AiS | Actuaries in Super

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Actuarial Investigation
Regulation 9.29A(2) of the SIS Regulations

IDENTIFICATION

Name of Fund	Garuda Indonesia Staff Superannuation Plan (the "Fund").
Employer	Garuda Indonesia
Purpose	This investigation has been undertaken to satisfy SPS 160 issued under the Superannuation Industry (Supervision) Act. The investigation is in respect of the defined benefit design only.
Date of Investigation	30 June 2024
Report is addressed to	OnePath Custodians Pty Limited (Trustee).
Responsible actuary	Jeffrey Humphreys
Capacity	Actuary of Actuaries in Super Pty Ltd on appointment by the Trustee.
Date of Report	31 December 2024
Previous report	The previous investigation was carried out by Jeffrey Humphreys as at 1 July 2021, report dated 8 December 2021.

NATURE OF FUND

Structure of Fund	The Fund is a subfund of the Retirement Portfolio Service.
Compliance status	The Fund is a regulated superannuation fund under the SIS Act.
Taxation Status	The Fund is subject to tax as a regulated superannuation fund. No employers contribute to the Fund for the purpose of meeting their Superannuation Guarantee obligations.

GOVERNING RULES

Documentation	The Fund's Trust Deed is dated 30 June 2005 (unsigned).
Benefit Provisions	The rules provide for members to accumulate superannuation benefits under an accumulation design or (closed) defined benefit design. The defined benefit design is set out in Appendix 3 of the Garuda Employer Application v8.

The defined benefit assets are segregated from the accumulation assets.

Within the defined benefit design members receive the greater of a benefit related to salary (referred to in this report as the defined benefit) and a benefit related to investment returns (referred to as the accumulation benefit).

Contribution Provisions

The Fund may receive contributions in accordance with complying fund requirements.

Timing of investigations

An actuarial investigation, under normal circumstances, is required once every three years, the next due no later than 30 June 2027.

ACCOUNTS

The accounts, financial and other data and information used for the valuation were supplied by Jason Ly, Analyst, Insignia Financial Ltd on behalf of the Trustee.

The accounts are as at 30 June 2024.

EXPERIENCE

Quality of data

Data is in good order.

Investment returns

The Fund earning rate after tax and investment expenses is set out below.

Year Ending 30 June	Investment Return (% p.a.)
2022	-4.6%
2023	8.9%
2024	8.9%
Whole Period	**4.2%**

Salary Increase

Salaries have increased at an average rate of 4.6% p.a. (last valuation 2% p.a.) over the 3 years since the last valuation.

Membership numbers

There were 3 (last valuation 9) defined benefit members as at 1 July 2024. The members are aged 53, 54 and 57.

ASSETS

Quality of data

Data is in good order.

Summary of investments

As at 30 June 2024 the assets backing the defined benefit liabilities are invested 24% in the OnePath Managed Growth Fund and 76% in the OptiMix Growth Fund.

The investment allocation for these two funds are summarised below.

Asset Class	Current		
	OnePath Managed Growth	**OptiMix Growth Fund**	**Average**
Cash	3%	4%	4%
Fixed Interest	18%	3%	7%
Shares Aust	24%	31%	29%
Shares International	30%	37%	35%
Property	8%	8%	8%
Other	17%	17%	17%

Value

The value of the defined benefit assets of the Fund is [redacted]

This is the value used for the purpose of the investigation.

Liabilities for the accumulation accounts of defined benefit members and accumulation members are backed by segregated assets that fully cover the liabilities.

INVESTMENT POLICY

Suitability to liabilities

Since the last valuation I have undertaken an investment strategy review (report dated 22 March 2023). This review concluded that the current strategy remained appropriate and set out the reasons for this.

I have reviewed my advice given the large number of exits from the Fund. It remains appropriate and the reasoning is unchanged.

The defined benefit assets are invested in a wide range of diverse assets including listed shares, fixed interest, and cash with a high weighting (around 80%) to Growth assets. This will create considerable fluctuations in annual returns as can be seen from the historical results.

The assets are sufficiently liquid given the liabilities of the Fund.

The assets are suitable for the liabilities of the Fund.

Recommendations

The Trustee undertook the recommendation from the previous report, to review the Investment Strategy of the Fund.

The Trustee should put in place an Investment Strategy Statement specific to the Fund’s circumstances.

INSURANCE

Requirement

The unfunded portion of death and TPD benefits are insured under a policy held by the Trustee with OnePath Life Limited.

With the current strong financial position of the Fund, the level of cover is more than sufficient to meet the death and TPD benefit liabilities. However, ceasing insurance cover may create issues of insurability if at some future point insurance cover was again required. The premium is very small and insignificant to the Fund’s financial position.

The insurance arrangements are appropriate for the Fund.

Recommendations

The Trustee should review the level of insurance as assets cover the cost of the death and TPD benefits with a margin of 190%..

VALUATION

Valuation method

The Attained Age Normal Method has been used to estimate the required Employer contribution rate in respect of the future service liability of existing members. It also estimates the amount of any excess of assets over past service liabilities.

Only the assets and liabilities in respect of the defined benefits are included in the valuation..

Valuation Basis

The assumptions for the valuation are set out below.

Investment returns net of tax and investment expenses, 5.0% p.a. (last valuation 4.5% p.a.) based on the fund's chosen asset mix and the expected future returns of each asset class and having regard to the relativity with the salary increase assumption.

Salary increase rate of 4.0% p.a. (last valuation 3.0% p.a.) based on past experience for the members of the fund and the current future economic outlook.

Age decrement rates, sample set out below:

Age	Resignation and Retirement	Death and TPD
35	5%	0.1%
40	4%	0.1%
45	3%	0.2%
50	2%	0.4%
55	20%	0.6%
60	100%	n/a

Valuation Data

There are 3 defined benefit members with defined benefit vested benefits of [redacted] (last valuation [redacted]), and total salaries of [redacted].

Valuation Results

The results are summarised in the table below.

At the valuation date, the value of the assets of the Fund is adequate to meet the liabilities in respect of the accrued benefits of the members of the Fund. The Fund is not in an Unsatisfactory Financial Position.

The value of net Future Service liabilities amounts to [redacted] which is currently well covered by the excess assets and the value of member contributions.

		$'000	$'000
Value of Defined Benefit Past Service Liability	Resignation and Retirement	[redacted]	[redacted]
	Death and TPD	[redacted]	
Surcharge Accounts			[redacted]
Total Past Service Liability			[redacted]
Value of DB Assets			[redacted]
Excess of Assets over past service liabilities			[redacted]

The key indices of financial performance are set out in the table below.

$'000	**Vested Benefits**	**Value of**	
		Accrued Benefits	**Total Benefits ***
Liability	[redacted]		
Assets	[redacted]		
Index	**356%**	**350%**	**325%**

* net of the value of Member Contributions

The VBI has increased from 215% at the last valuation to 356%. The ABI has increased from 223% at the last valuation to 350%.

The increases are due primarily to the membership reduction with the large surplus being compared with the benefits of fewer members.

The Fund is in a very strong financial position. The assets cover not only the value of accrued benefits but also the value of all future benefits, after allowing for the value of future member contributions, with a margin of 225%.

A Fund projection is not necessary in these circumstances. On all reasonable assumptions the Fund will remain in a very strong financial position over the next 3 years.

The Fund has no Minimum Requisite Benefits.

Contribution Requirements

The Employer does not currently contribute.

The members contribute at the rate of 5% of salary.

The Fund was in a very strong financial position at the last valuation. This has improved over the last 3 years.

Contribution Recommendation

The Employer contribution rate is recommended to continue at the rate of 0%.

There is a high likelihood that the Employer will not have to contribute again at any time over the life of the Fund particularly if the investment strategy is managed appropriately and salary increases remain low.

Surplus Management Recommendation

Because of the very large surplus position of the Fund, the Trustee should commence a process for managing the possibility that a surplus will remain when the last member exits.

Termination Benefits

Clause 40 of the Trust Deed indicates the requirements on members ceasing to be employees or the Employer becoming bankrupt or placed in liquidation or receivership. In these cases, the Fund shall be wound up and the benefit paid in accordance with the Rules after deducting administration and wind up costs.

Voluntary termination of the Fund by the Employer is not covered in the Trust Deed. Presumably, similar requirements would prevail.

MATERIAL RISKS

The material risks for the Fund are:

Investment return and salary increases

Because of the very healthy investment performance and low salary increase rate historically, the greater of benefit is the accumulation benefit, not the defined benefit. In these circumstances the assets are matched to the liabilities at least for the first part of any poor performance. This provides a significant additional buffer for the Fund.

The Fund is currently able to absorb poor (relative to that expected in my assumptions) investment performance relative to salary increases.

The material risk for the Fund is large salary increases relative to investment returns for a prolonged period. This is an unlikely scenario.

SENSITIVITY ANALYSIS

Sensitivity analyses have been undertaken in relation to the material risks set out above. These show that the Fund is able to absorb poor investment performance and high salary increase rates without an adverse impact on the financial position of the Fund.

COMPLIANCE

Statement of compliance	This investigation complies with Professional Standard 400 of the Institute of Actuaries of Australia. This report meets and has satisfied all internal checks.

Jeff Humphreys
Fellow of the Institute of Actuaries of Australia
Director
31 December 2024