

# 2010

## FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2010



### PENSION NATIONAL SCHEME



NATIONAL  
PROVIDENT

**Deloitte.**

This audit report, dated 30 June 2010, relates to the financial statements of the Pension National Scheme for the year ended 31 March 2010 included on this website. The Board is responsible for the maintenance and integrity of this website. We have not been engaged to report on the integrity of this website. We accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on this website. The audit report refers only to the financial statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these financial statements. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the audited financial statements and related audit report dated 30 June 2010 to confirm the information included in the audited financial statements presented on this website. Legislation in New Zealand governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

**Pension National Scheme (the Scheme)**  
**Income Statement**  
**for the year ended 31 March 2010**

	Note	<b>2010</b> <b>(\$000)</b>	<b>2009</b> <b>(\$000)</b>
<b>Investment income</b>			
Income/(loss) from unit funds	4	66,033	(49,623)
Interest received		299	261
		<u>66,332</u>	<u>(49,362)</u>
<b>Operating expenses</b>			
Actuarial fees		7	4
Audit fees		20	23
Bank fees		6	5
Legal fees		2	6
Management expenses	5	1,123	1,166
		<u>1,158</u>	<u>1,204</u>
<b>Net income/(loss) before tax and membership activities</b>		<u>65,174</u>	<u>(50,566)</u>
<b>Income tax credit</b>	6	258	283
<b>Net income/(loss) after tax and before membership activities</b>		<u>65,432</u>	<u>(50,283)</u>
<b>Scheme receipts</b>			
Employer contributions	1	4,943	5,657
Contributor contributions		7,789	9,072
Employer contributions Locked-in section		278	299
Contributor contributions Locked-in section		514	420
Member tax credits		97	185
<b>Total scheme receipts</b>		<u>13,621</u>	<u>15,633</u>
<b>Scheme payments</b>			
Benefits paid		4,820	5,676
Withdrawals		463	263
Transfers paid to other schemes		18,966	27,292
Transfers to National Provident Pension Scheme		11,003	7,996
<b>Total scheme payments</b>		<u>35,252</u>	<u>41,227</u>
<b>Net membership activities</b>		<u>(21,631)</u>	<u>(25,594)</u>
<b>Other receipts</b>			
Section 72 claim	9	-	18,241
<b>Total other receipts</b>		<u>-</u>	<u>18,241</u>
<b>Increase/(decrease) in liability for accrued benefits</b>	10	<u>43,801</u>	<u>(57,636)</u>

The notes to the financial statements on pages 4 to 13 form an integral part of these financial statements

**Pension National Scheme (the Scheme)**  
**Balance Sheet**  
**as at 31 March 2010**

	Note	2010 (\$000)	2009 (\$000)
<b>Investment assets</b>	3		
<b>Units held in:</b>			
Cash Unit Fund		48,566	45,379
Fixed Interest Unit Fund		282,561	263,553
Property Unit Fund		39,422	28,378
New Zealand Equity Unit Fund		20,282	16,932
Overseas Equity Unit Fund		91,910	72,988
Commodities Fund		14,863	10,944
		497,604	438,174
<b>Other assets</b>			
Cash and short term bank deposit		7,252	3,312
Contributions receivable			
- Employers		114	421
Receivable from the Global Asset Trust	7	258	267
Other receivables	8	222	156
Section 72 claim	9	-	18,241
		7,846	22,397
<b>Total assets</b>		505,450	460,571
<b>Deduct liabilities</b>			
Accounts payable		1,259	181
		1,259	181
<b>Net assets available to pay benefits</b>		504,191	460,390
<b>Represented by:</b>			
<b>Liability for accrued benefits</b>			
Allocated to contributors' total credits		483,552	478,731
Unallocated reserves	12	20,639	(18,341)
		504,191	460,390

Authorised for issue on 30 June 2010.

On behalf of the Board of Trustees of the National Provident Fund.



Catherine M Savage  
*Chairman*



Paul G Foley  
*Chairman*  
*Audit and Risk Review Committee*

The notes to the financial statements on pages 4 to 13 form an integral part of these financial statements.

**Pension National Scheme (the Scheme)**  
**Statement of Cash Flows**  
**for the year ended 31 March 2010**

	Note	2010 (\$000)	2009 (\$000)
<b>Cash flows from operating activities</b>			
Cash was provided from:			
Employer contributions		5,342	5,915
Contributor contributions		8,494	9,425
Member tax credits		133	45
Section 72 claim	9	18,241	-
Interest received		299	261
		32,509	15,646
Cash was applied to:			
Benefits paid		3,690	5,483
Withdrawals		463	263
Transfers paid to other schemes		19,240	28,258
Transfers to National Provident Pension Scheme		10,732	7,809
Operating expenses		1,047	734
		35,172	42,547
<b>Net cash flows used in operating activities</b>	10	(2,663)	(26,901)
<b>Cash flows from investing activities</b>			
Cash was provided from proceeds from sale of units in:			
- Cash Unit Fund		-	16,394
- Fixed Interest Unit Fund		6,049	57,736
- Property Unit Fund		729	830
- New Zealand Equity Unit Fund		2,430	16,311
- Overseas Equity Unit Fund		2,940	1,078
- Commodities Fund		-	4,258
		12,148	96,607
Cash was applied to purchase of units in:			
- Cash Unit Fund		2,194	6,967
- Fixed Interest Unit Fund		-	667
- Property Unit Fund		-	10,616
- New Zealand Equity Unit Fund		-	3,071
- Overseas Equity Unit Fund		-	31,233
- Commodities Fund		3,351	17,325
		5,545	69,879
<b>Net cash flows from investing activities</b>		6,603	26,728
<b>Net increase/(decrease) in cash held</b>		3,940	(173)
Add opening cash brought forward		3,312	3,485
<b>Closing cash carried forward</b>		7,252	3,312

The notes to the financial statements on pages 4 to 13 form an integral part of these financial statements.

**Pension National Scheme (the Scheme)  
Notes to the Financial Statements  
for the year ended 31 March 2010**

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## **Summary of Significant Accounting Policies**

### **Basis of Preparation**

The financial statements have been prepared under the requirements of clause 41 of the Scheme trust deed, and section 14 and the Second Schedule of the Superannuation Schemes Act 1989. A description of the Scheme and funding arrangements is outlined in note 1.

### **Statement of Compliance**

The financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand (NZ GAAP), applying the New Zealand equivalents to International Financial Reporting Standards and its interpretations (NZ IFRS), as appropriate for profit oriented entities.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

The preparation of financial statements, in conformity with NZ IFRS, requires judgements, estimates and assumptions to be made that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions made are based on historical experience and other factors that are believed to be reasonable under the circumstances. The results of the estimates and associated assumptions form the basis for making the judgements about carrying values of assets and liabilities, which are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and associated assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods, if the revisions affect both current and future periods.

### **Measurement Base**

The measurement base adopted is that of historical cost, except for investment assets which are stated at their fair value as discussed below.

### **Presentational and Functional Currency**

The financial statements are presented in New Zealand Dollars, which is the Scheme's functional currency, rounded to the nearest thousand dollars (\$000).

### **Financial Instruments**

The Scheme is authorised to invest only in the Global Asset Trust (GAT) or in bank deposits. The GAT is divided into separate unit funds.

The category of financial assets and financial liabilities comprise:

- financial instruments designated at fair value through profit or loss upon initial recognition. These assets are managed and their performance evaluated on a fair value basis, consistent with the Scheme's documented investment strategy. The assets are units in the GAT which, in turn, invests in New Zealand equities, overseas equities, property, commodities' futures and fixed interest instruments.

**Pension National Scheme (the Scheme)  
Notes to the Financial Statements  
for the year ended 31 March 2010**

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### **Financial Instruments (continued)**

- financial assets that are classified as loans and receivables. These include balances due from contributors, receivables from related parties and other receivables.
- financial liabilities measured at amortised cost. These include sundry other accounts payable, and bank overdrafts.

### **Recognition**

The Scheme recognises financial assets and financial liabilities on the date the Scheme becomes a party to the financial instruments.

### **Measurement**

Financial instruments are measured at fair value and any movement is reported in the Income Statement.

Financial assets, classified as loans and receivables, and other financial liabilities are carried at amortised cost using the effective interest rate method, less any impairment losses.

The fair value of the units held by the Scheme in the GAT is based on the valuation of the financial instruments held by the GAT. The fair value of financial instruments held by the GAT is based on quoted bid prices for investments at balance date without any deduction for future selling costs. If a quoted market price is not available on a recognised stock exchange, the fair value of the instrument is estimated using valuation techniques.

### **Impairment**

Financial assets, that are stated at amortised cost, are reviewed at each financial statement date to determine whether there is objective evidence of impairment. If any such indication exists, an impairment loss is recognised in the Income Statement as the difference between the asset's carrying amount and the present value of estimated future cash flows.

### **Derecognition**

The Scheme derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or the Scheme transfers the financial asset and the transfer qualifies for derecognition in accordance with NZ IAS 39 *Financial Instruments: Recognition and Measurement*. A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or expires.

### **Cash and Cash Equivalents**

Cash comprises current deposits with banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value, and are held for the purpose of meeting short-term cash commitments.

**Pension National Scheme (the Scheme)  
Notes to the Financial Statements  
for the year ended 31 March 2010**

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**Contributions**

Contributions are recognised in the Income Statement when they become receivable.

**Benefits**

Benefits are recognised in the Income Statement when they become payable.

**Investment Income Recognition**

Interest income is recognised using the effective interest rate of the instrument. Realised and unrealised gains or losses on GAT unit funds are recognised in the Income Statement. Interest income on assets, designated at fair value through profit or loss, is accrued at balance date.

**Expenses**

All expenses are recognised in the Income Statement on an accrual basis.

**Taxation**

Any income tax on net income would be current tax.

Income/(loss) from the movement in the fair value of the unit funds of the GAT is received by the Scheme tax paid. The Scheme's deductible operating expenses are offset against the Scheme's interest received to result in nil assessable income.

Any surplus deductible operating expenses are transferred to the GAT under section DV 2 of the Income Tax Act 2007 (refer notes 6 and 7).

**Accrued Benefits**

The liability for accrued benefits is the Scheme's present obligation to pay benefits to contributors and beneficiaries and has been calculated as the difference between the carrying amounts of the assets and the carrying amounts of the Scheme's liabilities, as at balance date.

**Pension National Scheme (the Scheme)  
Notes to the Financial Statements  
for the year ended 31 March 2010**

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**1 Description of the scheme and funding arrangements**

The Scheme is a defined contribution scheme, governed by a trust deed.

With respect to funding arrangements, the Scheme comprises two sections:

- The non Locked-in section (existing scheme)
- The Locked-in section (complying superannuation fund)

Under the terms of the Scheme trust deed, a contributor makes contributions to the non Locked-in section of the Scheme at a rate agreed between the contributor and the employer, provided the rate is not less than 1% of the contributor's basic remuneration, or \$10 per week, whichever is the lesser. An employer's contributions are made to the Scheme, in respect of a contributor, at a rate agreed by the employer with that contributor.

For the Locked-in section of the Scheme, a contributor had to contribute at least 4% of base salary (before tax and excluding bonuses and allowances) until 1 April 2009, and at least 2% of base salary from 1 April 2009. Until 1 April 2009, an employer had to also contribute at least 1% of base salary, increasing to 2% from 1 April 2009.

**2 Related Parties**

Under the terms of the National Provident Fund Restructuring Act 1990 (the Act), the Board of Trustees of the National Provident Fund (the Board) is trustee of the Scheme. Members of the Board are appointed by the Minister of Finance (the Minister) and the Board provides an annual report on the activities of the Scheme to the Minister.

The Board and the Government Superannuation Fund Authority (the Authority) have formed a joint venture company, Annuitas Management Limited (Annuitas). Each organisation has entered into a management services agreement with Annuitas.

The main function of Annuitas is to provide staff who act in management and secretarial roles on behalf of the Board and the Authority. Sue Sheldon and Roy Tiffin, the two Board appointed directors of Annuitas at the beginning of the financial year, resigned following their retirement from the Board on 30 September 2009 and 30 April 2010 respectively, and were replaced by Catherine Savage on 1 October 2009 and Paul Foley on 1 May 2010. The costs of running Annuitas are shared between the Board and the Authority on an equitable basis, as agreed between the organisations.

The Board is also the trustee of the GAT, which holds the assets of all National Provident Fund schemes. The Scheme is authorised to invest only in the GAT or in bank deposits. The GAT is divided into separate unit funds, representing various asset classes, which have issued units to the Board, as trustee of the Scheme, according to prescribed asset allocation benchmarks (refer note 3).

There are no transactions between the members of the Board as individuals and the Scheme. One member of management is a contributor to the Scheme as part of a normal employment contract with Annuitas.

**Pension National Scheme (the Scheme)**  
**Notes to the Financial Statements**  
**for the year ended 31 March 2010**

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**2 Related Parties (continued)**

If a contributor elects to receive a pension, his or her membership, the liability to pay his or her pension (including any pension or other benefit contingently payable and any minimum payment) and assets to meet that liability are transferred to the National Provident Pension Scheme.

**3 Asset Allocation**

The asset allocation benchmarks remained unchanged from the previous year and are as shown hereunder:

Asset Allocation Benchmarks

Cash Unit Fund	10.0%
Fixed Interest Unit Fund	58.0%
Property Unit Fund	7.5%
New Zealand Equity Unit Fund	4.0%
Overseas Equity Unit Fund	17.5%
Commodities Fund	3.0%

**4 Income/(loss) from unit funds**

Income/(loss) from unit funds was derived from the changes in value of units and reflects both realised and unrealised gains and losses, net of expenses directly related to investment activities, as follows:

	<b>2010</b>	2009
	<b>(\$000)</b>	(\$000)
Cash Unit Fund	993	2,649
Fixed Interest Unit Fund	25,059	9,114
Property Unit Fund	11,773	(20,704)
New Zealand Equity Unit Fund	5,779	(5,248)
Overseas Equity Unit Fund	21,861	(33,311)
Commodities Fund	568	(2,123)
<b>Income/(loss) from unit funds</b>	<b>66,033</b>	<b>(49,623)</b>

Income/(loss) from unit funds is received tax paid.

**Pension National Scheme (the Scheme)**  
**Notes to the Financial Statements**  
**for the year ended 31 March 2010**

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**5 Management Expenses**

Management expenses comprise administration fees charged by Jacques Martin New Zealand Limited to 30 November 2009 and Datacom Employer Services Limited from 1 December 2009, and a share of the expenses of the Board. The Board's expenses are apportioned to each scheme through a costing system which equitably allocates the expenses based on membership and transaction numbers, and investment asset values.

The Scheme's share of remuneration and expenses paid to members of the Board amounted to \$18,531 (2009: \$15,241) and is included in management expenses.

Investment management and custodial fees are deducted from the earnings of each of the unit funds.

**6 Income Tax**

Income specific to the Scheme is subject to tax at 30%, after allowing for deductible expenses. The income tax reconciliation is as follows:

	<b>2010</b>	2009
	<b>(\$000)</b>	(\$000)
Scheme specific income	299	261
Deductible expenses	(1,158)	(1,204)
Expense election to the GAT under section DV 2	859	943
<b>Taxable income</b>	<b>-</b>	<b>-</b>
Income tax credit on current year income	258	267
Prior year adjustment	-	16
<b>Income tax credit</b>	<b>258</b>	<b>283</b>

The tax credit results from the benefit of electing to transfer surplus deductible expenses to the GAT under section DV 2 of the Income Tax Act 2007 (the Tax Act) (refer note 7).

**7 Receivable from the GAT**

This receivable represents the outstanding tax credits utilised by the GAT, resulting from the transfer of the Scheme's surplus deductible expenses to the GAT under section DV 2 of the Tax Act. The Scheme will realise the receivable by investing in unit funds of the GAT.

**8 Other Receivables**

Other receivables consist of:

	<b>2010</b>	2009
	<b>(\$000)</b>	(\$000)
Member tax credits to 30 June 2009	-	23
Member tax credits accrued at 31 March 2010	104	117
Amount due from the Board	118	16
<b>Other receivables</b>	<b>222</b>	<b>156</b>

The member tax credits accrued at 31 March 2010 will be claimed from the Inland Revenue as part of a total member tax credit claim for the year ending 30 June 2010.

**Pension National Scheme (the Scheme)  
Notes to the Financial Statements  
for the year ended 31 March 2010**

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**9 Section 72 Claim**

Section 72 of the Act provides that where any deficiency in the accounts of the Scheme arises from the application of the 4% minimum earnings rate, then the Minister shall, at the request of the Board, pay to the Board, as trustee of the Scheme, such an amount as may be required to meet the deficiency.

The application of the 4% minimum earnings rate resulted in a deficiency in the year ended 31 March 2009 of \$18,241,020. A claim was lodged with the Minister in respect of the section 72 liability for that year and the full amount was received in cash on 30 June 2009.

There are no grounds for a section 72 claim in the current year.

**10 Reconciliation of Increase/(Decrease) in Liability for Accrued Benefits to Net Cash Flows used in Operating Activities**

	<b>2010</b> <b>(\$000)</b>	2009 (\$000)
<b>Increase/(decrease) in liability for accrued benefits</b>	43,801	(57,636)
<b>Movements in working capital</b>		
Increase/(decrease) in accounts payable	1,078	(543)
(Increase)/decrease in other receivables	(66)	96
Decrease/(increase) in contributions receivable	307	(108)
Decrease/(increase) in section 72 receivable	18,241	(18,241)
	<u>19,560</u>	<u>(18,796)</u>
<b>Non cash items</b>		
Decrease/(increase) in receivable from the GAT	9	(92)
	<u>9</u>	<u>(92)</u>
<b>Items classified as investing activities</b>		
(Income)/loss from unit funds	(66,033)	49,623
	<u>(66,033)</u>	<u>49,623</u>
<b>Net cash flows used in operating activities</b>	<u>(2,663)</u>	<u>(26,901)</u>

**11 Guaranteed Benefits**

Under section 60 of the Act, the benefits payable by the Scheme are guaranteed by the Crown.

**12 Unallocated Reserves**

The unallocated reserves are derived from the net loss/income after tax and before membership activities, earnings not allocated to contributors' total credits, and balances of any total credits not transferred, or otherwise disbursed, in accordance with the provisions of the Scheme trust deed.

**Pension National Scheme (the Scheme)**  
**Notes to the Financial Statements**  
**for the year ended 31 March 2010**

**12 Unallocated Reserves (continued)**

Movements in reserves during the year were as follows:

	<b>2010</b> <b>(\$000)</b>	2009 (\$000)
Reserves at beginning of year	(18,341)	29,514
Prior period adjustments	(187)	326
Applied to transfers	1,688	(406)
Extinguished liabilities	10,276	2,860
Net income (loss) for the year	65,432	(50,283)
Applied to exits	(1,418)	(785)
Applied to contributors' total credits	(36,811)	(17,808)
Section 72 claim	-	18,241
<b>Reserves at end of year</b>	<u>20,639</u>	<u>(18,341)</u>

The reserves, which have not been allocated to contributors' total credits, may be distributed at the discretion of the Board, in accordance with the trust deed, principally for:

- a meeting all or part of contributors' or employers' contributions on an equitable basis;
- b increasing total credits of all contributors on an equitable basis,
- c providing benefits, other than retirement benefits, to all contributors on an equitable basis,
- d providing hardship benefits to contributors or their dependants, and
- e paying Scheme expenses.

**13 Vested Benefits**

The value of vested benefits is the value of the benefits contributors would have been entitled to if they left the Scheme.

As at 31 March 2010, the transfer values of contributors exceeded their total credits and the value of vested benefits has been calculated by the Actuary as the amount that would have been payable if all contributors had transferred out of the Scheme on this date.

	<b>2010</b> <b>(\$000)</b>	2009 (\$000)
Value of vested benefits	494,083	478,731
Value of net assets	504,191	460,390

This table should be read in conjunction with note 11.

**14 Actuarial Valuation**

The Scheme is a defined contribution scheme. As the Scheme has no pensioners, an actuarial valuation is not required under the Superannuation Schemes Act 1989.

The National Provident Fund Restructuring Act 1990 requires an actuarial examination to be undertaken every three years. The last examination was undertaken, as at 31 March 2009, and covered the three years 31 March 2006 to 31 March 2009.

**Pension National Scheme (the Scheme)  
Notes to the Financial Statements  
for the year ended 31 March 2010**

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**14 Actuarial Valuation (continued)**

The Actuary reported that the funding level of the Scheme decreased from 107.4% to 96.2% over the three years to 31 March 2009. The valuation results were:

Valuation date	2009	2006
	(\$000)	(\$000)
<b>Present value of –</b>		
Total credits	477,042	506,754
Provision for extinguished liabilities	1,689	984
Reserves	(18,341)	37,443
Net assets	460,390	545,181
Funding level	96.2%	107%

**15 Financial Instruments and Associated Risks**

The Scheme invests in units of the GAT depending upon the asset allocation benchmarks determined for the Scheme (see note 3). The unit funds comprise quoted equity investments and debt investments, and commodities' futures. The Board monitors the actual asset allocations of the Scheme to ensure they remain within agreed tolerances of the asset allocation benchmarks.

The Scheme's major risk in its investment in the GAT is the price risk that the value of its units may fluctuate.

Other risks, such as market risk, (currency risk, investment rate risk and other price risks) credit risk and liquidity risk, are managed by the GAT. For a fuller explanation of these risks, reference should be made to the financial statements of the GAT. A copy of the financial statements of the GAT can be obtained from the Board (see contact details on page 16) and can be viewed on the Board's website [www.npf.co.nz](http://www.npf.co.nz).

The Board manages the other risks by determining a diversified asset allocation appropriate for the Scheme's liabilities. In addition, the Board selects the investment managers, sets their mandates and monitors performance against those mandates.

Based on the Scheme's asset allocation benchmarks and the long term rate of return for each asset class in the benchmarks (after investment management and custody fees, and after tax), and after deducting a provision for the Scheme's operating expenses (after tax), the long run investment return for the Scheme is estimated to be 5.0% per annum.

If the long term rates of return for all of the asset classes in the benchmarks increased by 10% this would increase the investment return from 5.0% to 5.6% per annum. Similarly, if the long term rates of return for the asset classes decreased by 10%, the investment return would decrease to 4.5% per annum.

The earnings rate each year is determined with reference to the investment return, but is not less than 4.0% per annum.

**16 Subsequent Events**

There were no material events subsequent to balance date requiring amendments to these accounts.

On 20 May 2010, the Government announced a decrease in the income tax rate applicable to the income from the unit funds of the GAT from 30% to 28%. This will become effective on 1 October 2010. Income, received by the Scheme as interest, will receive this benefit from 1 April 2011.

**Pension National Scheme (the Scheme)  
Trustee's Report  
for the year ended 31 March 2010**

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The Board of Trustees of the National Provident Fund (the Board), as trustee of the Scheme, provides members with the following information, as required by the Second Schedule to the Superannuation Schemes Act 1989.

1 Changes in the Scheme membership numbers during the year were as follows:

	<b>Contributors</b>		<b>N9Cs*</b>	<b>Total</b>
	<b>Non Locked- in section</b>	<b>Locked-in section</b>		
Opening membership as at 1 April 2009	5,669	169	12,541	18,379
Retirements	(1,015)	-	-	(1,015)
Withdrawals	(21)	-	-	(21)
Cancelled applications	-	(26)	-	(26)
Transfers	(172)	-	-	(172)
Deaths and disablements	(142)	-	-	(142)
Joins/rejoins	413	10	(407)	16
Extinguished liabilities <sup>+</sup>	400	-	(12,134)	(11,734)
<b>Closing membership as at 31 March 2010</b>	<b>5,132</b>	<b>153</b>	<b>-</b>	<b>5,285</b>

\* N9Cs are a group of inactive members for whom the Board does not have contact details. The majority of these members joined in 1975, when superannuation scheme membership was compulsory in New Zealand.

<sup>+</sup> Following a trust deed amendment on 5 April 2001, once reasonable efforts have been made to locate a member who has been missing for at least five years, the Board may extinguish the liabilities to that member.

Where a person re-establishes contact with the Board within 15 years of the liabilities to that person being extinguished, the person is reinstated as a member of the Scheme.

- 2 On the basis of evidence available, the Board believes that all contributions required to be made to the Scheme, in accordance with the terms of the Scheme trust deed, have been made.
- 3 The Board certifies that, to the best of its knowledge, all benefits required to be paid from the Scheme were paid in accordance with the terms of the Scheme trust deed.
- 4 The Board certifies, based on the advice of the Actuary, that as at 31 March 2010, the market value of the net assets of the Scheme exceeded the total value of vested benefits. The amounts are shown in note 13 to the financial statements.
- 5 The Board confirms that, to the best of its knowledge, not more than 10% of the net market value of the Scheme assets were invested with employers (or associated entities), either directly or indirectly, who are parties to the Scheme. The Board notes that more than 10% of the net market value of the Scheme assets may have been invested in Government and local authority securities, and in securities issued by entities associated with the Government or local authorities.
- 6 The Scheme's earnings rate (crediting rate) declared by the Board for the year ended 31 March 2010 was 8.47%.
- 7 As at 31 March 2010 there were 153 members in the Locked-in section, with assets amounting to \$2,063,554. There were no withdrawals during the year to 31 March 2010. Total Scheme administration fees are calculated on fee per member and fee per transaction bases, and are charged to the Scheme as a whole. As at 1 April 2009 the fees increased in line with inflation. The Board certifies that it is satisfied that the increase in fees is not unreasonable.
- 8 The Scheme trust deed has not been amended since 24 June 2009, being the date of the Scheme's last annual report.

**Pension National Scheme (the Scheme)  
Trustee's Report  
for the year ended 31 March 2010**

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9 **Directory**

**Trustee**

Board of Trustees of the National Provident Fund

Members of the Board are:

Catherine M Savage (*Chairman from 1 October 2009*)  
Susan J Sheldon (*Chairman to the date of her retirement 30 September 2009*)  
Paul G Foley  
Roger J Kerr  
Noeline C Munro  
Roy R Tiffin (*retired 30 April 2010*)  
Mary K Watson

**Administration managers**

Datacom Employer Services Limited (*appointed 1 December 2009*)  
Jacques Martin New Zealand Limited (*terminated 30 November 2009*)

**Investment managers**

**Cash managers**

AMP Capital Investors (New Zealand) Limited  
ANZ National Bank Limited  
Bank of New Zealand

**Fixed interest managers**

Pacific Investment Management Company, LLC  
Wellington Management Company, LLP

**New Zealand equity managers**

AllianceBernstein New Zealand Limited (*terminated 20 January 2010*)  
Harbour Asset Management Limited (*appointed 20 January 2010*)  
ING (NZ) Limited

**Overseas equity managers**

AMP Capital Investors Limited  
AQR Capital Management LLC (*appointed 1 December 2009*)  
BlackRock Asset Management Australia Limited (*previously Barclays Global Investors, N.A.*)  
Mercer Investment Nominees Limited

**Pension National Scheme (the Scheme)  
Trustee's Report  
for the year ended 31 March 2010**

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9 **Directory (continued)**

**Property managers**

AMP Capital Investors (New Zealand) Limited  
Cohen & Steers Capital Management, Inc. (*terminated 18  
December 2009*)  
LaSalle Investment Management (Securities) L.P. (*terminated  
3 December 2009*)

**Commodities manager**

Gresham Investment Management LLC (*appointed 30 July  
2009*)

**Foreign exchange hedging managers**

ANZ National Bank Limited  
Bank of New Zealand

**Actuary**

Christine D Ormrod  
PricewaterhouseCoopers

**Auditor**

I C Marshall  
Deloitte  
(*on behalf of the Auditor-General*)

**Solicitors**

Chapman Tripp

**Bank**

Bank of New Zealand

**Custodian**

JP Morgan Chase Bank

10 All correspondence relating to the Scheme should be addressed to:

The Manager  
National Provident Fund Administration  
Datacom Employer Services Limited  
PO Box 606  
WELLINGTON 6140

OR

The Secretary  
Board of Trustees of the National Provident Fund  
P O Box 3390  
WELLINGTON 6140

For and on behalf of the Board of Trustees  
of the National Provident Fund



Catherine M Savage  
*Chairman*  
30 June 2010

## **REPORT OF THE AUDITOR-GENERAL TO THE READERS OF THE PENSION NATIONAL SCHEME**

The Auditor-General is the auditor of the Pension National Scheme (the Scheme). The Auditor-General has appointed me, I C Marshall, using the staff and resources of Deloitte, to carry out the audit of the financial statements of the Scheme for the year ended 31 March 2010.

### **Unqualified Opinion**

In our opinion:

- The financial statements of the Scheme on pages 1 to 13:
  - comply with generally accepted accounting practice in New Zealand,
  - comply with International Financial Reporting Standards, and
  - give a true and fair view of:
    - the Scheme's financial position as at 31 March 2010, and
    - the results of its operations and cash flows for the year ended on that date.
- Based on our examination the Scheme kept proper accounting records.

The audit was completed on 30 June 2010 and is the date at which our opinion is expressed.

The basis of the opinion is expressed below. In addition, we outline the responsibilities of the Board of Trustees and the Auditor, and explain our independence.

### **Basis of Opinion**

We carried out the audit in accordance with the Auditor-General's Auditing Standards, which incorporate the New Zealand Auditing Standards.

We planned and performed our audit to obtain all the information and explanations we considered necessary in order to obtain reasonable assurance that the financial statements did not have material misstatements, whether caused by fraud or error.

Material misstatements are differences or omissions of amounts and disclosures that would affect a reader's overall understanding of the financial statements. If we had found material misstatements that were not corrected, we would have referred to them in the opinion.

Our audit involved performing procedures to test the information presented in the financial statements. We assessed the results of those procedures in forming our opinion.

Audit procedures generally include:

- determining whether significant financial and management controls are working and can be relied on to produce complete and accurate data,
- verifying samples of transactions and account balances,
- performing analyses to identify anomalies in the reported data.
- reviewing significant estimates and judgements made by the Board of Trustees,
- confirming year-end balances,
- determining whether accounting policies are appropriate and consistently applied, and
- determining whether all financial statement disclosures are adequate.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements.

We evaluated the overall adequacy of the presentation of information in the financial statements. We obtained all the information and explanations we required to support the opinion above.

**Responsibilities of the Board of Trustees and Auditor**

The Board of Trustees is responsible for preparing financial statements in accordance with generally accepted accounting practice in New Zealand. Those financial statements must give a true and fair view of the financial position of the Scheme as at 31 March 2010. They must also give a true and fair view of the results of its operations and cash flows for the year ended on that date. The Board of Trustees' responsibilities arise from section 14 of and the Second Schedule to the Superannuation Schemes Act 1989.

We are responsible for expressing an independent opinion on the financial statements and reporting that opinion to you. This responsibility arises from section 15 of the Public Audit Act 2001.

**Independence**

When carrying out the audit we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the New Zealand Institute of Chartered Accountants.

Other than the audit, we have no relationship with or interests in the Scheme.



**I C Marshall**  
**Deloitte**  
**On behalf of the Auditor-General**  
**Wellington, New Zealand**