

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 2021.

2020/2021 was another extraordinary financial year as the world dealt with the Covid-19 pandemic. Financial markets had a strong recovery following the sharp decline in early 2020. I am pleased to report NPF was able to continue to operate with full functionality and fulfill all its obligations during these difficult times.

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 NPF 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.

Wayne Stechman retires from the Board after nine years of service on 30 June 2021. The contribution he has made to the governance of NPF over the years is substantial. Wayne will be missed and my fellow Board members and I wish him well in his future endeavours.

A recruitment process is underway to fill the vacancy created by Wayne's departure and we expect the Minister to approve an appointment shortly. We will update our website with this information once it is available.

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 maintains a strong focus on maximising investment returns within appropriate risk parameters, while managing costs.

Investment returns for the NPF schemes for the 2021 financial year were strong. Further information on individual investment returns for each scheme are provided in the annual reports.



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Responsible investment, including the opportunities and threats associated with climate change, is a key area of interest for the Board. The Board has a responsible investment policy that is reviewed regularly. We work closely with the Crown Financial Institutions in this area and contribute to the shared costs of research. NPF participates with other institutional investors as a member of the New Zealand Corporate Governance Forum.

Environmental, social and governance (ESG) factors feature in decisions concerning investment of the assets of the NPF schemes. We exclude investments in companies that breach New Zealand law or international treaties to which New Zealand is a signatory. As an active investor, NPF encourages its external investment managers to take account of material ESG factors in their investment processes.

In 2021, the Government announced the introduction of legislation that will make climate-related disclosures aligned with the Recommendations of the Task-Force on Climate-related Financial Disclosures (TCFD) mandatory for certain financial services organisations, including NPF.

The TCFD recommendations require climate-related disclosures in four principal areas – governance, strategy, risk management and metrics and targets. The Board has begun work on the mandated disclosures to meet the new reporting requirements.

SCHEMES

The trust deeds for the NPF schemes have been updated during the year to comply with the Trusts Act 2019 which came into effect from 30 January 2021. The Board also amended the trust deed for the DBP Contributors Scheme so members may now elect to receive their pension from age 65 without having to first cease employment.

All booklets and member information has been updated to reflect changes to the Privacy Act 2020.

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, which appears to read 'Edward Schuck'. The signature is fluid and cursive.

Dr Edward Schuck

Chair

Board of Trustees of the National Provident Fund
June 2021

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.





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