defined benefit plans are recognised as an expense in the profit or loss. Any defined benefit superannuation plan asset resulting from this calculation is limited to the present value of available refunds and reductions in future contributions to the plan.

##### Defined contribution superannuation plans

Contributions to defined contribution superannuation plans are recognised as an expense when employees have rendered service entitling them to the contributions.

#### CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

##### Defined benefit superannuation plans

Various actuarial assumptions are utilised in the determination of AGL's defined benefit obligations. AGL uses external actuarial experts to determine these assumptions.