Mitsubishi Motors Australia Superannuation Plan

Actuarial Investigation as at 31 March 2024

26 September 2024

Towers Watson Australia Pty Ltd
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Reliances and Limitations

This report is provided pursuant to our Statement of Work dated 30 May 2017. This report is provided solely for the Trustee's use and for the specific purposes indicated in the report. 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 relied on by any third party. 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, Authorities or any third party in this regard. The Trustee should draw the provisions of this paragraph to the attention of its third parties when passing this report to them.

In conducting this review, 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 results presented in this report are directly dependent upon the accuracy and completeness of the underlying data and information. Any material inaccuracy in the data, assets, plan provisions or other information provided to us may have produced results that are not suitable for the purposes of this letter and such inaccuracies may produce materially different results that could require that a revised letter be issued.

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 1: Executive summary

1.1 I am pleased to present my report to N.M. Superannuation Proprietary Limited (the "Trustee") on the actuarial investigation into the Mitsubishi Motors Australia Superannuation Plan ("the Plan") as at 31 March 2024.

1.2 The Plan is established as a separate sub-fund within the Corporate Category of the AMP Super Fund ("the Fund").

Membership

1.3 The actuarial investigation was based on an active membership of 72. Of these members, 15 members, with salaries totalling $2.749 million, were in the Defined Benefit Section (DB Section). The remaining 57 active members were in the Accumulation section.

Assets

1.4 The administrator has advised the net asset value of the sub-plan assets relating to the Plan at 31 March 2024. We understand this value has been determined based on data and methodologies consistent with the value of the assets provided in the previous actuarial investigation as at 31 March 2021 in our report dated 22 September 2021.

1.5 The net asset value of assets at 31 March 2024 was taken to be $27.773 million. Of this amount, $15.508 million is held in the Defined Benefit reserve to meet benefits of Defined Benefit members. The balance of $12.265 million represents the account balances of Accumulation members and the productivity and additional accounts of Defined Benefit members.

1.6 For the purpose of the actuarial investigation, the value of the liabilities was compared to the net asset value of assets.

Experience of the Plan

1.7 The main features of the Plan's experience over the three year period to 31 March 2024 are set out below.

1.8 The Defined Benefit assets are invested in the AMP Future Directions Balanced option. The return over the period from 1 April 2021 to 31 March 2024 was 16.5%, representing an annualised return of 5.2% pa. This return was higher than the return of 4.1% p.a. net of investment tax and fees and asset-based administration fees assumed in the 2021 investigation. The higher returns had a positive impact on the financial position of the Plan in respect of the remaining members.

1.9 Inflationary salary increases for Defined Benefit members who were members throughout the investigation period averaged 4.8% pa, which was higher than the rate of 2.5% pa assumed in the 2021 investigation. This had a negative impact on the financial position of the Plan.

1.10 The 31 March 2021 actuarial investigation report recommended that the contribution holiday in respect of the Defined Benefit and Accumulation sections of the Plan should continue until the results of this current actuarial investigation are available or until the Vested Benefit ratio in respect of Defined Benefits is less than 120%, or as otherwise advised.

1.11 The membership of the Plan has declined over the review period. As at 31 March 2024, there were 15 Defined Benefit (DB) members in the Plan. At 31 March 2021 (the date of the previous actuarial investigation), there were 18 DB members in the Plan. The reduction in membership has improved the financial position of the Plan in respect of the remaining members.

1.12 Overall, the combined effect of the Plan's experience over the three years to 31 March 2024 resulted in the Plan's financial position being in line with that expected based on the 2021 investigation.

Valuation Assumptions

1.13 The key economic assumptions used for this actuarial investigation are a long-term net investment earnings rate of 7.0% p.a. net of investment tax and fees and asset-based administration fees and a long-term inflationary salary increase rate of 3.5% p.a. The corresponding effective gap between the long-term net investment earnings rate and the long-term inflationary salary increase rate is 3.50% p.a. In the previous investigation of the Plan an effective gap of 1.60% p.a. was assumed.

1.14 The asset-based administration expense is lower than the rate used in the 2021 investigation. Based on the data provided to us by the Administrator we consider it is reasonable to adopt 0.080% p.a. for this investigation and this has been deducted from expected return for setting the net investment earnings assumption of 7.0% p.a.

Valuation Results

1.15 The actuarial investigation of the Plan at 31 March 2024 revealed that it was in a healthy financial position.

1.16 At 31 March 2024 the net asset value of assets available to cover Defined Benefit liabilities was 137% of vested benefits for Defined Benefit members.

1.17 The coverage of the value of accrued benefits of Defined Benefit members by the assets at 31 March 2024 was 140%.

1.18 The corresponding coverage of the vested benefits and the accrued benefits for the entire Plan (including the Accumulation section) were 118% and 119% respectively.

Prudential Standard SPS 160 Requirements

1.19 Prudential Standard SPS 160 (SPS 160) has applied from 1 July 2013. Superannuation funds which are in an unsatisfactory financial position at an actuarial investigation (or the Vested Benefits Index (VBI) is below a shortfall limit between actuarial investigations) are required to develop a restoration plan to target full funding of Vested Benefits within three years. Since the Plan had a VBI above 100% as at 31 March 2024, a restoration plan is not required under SPS 160.

1.20 The Trustee has set a shortfall limit in accordance with SPS 160 of 99% for the Defined Benefit section of the Plan. We consider that this shortfall limit remains appropriate given the current and target asset allocation for the Plan and the nature of the liabilities.

Recommendations

1.21 We recommend that the Employer continues the current contribution holiday in respect of the Defined Benefit and Accumulation sections of the Plan but in respect of the Accumulation section, we recommend employer contributions recommence from 1 April 2027.

This recommendation should be reassessed prior to the next actuarial investigation if the Vested Benefits ratio falls below 110% or as otherwise advised.

The Trustee should review the level of the Vested Benefit ratio in respect of Defined Benefit members annually and advise me if it falls below 110% or appears likely to fall below 110%.

1.22 We also advise that:

- In our opinion the current investment strategy for the Defined Benefit reserve is reasonable, however given the average age of the remaining defined benefit members is now 56, the Trustee may want to consider reviewing the ongoing appropriateness of the investment strategy; and
- the existing insurance arrangements should remain in place.

1.23 The next actuarial investigation should be undertaken as at a date no later than 31 March 2027.

Section 2: Introduction

2.1 The Plan commenced in June 2006 following the successor fund transfer of the Mitsubishi Motors Australia Staff Superannuation Fund into the AMP SignatureSuper master trust. The AMP SignatureSuper master trust was transferred to the Super Directions Fund on 15 May 2020. The Super Directions Fund was renamed the AMP Super Fund on 1 October 2021 and the Plan is a separate sub-fund within the Corporate Category of the Fund. The Trustee of the Fund is N.M. Superannuation Proprietary Limited.

2.2 The operation of the Fund is governed by the Trust Deed and by the Participation Agreement between the Trustee and the Employer, Mitsubishi Motors Australia Ltd. At the time of carrying out this investigation the most recent Trust Deed amendment is dated 14 May 2020.

2.3 A summary of the main benefit provisions is included as Appendix A to this report.

Rule 2.4 of Part 3 of the Plan Rules specific to the Mitsubishi Motors Australia Superannuation Plan states that, in respect of Defined Benefit members:

- The Employer is required to contribute to the Plan in respect of each Member in such amount at such times as the Trustee shall decide after obtaining the advice of the Actuary in order to ensure the stability of the General Assets of the Plan and to secure the rights of the Members, and
- The Employer is required to contribute to the Plan in respect of each Member (other than an Executive Category Member) 3.0% of the Member's Superannuation Salary. (We note that the Employer contribution rate is currently 5.5% and is currently funded by the defined benefit surplus and paid to the Accumulation section of the Plan.

In respect of Accumulation members, Rule 2.3 of Part 2 states that:

The Employer will contribute:

- such amount (if any) as, in the opinion of the Employer, the Employer is required to contribute (over and above any contributions paid to another superannuation fund) in relation to that period in order to ensure that the Employer does not become liable to pay a superannuation guarantee charge under the SG Legislation in respect of that Member for that period; and
- such additional amount (if any) as the Employer may determine from time to time.

2.4 The Mitsubishi Plan is an open fund with a closed defined benefit section. It is a “regulated fund” under the provisions of the Superannuation Industry (Supervision) Act 1993 (“SIS”). The AMP Super Fund is treated as a “complying superannuation fund” for taxation purposes.

Previous Actuarial Investigation

2.5 This is the seventh actuarial investigation of the Plan. The previous actuarial investigation was carried out as at 31 March 2021, by Andrew Sach, FIAA, of Towers Watson Australia Pty Ltd and results were set out in a report dated 22 September 2021.

2.6 It was recommended that:

- The Employer continue the contribution holiday in respect of the Defined Benefit and Accumulation sections of the Plan until the results of the next actuarial investigation were available or until the Vested Benefit ratio in respect of Defined Benefits is less than 120% or as otherwise advised.

Current Actuarial Investigation

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

2.8 The main aims of the investigation are to:

- examine the current financial position of the Plan and the long term funding of the Plan's benefits;
- recommend a rate at which the employer should contribute; and
- meet the requirements of the Trust Deed and relevant superannuation legislation including the reporting requirements of SPS 160.

2.9 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

2.10 This report has been prepared in accordance with Professional Standards 400, 402 and 404 issued by the Institute of Actuaries of Australia.

2.11 I am not aware of any events subsequent to the Investigation which would have a material impact on the conclusions or recommendations in this report.

Section 3: Data

Membership

3.1 For the purposes of this investigation, we were supplied with membership information by AMP, the Plan administrator.

3.2 The following table summarises the membership data.

Category	Number of members	Average age (years)	Average membership (years)	Total annual salaries ($'000)	Average salary ($'000)
A1 - Grades 6-10	9	[redacted]	[redacted]	[redacted]	[redacted]
A2 - Grades 1-4	2	[redacted]	[redacted]	[redacted]	[redacted]
A3 - Grade 5	4	[redacted]	[redacted]	[redacted]	[redacted]
Accumulation	57	[redacted]	[redacted]	[redacted]	[redacted]
Total	72	[redacted]	[redacted]	[redacted]	[redacted]

* Defined benefit members only

^ These figures are hidden for confidentiality purposes

At the previous actuarial investigation the Plan had 18 Defined Benefit members and 60 Accumulation members.

The results and recommendations in this report are reliant on the accuracy of the data provided. We have reconciled the data provided with the data as at 31 March 2021, and are satisfied that it is reliable.

Changes since last investigation

3.3 Since the previous investigation date there have been no significant changes to the Plan.

Changes post investigation

3.4 There have been no known significant changes since the investigation date that would materially affect the financial position of the Plan.

Section 4: Assets and Investment Strategy

Assets

4.1 Financial information was provided by the Trustee for the purpose of conducting this investigation. The information included details of the assets at the review date and all transactions over the three-year investigation period. As the Plan is a sub-fund within the AMP Super Fund a separate set of financial statements is not prepared for the Plan. The asset information for the Plan is therefore not separately audited.

The administrator has advised the net asset value of the sub-plan assets relating to the Plan at 31 March 2024. We understand this value has been determined based on data and methodologies consistent with the value of the assets provided in the previous actuarial investigation as at 31 March 2021 in our report dated 22 September 2021. The assets in respect of Defined Benefit liabilities are invested in the AMP Future Directions Balanced option. Members have investment choice in respect of their voluntary contributions and rollover accounts.

4.2 We were provided with an asset reconciliation report, including cashflows from 1 April 2021 to 31 March 2024. Included in this report was the net value of the assets of the Defined Benefit section of $15.508 million.

We were provided with the details of the Accumulation member account balance and the Defined Benefit accumulation account balance. Based on these figures, we calculated the Accumulation section assets at 31 March 2024 to be $12.265 million, meaning that the total Plan assets were $27.772 million at 31 March 2024.

The Accumulation assets include accumulation benefits of Defined Benefit members, being productivity and additional accumulation accounts.

4.3 In accordance with APRA's Prudential Standard 114, the Fund is required to hold a separate reserve to satisfy the Operational Risk Financial Requirement (ORFR). The amount held in this reserve must be excluded from the net value of assets when determining the Vested Benefit Index. We have been advised that the reserves held to meet the ORFR are held outside the Mitsubishi sub-fund. Therefore, no adjustment to the Mitsubishi asset value is required in this regard.

Investment Objectives and Strategy

4.4 The aim and strategy underlying the Future Directions (FD) Balanced option, is set out in summary form in the investment choices catalogue of the SignatureSuper Investment Guide Fact Sheet, 1 April 2024.

Some key points:

- The main objective is to provide a rate of return of 3% pa above the inflation rate over a 10-year timeframe.
- The option is classified by the Trustee as a "high" risk option.

4.5 The FD Balanced option invests in a range of equity, property and fixed interest investments. The following table shows the benchmark allocation and the allowable ranges effective 1 April 2024.

Asset Class	Benchmark Asset Allocation (%)	Range (%)
Australian shares	26	11 – 41
Global shares	33	11 – 58
Alternatives	2	0 – 17
Infrastructure	8	0 – 23
Property	6	0 – 26
Fixed interest	19	0 – 59
Cash	6	0 – 31
Total	100	

4.6 The FD Balanced Fund is structured as a multi-manager (fund of funds) with specialist managers selected in each primary asset class. The Fund has high liquidity, with units redeemable at any time. We have taken account of the investment objectives of the Plan and the investment guidelines in setting our actuarial assumptions in Section 6 of this report and framing our contribution recommendations in Section 11.

4.7 This Benchmark Asset Allocation is among a range of asset allocations that could reasonably be used for the Defined Benefit section.

4.8 The Defined Benefit section was completely closed to new entrants at 31 March 2009. Therefore, the liabilities will reduce significantly over the next ten years in real terms. If future investment returns are higher or lower than expected it is possible that a surplus or shortfall could result. Therefore, it is recommended that the funding position of the Defined Benefit section continue to be considered in setting investment policy.

4.9 The strong financial position of the Plan gives the Trustee and Employer a good deal of flexibility in deciding on the investment strategy. The Plan could remain invested in the Balanced strategy, on the basis that the Plan's surplus position allows it to ride out volatility and benefit from stronger returns expected from an option weighted towards growth assets. Alternatively, a decision could be made to "lock in" some of the surplus and de-risk the investment portfolio by moving to a more defensive investment option. In general, it would be expected that a move to a more defensive investment option would lead to an increased contribution requirement from the Employer, however the level of surplus in the Mitsubishi Plan means that this is not necessarily so.

The Trustee may want to consider reviewing the ongoing appropriateness of the current investment strategy, noting any decision on the investment of the assets should involve the Employer.

Section 5: Funding Method

5.1 This investigation has been carried out using the Target Funding method, which is the same method as was used at the previous investigation.

5.2 Under the Target Funding method the Employer contribution rate is set at a level such that the Plan's assets are expected to exceed the Plan's liabilities by a specified margin within a specified period of time, typically three or five years. Since the 31 March 2009 valuation the target adopted has been a 10% margin above the Defined Benefit Vested Benefits, excluding productivity accounts and additional accumulation accounts. This target was set to provide a satisfactory level of security for member benefits without building up reserves to levels which are unnecessarily conservative.

5.3 If a fund is in a strong financial position (assets exceed the target level of funding) the contribution rate can be reduced for a period of time. Conversely, if the fund is in a poor financial position, the contribution may need to be increased for a period.

5.4 The funding method chosen must have regard to the particular circumstances of a fund. For instance the funding method used for a fund with a closed defined benefit section, such as the Mitsubishi Plan, is likely to be different to that chosen for a fund which is open to new members. For a closed fund, more focus is placed on the short to medium term solvency position of the fund, rather than the theoretical long term cost of benefits. The Target Funding method, which aims to maintain assets at a margin above liabilities, is therefore well suited to closed funds.

5.5 The funding method does not affect the overall cost of the benefits – this will be determined by the experience of the Plan. The funding method is simply a systematic approach to meeting the ultimate cost of benefits.

Section 6: Experience and assumptions

6.1 In setting a funding rate which aims to be sufficient to fund the members' benefits in the long-term, it is necessary to project the operation of the Defined Benefit section into the future, using the actuarial assumptions. When setting the valuation assumptions, the experience of the Plan over the investigation period can sometimes provide guidance. A summary of the major items of experience over the period to the review date is given in the following paragraphs.

Experience and assumptions – financial

6.2 The assumptions used in the investigation should be based on expectations which are appropriate for the funding method used and take account of the likely timing of future payments. As the Defined Benefit section is closed the membership will steadily reduce and significant benefit payments will be made over the next ten years. Therefore, in this case, the assumptions should focus more on medium term expectations, rather than very long term expectations.

Investment return

6.3 The net investment return for the period from 1 April 2021 to 31 March 2024 was 16.5%, representing an annualised return of 5.2% pa. This return was higher than the return of 4.1% p.a. net of investment tax and fees and asset-based administration fees assumed in the 2021 investigation. The higher returns had a positive impact on the financial position of the Plan in respect of the remaining members.

6.4 Based on current ten-year expectations of investment returns net of taxation and investment management expenses and the benchmark asset allocation, and allowing for asset-based administration fees, we have calculated an investment earning rate assumption of 7.0% p.a. for this investigation.

Salary increases

6.5 Over the period covered by this report, overall salary inflation for the Defined Benefit members who were in the Plan throughout the entire period (including promotional increases) was 4.8% pa. This is higher than the assumed 2.5% pa rate (inclusive of promotional increases) assumed at 31 March 2021.

Based on expectations for increases in Average Weekly Earnings, and advice from the Employer we have assumed a rate of future salary inflation (inclusive of promotional increases) of 3.5% p.a. for this investigation.

Real return

6.6 The assumption of major significance in the valuation of the Plan's Defined Benefit liabilities and contributions is the difference (or 'gap') between the assumed future rate of investment earnings and the assumed rate of future growth in salaries, i.e. the real rate of return on invested assets. These factors are offset against each other in their financial effect – hence the difference between the rates is more important than the absolute values ascribed to them. The higher the real rate of return assumed, the lower the value placed on the liabilities and the lower the resulting estimated required Employer contribution rate.

6.7 In the previous investigation of the Plan as at 31 March 2021 an effective gap of 1.6% pa was used. As can be seen above, we have adopted a higher effective gap of 3.50% pa (7.0% investment returns minus salary growth of 3.5%) for this investigation.

6.8 The actual effective gap over the three-year period from 1 April 2021 to 31 March 2024 of 0.4% pa (investment returns (after allowing for asset-based administration fees) of 5.2% pa minus salary growth of 4.8% pa), compared with the assumed effective gap of 1.6% pa. This had a negative impact on the financial position of the Plan.

Crediting rate

6.9 The crediting rate applied most extensively to member accounts other than for Executive members is defined in the Plan Rules as:

"…interest at such rate (or rates) determined by the Trustee from time to time, with the advice of the Actuary having regard (amongst other things) to what the Trustee considers to be the interest rates generally payable from time to time in Australia in respect of ordinary personal savings."

The crediting rate policy of the Plan is to credit the actual investment return earned over the year on the Defined Benefit assets. However, in a small number of previous years when the actual investment returns were negative, with the agreement of the Trustee and the Employer, nil crediting rates have been declared.

Experience and assumptions – demographic

6.10 The Defined Benefit membership reduced from 18 to 15 over the review period. This reduction has had a positive effect on the financial position of the Plan, because the available surplus is spread across a smaller number of members.

6.11 Given the size of the Defined Benefit membership, a full analysis of the experience in respect of the rates at which members left service due to retirement, resignation, death or total and permanent disablement would not produce statistically credible results. The overall reduction in membership over the three-year valuation period was greater than forecast at the previous valuation, which has strengthened the position of the Plan. We have retained the assumptions from the previous investigation. Decrements are summarised in Appendix B.

Section 7: Financial position at 31 March 2024

7.1 The financial position of the Defined Benefit section at the investigation date provides some insight into the progress towards fully funding members' benefits in the long-term.

7.2 A convenient means of assessing the financial position of the Defined Benefit section involves the calculation of various indices of assets compared to benefits.

Vested Benefits Index

7.3 The Vested Benefits Index ("VBI") represents the ratio of the net asset value to the vested benefits. This is a key measure used by APRA in assessing the financial condition of a fund. The value of vested benefits represents the total amount which the Plan would be required to pay if all members were to voluntarily leave service on the investigation date. This means that vested benefits were taken as the amount of the resignation benefit, or the early retirement benefit for members who are eligible to retire.

7.4 The Vested Benefits Index in respect of the Defined Benefits only of the DB members as at 31 March 2024 was 137%. This calculation excludes the voluntary account balances of DB members.

Date	Value of assets covering DB members ($ million)	Vested benefits of DB members ($ million)	Vested Benefits Index
31 March 2024	15.508	11.292	137%
31 March 2021	16.953	9.680	175%

7.5 The VBI of the entire Plan was 118% at 31 March 2024. The corresponding figure for the Plan as at 31 March 2021 was 130%.

7.6 The VBI for the Defined Benefit section has reduced, mainly due to the contribution holiday in both the Defined Benefit and Accumulation sections of the Plan.

7.7 If all members were to cease employment there would be more than sufficient assets to pay all members their leaving service benefits.

Minimum Requisite Benefits Index

7.8 Another test on the adequacy of the Plan's assets relates to the benefits which the Plan must provide in order to satisfy the Superannuation Guarantee requirements. These benefits are termed Minimum Requisite Benefits and are defined in the Plan's Benefit Certificate.

7.9 The total Minimum Requisite Benefits for the Defined Benefit section at 31 March 2024 were $9.868 million. The Defined Benefit section assets, which have a value at 31 March 2024 of $15.508 million, therefore comfortably cover the Minimum Requisite Benefits.

Accrued Benefits Index

7.10 The Accrued Benefits Index (also called the Actuarial Value of Accrued Benefits) is a simple measure of a fund's strength on a continuing or "going concern" basis. The method of calculating the accrued benefits is the same as that used to determine the present value of accrued benefits for the purposes of AASB 1056 disclosure. This index compares the net asset value with the present value of the accrued benefits of members at the investigation date. Accrued benefits represent the present value of expected future benefit payments arising in respect of membership of the Plan up to 31 March 2024.

7.11 The DB section Accrued Benefits Index at 31 March 2024 was 140%. This is shown in the following table. This calculation excludes the Accumulation section and the voluntary account balances of DB members.

Date	Value of assets covering DB members ($ million)	Accrued benefits of DB members ($ million)	Accrued Benefits Index
31 March 2024	15.508	11.075	140%
31 March 2021	16.953	10.266	165%

7.12 The Accrued Benefits Index at 31 March 2024 for the entire Plan was 119%. The corresponding figure for the Plan as at 31 March 2021 was 127%.

7.13 The Accrued Benefits Index for the Defined Benefit section has decreased, mainly due to the contribution holiday in both the Defined Benefit and Accumulation sections of the Plan.

7.14 The Accrued Benefit Index of 140% confirms that the Plan is in a sound position as assets are comfortably in excess of the value of benefits accrued to the investigation date.

Plan termination

7.15 Schedule 1 Part 1 Rule 8 of the Participation Agreement provides that on termination of the Plan the Trustee must:

i. Meet certain obligations in respect of expenses and liabilities (other than benefits) and then;

ii. Meet Plan benefits which have become payable on or before the termination date; and

iii. Transfer out of the remaining assets of the Plan in respect of each member, an amount that the Trustee considers appropriate and equitable.

7.16 Thus, there is no prescribed benefit and, there is no liability on the Employer for additional amounts other than in respect of contributions paid or owing to the date of termination. It would however be a matter of concern should the value of assets at the time of termination be below the total of the vested benefits and this is addressed explicitly by targeting assets to be at least equal to 110% of vested benefits.

Section 8: Investigation results

8.1 The previous section demonstrated that the Plan was in a sound financial position in terms of meeting the accrued entitlements of members at 31 March 2024. This section looks at the level of Employer contributions which will be needed to meet benefit payments which arise in the future.

Employer contribution rates

8.2 The Employer is currently on a contribution holiday. This contribution holiday includes Defined Benefit contributions, productivity contributions for Defined Benefit members and contributions in respect of Accumulation members.

8.3 We commenced our assessment of the future Employer contribution rates on the basis that the Employer continues this contribution holiday for the next 3 years until 31 March 2027 for Defined Benefit section and Accumulation section and then recommence contributions to the Accumulation section from 1 April 2027.

8.4 The Defined Benefit liability to be funded by future Employer Contributions is calculated in the following valuation balance sheet. The balance sheet gives a summary of the estimated financial outcome if the Plan was to continue to operate until the last Defined Benefit member left and the Employer remained on a contribution holiday in respect of Defined Benefit members' only.

Valuation Results	31 March 2024
Defined Benefit Members	**$ million**
Present value of Future Benefit Payments	(12.957)
Assets available to cover Defined Benefit liabilities	15.508
Surplus/(Liability) to be financed by Employer and Member Contributions	2.551
Future Defined Benefit Member Contributions	0.112
Net Defined Benefit Section Surplus/(Liability)	2.663
Present value of Employer contributions at current rates (net of tax)	-
Present value of future SCI premiums, actuarial and administration fees	(0.390)
Present value of surplus/(deficit)	2.273

Considering the Defined Benefit section in isolation, the balance sheet shows that, based on the actuarial assumptions, the Defined Benefit section of the Plan would be left with a surplus in assets, with a current day value of $2.273 million. This implies that, if experience is in line with the actuarial assumptions, the Employer will not be required to contribute to the Defined Benefit section for its remaining expected future.

However, the surplus is also being used for funding employer contributions to the Accumulation Section, which are currently of the order of $694,000 per annum, suggesting the surplus could fund these employer contributions for around three more years.

Funding projections

8.5 We can test the impact on the Plan's solvency of continuing the contribution holiday by projecting the cash flows and assets of the Plan and comparing the Plan's assets to the projected levels of the vested benefits and accrued benefits. These projections have been performed using the actuarial assumptions contained in Appendix B and assume a continuation of the current contribution holiday for the Accumulation section for the next 3 years until 31 March 2027.

The projections show the position of the Defined Benefit section of the Plan only.

The projected Vested Benefit Index (VBI) and Accrued Benefits Index (ABI) over the next ten years are as follows.

Time (years)	Plan assets ($ million)	Vested Benefits ($ million)	Vested Benefits Index %	Accrued Benefits ($ million)	Accrued Benefits Index %
0	15.508	11.292	137%	11.075	140%
1	14.170	10.308	137%	10.346	137%
2	13.772	10.666	129%	10.732	128%
3	13.232	11.539	115%	11.094	119%
4	12.978	11.845	110%	10.947	119%
5	13.166	12.064	109%	11.266	117%
6	12.668	11.556	110%	10.877	116%
7	12.136	11.004	110%	10.446	116%
8	11.224	10.046	112%	9.610	117%
9	10.229	9.001	114%	8.672	118%
10	8.462	7.141	118%	6.890	123%

8.6 The projections show that, based on the actuarial assumptions, the Plan is expected to continue to be in a sound position over the medium term. The Vested Benefits Index is expected to slightly drop below 110% in 2028/29, at which time the next actuarial investigation will have been completed and the contribution program reviewed.

8.7 In the projections above we have assumed that the contributions made towards the Accumulation section will continue increasing at both the salary inflation rate and Super Guarantee increase. We have not made any allowances for the accumulation section changing over the years due to member exits or entrants.

Impact of Investment Return

8.8 The projections carried out above are based on a net investment return of 7.0% pa after allowing for 0.080% administration fees from 1 April 2024 onwards. To illustrate the impact of poor investment returns we have carried out projections assuming that the investment returns for the 2024/25 and 2025/26 years are both nil. The results below show that the Plan would still be in sound financial position for the next 2 years but the Plan would become unsatisfactory prior to the next actuarial investigation date.

Note that these investment return assumptions do not indicate a lower bound on the range of possible outcomes.

Time (years)	Plan assets ($ million)	Vested Benefits ($ million)	Vested Benefits Index %	Accrued Benefits ($ million)	Accrued Benefits Index %
0	15.508	11.292	137%	11.075	140%
1	13.166	10.308	128%	10.346	127%
2	11.823	10.666	111%	10.732	110%
3	11.148	11.539	97%	11.094	100%
4	10.751	11.845	91%	10.947	98%
5	10.785	12.064	89%	11.266	96%
6	10.121	11.556	88%	10.877	93%
7	9.413	11.004	86%	10.446	90%
8	8.313	10.046	83%	9.610	86%
9	7.117	9.001	79%	8.672	82%
10	5.134	7.141	72%	6.890	75%

Recommended Contribution Rates

8.9 In our opinion, the projections in Section 8.5 demonstrate that the Plan is expected to remain in a sound position until at least the results of the 31 March 2027 actuarial investigation are known, with the Vested Benefits Index in excess of the target figure of 110%, even if the Employer continues the cessation of contributions to the Defined Benefit and Accumulation sections for the next three years.

Based on this analysis, we recommend that the Employer continues the current contribution holiday but in respect of the Accumulation section, we recommend employer contributions recommence from 1 April 2027. The level of Employer contributions should be re-assessed at the next actuarial investigation, if the Vested Benefits Index in respect of Defined Benefits falls to less than 110% or sooner if circumstances warrant this.

8.10 It must be recognised that the ultimate cost of benefits for members of the Defined Benefit section will depend on the actual future experience of all the relevant factors (investment earnings, salary growth, turnover rates, etc.). Therefore, the funding position of the Plan will need to be monitored regularly and the contribution arrangements varied if necessary.

Prudential Standard SPS 160 – shortfall limit

8.11 Under Prudential Standard SPS 160 a trustee must determine a "shortfall limit" for funding purposes. The Trustee has set a shortfall limit for the Mitsubishi Plan of 99%. The shortfall limit is the extent to which the Trustee considers that the Plan can be in an unsatisfactory financial position with the Trustee still being able to reasonably expect that, because of corrections to temporary negative market fluctuations in the value of assets, the Plan will no longer be in an unsatisfactory position within one year. I recommend no change to the shortfall limit.

Section 9: Insurance

Death and Total and Permanent Disablement

9.1 Insurance cover in respect of the unfunded portion of death and total and permanent disablement (TPD) benefits is provided by TAL. The primary objective of the insurance cover is to provide funding for the difference between the total benefit payable and the amount deemed to have accrued in the Plan on behalf of the member. Insurance cover also protects the Plan from adverse mortality and disability experience.

9.2 The formula currently used to determine the insured amount for each Defined Benefit member is as follows:

Future service to 65 x Accrual Rate x Salary

Where Accrual Rate is:

- 15.0% p.a. for Staff members;
- 20.0% pa in respect of senior executives.

The same formula is used to determine the amount of the TPD insured amount.

9.3 The table below shows the overall death and TPD benefits and insurance levels as at 31 March 2024.

	Death and TPD benefits ($ million)
Total benefits	15.536
Insured amount	3.544
Amount at risk	11.991
Plan assets	15.508
Excess/(shortfall)	3.517

The amount at risk for death and TPD benefits is considerably less than the available assets, which means that there is scope to reduce the amount of insurance. However, given that the cost of the insurance is low and that the Employer is currently using surplus in the Defined Benefit section to fund Accumulation section contributions, we recommend retaining the current insurance arrangements.

Salary Continuance

9.4 The salary continuance benefits payable under the plan are fully insured with TAL. This is appropriate as the Plan does not accrue reserves in respect of this benefit. No change is recommended to this arrangement.

Section 10: Material Risks

10.1 The purpose of this section of this report is to identify the material risks for the Plan, particularly the Defined Benefit section, which are associated with the actuarial assumptions or actuarial management of the Plan of which I am aware as Actuary. I also comment on the way in which the identified financial risks are being managed by the Trustee.

The material risks are:

Underperformance of Plan's Investments

10.2 The risk faced by the Defined Benefit section is that the investment returns earned on the assets will not be as high as expected. This means that the financial position of the Defined Benefit section could deteriorate and employer contributions may need to re-commence. The Trustee should continue to consider the liabilities and the funding position when determining the investment strategy.

Inflation

10.3 The Defined Benefit liabilities are linked to salary and therefore a higher than expected rate of salary inflation could have a negative impact on the financial position. This is particularly relevant where bonuses are included in superannuation salary. Salary increases should continue to be monitored at each triennial investigation, in order to determine if adjustments to the Employer contribution levels are required.

Support of the Employer Sponsor

10.4 The continuation of the Defined Benefit section of the Plan is dependent on the support of the employer sponsor. Generally, if the employer sponsor was unwilling or unable to pay contributions to the Plan then that may affect the ongoing viability of the Defined Benefit section. However, at the current time the position of the Plan is sufficiently strong to allow the continuation of the Defined Benefit section for many years without employer support.

Other

10.5 The Plan faces a variety of operational and other risks which may in some circumstances lead to cost increases. I understand that the Trustee monitors and takes action on such risks as part of its risk management framework.

Section 11: Conclusions and recommendations

11.1 The actuarial investigation of Mitsubishi Motors Australia Superannuation Plan at 31 March 2024 shows that the Vested Benefits Index of the Defined Benefit section was 137% and the Accrued Benefits Index of the Defined Benefit section was 140%. Both indicate a satisfactory level of funding and solvency.

Based on the analysis, I recommend that the Employer continues the current contribution holiday in respect of the Defined Benefit and Accumulation sections of the Plan but in respect of the Accumulation section, we recommend employer contributions recommence from 1 April 2027. The level of Employer contributions should be re-assessed at the next actuarial investigation, if the Vested Benefit ratio in respect of Defined Benefits is less than 110% or as otherwise advised.

The Employer should pay any salary sacrifice contributions which are made on behalf of members.

The Trustee should review the level of the Vested Benefit ratio in respect of the Defined Benefit members annually and advise me if it falls below 110%, or appears likely to fall below 110%.

11.2 I also advise that, in my opinion:

- The insurance arrangements should remain as they are; and
- The current investment strategy for the Defined Benefit reserve is reasonable, however given the average age of the remaining defined benefit members is now 56, the Trustee may want to consider reviewing the ongoing appropriateness of the investment strategy.

11.3 The next actuarial investigation should be carried out as at a date no later than 31 March 2027.

Andrew West

Andrew West
Fellow of the Institute of Actuaries of Australia

26 September 2024

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Appendix A: Summary of benefits and conditions

The Plan provides superannuation benefits for all employees of Mitsubishi other than those who elect to use another fund. The Defined Benefit section of the Plan is now closed to new entrants. All new entrants join the Accumulation section.

Defined Benefit Section

Salary Definition

Superannuation salary in the Plan Rules is generally defined to be Ordinary Time Earnings.

Employer Contribution Rate

The Employer contributes to the Defined Benefit section of the Plan at rates recommended by the actuary, which are set to cover future liabilities from the Plan as well as investment fees, administration expenses and insurance costs (excluding additional voluntary cover).

The Employer also contributes at the rate of 4.0% of Superannuation Salary into an account (the “Productivity Account”) in the Accumulation section of the Plan in respect of Defined Benefit section members, other than Executive Members. This contribution rate will increase in line with increases in the Superannuation Guarantee rate.

Member Contribution Rate

Staff and Executive members of the Defined Benefit section contribute to the Plan at the mandatory rate of 5.0% of Superannuation Salary (or 5.88% of Superannuation Salary on a salary sacrifice basis). This reduces to 3.0% of Superannuation Salary when the member attains Grade 5. Members at Grade 6 and above are not required to contribute to the Plan.

Any additional voluntary contributions or rollovers are paid into the member’s accumulation account.

Retirement Benefit

On retirement, not before age 55, members generally receive a defined benefit equal to:

Accrual Rate x Years of Membership x Final Average Salary, where:

- Accrual Rate is equal to:
  - 12.5% p.a. for membership prior to 1/8/85,
  - 15.0% p.a. for membership after 1/8/85 as a Staff member;
  - 20.0% p.a. in respect of all membership for senior executives;
- Years of Membership includes membership of the Plan and recognised membership of any previous fund;
- Final Average Salary is the average salary over the last three years prior to leaving service.

Note that members have historically enjoyed a wide range of benefit accrual rates, although these have now been substantially standardised and most members with non-standard benefits have left the Plan. Refer to the Plan Rules for full details.

Leaving Service Benefit

The leaving service benefit (which applies on resignation and retrenchment) is based on twice the mandatory member contribution account subject to the Minimum Requisite Benefit set out in the Benefit Certificate, except for members who have pre-1/8/85 membership. For these members the benefit in respect of fund membership prior to 1/8/85 is a discounted accrued retirement benefit.

Death and TPD Benefit

The benefit provided on death or TPD is the sum of:

- The prospective normal retirement benefit including future service to age 65 and assuming salary remains unchanged; plus
- Additional amounts of any voluntary insurance cover.

The future service component of these benefits is currently fully insured by an insurance policy with TAL. The waiting period for the TPD benefit is six months and the “any occupation for which reasonably qualified” definition applies, with special provisions applying for those employees in managerial or professional roles.

Additional Accounts and Productivity Account

In addition to all other benefits, members receive the balance of any additional voluntary contributions or rollovers into the Plan with investment earnings based upon their selected investment option. Members also receive the balance of their Productivity account in the Accumulation section.

Salary Continuance Benefit

The majority of Defined Benefit members are eligible to receive a Salary Continuance benefit of 75% of Superannuation Salary for up to two years following a waiting period of three months. The Salary Continuance benefit is offset by other payments including worker’s compensation.

Pension Option

Although there are currently no pensioners in the Plan, current members do have the option on retirement to convert their lump sum to a pension on terms set by the Trustee acting on advice from the actuary.

Accumulation Section

Superannuation Salary Definition

Superannuation Salary is generally defined in the Plan Rules to be Ordinary Time Earnings.

Employer Contribution Rate

The Employer contributes at the rate required to meet its obligation under the Superannuation Guarantee legislation, or higher depending on a member’s grade.

Member Contribution Rate

There are no compulsory member contributions for Accumulation section members of the Plan. Members can make voluntary contributions on a salary sacrifice or after-tax basis.

Leaving Employment Benefit (retirement, resignation or redundancy)

On leaving service with Mitsubishi, each member is entitled to the balance of their Accumulation account in the Plan. Members' accounts are credited with employer contributions, member contributions and net investment returns in line with the investment option selected, and deductions are made for administration expenses, insurance premiums and tax.

Death and TPD Benefits

All new entrants to the Accumulation section are granted one unit of death and TPD cover. Members are able to purchase up to three units of death and TPD insurance cover or up to six units of death only insurance cover, without the need to provide any health evidence. The value of one unit of cover varies with age. These benefits are currently fully insured by an insurance policy with AMP.

TTD / Income Protection Benefit

Provided they have at least one unit of death cover, and subject to underwriting as required, members of the Accumulation section of the Plan have the option to acquire units of income protection cover with an upper limit of 75% of salary. These benefits are fully insured by an insurance policy with AMP.

Transfer to Accumulation section

Defined Benefit members can elect to transfer to the Accumulation section at any time. The member's opening account balance as an Accumulation Member is the Leaving Service Benefit at the time of transfer.

Appendix B: Summary of valuation assumptions

Financial Assumptions

- investment returns: 7.0% pa (net of investment tax, investment management fees and an asset-based administration fee of 0.08%)
- salary increase rate: 3.5% pa
- "promotional" salary scale: Assumed to be included in the salary increase rate

Future Expenses

All administration fees for the Defined Benefit Section are encompassed in a net charge of 0.08% of assets per annum.

Actuarial fees are assumed to be $22,000 per year (exclusive of GST), and these fees increase in line with the movement in Average Weekly Ordinary Time Earnings.

Insurance

All insurance costs for Accumulation members are deducted from members' accounts.

For Defined Benefit members the cost of death and TPD insurance is allowed for in the recommended contribution rates. An allowance of 0.37% of salaries is made for the cost of salary continuance insurance.

Decrement Rates

The tables below illustrate a sample of the rates at which members are assumed to leave service for various reasons. The rates represent the percentage of members leaving the Plan each year by each cause.

Year of Age	Deaths %	Disablements %
20	0.06	0.01
25	0.04	0.01
30	0.04	0.01
35	0.06	0.02
40	0.09	0.04
45	0.14	0.08
50	0.24	0.18
55	0.40	0.39
60	0.68	0.83

Year of Age	Resignation/ Retirements Group A %	Resignation/ Retirements Group B %	Resignation/ Retirements Group C %
45	1.5	1.5	1.5
50	0.9	0.9	0.9
55	13.5	0.4	0.4
56	6.0	0.4	0.4
57	7.0	0.4	0.4
58	8.0	13.5	0.4
59	9.0	9.0	0.4
60	10.0	10.0	13.5
61	11.0	11.0	11.0
62	12.0	12.0	12.0
63	13.0	13.0	13.0
64	14.0	14.0	14.0

Group A are members with a preservation age of 55.

Group B are members with a preservation age between 55 and 60.

Group C are members with a preservation age of 60.

Appendix C: Requirements under Prudential Standard SPS 160

Mitsubishi Motors Australia Superannuation Plan

Actuarial Investigation at 31 March 2024

This summary provides the information which must be contained in the report of an initial or regular actuarial investigation, in accordance with paragraph 23 of Prudential Standard 160.

As the Actuary to the Mitsubishi Motors Australia Superannuation Plan (the Plan), I hereby certify that:

a. At 31 March 2024, the net value of the assets of the Defined Benefit section of the Plan was $15.508 million. The value of the total Plan assets was $27.773 million as at 31 March 2024.

b. The projected likely future financial position of the Defined Benefit section during the three years following the investigation date and based on our best estimate assumptions is as follows.

Date	Assets ($ million)	Vested Benefits ($ million)	Vested Benefits Index (%)
31 March 2024	15.508	11.292	137%
31 March 2025	14.170	10.308	137%
31 March 2026	13.772	10.666	129%
31 March 2027	13.232	11.539	115%

The projected financial position is shown only for the Defined Benefit section of the Plan. All Accumulation balances are fully funded and expected to remain fully funded during the three year projection period.

c. In my opinion, the value of the assets of the Plan at 31 March 2024 was adequate to meet the liabilities in respect of the accrued benefits of members of the Plan (measured as the value of members' accrued entitlements using the valuation assumptions). I consider that the assumptions and valuation methods set out in this report are appropriate for determining the accrued benefit liability.

d. At 31 March 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. The shortfall limit does not need to be reviewed.

e. At 31 March 2024 the value of the liabilities of the Plan in respect of minimum benefits of the Defined Benefit members of the Plan is $9.868 million. The minimum benefits for all Plan members amount to $22.133 million. Minimum benefits are as defined in Regulation 5.04 of the Superannuation Industry (Supervision) Regulations.

f. Funding and Solvency Certificates for the Plan covering the period from 31 March 2021 to 31 March 2024 have been obtained. The Plan was solvent, as defined in the Superannuation Industry (Supervision) Regulations, at 31 March 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 Regulations during the three year period to 31 March 2027.

g. It is recommended that no Employer contributions be paid to the Defined Benefit section or the Accumulation section until 31 March 2027 or until the Vested Benefit ratio in respect of Defined Benefits is less than 110% unless otherwise advised. On 1 April 2027, Employer contributions to the Accumulation section should recommence.

h. The Employer should pay any salary sacrifice contributions which are made on behalf of members to either the Accumulation or Defined Benefit section.

Andrew West

Andrew West
Fellow of the Institute of Actuaries of Australia

26 September 2024

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