

Earning Rates Policy

FireSuper

5 JUNE 2025

1 Introduction

The earning rates policy is a working document of FireSuper that outlines:

- The Trustee's fundamental approach to applying earning rates to members' account balances.
- The responsibilities of the various parties involved in the determination of the interim earning rates and an annual declared earning rate (collectively known as the earning rates) for each core Member Investment Choice (MIC) option¹, namely:
 - The investment consultant (currently Russell Investments);
 - The administrator (currently Mercer);
 - The secretary (currently Mercer); and
 - The auditor (currently Deloitte).
- The broad principles underlying the process. The investment consultant is solely responsible for determining the detailed processes applied.
- The treatment of errors.

In the event of significant market volatility, the Trustee may at its sole discretion:

- Apply an alternative methodology for determining earning rates; and/or
- Suspend benefit payments.

This policy, which replaces the policy dated June 2024, was adopted by the Trustee with effect from 5 June 2025 and remains effective until the next review date.

¹ Members who have elected the Life Cycle MIC option are effectively invested solely in one or more of the core MIC options. As such, earning rates need only be determined at the core MIC option level.

2 Trustee's fundamental approach

The Trustee's fundamental approach is to apply earning rates to members' accounts on a weekly basis as follows:

- When the necessary data become available in respect of the previous calendar month ("previous period"): based on changes in managers' unit prices (or, where the fund is not unitised, asset values) over the period, tax and any distribution information provided by the managers and estimated fees/expenses.
- In respect of the period since the previous period's rates were set ("current period"): based on changes in managers' unit prices (or, where the fund is not unitised, asset values) over the period, any distribution information provided by the managers and estimated tax/fees/expenses.

In the intervening period, nil earning rates apply.

Following receipt of the draft audited financial statements at the end of each financial year, the final monthly earning rates are adjusted such that aggregate member account balances are in line with the net assets of FireSuper.

3 Responsibilities

3.1 Investment consultant

The investment consultant shall:

Interim earning rates

- (i) Provide the administrator (copying in the secretary) on the first Thursday (or when Thursday is a public holiday, the immediately preceding business day) after the required monthly data have been received from the underlying investment managers with previous period interim earning rates determined in accordance with the broad principles outlined in Section 4; and
- (ii) Other than when (iii) applies, provide the administrator (copying in the secretary) on each Thursday (or when Thursday is a public holiday, the immediately preceding business day), with current period interim earning rates based on the latest available data determined in accordance with the broad principles outlined in Section 4; and
- (iii) Once the 31 March managers' unit prices have been received, provide the administrator (copying in the secretary) with current period interim earning rates to 31 March, and subsequently, until such time as the March previous period interim earning rates have been determined, on each Thursday (or when Thursday is a public holiday, the immediately preceding business day) current period from 1 April only interim earning rates, in each case based on the latest available data determined in accordance with the broad principles outlined in Section 4; and
- (iv) Following the posting of the previous period interim earning rates by the administrator, compare FireSuper's estimated previous month-end net assets (as determined by the investment consultant) and previous month-end aggregate member account balances (as provided by the administrator) and advise the Trustee if the two differ by more than 0.25% (in which case the previous period interim earning rates may need to be revised). It is expected that the difference between net assets and aggregate member account balances should not change by more than 0.10% over any one month.

End-of-year (31 March) – declared earning rates

- (i) Following receipt of the end-of-year information from the administrator (as detailed below), determine adjusted March full-month earning rates such that the aggregate member account balance is in line with the draft audited value of net assets as at 31 March.
- (ii) Advise the administrator (copying in the secretary) of the revised March full-month earning rates.

The geometric product of the full-month earning rates, including the adjusted rate for March, gives the declared earning rate for the financial year for each core MIC option.

3.2 Administrator

The administrator shall:

Monthly – interim earning rates

- (i) *Switches between MIC options* – Provide the investment consultant with both the estimated switches for the beginning of the following month (by four business days before month-end) and the actual switches once these have been determined;
- (ii) *Other member cashflows* – Advise the investment consultant of other member cashflows, including the value of any benefit payments that have been processed but not paid; and
- (iii) Following receipt of the full-month interim earning rates, advise the investment consultant of previous month-end aggregate member account balance for each core MIC option as soon as practicable.

End-of-year (31 March) – declared earning rates

Following receipt of the March full-month interim earning rates from the investment consultant and the draft audited annual financial statements from the auditor, advise the investment consultant of:

- (i) The aggregate member account balance for each core MIC option; and
- (ii) The estimated cost of a 1% p.a. change in the March full-month earning rates; and
- (iii) Details of the Contribution Accrual and the (before adjustment) Reserve Account.

3.3 Secretary

The secretary shall:

Monthly – interim earning rates

Advise the Trustee of the posted full-month interim earning rates (excluding March full-month) for its information. These will be ratified by the Trustee at its quarterly meetings.

End-of-year (31 March) – declared earning rates

Advise the Trustee of the proposed March full-month and declared earning rates for its approval and advise the administrator accordingly once this has been obtained.

General

From time to time, provide the investment consultant with an estimate of the administration costs to be used in determining the earning rates.

3.4 Auditor

The auditor shall provide the secretary and administrator with the draft audited financial statements identifying the value of FireSuper's net assets as at 31 March.

4 Broad principles

The following broad principles apply to the investment consultant's calculation of the earning rates:

Asset Allocation

- FireSuper's overall exposure to each asset class is collectively owned by the core MIC options.
- Asset values, as advised by the fund managers, are adjusted to reflect tax balances. For the purposes of determining the "actual" asset allocation of each MIC option at the beginning of the calculation period, the net asset class exposures are notionally distributed based on –
 - the aggregate member account balance for each core MIC option; and
 - the strategic asset allocation (SAA) of each core MIC option– such that the SAA-relative under/overweights are (subject to any constraints imposed by the respective SAAs and rebalancing ranges) reasonably equitable across the core MIC options.

Return Calculation

- Asset class returns are based on changes in managers' unit prices (or, where the fund is not unitised, asset values) over the applicable timeframe, adjusted for taxes, distributions and fees/expenses.
- Core MIC option returns are calculated as a weighted average of the asset class returns using the estimated start-of-period asset allocations.

Cashflows

- In general, intra-month cashflows relating to asset class applications or redemptions are ignored. However, where these are deemed to be material, the beginning-of-month asset allocations are adjusted to reflect these transactions or a time-weighted return is calculated based on sub-period asset class values as determined from unit prices.
- Member switches between core MIC options are factored into the aggregate member account balance for each core MIC option.
- Cashflows relating to member contributions and benefit payments are not accounted for.

5 Errors

Temporary discrepancies between FireSuper's net assets and the aggregate member account balance arising from the correct application of the various simplifying assumptions used in the earning rates process do not, in and of themselves, constitute errors.

Errors arising from the supply of incorrect data, miscalculation or mistakes in the crediting process will be deemed to be material if the impact on any member is at least 0.25%. In such circumstances, any compensation to an exited member would be subject to a minimum threshold of \$50.