

# 2010

## FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2010



## NATIONAL PROVIDENT PENSION SCHEME



NATIONAL  
PROVIDENT

**Deloitte.**

This audit report, dated 30 June 2010, relates to the financial statements of the National Provident Pension 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.

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

|   | Note | <b>2010</b><br><b>(\$000)</b> | 2009<br>(\$000)       |
|---|------|-------------------------------|-----------------------|
| <b>Investment income</b>  |      |                               |                       |
| Income/(loss) from unit funds                                       | 5    | 30,344                        | (23,196)              |
| Interest received   |      | 89                            | 158                   |
| <b>Total gross income</b>   |      | <u>30,433</u>                 | <u>(23,038)</u>       |
| <b>Operating expenses</b>   |      |                               |                       |
| Actuarial fees  |      | 28                            | 27                    |
| Audit fees  |      | 10                            | 11                    |
| Bank fees   |      | 5                             | 15                    |
| Insurance premiums paid to NPF Life Limited                         | 4    | 24,379                        | 24,196                |
| Legal fees  |      | 3                             | 4                     |
| Management expenses   | 6    | 636                           | 631                   |
|   |      | <u>25,061</u>                 | <u>24,884</u>         |
| <b>Net income/(loss) before tax and membership activities</b>       |      | <u>5,372</u>                  | <u>(47,922)</u>       |
| Income tax credit   | 7    | 178                           | 174                   |
| <b>Net income/(loss) after tax and before membership activities</b> |      | <u>5,550</u>                  | <u>(47,748)</u>       |
| <b>Scheme receipts</b>  |      |                               |                       |
| Transfers from Contributors Schemes                                 | 1    | 14,559                        | 11,413                |
| <b>Total scheme receipts</b>  |      | <u>14,559</u>                 | <u>11,413</u>         |
| <b>Net membership activities</b>                                    |      | <u>14,559</u>                 | <u>11,413</u>         |
| <b>Increase/(decrease) in net assets for the year</b>               | 10   | 20,109                        | (36,335)              |
| <b>Net assets available to pay benefits at beginning of year</b>    |      | 208,010                       | 244,345               |
| <b>Net assets available to pay benefits at end of year</b>          |      | <u><u>228,119</u></u>         | <u><u>208,010</u></u> |

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

**National Provident Pension Scheme (the Scheme)**  
**Statement of Financial Position**  
**as at 31 March 2010**

|   | Note | 2010<br>(\$000) | 2009<br>(\$000) |
|---|------|-----------------|-----------------|
| <b>Investment assets</b>                    | 3    |                 |                 |
| <b>Units held in:</b>                       |      |                 |                 |
| - Cash Unit Fund                            |      | 21,816          | 21,147          |
| - Fixed Interest Unit Fund                  |      | 126,893         | 122,822         |
| - Property Unit Fund                        |      | 17,712          | 13,219          |
| - New Zealand Equity Unit Fund              |      | 9,095           | 7,888           |
| - Overseas Equity Unit Fund                 |      | 41,246          | 34,010          |
| - Commodities Fund                          |      | 6,671           | 5,100           |
| - Life Insurance Unit Fund                  |      | 208             | 208             |
|   |      | 223,641         | 204,394         |
| <b>Other assets</b>                         |      |                 |                 |
| Cash  |      | 2,916           | 3,329           |
| Receivable from the Global Asset Trust      | 8    | 178             | 159             |
| Other receivables                           | 9    | 1,454           | 172             |
|   |      | 4,548           | 3,660           |
| <b>Total assets</b>                         |      | 228,189         | 208,054         |
| <b>Deduct liabilities</b>                   |      |                 |                 |
| Accounts payable                            |      | 70              | 44              |
|   |      | 70              | 44              |
| <b>Net assets available to pay benefits</b> |      | 228,119         | 208,010         |

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.

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

|  | Note | <b>2010</b><br><b>(\$000)</b> | 2009<br>(\$000)     |
|--|------|-------------------------------|---------------------|
| <b>Cash flows from operating activities</b>            |      |                               |                     |
| Cash was provided from:                                |      |                               |                     |
| Transfers from Contributor Schemes                     |      | 13,128                        | 11,262              |
| Interest received                                      |      | 89                            | 158                 |
|  |      | <u>13,217</u>                 | <u>11,420</u>       |
| Cash was applied to:                                   |      |                               |                     |
| Operating expenses                                     |      | 349                           | 439                 |
| Insurance premiums paid to NPF Life Limited            |      | 24,378                        | 24,196              |
|  |      | <u>24,727</u>                 | <u>24,635</u>       |
| <b>Net cash flows used in operating activities</b>     | 10   | <u>(11,510)</u>               | <u>(13,215)</u>     |
| <b>Cash flows from investing activities</b>            |      |                               |                     |
| Cash was provided from proceeds from sale of units in: |      |                               |                     |
| - Cash Unit Fund                                       |      | -                             | 7,348               |
| - Fixed Interest Unit Fund                             |      | 7,463                         | 29,046              |
| - Property Unit Fund                                   |      | 917                           | 584                 |
| - New Zealand Equity Unit Fund                         |      | 1,454                         | 7,730               |
| - Overseas Equity Unit Fund                            |      | 2,783                         | 963                 |
| - Commodities Fund                                     |      | -                             | 2,009               |
|  |      | <u>12,617</u>                 | <u>47,680</u>       |
| Cash was applied to purchase of units in:              |      |                               |                     |
| - Cash Unit Fund                                       |      | 213                           | 2,739               |
| - Fixed Interest Unit Fund                             |      | -                             | 1,182               |
| - Property Unit Fund                                   |      | -                             | 5,036               |
| - New Zealand Equity Unit Fund                         |      | -                             | 1,434               |
| - Overseas Equity Unit Fund                            |      | -                             | 14,783              |
| - Commodities Fund                                     |      | 1,307                         | 8,101               |
|  |      | <u>1,520</u>                  | <u>33,275</u>       |
| <b>Net cash flows from investing activities</b>        |      | <u>11,097</u>                 | <u>14,405</u>       |
| <b>Net (decrease)/increase in cash held</b>            |      | (413)                         | 1,190               |
| Add opening cash brought forward                       |      | 3,329                         | 2,139               |
| <b>Closing cash carried forward</b>                    |      | <u><u>2,916</u></u>           | <u><u>3,329</u></u> |

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

**National Provident Pension 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 23 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 investments in units in the GAT which, in turn, invests in New Zealand equities, overseas equities, property, commodities' futures and fixed interest instruments.

**National Provident Pension 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 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.

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

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**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 7 and 8).

**Accrued Benefits (Liabilities)**

The liability for accrued benefits is the Scheme's present obligation to pay benefits to pensioners and beneficiaries.

**Prior Year Comparatives**

Prior year comparatives have been reclassified, where appropriate, to facilitate comparison with the current year.

**National Provident Pension 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 was established in accordance with section 17 of the National Provident Fund Restructuring Amendment Act 1997, for the purpose of paying pensions which arise from the membership of the National Provident Fund defined contribution schemes and such other NPF schemes as the Board of Trustees of the National Provident Fund (the Board) may determine from time to time.

**2 Related Parties**

Under the terms of the National Provident Fund Restructuring Act 1990 (the Act), 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 members of the Board or management, as individuals, and the 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%  |

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

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**4 Premium Paid to NPF Life Limited**

The Scheme pays a four weekly insurance premium to NPF Life Limited (a related company which is wholly owned by the Board as trustee of the Life Insurance Unit Fund of the GAT) to insure the pension benefits payable by the Scheme. An agreement with NPF Life Limited fully insures the Scheme's liability to provide benefits to beneficiaries for the year that are contingent upon their death or survival.

**5 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                       | 456            | 1,245           |
| Fixed Interest Unit Fund             | 11,534         | 4,297           |
| Property Unit Fund                   | 5,410          | (9,699)         |
| New Zealand Equity Unit Fund         | 2,661          | (2,458)         |
| Overseas Equity Unit Fund            | 10,019         | (15,589)        |
| Commodities Fund                     | 264            | (992)           |
| <b>Income/(loss) from unit funds</b> | <u>30,344</u>  | <u>(23,196)</u> |

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

**6 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.

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

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**7 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<br/>(\$000)</b> | 2009<br>(\$000) |
|--|-------------------------|-----------------|
| Scheme specific income                         | 89                      | 158             |
| Deductible expenses                            | (682)                   | (688)           |
| Expense election to the GAT under section DV 2 | 593                     | 530             |
| <b>Taxable income</b>                          | <u>-</u>                | <u>-</u>        |
| Income tax credit on current year income       | 178                     | 159             |
| Prior year adjustment                          | -                       | 15              |
| <b>Income tax credit</b>                       | <u>178</u>              | <u>174</u>      |

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 8).

**8 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.

**9 Other Receivables**

Other receivables consist of:

|                            | <b>2010<br/>(\$000)</b> | 2009<br>(\$000) |
|----------------------------|-------------------------|-----------------|
| Amounts due from the Board | 65                      | 149             |
| Sundry receivables         | 1,389                   | 23              |
| <b>Other receivables</b>   | <u>1,454</u>            | <u>172</u>      |

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

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**10 Reconciliation of Increase/(Decrease) in Net Assets for the Year to Net Cash Flows used in Operating Activities**

|   | <b>2010</b>            | 2009                   |
|---|------------------------|------------------------|
|   | <b>(\$000)</b>         | (\$000)                |
| <b>Increase/(decrease) in net assets for the year</b> | 20,109                 | (36,335)               |
| <b>Movements in working capital</b>                   |                        |                        |
| Increase/(decrease) in accounts payable               | 26                     | (13)                   |
| Increase in other receivables                         | (1,282)                | (90)                   |
|   | <u>(1,256)</u>         | <u>(103)</u>           |
| <b>Non cash items</b>                                 |                        |                        |
| (Increase)/decrease in receivable from the GAT        | (19)                   | 27                     |
|   | <u>(19)</u>            | <u>27</u>              |
| <b>Items classified as investing activities</b>       |                        |                        |
| (Income)/loss from unit funds                         | (30,344)               | 23,196                 |
|   | <u>(30,344)</u>        | <u>23,196</u>          |
| <b>Net cash flows used in operating activities</b>    | <u><u>(11,510)</u></u> | <u><u>(13,215)</u></u> |

**11 Guaranteed Benefits**

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

**12 Actuarial Review, Funding Level and Vested Benefits Ratio – 31 March 2010**

***Actuarial Review***

Every three years, a statutory actuarial examination of the Scheme is prepared in accordance with the Superannuation Schemes Act 1989 (refer note 13). The most recent actuarial examination was conducted as at 31 March 2009.

In addition, an actuarial review of the Scheme is undertaken annually. The results of the actuarial review of the Scheme, as at 31 March 2010, including the funding level and vested benefits ratio, are set out below.

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

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**12 Actuarial Review, Funding Level and Vested Benefits Ratio – 31 March 2010  
(continued)**

***Funding Level and Vested Benefits Ratio – 31 March 2010***

The funding level of the Scheme is the ratio of the net assets available to pay benefits to the value of the total liabilities. For this Scheme, the value of the vested benefits is equal to the value of the liabilities. The funding level and vested benefits calculated by the Actuary, as at 31 March, are shown below:

| Valuation date                 | 2010      | 2009      |
|--------------------------------|-----------|-----------|
|                                | (\$000)   | (\$000)   |
| <b>Present value of -</b>      |           |           |
| Liabilities/vested benefits    | (242,566) | (242,518) |
| Net assets                     | 228,119   | 208,010   |
| Deficit                        | (14,446)  | (34,508)  |
| Funding level (solvency ratio) | 94.0%     | 85.8%     |

The above figures are rounded and so may not appear to add exactly.  
This table should be read in conjunction with note 11.

**13 Statutory Actuarial Examination – 31 March 2009**

Under the Superannuation Schemes Act 1989, a statutory actuarial examination of the Scheme is required every three years.

The most recent statutory actuarial examination was prepared, as at 31 March 2009, by Christine Ormrod BA, FNZSA, FIA, the Actuary to the Scheme, and is dated 24 September 2009. It covers the three years 31 March 2006 to 31 March 2009.

The report on the examination showed that the value of liabilities exceeded the value of net assets, as at 31 March 2009, based on the actuarial assumptions used. The valuation results were:

| Valuation date            | 2009      | 2006      |
|---------------------------|-----------|-----------|
|                           | (\$000)   | (\$000)   |
| <b>Present value of -</b> |           |           |
| Liabilities               | (242,518) | (247,131) |
| Net assets                | 208,010   | 252,559   |
| (Deficit)/surplus         | (34,508)  | 5,428     |
| Funding level             | 85.8%     | 102.2%    |

This table should be read in conjunction with note 11.

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

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**13 Statutory Actuarial Examination – 31 March 2009 (continued)**

The ratio of the net assets to the value of total liabilities is known as the funding level. A funding level of 100% indicates a balance between the net assets and liabilities of the Scheme at the date of valuation. The funding level of the Scheme at 31 March 2009 was 85.8%. This shows that the Scheme had insufficient assets, as at that date, to meet its liabilities under the valuation assumptions. Under section 60 of the Act, the benefits payable by the Scheme are guaranteed by the Crown.

The report on the examination stated:

- for this Scheme, the value of vested benefits is equal to the value of the total liabilities and hence the ratio of net assets to the value of vested benefits, is the same as the funding level, i.e. 85.8% at 31 March 2009.
- the funding level, and hence the ratio of the net assets to the value of vested benefits, is expected to reduce over time, if the assumptions used in this actuarial examination are borne out in practice. The expected funding level in three years' time (31 March 2012) is 82.0%.

The Actuary did not express an opinion on the financial condition of the Scheme.

The most significant actuarial assumptions used by the Actuary were:

- the discount rate of 4.0% per annum, net of tax and expenses, and
- the pensioner mortality assumptions, which are based on the results of a recent pensioners' mortality investigation and include an allowance for improving mortality.

***Recommendations***

In the report on the examination the Actuary recommended:

- the Board reviews the investment strategy of the Scheme before 2012, and
- the next statutory actuarial examination of the Scheme be carried out as at 31 March 2012, unless the quarterly reviews of the funding levels indicate an earlier examination is appropriate.

The Board accepted the recommendations of the Actuary.

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

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**14 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 5.5% 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.

**15 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.

**National Provident Pension 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>Pensioners</b>   |
|---|---------------------|
| Opening membership as at 1 April 2009         | 7,002               |
| Pensioner change of beneficiary               | 57                  |
| Deaths  | (368)               |
| Transfers from NPF schemes                    | 107                 |
| <b>Closing membership as at 31 March 2010</b> | <b><u>6,798</u></b> |

- 2 Under the terms of the Scheme trust deed, contributions are not required to be made to the Scheme.
- 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 the net market value of the Scheme's assets was less than the total value of the vested benefits of the Scheme, as at 31 March 2010 (refer note 12 to the financial statements).
- 5 The Scheme trust deed has not been amended since 24 June 2009, being the date of the Scheme's last annual report.

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

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**8 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

**National Provident Pension Scheme (the Scheme)  
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**8 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

**9 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 NATIONAL PROVIDENT PENSION SCHEME**

The Auditor-General is the auditor of the National Provident Pension 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, and
  - comply with International Financial Reporting Standards, and
  - give a true and fair view of:
    - the Scheme's net assets 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 net assets 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**