Summary of 2023 Actuarial Report

Fire & Emergency Services
Superannuation Fund

Actuarial Investigation as at 30 June 2023 conducted by PricewaterhouseCoopers
September 2023

Purpose and scope of the Report

The Actuarial Report covers the main defined benefit section of the Fund only (i.e. it does not cover the accumulation section of the Fund).

Data has been provided by the Fire and Emergency Services Superannuation Board and the Report is at 30 June 2023.

Summary of annual results as at 30 June 2023

Higher investment returns led to the Vested Benefit Index increasing from 127% to 134%

Measure	Comments
1. Fund Experience	Category A defined benefit membership numbers decreased by 6 (1,327 to 1,321). Investment return (net of tax and investment fees) was 8.4% pa, which is 3.9% higher than the expected return of 4.5% pa. The average Final Average Salary increased by 2.4%, which is above the expected increase of 1.75% (1.0% salary increase plus an average promotional increase of 0.75%). Operational Risk Financial Requirement (ORFR) reserve increased slightly to $2.7 million (0.3% of total Fund assets).
2. Assets	Overall total Fund assets (including the accumulation section assets) increased from $843.8 million to $903.9 million (7.1%). Defined Benefit (DB) assets (excluding the ORFR but including Supplementary Disablement assets and Investment Fluctuation Reserve (IFR)) increased from $446.0 million to $464.7 million (4.2%). These assets are used for APRA reporting and the Vested Benefits Index (VBI).
3. Liabilities	Vested benefits decreased from $350.5 million to $346.1 million (1.3%) including DB and Supplementary Disablement assets. Minimum Requisite Benefits (DB only) increased from $292.5 million to $294.4 million (0.6%) and remain fully funded.

Vested Benefit Index (VBI)

The VBI (including the DB and Supplementary Disablement assets) increased from 127% to 134%, mainly due to higher investment returns. The funding target is 120% of vested benefits.

The Fund is in a satisfactory financial position.

Compared to targets

- The VBI is above the target of 120%.
- The early warning target is 105% and the shortfall limit is 97%. The VBI (including the Supplementary Disablement assets) is 134%, so is well above both the early warning target and the shortfall limit.
- The vested benefit liability (DB and Supplementary Disablement liabilities) decreased from $350.5 million to $346.1 million (1.3%) due to exit payments exceeding accrual over the year.

Accrued Retirement Benefit Ratio

The Fund's accrued benefit funding status has increased over the year from 114% to 116%.

- The accrued retirement benefits ratio is 116% (excluding Supplementary Disablement liabilities).
- Accrued retirement benefits increased from $359.5 million to $364.0 million (1.2%).
- The assets supporting the accrued retirement benefits are the DB only smoothed assets, which is the DB assets after excluding the Supplementary Disablement assets, the IFR and the ORFR.
- DB only smoothed assets increased from $409.0 million to $423.6 million (3.6%).
- This ratio assesses the Fund's long-term progress towards funding the expected future benefit payments arising from service to date and should be considered together with the VBI, which looks at the immediate funding of all benefits payable at the current date.

Minimum Requisite Benefit

The Minimum Requisite Benefit (MRB) index is expected to decline as the higher superannuation guarantee rates come into effect but is projected to remain well above 100% even under the shock scenario of a 10% investment loss.

- The MRB index increased from 140% to 144% (excluding Supplementary Disablement liabilities and assets).
- The MRB increased from $292.5 million to $294.4 million (0.6%).
- The MRB assets (DB assets excluding the ORFR assets and the Supplementary Disablement assets but including the IFR), increased from $409.0 million to $423.6 million (3.6%).
- The MRB index is expected to decrease slightly over the 10 year projection period due to the increase in the superannuation guarantee rate from 2023.

Recommended Employer Contributions

The outlook for economic conditions is uncertain over the next 5 years however the current healthy funding position provides a buffer against low or negative investment returns. The recommended employer contribution rate remains unchanged.

- Under Regulation 16 of the regulations governing the Fund, the Actuary is required to advise the Board of the amounts or rates of contribution required from the Department of Fire and Emergency Services and each associated employer.
- The vested benefits ratio of 134% (DB and Supplementary Disablement assets) is greater than the minimum of 100% and is above the Board's target of 120%.
- The Fund is in a "satisfactory financial position" as measured by the coverage of vested benefits by assets and reported to the regulator (APRA).
- The Actuary expects that, provided the employers make the recommended contributions:

  (a) the assets at 30 June 2023; plus

  (b) member and employer contributions over the next three years; plus

  (c) expected investment earnings over the next three years;

  are sufficient to meet the defined benefit liabilities of the Fund expected to arise over the next three-year period.
- Each employer is required to contribute at a rate of at least 8.75% of salaries. Currently the employers contribute at a rate of 11.75% of salaries, representing the minimum 8.75% plus an additional 3% of salaries as a result of an industrial agreement.
- The Actuary recommends the employer contribution rate be at least 11.75% of salaries, plus the additional 1% of salaries to fund the Supplementary Disablement benefits.
- The employer contribution rate is next due to be reviewed at 30 June 2024.