Russell Investments Master Trust - Fujitsu Division

Actuarial Valuation as at 30 June 2024

2 December 2024

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Towers Watson Australia Pty Ltd
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Section 1: Executive Summary

We are pleased to present our report to Total Risk Management Pty Limited (the Trustee) on the actuarial valuation into the Fujitsu Division of the Russell Investments Master Trust (the Plan) as at 30 June 2024.

Membership

At 30 June 2024 there were 1,180 members of the Plan, of whom 12 were Old ICL members and entitled to accumulation benefits with defined benefit (DB) guarantees. These members are referred to as defined benefit (DB) members. The relevant annual salaries for these DB members totalled $1,478,000.

Assets

The total market value of assets for the Plan at 30 June 2024 was $191,159,000.

The market value of assets relating to members with DB guarantees was $14,177,000.

Valuation Results

For the purpose of the actuarial valuation, 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 $11,494,000 as at 30 June 2024.

At 30 June 2024, total Vested Benefits for members with a DB guarantee was also $11,494,000. Therefore, the market value of assets was 123% 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 2024 were:

- The actual net investment return earned on the assets underlying DB members' accumulation accounts averaged approximately 4.4% p.a. This was in line with the long-term rate of investment return of 4.4% p.a. assumed in the 2021 valuation.
- The actual net investment return earned on the assets underlying DB members' DB guarantees (i.e. the defined benefit reserve) averaged approximately 1.9% p.a. This was slightly higher than the long-term rate of investment return of 1.1% p.a. assumed in the 2021 valuation and considered in isolation has resulted in a slightly better financial position at 30 June 2024 than expected.
- Salary increases for DB members averaged 2.3% p.a. which was marginally higher than the equivalent average rate of 2.0% p.a. assumed in the 2021 valuation. Considered in isolation, this has resulted in a slightly worse financial position at 30 June 2024 than expected.
- As recommended in the 2021 valuation 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 DB members left the Plan over the period. No members were paid a DB guarantee top-up amount during the three years since 30 June 2021. The reduction in membership has improved the funding position of the Plan. Further, member accounts have earned returns in excess of overall salary increases since 2021, making the DB guarantees less likely to apply in the future.

Overall, the total effect of the Plan's experience over the three years to 30 June 2024 has resulted in a slight increase in the Plan's financial position compared to that expected based on the 2021 valuation.

Assumptions

The key economic assumptions used for this actuarial valuation were long-term net investment earnings rates of 7.1% p.a. on DB members' accumulation accounts and 3.8% p.a. on the DB reserve, and a long-term inflationary salary increase rate of 2.7% p.a.

The demographic assumptions used for this valuation remain unchanged from those used in the previous valuation.

Experience since the Valuation Date

We are not aware of any significant experience between 30 June 2024 and the signing of this report which would be likely to have a material effect on the conclusions and recommendations contained herein.

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 valuation 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 valuation 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 DB 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 valuation be effective on or before 30 June 2027.

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 Employer 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 Employer in this regard. The Trustee should draw the provisions of this paragraph to the attention of its auditors and the Employer 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 Sections 3 and 4.

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 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 “complying” 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 valuation, 30 June 2024, there is only one category of membership of the Plan, the Old ICL members, whose remaining members are provided with DB 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 valuation 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 Valuation

Clause 15.6 of the Trust Deed states that the Trustee must ensure that the Actuary carries out an actuarial valuation 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 valuation and to make recommendations on the level of contributions to be made by Fujitsu, particularly in relation to DB guarantees provided by the Plan.

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

The main aims of the valuation are to:

- examine the funding of the Plan’s DB guarantees;
- examine the current financial position of the Plan;
- determine the recommended Employer 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 valuation 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 Master Trust 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 2024 prepared in accordance with Professional Standard 400, issued by the Institute of Actuaries of Australia.

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

Previous Valuation

The previous actuarial valuation of the Plan was carried out as at 30 June 2021 by Richard Saverimuttu.

The results of the previous valuation were set out in a report dated 20 December 2021. That report covered the three year period from 1 July 2018 to 30 June 2021. The report considered the experience of the Plan during the period, the long term funding of DB 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 2021 indicated that Vested Benefits for members with DB guarantees were 122% covered by the market value of Plan assets. This result indicated a Satisfactory Financial Position.

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

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, the Plan administrator.

Membership data, including benefit payment and salary data, was provided in respect of members in the Plan as at 30 June 2024. 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 valuation.

Membership Summary

At 30 June 2024 there were 1,180 members in the Plan. This includes 12 (all Old ICL) members who are entitled to DB guarantees. The remaining 1,168 members receive accumulation benefits only.

Key membership statistics as at 30 June 2024 are shown below, together with comparative figures at 30 June 2021:

	30 June 2021	30 June 2024
Number of Members[1]	18	12
Average Salary ($)	107,000	123,000
Average Age (years)	60	63
Average Plan Membership (years)	34	37

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

All of the DB members in the Old ICL category have attained age 55.

The table above shows the number of eligible DB members reduced by approximately 33% over the period.

The weighted average term of the liabilities for the 12 Old ICL members was 2.1 years as at 30 June 2024.

As at 30 June 2024 there was one DB member for whom the DB guarantee was applying (by $39,000). As at the previous valuation date there was also only one DB member for whom the DB guarantee applied (by $14,000).

Section 4: Assets and Investments

Data

Financial information for the Plan as at 30 June 2024 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 Russell Investments Master Trust as at 30 June 2024. We are satisfied that the information is suitable for the purposes of this valuation, 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 DB guarantee top-up amount during the three years since 30 June 2021, 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 2024 the 'market' value of assets of the Plan available to pay benefits was $191,159,000, of which $14,177,000 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 DB members' assets of $16,069,000 as at 30 June 2021.

Account balances for the members with DB guarantees were $11,455,000. The excess of assets over account balances is held by the Trustee as a DB reserve for the purpose of supporting the DB guarantees. The DB reserve is net of the Operational Risk Financial Requirement Reserve (ORFR). The market value of the DB reserve net of the ORFR was $2,722,000 as at 30 June 2024.

A summary of the cash flows to and from the DB reserve over the three years to 30 June 2024 is set out below:

Movement of the DB reserve	$'000
Opening Balance at 1 July 2021	**2,866**
Plus Investment return	155
Less:	
• Plan expenses and administration fees	(333)
• DB guarantee 'top-up' payments	0
• Tax (expense)/refund	33
• (Increase)/Decrease in ORFR	0
• Employer Contributions/Additional top ups	1
Closing Balance at 30 June 2024	**2,722**

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 DB guarantee is defined using a notional account balance, credited with net earnings at the rate earned by the member’s investment option.

The DB reserve is invested in the Russell Investments Australian Cash Option. We believe that the current investment strategy is reasonable, given the nature of the liabilities.

Investment Strategy

The Plan offers a range of Diversified and Sector investment options for members’ accumulation account balances.

All of the Plan’s assets (except for the Plan’s bank account) are invested in Russell Pooled Superannuation Trusts. The earnings credited to a 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 2024, the Plan’s assets were invested as follows:

	30 June 2024 $’000
Russell Pooled Superannuation Trusts (accounts for Accumulation and DB members)	188,437
DB reserve (Russell Australian Cash)	2,722
TOTAL	**191,159**

The majority of DB members' accounts are invested in the Balanced Growth Option. The asset allocation of this option at 30 June 2024 was as follows:

Investment Sector	%
Australian Equities	26.5
International Equities	34.5
Property	11.0
Fixed Interest	13.5
Infrastructure	5.5
Cash	9.0
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 accumulated returns 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 defined benefit 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 DB members, based on the Plan rules applicable to DB guarantee 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 DB 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 DB 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 DB guarantees. This is the same method as was used in the previous actuarial valuation 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 valuation, we have taken into account the assumptions used in the last valuation 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 2024 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 valuation is included in Appendix B.

Investment Returns

A key determinant of the change in members' accounts from 1 July 2021 to 30 June 2024 has been the investment return earned by the respective investment portfolios. The majority of DB 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 2024 (based on the change in unit prices applicable to members' accounts) are shown in the table below.

Period	Balanced Growth Net Return % p.a.	DB reserve (Cash) Net Return % p.a.
1 July 2021 to 30 June 2022	-4.5%	0.0%
1 July 2022 to 30 June 2023	9.5%	2.3%
1 July 2023 to 30 June 2024	8.9%	3.5%
3 year average	**4.4%**	**1.9%**

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 valuation, the assumptions used in this valuation must be based on long-term expectations since the valuation 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 7.1% p.a. for the assets underlying DB members' accumulation accounts (using a benchmark asset allocation the same as the Balanced Growth Portfolio) and 3.8% p.a. for the DB reserve invested in Cash. This compares to a rate of 4.4% p.a. and 1.1% p.a. respectively used in the previous actuarial valuation. Whilst the actual returns over the last three years have been similar to this expected return, we believe that the higher assumptions reasonably reflects long-term future expectations.

Salary Increases

At the last actuarial valuation, the assumed rate of salary inflation was 2.0% p.a.

For the purpose of the actuarial valuation, 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 valuation period for members with DB guarantees who were in the Plan at both 1 July 2021 and 30 June 2024 was 2.3% p.a.

The actual experience has been above the assumption made at the last valuation. Current estimates of price inflation from the WTW investment model have increased to 2.7% p.a. for durations consistent with the remaining future service of the DB membership. As the DB membership is nearing retirement, we do not anticipate real salary growth above inflation. We have therefore increased the salary inflation assumption to 2.7% p.a. in line with future expectations of price inflation.

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 valuation was -0.9% p.a. The actual gap experienced by the Plan over the three years to 30 June 2024 was -0.4% p.a. This has contributed to the improvement in the financial position of the Plan. In addition, investment returns on member accounts were similar to expectations and the DB guarantees have a similar likelihood of applying.

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 1.1% p.a. This is a higher value than the one used in the last valuation. In isolation, this should lead to an improvement in the projected 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 section 8 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 $71,000 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 valuation, 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, noting that all remining DB members are now over age 55.

Section 7: Valuation Results

Long Term Funding Results

The results of the valuation of the DB members of the Plan at 30 June 2024 using the assumptions summarised in Appendix B are set out in the following table along with the corresponding results at 30 June 2021 for comparison.

	30 June 2021 ($000's)	30 June 2024 ($000's)
Present value of accrued liabilities:		
• Amounts allocated to DB members' accounts	13,203	11,455
• Present value of DB 'top-up' amounts*	14	39
Total value of DB members' liabilities	**13,217**	**11,494**
Value of Assets:		
• Investments at market value	13,203	11,455
• DB reserve at market value	2,866	2,722
Total DB Assets:	**16,069**	**14,177**
Excess of assets over present value of liabilities	**2,852**	**2,683**

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

The valuation reveals an excess of the assets over the present value of future benefit payments of $2.68 million. This compares to the corresponding figure as at 30 June 2021 of $2.85 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 DB 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 to Plan expenses and dollar-based member administration fees being deducted from the DB reserve.

However, the DB membership has reduced by 6 members which improved the financial position as the DB reserve backs a smaller group of remaining members. In addition, members have earned investment returns in excess of overall salary increases on their accumulation accounts which has reduced the likelihood of DB guarantees applying.

The funding results show that the DB guarantees remain fully funded on the stated assumptions, and there is currently no need for the Employer to make any additional contributions to the DB reserve to provide for the DB 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 valuation 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.

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.

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. All DB members are eligible to retire as at 30 June 2024.

The Vested Benefits Index for the DB section at 30 June 2024 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 2024	14,177	11,494	123%
30 June 2021	16,069	13,217	122%

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. As at 30 June 2024 the Plan remains in a satisfactory financial position.

Accrued Benefits Index

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

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 Index 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 Indices 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 Actuarial Value of Accrued Benefits Index is a simple measure of a fund's strength on a continuing or "going concern" basis.

The Actuarial Value of Accrued Benefits Index for the DB section at 30 June 2024 is shown in the following table, together with the Actuarial Value of Accrued Benefits Index at the previous valuation date.

Date	Market Value of Assets ($'000)	Accrued Benefits ($'000)	Actuarial Value of Accrued Benefits Index (%)
30 June 2024	14,177	11,494	123%
30 June 2021	16,069	13,217	122%

As at 30 June 2024, the market value of the Plan assets was more than adequate to cover the Actuarial Value of Accrued Benefits. An Actuarial Value of 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 4 August 2020, 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 Minimum Requisite Benefits Index would remain above 100% at 30 June 2024 as the Vested Benefits Index 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 market value of Plan assets, Plan surplus and Vested Benefits Index, 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)	Market Value of Assets ($’000)	Surplus ($’000)	Vested Benefits Index (%)
2024	39	11,494	14,177	2,683	123%
2025	25	6,370	9,076	2,706	142%
2026	11	5,463	8,191	2,728	150%
2027	1	4,012	6,760	2,748	169%

There is only one Old ICL member left in the Plan for whom a DB 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 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' ($’000) allowing for annual investment return on member’s accumulation accounts of:			
	7.10% p.a. (valuation assumptions)	5.00% p.a.	0.00% p.a.	-5.00% p.a.
2024	39	39	39	39
2025	25	30	42	55
2026	11	19	40	59
2027	1	12	36	58
2028	-	6	33	55

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 valuation 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 DB reserve, we would be pleased to provide advice.

Experience after the Valuation Date

We are not aware of any experience between 30 June 2024 and the signing of this report which would be likely to have a material effect on the conclusions and recommendations contained herein.

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 valuation:

Investment Returns

For this valuation, I have increased the investment return assumption (net of tax and investment management expenses) from the previous triennial valuation to 7.1% p.a for the assets underlying DB members' accumulation and 3.8% 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 DB guarantees will be more likely to apply and Employer contributions may be required.

We note that as the assets backing the DB 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 2.7% 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 DB guarantees will be more likely to apply and Employer contributions may be required.

Section 11: Conclusions

The actuarial valuation of the Fujitsu Division of the Russell Investments Master Trust (the Plan) as at 30 June 2024 shows that the Plan is in a sound financial position. This is demonstrated by a Vested Benefits Index of 123% for the DB section of the Plan.

The valuation has revealed that the current DB reserve of $2.72 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 valuation 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 valuation 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 DB 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 valuation of the Plan should be conducted no later than 30 June 2027.

Farah Billimoria
Fellow of The Institute of Actuaries of Australia
RSE Actuary to the Plan

2 December 2024

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Appendix A: Summary of Benefits and Conditions

Old ICL Membership

Application

The benefits set out below summarise the DB 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 7.1% p.a. compound has been assumed, net of investment expenses and tax, for the assets underlying DB members' accumulation accounts and 3.8% p.a. for the DB reserve assets.

Rate of Salary Increases

A long term rate of general inflationary salary increases of 2.7% p.a. has been assumed.

Decrement Rates

Specimen annual rates of decrement appear in the tables below.

	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:		
Age X	Death	Disablement	Retirement
55	35	27	1,000
56	39	32	1,000
57	43	38	1,000
58	48	46	1,000
59	52	55	1,000
60	58	67	2,000
61	64	80	2,000
62	70	96	2,000
63	77	115	2,000
64	84	136	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 p.a. and dollar member administration fees of $71,000 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 Paragraph 23 of SPS 160

I have carried out an actuarial valuation of the Fujitsu Division of the Russell Investments Master Trust (the Plan) as at 30 June 2024.

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

i. The market value of assets of the Plan for the purposes of the valuation as at 30 June 2024 has been taken as $191,159,000 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 reserve.

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)	Market Value of Assets ($'000)	Surplus ($'000)	Vested Benefits Index (%)
2024	39	11,494	14,177	2,683	123%
2025	25	6,370	9,076	2,706	142%
2026	11	5,463	8,191	2,728	150%
2027	1	4,012	6,760	2,748	169%

iii. In my opinion, the market value of Plan assets (excluding the amount held to meet the ORFR reserve as at the valuation date) were adequate to meet the liabilities in respect of the accrued benefits of the members of the Plan.

The value of accrued benefits for DB 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 2024. 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 2024 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 requisite benefits of the members of the Plan as at the valuation date of 30 June 2024 were no more than $188,476,000. 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 2024.

vi. I recommend that for the three-year period following the valuation date of 30 June 2024, the Employer continues 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 valuation is available.

vii. All necessary Funding and Solvency Certificates for the Plan were obtained during the period from 1 July 2021 to 30 June 2024.

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 2027, 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.

Farah Billimoria
Fellow of The Institute of Actuaries of Australia
RSE Actuary to the Plan

2 December 2024

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