Willis Towers Watson

Russell SuperSolution Master Trust - Fujitsu Division

Actuarial Valuation as at 30 June 2021

20 December 2021

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Section 1: Executive Summary

We are pleased to present our report to the Trustee on the actuarial investigation into the Fujitsu Division of the Russell Investments Master Trust (the Plan) as at 30 June 2021.

Membership

At 30 June 2021 there were 1,516 members of the Plan, of whom 18 were entitled to accumulation benefits with defined benefit (DB) guarantees, all of whom are Old ICL members. The relevant annual salaries for these members totalled $1,931,394.

Assets

The total net market value of assets for the Plan at 30 June 2021 was $216,982.487.

The net market value of assets relating to members with DB guarantees was $16,069,482.

Valuation Results

For the purpose of the actuarial investigation, the value of the liabilities was compared to the market value of assets.

The present value of total service benefit liabilities for members with a DB guarantee, based on the chosen actuarial assumptions, was $13,217,499 as at 30 June 2021.

At 30 June 2021, total Vested Benefits for members with a DB guarantee was also $13,217,499. Therefore, the market value of assets was 122% of Vested Benefits which indicates that the Plan was in a Satisfactory Financial Position at that date.

Plan Experience

The main features of the Plan's experience over the three years to 30 June 2021 were:

- The actual net investment return earned on the assets underlying defined benefit members' accumulation accounts averaged approximately 7.0% p.a. This was higher than the long-term rate of investment return of 4.25% pa assumed in the 2018 investigation and considered in isolation resulted in a better financial position than expected.
- The actual net investment return earned on the assets underlying defined benefit members' DB guarantees (i.e. the defined benefit reserve) averaged approximately 0.7% p.a. This was lower than the long-term rate of investment return of 4.25% pa assumed in the 2018 investigation and considered in isolation resulted in a worse financial position than expected.

- Salary increases for defined benefit members averaged 0.7% p.a. which was significantly lower than the equivalent average rate of 3.0% pa assumed in the 2018 investigation. Considered in isolation, this resulted in a better financial position than expected.

- As recommended in the 2018 investigation the employer did not contribute to the Plan's DB reserve and plan expenses and dollar-based member administration fees were deducted from it during the inter-valuation period.

Based on the data provide by the Plan administrator, Russell Investments Employee Benefits Pty Limited, 6 defined benefit members left the Plan over the period. No members were paid a defined benefit guarantee top-up amount during the three years since 30 June 2018. Further, member accounts have earned higher than expected returns since 2018, making the defined benefit guarantees less likely to apply.

Overall, the total effect of the Plan's experience over the three years to 30 June 2021 resulted in a reduction in the Plan's position compared to that expected based on the 2018 investigation, however the Plan still had a significant surplus of assets relative to the value of DB guarantees at the valuation date.

Assumptions

The key economic assumptions used for this actuarial investigation were long-term net investment earnings rates of 4.40% pa on defined benefit members' accumulation accounts and 1.10% pa on the DB reserve, and a long-term inflationary salary increase rate of 2.0% pa.

The demographic assumptions used for this investigation are identical to those used in the last investigation.

Experience since the Valuation Date

There have been no significant changes in experience between 30 June 2021 and the signing of this report which would be likely to have a material effect on the conclusions and recommendations.

Recommendations

We recommend that the employer continue to contribute to the Plan at least at the rates required by the Superannuation Guarantee legislation to member accounts, and the employer does not contribute to the DB reserve until the results of the next actuarial investigation are available.

We recommend that Plan expenses and dollar-based member administration fees continue to be deducted from the Plan's DB reserve until the results of the next actuarial investigation are available, or until such earlier time that we advise that the Plan's financial position would no longer support these deductions.

If the employer wishes to consider further ways of reducing the DB Reserve, for example by funding some employer contributions from the Reserve, we would be pleased to provide advice.

We recommend that the DB reserve assets continue to be invested in the Russell Investments Australian Cash Option.

We recommend that the next full actuarial investigation be made on or before 30 June 2024.

Reliance statement and data

This report is provided subject to the terms set out herein and in our Master Consulting Services Agreement with you dated 13 March 2017 and the accompanying Terms and Conditions of Engagement. 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.

Except where we expressly agree in writing, this report should not be disclosed or provided to any third party, other than as provided below. In the absence of such consent and an express assumption of responsibility, no responsibility whatsoever is accepted by us for any consequences arising from any third party relying on this report or any advice relating to its contents.

The Trustee may make a copy of this report available to its auditors, the Company 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 or the Company in this regard. The Trustee should draw the provisions of this paragraph to the attention of its auditors and the Company when passing this report to them.

In preparing this valuation, 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. The data and information we have relied upon is shown in Section 3.

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

Section 2: Introduction

Background

The operations of the Fujitsu Australia Superannuation Fund (the Fund) were governed by a Trust Deed dated 12 September 1969, as amended from time to time. Effective 1 October 2004, the Fujitsu Australia Superannuation Fund was transferred to the Fujitsu Division of the Russell Investments Master Trust (the Plan) via a Successor Fund transfer agreement. The operations of Fujitsu Division of the Russell Investments Master Trust are governed by the Trust Deed of the Russell Investments Master Trust dated 26 June 2003 (as amended from time to time), and an Employer Application deed dated 21 July 2005 (as amended from time to time).

The Russell Investments Master Trust has received a notice of compliance under the Superannuation Industry (Supervision) Act which has not been revoked. In addition, the Trustee made a formal election for the Russell Investments Master Trust to be a “Regulated” fund under the Superannuation Industry (Supervision) Act. The Russell Investments Master Trust, and the Plan, therefore qualify for concessional tax treatment.

As at the effective date of this investigation, 30 June 2021, there is only one category of membership of the Plan, the old ICL members, whose remaining members are provided with defined benefit guarantees. This category is closed to new members. All other members (including new members) are provided with accumulation benefits within the Plan. A detailed description of the benefits valued in this investigation is included in Appendix A to this report.

Members’ benefits are set out in the Employer Application and the Trust Deed. Clause 3.3 allows the Principal Employer to amend the Employer Application with the agreement of the Trustee and Clause 22 allows the Trustee to amend the Trust Deed.

Purpose of the Investigation

Clause 15.6 of the Trust Deed states that the Trustee must ensure that the Actuary carries out an actuarial investigation of the Russell Investments Master Trust on one or more plans (such as employer Divisions) as the Trustee considers appropriate as at times determined by the Trustee. Clause 15.7 requires the Actuary to prepare a report on each actuarial investigation and to make recommendations on the level of contributions to be made by Fujitsu, particularly in relation to defined benefit guarantees provided by the Plan.

Current legislation also requires that an actuarial investigation be undertaken at least every three years.

The main aims of the investigation are to:

- examine the funding of the Plan’s defined benefit guarantees;
- examine the current financial position of the Plan;

- determine the recommended Company contribution rate required to ensure that the Plan maintains a satisfactory financial position;
- examine the suitability of the Plan’s insurance and investment arrangements;
- meet the requirements of the Trust Deed;
- meet legislative and prudential standard requirements, in particular Superannuation Prudential Standard 160 (“SPS160”).

This investigation is made as at 30 June 2021. It is presented to Total Risk Management Pty Limited, the Trustee of the Plan, in my capacity as RSE Actuary to the Plan.

The level of Employer contributions is to be determined by the Trustee having regard to the advice of the actuary and the wishes of the Employer. This power is set out in Rule A3.6 of the Trust Deed of the Russell Investments MasterTrust which states:

“…Participating Employer contributions must be at the rate or on the basis or of an amount determined by the Trustee having regard to the advice of the Actuary, the Assets and Liabilities which are attributed to the Plan and the wishes of the Principal Employer.”

This report is a full triennial valuation effective 30 June 2021 prepared in accordance with Professional Standard 400, dated March 2021, issued by the Institute of Actuaries of Australia.

Current legislation also requires that the investigation consider the solvency and financial position of the Plan both as at the investigation date and during the ensuing three years.

Previous Investigation

The previous actuarial investigation of the Plan was carried out as at 30 June 2018 by myself.

The results of the previous investigation were set out in a report dated 24 December 2018. That report covered the three year period from 1 July 2015 to 30 June 2018. The report considered the experience of the Plan during the period, the long term funding of defined benefit guarantees and the Plan's short term financial position.

The report recommended that the employer continue to the Plan at the rates required by the Superannuation Guarantee legislation, with no additional contributions to the DB reserve, and that Plan expenses and dollar-based member administration fees continue to be deducted from the Plan’s DB reserve.

An examination of the financial position at 30 June 2018 indicated that Vested Benefits for members with DB guarantees were 122% covered by the market value of the relevant Plan assets. This result indicates a Satisfactory Financial Position.

As at the date of this report, the Superannuation Guarantee minimum contribution rate was set to 10.0% since 1 July 2021 and will increase progressively to 12% by July 2025. This change does not impact Old ICL members as they have guarantees in relation to past service benefits only.

The employer application was amended on 23 December 2013 to add an additional minimum benefit guarantee for 13 ex-FSSP and ex-ICL members under Schedule 6 of the employer application.

Section 3: Membership

Membership Data

Responsibility for maintaining member records, payment of benefits and other administrative tasks is delegated by the Trustee to Russell Investments Employee Benefits Pty Limited. Membership data, including benefit payment and salary data, was provided in respect of members in the Plan as at 30 June 2021. We are satisfied that the data provided was reasonable and there are no errors that are likely to have a material effect on the results of this investigation.

Membership Summary

At 30 June 2021 there were 1,516 members in the Plan. This includes 18 (all old ICL) members who are entitled to defined benefit guarantees. The remaining 1,498 members receive accumulation benefits. Key membership statistics as at 30 June 2021 are shown below, together with comparative figures at 30 June 2018:

	30 June 2018	30 June 2021
Number of Members[1]	24	18
Average Salary ($)	104,502	107,300
Average Age (years)	58	60
Average Plan Membership (years)	31	34

[1]Excludes members who are no longer eligible for the defined benefit guarantee

The following table shows the age distribution of the DB members in the old ICL category:

30 June 2021	Old ICL
Under 45	0
45-49	0
50-54	1
55 or more	17

The table above shows the number of eligible defined benefit members reduced by approximately 25% over the period.

The weighted average term of the liabilities for the 18 ICL members was 4.3 years as at 30 June 2021.

Section 4: Assets and Investments

Data

Financial information for the Plan as at 30 June 2021 is based on transaction and asset information provided by the Plan administrator. We note that this information has not been subject to audit at the employer division level. However, the Russell Investments Master Trust is subject to regular audit as a whole. We understand that the information provided was determined based on data and methodologies consistent with the audited value of the assets of the SSMT as at 30 June 2021. We are satisfied that the information is suitable for the purposes of this investigation, based on our knowledge of the Plan. We have relied upon the information provided.

The Plan administrator has advised that no members were paid a defined benefit guarantee top-up amount during the three years since 30 June 2018, and therefore we understand that all benefits paid from the Plan since the last valuation have been purely accumulation in nature. We have reconciled this with the DB reserve asset information provided, but have not checked individual benefit payments.

Value of Assets

At 30 June 2021 the ‘market’ value of assets of the Plan available to pay benefits was $216,982,487, of which $16,069,482 related to members with DB guarantees. This value has been used in assessing the financial position of the Plan, reviewing the employer contribution rates, and compares with defined benefit assets of $17,512,310 as at 30 June 2018.

Account balances for the members with defined benefit guarantees were $13,203,226. The excess of assets over account balances is held by the Trustee as a DB reserve for the purpose of supporting the defined benefit guarantees. The ‘market’ value of the DB reserve was $2,866,256 as at 30 June 2021. A summary of the cash flows to and from the DB reserve over the three years to 30 June 2021 is set out below:

Movement of the Reserve Account	$
Opening Balance at 1 July 2018	**3,181,800**
Plus Investment return	60,185
Less:	
- Plan expenses and administration fees	(417,755)
- DB guarantee ‘top-up’ payments	0
- Tax (expense)/refund	41,235
- (Increase)/Decrease in Operational Risk Financial Requirement (ORFR)	791
- Employer Contributions	0
Closing Balance at 30 June 2021	**2,866,256**

Investment Objectives

The Trustee's main investment objective is to provide members with exposure to a diversified mix of assets to minimise the risks associated with a downturn in any one market sector. This includes investments in predominantly growth oriented assets with moderate to high volatility and some defensive assets. The investment objectives for each investment option are outlined in the Investment Policy Statement. We understand that the Trustee periodically reviews the suitability of these objectives.

We note that all Plan members can choose from a range of investment strategies offered by the Plan for each of their own accounts.

In respect of Old ICL Members, the benefit guarantees are defined using a notional account balance, credited with earnings at the rate earned by the member's investment option.

From 8 May 2018 the DB reserve is invested in the Russell Investments Australian Cash Option and prior to this it was invested in cash via the Plan's bank account. We believe that the current investment strategy is reasonable, given the nature of the liabilities.

Investment Strategy

At 30 June 2021, the Plan offered the following investment choices:

Diversified Funds	Sector Funds
Russell Defensive	Russell Australian Cash
Russell Diversified 50	Russell Australian Cash Enhanced
Russell Blended Balanced	Russell Australian Fixed Income
Russell Balanced	Russell Global Fixed Income - $A Hedged
Russell Balanced Opportunities	Russell Australian Shares
Russell Growth	Russell Australian Opportunities
Russell High Growth	Russell Socially Responsible Australian Shares
Russell Multi-Asset Income Strategy	Russell International Property Securities - $A Hedged
Russell Multi-Asset Growth Strategy	Russell International Shares
	Russell International Shares - $A Hedged
	Russell Socially Responsible International Shares
	Russell Global Opportunities
	Russell Global Opportunities - $A Hedged
	Russell Emerging Markets

All of the Plan's assets (except for the Plan's bank account) are invested in Russell Pooled Superannuation Trusts. The earnings credited to the member's accumulation accounts reflects the actual daily returns on the portfolios underlying their accounts. We consider this crediting rate policy adopted by the Trustee to be appropriate.

Plan Investments

At 30 June 2021, the Plan's assets were invested as follows:

	30 June 2021 $'000
Russell Pooled Superannuation Trusts (Accounts for Accumulation and Defined Benefit Members)	214,116
DB reserve (Russell Australian Cash)	2,866
TOTAL	**216,982**

The majority of defined benefit members' accounts are invested in the Balanced Option. The asset allocation of this option at 30 June 2021 was as follows:

Investment Sector	%
Australian Equities	26.5
Overseas Equities	27.5
Property	13.5
Fixed Interest	24.7
Infrastructure	6.5
Cash	1.3
Total	**100.0**

Section 5: Funding Method

General

Over the life of the Plan, the total income (mainly contributions and investment income) must be sufficient to meet the total expenditure (mainly benefits and expenses). 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.

In a defined benefit fund such as the Plan, a pool of assets is built up over time which is available to meet benefit and expense payments as they arise. For the Plan, the DB Reserve was built up by past member and employer contributions and investment income on assets already accumulated. The DB reserve is reduced by DB 'top-up' payments, tax and expenses.

In the case of the Plan, the actuarial funding method focuses on assessing whether the DB Reserve is likely to be sufficient to cover potential 'top-up' payments and whether additional employer contributions will be required.

The amount of benefits which the Plan will be liable to pay from the pool in future cannot be known in advance since benefits depend on members' salaries near their date of leaving and their completed membership at that date. 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 estimate is made based on a set of assumptions about future experience. More details on the individual assumptions used are included in Section 6 of this report.

The amount in the pool of assets at any time is determined by the level of contributions and investment income. For the Plan, no further contributions are expected to be paid by the Employer in respect of the DB guarantees, provided the current DB Reserve proves to be adequate to fund future DB guarantees. The funding method is therefore less relevant in the case of the Plan, than for a DB plan with benefits being funded from ongoing employer contributions.

Method of Valuing the Defined Benefit Liabilities

To meet the requirements of superannuation legislation and actuarial professional standards, we have determined a 'present value of accrued defined benefit liabilities'. In determining the value of the defined benefit liabilities, we have:

- calculated the projected amount of benefits expected to be paid in the future in respect of current defined benefit members, based on the Plan rules applicable to guaranteed defined minimum benefits and using the stated actuarial assumptions;
- determined the expected guarantee 'top-ups' payable in the future (i.e. the excess of defined benefits over projected accumulation benefits);
- discounted the cost of those guarantees to determine the present value of the guarantees using a discount rate based on the expected future investment earning rate of the Plan; and

- applied a minimum of each member's vested benefit to the present value of their guarantee.
- Whilst this approach satisfies the legislative requirements, it should be noted that the estimated guarantee 'top-ups' are highly dependent on the assumptions made, and therefore a proper assessment of the adequacy of the DB Reserve can only be made by testing the sensitivity of possible future outcomes to changes in the assumptions. A separate section of this report sets out the results of the sensitivity analysis.

Funding Method

As already noted, the funding method is less relevant for the Plan, unless the DB Reserve should become inadequate at some time in the future.

For the purposes of assessing the current funding position, the total of the value of the defined benefit guarantees plus the value of the accumulation liabilities was compared to assets to determine whether any additional Employer contributions were required in respect of the guarantees. This is the same method as was used in the previous actuarial investigation, and remains suitable for the Plan.

Section 6: Experience and Assumptions

In order to value the expected future liabilities of the Plan, it is necessary to make assumptions regarding the timing and amount of future benefit payments, expenses and contributions. These assumptions are divided into two categories:

- financial assumptions relating to the rates of salary growth and investment income; and
- demographic assumptions relating to the rates of retirement, resignation, death and disablement.

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

In setting the assumptions to be used in this investigation, we have taken into account the assumptions used in the last investigation and our general experience of superannuation funds similar to the Plan.

Any change in the assumptions will also have an impact on the financial position of the Plan as at 30 June 2018 as measured by the long-term funding calculations described in Section 5. It is therefore appropriate to change the actuarial assumptions only when there is sufficient evidence to suggest that the previous assumptions are significantly different from the Plan's expected long term future experience.

A summary of the assumptions used in this investigation is included in Appendix B.

Investment Returns

A key determinant of the change in members' accounts from 1 July 2018 to 30 June 2021 has been the returns earned by the respective investment portfolios. The majority of defined benefit members' accounts are invested in the Balanced Growth Option in the Russell Investments Master Trust, while the DB reserve is invested in the Russell Investments Australian Cash Option.

The actual investment returns for the Balanced Growth Option and Australian Cash Option over the three years to 30 June 2021 (based on the change in unit prices applicable to members' accounts) are shown in the table below.

Period	Balanced Growth Net Plan Return % pa	DB Reserve (Cash) Net Plan Return % pa
1 July 2018 to 30 June 2019	18.1%	1.4%
1 July 2019 to 30 June 2020	-2.2%	0.7%

1 July 2020 to 30 June 2021	5.9%	0.0%
3 year average	**7.0%**	**0.7%**

While short term differences between actual investment return experience and the assumed return can affect the long term financial position of the Plan as measured by the actuarial investigation, the assumptions used in this investigation must be based on long-term expectations since the investigation involves valuing payments in the future.

Based on current long term expectations of investment returns (net of taxation and investment management expenses), we expect a long term investment return of 4.40% p.a. for the assets underlying defined benefit members' accumulation accounts (using a benchmark asset allocation the same as the Balanced Growth Portfolio) and 1.10% p.a. for the DB reserve invested in Cash. This compares to a rate of 4.25% p.a. used in the previous actuarial investigation. Whilst the actual returns over the last three years have been similar to this expected return, we believe that the lower assumption reasonably reflects long-term future expectations.

Salary Increases

At the last actuarial investigation, the assumed rate of salary inflation was 3.0% pa.

For the purpose of the actuarial investigation, salary inflation is generally assumed to be in line with increases in expected Average Weekly Earnings over time, and set on a consistent basis to the underlying price inflation assumption used to set the investment return assumption.

The average salary increase over the investigation period for members with defined benefit guarantees who were in the Plan at both 1 July 2018 and 30 June 2021 was 0.7% pa.

The actual experience has been significantly below the assumption made at the last investigation. As the DB membership of the Plan is nearing retirement, and the actual salary increases over the valuation period have been less than expected, we have reduced the reduced this assumption and adopted a rate of 2.0% p.a. for salary inflation in this investigation.

The 'Gap between Rates of Return & Salary Inflation'

The key assumption in the valuation of the Plan's future benefit liabilities and contributions is the difference between the assumed future rate of investment earnings on the DB reserve assets underlying the DB guarantees and the assumed rate of future growth in salaries, i.e. the equivalent 'gap' between assets and liabilities. These factors act against each other in their financial effect - hence the difference between the rates is more important than the absolute values ascribed to each of them. The higher the gap assumed, the lower the value placed on the liabilities and the lower the resulting estimated required employer contribution rate.

The gap assumed at the last actuarial investigation was 1.25% pa. The actual gap experienced by the Plan over the three years to 30 June 2021 was 0.0% p.a. This has contributed to the reduction in the financial position of the Plan, however higher than expected investment returns on member accounts have made the defined benefit guarantees less likely to apply.

Nonetheless, it is appropriate to value long term superannuation liabilities based on expectations of the “gap” over the long term. The investment return on the DB reserve and salary growth assumptions described above are equivalent to a gap of -0.9% pa. This is a lower value than the one used in the last investigation. In isolation, this should lead to a reduction in the financial position of the Plan.

We have separately tested the sensitivity of the DB guarantees to changes in these key assumptions, and the results are presented in a separate section of this report.

Administration fees

In the financial position projection presented in Section 8 of this report we have assumed that, based on information provided by the Plan administrator, expenses of approximately $20,000 p.a. and administration fees of $118,000 p.a. are to be met out of the Plan’s DB Reserve.

We have assumed insurance premiums are deducted from member accounts in our calculations.

Taxation

A change in the taxation regime applying to superannuation funds in Australia might have an impact on the financial status of the Plan. We have assumed that the current regime will continue and that the tax rates presently applying to the Plan will be maintained in future i.e. that the Plan will remain a regulated and complying fund under SIS and the Tax Act respectively and have a concessional tax rate of 15% applied to net deductible contributions and investment earnings.

Employer Contributions

At the previous actuarial investigation, it was recommended that the Employer continue to contribute at the rates required by the Superannuation Guarantee legislation.

We understand that the employer has been contributing in line with the recommendation in the paragraph above in respect of all categories in the Plan.

Demographic

The Plan does not have a large membership which means there is insufficient data from which to derive statistically meaningful demographic metrics. Most demographic assumptions are therefore based on the experience of other funds similar in size and industry group to the Plan. These assumptions may be modified in the light of the Plan's actual experience where indicated and if sufficient experience is available.

The key assumptions are the rates of retirement and leaving service applying once members become eligible for a DB guarantee (after age 50 for the remaining category). We have retained the assumptions used at the previous valuation.

Section 7: Valuation Results

Long Term Funding Results

The results of the valuation of the defined benefit members of the Plan at 30 June 2021 using the assumptions summarised in Appendix B are set out in the following table along with the corresponding results at 30 June 2018 for comparison:

	30 June 2018 ($000's)	30 June 2021 ($000's)
Present value of accrued liabilities:		
- Amounts allocated to DB members' accounts	14,331	13,203
- Present value of DB 'top-up' amounts*	35	14
Total value of DB liabilities	14,366	13,217
Value of Assets:		
- Investments at market value	14,331	13,203
- DB reserve	3,182	2,866
Total DB Assets:	17,513	16,069
Excess of assets over present value of liabilities as at 30 June 2018	3,147	2,852

* The value of DB 'top-up' for each member is calculated as the difference (if positive) between the member's defined benefit guarantee and the relevant accumulation account.

The investigation reveals an excess of the assets over the present value of future benefit payments of $2.85 million. This compares to the corresponding figure as at 30 June 2018 of $3.15 million.

However, the present value of expected DB 'top-up' amounts is low, because the valuation assumptions result in a positive net real return on member accounts relative to salary growth, so the guarantee is unlikely to ever apply for the vast majority of members. It is therefore important to also investigate the potential impact of a less favourable rate of return on member accounts. We have presented this analysis in Section 8 of this report.

We apply a vested benefits minimum to accrued benefits on an individual basis. Applying a vested benefit minimum on an individual basis is appropriate given the number and profile of the remaining DB members.

- The excess of assets over the present value of expected future liabilities has reduced over the period due the following reasons:
- Lower than expected investment returns on the DB reserve assets;
- Plan expenses and dollar-based member administration fees were deducted from the DB reserve.

However, higher than expected investment returns on member’s accumulation accounts have reduced the likelihood of DB guarantees applying.

The funding results show that the defined benefit guarantees remain fully funded on the stated assumptions, and there is currently no need for the employer sponsor to make any additional contributions to the DB reserve to provide for the guarantees if these assumptions apply over the future lifetime of the DB guarantee.

Section 8: Solvency and Other Measures of Financial Position

When assessing the adequacy of the assets and future contribution rates, both the long term funding and short term solvency positions should be considered. We have calculated two measures of the Plan's financial position at the investigation date, the Vested Benefits Index and the Accrued Benefits Reserve Index. We have also considered the Plan's Minimum Requisite Benefits Index and position on termination.

Vested Benefits Index

This index represents the ratio of the assets (including the DB Reserve) at 'market' value to the 'Vested Benefits'. The Vested Benefits represents the total amount which the Plan would be required to pay if all members were to voluntarily leave service on the valuation date.

Pursuant to superannuation law and prudential standards, a fund (or a section of a fund) is in a *"satisfactory"* financial position if the assets of the fund cover the vested benefit entitlements of the members of the fund.

The Vested Benefits were taken as the amount of the resignation benefit, or the early retirement benefit for members who are eligible to retire, including any DB guarantee that would have applied if the member had left the Plan at the calculation date.

The Vested Benefits Index for the Defined Benefit section at 30 June 2021 is shown in the following table, together with the Vested Benefits Index at the previous valuation date.

Date	Market Value of Assets ($'000)	Vested Benefits ($'000)	Vested Benefits Index (%)
30 June 2021	16,069	13,217	122
30 June 2018	17,512	14,366	122

A Vested Benefits Index in excess of 100% indicates that the Plan would have been able to meet its obligations if all members had voluntarily ceased employment at the valuation date.

Accrued Benefits Index

An indication of the funding status of the Plan is given by the ratio of the Plan's Net Asset Value to the Actuarial Value of Accrued Benefits (AVAB). This is called the Actuarial Value of Accrued Benefits Index (AVABI).

AVAB represents the value in today's dollars of future benefits based on membership completed to the review date, allowing for future salary increases, investment earnings and expected incidence of payment. "Accrued Benefits" has the meaning given in Regulation 9.27 of the SIS Regulations.

It is important that the Actuarial Value of Accrued Benefits Ratio is not used to compare the level of funding between superannuation funds but is used as a measure to assess the funding status of a superannuation fund from time to time. Different superannuation funds can be expected to have different Actuarial Value of Accrued Benefits Ratios depending on the age and employment history of the members.

A fully secured position is represented by a ratio of 100.0%. At this level, if no further benefits were allowed to accrue to current members, assets would be sufficient to meet all future benefit payments if the actuarial assumptions are borne out in practice

For most funds, the Accrued Benefits Index is a simple measure of a fund's strength on a continuing or "going concern" basis.

The Accrued Benefits Index for the Defined Benefit section at 30 June 2021 is shown in the following table, together with the Accrued Benefits Index at the previous valuation date.

Date	Market Value of Assets ($'000)	Accrued Benefits ($'000)	Accrued Benefits Index (%)
30 June 2021	16,069	13,217	122
30 June 2018	17,512	14,366	122

As at 30 June 2021, the net Market Value of the assets of the Plan was more than adequate to cover the Actuarial Value of Accrued Benefits. An Accrued benefit index in excess of 100% over the three year period indicates the Plan is satisfactory on an 'ongoing concern' basis.

Minimum Requisite Benefits

The Minimum Requisite Benefits, as described in the Plan's Benefit Certificate dated 1 July 2018, are equal to each member's account balance in the Plan.

Noting that each member's Vested Benefit equals or exceeds their account balance in the Plan, the MRBI would remain above 100% at 30 June 2021 as the VBI is above 100% at this date.

Termination of the Plan

Rule A7.4 of the Trust Deed states that, on termination of the Plan, any arrears of contributions must be immediately paid, but no further contributions may be made.

Rule A7.4 of the Trust Deed (as amended by Clause 9 Schedule 1 of the Principal Employer Application) states the method for calculation of benefits which would be payable if the Plan was terminated. On termination, the Trustee must apply the Plan assets in the following order of priority:

1. all expenses and liabilities (other than benefits) for which the Trustee is or may become liable;
2. any benefit which became payable before the termination date; plus the balance of the Retained Benefit Account for each retained member, plus the balance of the Pensioner Account for each allocated pensioner;
3. benefits are to be allocated to members in service at the termination date equal to their Accumulated Credit, and the balance of any Nominated Spouse Account for Nominated Spouses;
4. any additional benefit a member would be entitled to on leaving service on the termination date; and
5. any Reserve for Past Membership or any other part of Total Reserves which the Trustee attributes to the member.

If Superannuation Law permits, any balance of Plan Reserve is to be paid to the Principal Employer as agreed by the Principal Employer and the Trustee.

As the total value of assets is allocated among members, the total benefits paid cannot exceed the assets available at the termination date. This means that the Plan is never technically unable to cover benefits payable on termination of the Plan.

Projected financial position

The following table summarises the projected DB guarantee 'top-up' amounts payable, the projected value of Plan assets, Plan surplus and VBI, if all members eligible for a DB guarantee were to leave the fund at 30 June in the indicated year:

Year	DB top-up ($'000)	Vested Benefits ($'000)	Net Assets ($'000)	Surplus ($'000)	Vested Benefits Index (%)
2021	14	13,217	16,069	2,852	122%
2022	8	9,836	12,586	2,750	128%
2023	2	8,197	10,844	2,647	132%
2024	-	7,132	9,672	2,540	136%

There is only one Ex-ICL member left in the Plan for whom a defined benefit guarantee is likely to apply. If this member left the Plan and became entitled to a top-up amount, the total amount payable would be easily covered by the current DB Reserve.

If the recommendations shown in this report are followed, then I expect the Vested Benefits Index (VBI) to remain above 100% over the next three years.

Sensitivity Analysis

As discussed earlier, the DB Guarantee amounts are dependent on the relative rates of investment return and salary increase that might apply in future. To test the adequacy of the DB Reserve to cover various scenarios, we have carried out a projected financial position based on several different sets of assumptions.

In the following table, we have projected the DB Guarantee ‘top-up’ amounts at 30 June each year, using most of the same valuation assumptions, but with an altered investment return on member’s accumulation accounts assumption, as indicated.

Year	Total DB Guarantee 'top-up' allowing for annual investment return on member’s accumulation accounts of:			
	4.40%	2.40%	0.00%	-5.00%
2021	14,269	14,269	14,269	14,269
2022	7,762	12,133	17,378	28,305
2023	2,179	10,249	19,726	38,749
2024	-	8,591	21,420	46,231
2025	-	7,137	22,550	52,623

The last column above shows that, even if the investment return was negative 5% for the next four years, the total potential DB guarantee liabilities would still not exceed $100,000.

While these sensitivity tests have been selected to provide a range of possible economic outcomes, they do not represent the bounds of all possible outcomes. Nevertheless, they do indicate that the current DB Reserve is likely to be much more than required to meet the DB Guarantee liabilities of the Plan.

We understand that both Plan expenses dollar member administration fees are currently being deducted from the Plan’s DB reserve. Given the size of the DB Reserve, we recommend this arrangement continue until the results of the next actuarial investigation are available, or until such earlier time that we advise that the Plan’s financial position would no longer support these deductions.

If the employer wishes to consider further ways of reducing the DB Reserve, for example by paying some employer contributions from the Reserve, we would be pleased to provide advice.

Experience after the Valuation Date

There have been no significant changes in experience between 30 June 2021 and the signing of this report which would be likely to have a material effect on the conclusions and recommendations.

Section 9: Insurance

We understand that the Plan currently insures the future service portion of death and total and permanent disablement (TPD) benefits with MetLife Limited. In addition, the Plan currently fully insures the income protection benefits provided to members with MetLife Limited.

This insurance is appropriate for a fund this size in order to protect the Plan against adverse death or disability experience and to smooth out the inevitable fluctuations in such experience.

This means that the Plan has fully insured its exposure to death and disablement benefits.

We recommend that the Plan continue to fully insure its unfunded death and disablement benefits.

Section 10: Material Risks

In this section we comment on potentially material risks identified in the investigation:

Investment Returns

For this valuation, I have reduced the investment return assumption (net of tax and investment management expenses) from the previous triennial valuation to 4.40% p.a for the assets underlying defined benefit members' accumulation and 1.10% p.a. for the DB reserve. However, if actual investment returns are less than this, with all other actuarial assumptions borne out, then the funding position (e.g. the Vested Benefits Index and Actuarial Value of Accrued Benefit Index) will worsen as the defined benefit guarantees will be more likely to apply and Company contributions may be required.

We note that as the assets backing the defined benefit guarantees are invested in cash, they are not exposed to the same investment risks as members' accounts. This provides some protection against a period of poor investment returns.

Salary Inflation

For this valuation I have adopted a salary inflation assumption of 2.0% p.a. However, if actual salary increases are greater than this, with all other actuarial assumptions borne out, then the funding position (e.g. the Vested Benefits Index and Actuarial Value of Accrued Benefit Index) will worsen as the defined benefit guarantees will be more likely to apply and Company contributions may be required.

Section 11: Conclusions

The actuarial investigation of the Fujitsu Division of the Russell Investments Master Trust (the Plan) as at 30 June 2021 shows that the Plan is in a sound financial position. This is demonstrated by a Vested Benefits Index of 122% for the DB section of the Plan.

The investigation has revealed that the current DB Reserve of $2.85 million is likely to be more than is required to meet potential DB guarantee amounts, even under protracted periods of poor investment performance.

We recommend that the employer continue to contribute to the Plan at least at the rates required by the Superannuation Guarantee legislation to member accounts, and the employer does not contribute to the DB reserve until the results of the next actuarial investigation is available.

We recommend that Plan expenses and dollar member administration fees continue to be deducted from the Plan's DB reserve until the results of the next actuarial investigation are available, or until such earlier time that we advise that the Plan's financial position would no longer support these deductions.

If the employer wishes to consider further ways of reducing the DB Reserve, for example by paying some employer contributions from the Reserve, we would be pleased to provide advice.

We also recommend that the DB reserve assets continue to be invested in the Russell Investments Australian Cash Option.

The details required under the APRA Prudential Standard SPS160 are included in Appendix C.

The next actuarial investigation of the Plan should be conducted no later than 30 June 2021.

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14 December 2021

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Appendix A: Summary of Benefits and Conditions

Old ICL Membership

Application

The benefits set out below summarise the defined benefit guarantees which apply under Item 5 of Schedule 1 of the Principal Employer Application (Items 1 to 9 of Schedule 1 in the previous Rules). They are only paid if they result in a higher benefit than the value of the member's accounts.

Normal Retirement Date (NRD)

Age 60.

Earnings

A member's annual base remuneration including on-target commissions and incentives earnings as determined by the Employer excluding overtime, penalty rates, bonuses and special payments. However, the Employer may decide that other amounts be included in Earnings or establish some other basis for determining the Earnings of a member.

Final Average Earnings (FAE)

Final Average Earnings is the highest average annual rate of Earnings during any 3 year period in the last 10 years of employment with the Fujitsu Australia Group.

Member Contributions

Members may contribute at a rate that is agreed upon by the trustee and the employer. There is no compulsory member contribution requirement in this category.

Restructure Balance (RB)

The value at 31 March 1993 of the member's Member Account Balance plus the value of the member's Past Service Account, all increased with interest at the rates earned on the Plan's default investment option.

Restructure Multiple (RM)

The accrued multiple at 31 March 1993 of the member.

Retirement Guarantee

If the member leaves Service after attaining age 50, an additional benefit is payable equal to:

$$\mathrm{RM} \times \mathrm{FAE} \times \mathrm{DF} - \mathrm{RB}$$

Where DF is 100% reduced by 1/12% of each complete month by which the date of leaving Service precedes the member's 55th birthday.

Death and Total and Permanent Disablement

The benefit payable is equal to the sum of the member's accounts plus the amount of any insured benefit.

Additional Benefit Minimum

Effective from 1 July 2013, an additional benefit minimum applies to members who had guarantees applying as at that date.

Appendix B: Summary of Actuarial Assumptions

Rate of Investment Return

A rate of 4.40% per annum compound has been assumed, including unrealised returns and net of investment expenses and tax, for the assets underlying defined benefit members' accumulation accounts and 1.10% per annum for the DB reserve assets.

Rate of Salary Increases

A long term rate of general inflationary salary increases of 2.0% per annum has been assumed.

Decrement Rates

Specimen annual rates of decrement appear in the tables below.

Age X	Number out of 10,000 members aged X at the beginning of the year assumed to leave the Plan during the year on account of:		
	Death	Disablement	Withdrawal
25	3	1	1,350
30	3	2	1,180
35	4	2	1,110
40	7	2	930
45	12	5	550
50	21	12	-
55	35	27	-
60	58	67	-

Age X	Number out of 10,000 members aged X at the beginning of the year assumed to retire during the year
55	1,000
56	1,000
57	1,000
58	1,000
59	1,000
60	2,000
61	2,000
62	2,000
63	2,000
64	2,000
65	10,000

Expenses

Expenses relating to investment management are allowed for by assuming a net rate of investment return.

In addition, expenses of $20,000 pa and dollar member administration fees of $118,000 p.a. are met out of the Plan's DB Reserve.

Taxation

We 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 Employer contributions have been assumed to be taxed at 15%.

Appendix C: Statements required under Regulation 23 of SPS 160

I have carried out an actuarial valuation of Fujitsu (the Plan), a division of the Russell Investments Master Trust, at 30 June 2021.

For the purposes of Prudential Standard SPS 160, as Actuary to the Plan, I certify that:

i. The value of assets of the Plan for the purposes of the valuation as at 30 June 2021 has been taken as $216,982,487 which is the market value of assets of the Plan as set out in the Plan's Accounts, excluding the amount held to meet the ORFR.

ii. I have projected that, based on my reasonable expectations, it is likely that during the three years following the valuation date the assets of the Plan will exceed the liabilities of the Plan in respect of both accrued benefits and vested benefits.

Year	DB top-up ($'000)	Vested Benefits ($'000)	Net Assets ($'000)	Surplus ($'000)	Vested Benefits Index (%)
2021	14	13,217	16,069	2,852	122%
2022	8	9,836	12,586	2,750	128%
2023	2	8,197	10,844	2,647	132%
2024	-	7,132	9,672	2,540	136%

iii. In my opinion, the assets of the Plan (excluding the amount held to meet the ORFR as at the valuation date of) were adequate to meet the liabilities in respect of the accrued benefits of the members of the Plan. The value of accrued benefits for defined benefit members has been taken as the present value of future benefit payments which are attributable to service prior to the valuation date of 30 June 2021. The assumptions adopted to calculate accrued benefits are best estimate assumptions. In my opinion, these methods and assumptions are appropriate for the purpose of determining accrued benefits.

iv. At 30 June 2021 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 and the current shortfall limit of 100% does not need to be reviewed.

v. The value of the liabilities in respect of the minimum benefits of the members of the Plan as at the valuation date of 30 June 2021 were no more than $214,130,504. The assets of the Plan exceeded this amount therefore the Plan was technically solvent, as defined in the Superannuation Industry (Supervision) Regulations, as at 30 June 2021.

vi. I recommend that for the three-year period following the valuation date of 30 June 2021, the employers continue to contribute to the Plan at least at the rates required by the Superannuation Guarantee legislation to member accounts. We recommend the employer does not contribute to the DB reserve until the results of the next actuarial investigation is available.

vii. All necessary Funding and Solvency Certificates for the Fund were obtained during the period from 1 July 2018 to 30 June 2021. In my opinion, the solvency of the Plan will be able to be certified in any other Funding and Solvency Certificate required under the Superannuation Industry (Supervision) Regulations during the three year period to 30 June 2024, based on the assumptions used in this valuation and assuming the recommended contributions set out above and subsequent contributions determined in accordance with the Trustee's funding approach are paid.

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