

Chair's letter

DEAR MEMBER

It is my pleasure to provide you with an update on the National Provident Fund (NPF) and its activities over the year to 31 March 2022.

2021/2022 was another extraordinary financial year as the world continues to deal with the challenges caused by the Covid-19 pandemic. Central banks in New Zealand and around the world have rapidly begun to remove the liquidity provided to help alleviate the sharp tightening of financial conditions associated with the crisis. The unprecedented central bank actions, coupled with governments around the world introducing new spending packages, have caused inflation to spike in New Zealand and most other developed countries. The removal of the stimulus has begun and sharp rises in interest rates have followed, further destabilising equity markets. It certainly appears that 2022/23 will be a difficult and volatile time for investors.

GOVERNANCE

NPF is governed by the Board, made up of members appointed by the Minister of Finance. The Board manages the NPF schemes, including the investment assets of the schemes, on behalf of members. The Board's responsibilities include ensuring NPF operates efficiently and in line with legislation.

I am fortunate to work with experienced professionals on the Board, who possess knowledge and skills in a broad range of subject areas and who have diverse perspectives.

Daniel Mussett and Stephen Ward retire from the Board on 30 June 2022. The contribution both have made to the governance of NPF over the last few years has been substantial. Stephen's legal background and Daniel's investment expertise have been extremely valuable during their time on the Board. Both will be missed, and my fellow Board members and I wish them well in their future endeavours. A recruitment process has been undertaken and I expect the Minister to approve two new appointments shortly. The NPF website will be updated with this information once it is available.



NATIONAL
PROVIDENT

INVESTMENTS

While the payment of entitlements to NPF members is guaranteed by the Crown, the investment performance of the assets of the NPF schemes remains subject to market forces, in a similar manner to other New Zealand superannuation schemes. The Board aims to maximise investment returns within appropriate risk parameters, while managing costs.

Investment returns for the NPF schemes for the 2022 financial year were weak. Long-term bond prices fell as yields rose in anticipation of inflation and tightening global monetary conditions. Overall, NPF's investment managers added value compared to their respective benchmarks. Further information on individual investment returns for each scheme are provided in the annual reports.

As an active investor, NPF encourages its investment managers to take account of material economic, social and governance (ESG) factors, including climate-related risks and opportunities, in their investment processes. In addition, excluded from the schemes' portfolios are investments in companies that breach New Zealand law or international treaties to which New Zealand is a signatory. This year the Board moved to exclude tobacco companies, which aligns NPF with the Crown Financial Institutions and most NZ superannuation and Kiwisaver funds. The Board has committed to reduce the carbon emissions exposure in schemes' equity portfolios by 50% by 2025 and to net zero by 2050.

SCHEMES

In the 1990s, the NPF was separated into 16 separate superannuation schemes which were closed to new members effective 31 March 1991. Since then, the number of members has declined due to retirements and withdrawals and so has the number of schemes.

With the closure of the Pension Cash Accumulation Scheme in 2021, there are eight remaining NPF schemes with 8,911 pensioners, 3,132 active contributors and 2,564 non-active contributors. Over the coming years, it is anticipated that contributor numbers will continue to fall as members reach retirement age and elect to receive their entitlements as a pension or as a cash lump sum. This activity is likely to give rise to further rationalisation of the NPF schemes over time, with members being consolidated into the larger NPF schemes to minimise overall reporting and administration costs.

Some non-active contributors have not yet made elections to receive their entitlements and in some instances not doing so will result in a member's entitlement being less. We encourage members to carefully consider their options and how they wish to receive their entitlements. The scheme administrator, Datacom, is available to answer any questions and provide additional information. If you are a non-active contributor (ie you are not currently making payments to an NPF scheme), please call Datacom on 0800 628 776 to discuss your options.

THANKS

I would like to acknowledge the commitment of all members of the Board this year to the governance of NPF. We are well positioned to meet the standards of accountability and continuous improvement that are demanded of superannuation trustees today.

I would also like to thank the management team and staff at Annuitas Management Limited for their continuing focus on achieving outcomes for members in a challenging environment.



Kind regards

A handwritten signature in black ink that reads "Edward Schuck". The signature is fluid and cursive.

Dr Edward Schuck

Chair

Board of Trustees of the National Provident Fund

June 2022

COMMUNICATIONS

The NPF website – www.npf.co.nz – is an important part of our communications strategy and contains comprehensive information on NPF and the schemes. It explains how NPF operates and gives all stakeholders access to the trust deeds and financial statements for each of the schemes.

If your contact details change, please advise the administrator of the NPF schemes, Datacom, so we can get in touch with you if required. There is a Change in Personal Details Form enclosed with your annual report package this year for this purpose. Your personal information is held securely. It is maintained and stored electronically by NPF within a cloud service hosted in New Zealand. Where we have received approval from you on the Change in Personal Details Form, we will communicate with you by email.

The Board continues to devote resources to finding members for whom we do not hold a current address. All members classified as missing are listed on the Board's website – www.npf.co.nz – under Unclaimed Monies. If you have friends or family who may have been members of NPF in the past you should encourage them to check our website.

PRIVACY AND SECURITY

The Board is very aware of the need to respect members' privacy. We are required to hold personal information about you for the purposes of ongoing management and administration of the NPF schemes. Personal information is data about an identifiable individual or information that could be used to identify you, such as your name and contact details.

We are bound by, and adhere to, the privacy provisions set out in the Privacy Act 2020.

With this in mind, please be aware neither Datacom nor the Board will ever send you a generic email asking for your personal information (for example, your bank account number and your date of birth) or ask you to provide your bank account details over the phone.

Wherever you provide personal information – whether it's by email, letter, completing a form or over the phone – you can be assured we will do everything we reasonably can to protect your personal information from being used in the wrong way.

NPF and Datacom will never:

- > ask you for your banking personal identification number (PIN) or password;
- > send you a link to an NPF website login page;
- > ask you to download any software onto your computer;
- > ask you to give us remote access to your computer.



www.npf.co.nz