

Aircrew Scheme

On behalf of the Board of Trustees of the National Provident Fund, set out below is a report on the performance and activities of your Scheme for the year ended 31 March 2020. Further information on the National Provident Fund's activities, and commentary on investment markets, is set out in the Review.

Your Scheme

CROWN GUARANTEE

The Aircrew Scheme is a defined benefit scheme. The benefits payable by your Scheme are guaranteed by the Crown.

INVESTMENT PERFORMANCE

The asset class returns (before tax and expenses) and the comparative performance of the benchmark indices are shown in the table below.

	Return	Index
Fixed interest (New Zealand)	3.04%	3.43%
Fixed interest (global)	2.17%	6.02%
Alternatives	(15.89%)	1.50%
New Zealand shares	1.34%	0.36%
Overseas shares	(7.85%)	(6.12%)

The investment return (after tax and expenses) earned by the Scheme for the year ended 31 March 2020 was -1.70%.

See the comparison over the page for the key statistics of your Scheme over the last 10 years. For an overview of the financial performance of the Scheme, refer to the tables on the following pages.

EMPLOYER CONTRIBUTION RATE

Each year the Board's Actuary carries out a review of the Scheme to determine an employer contribution rate sufficient to meet the accrued and future liabilities of the Scheme.

In the actuarial review, completed as at 31 March 2019, the Actuary recommended the employer contribution rate increase to 390% of contributors' contributions from 1 April 2020. The recommendation was accepted and endorsed by the Board.

Annual Report for the year ended 31 March 2020

SUMMARY FINANCIAL STATEMENTS

The summary financial statements included in this Annual Report have been extracted from the full financial statements for the year ended 31 March 2020.

The summary financial statements cannot be expected to provide as complete an understanding as the full financial statements.

Members are welcome to contact the Scheme administrator, Datacom (see details on back page), for a free copy of the Scheme's full financial statements.



Aircrew Scheme

FUNDING POSITION

The Actuary has advised the funding level of the Scheme, as at 31 March, was:

	2020 (\$000)	2019 (\$000)
Net assets	86,412	103,930
Past service liabilities	(93,383)	(112,960)
Funding level	92.5%	92.0%

The value of past service liabilities above is different to the value of vested benefits mentioned in the Covid-19 note overleaf. The value above assumes members continue in the Scheme until their expected retirement date. The value of vested benefits assumes members leave the Scheme on 31 March 2020.

WHO INVESTS YOUR MONEY

Fixed interest

AMP Capital Investors (New Zealand) Limited
 Ashmore Investment Management Limited (emerging markets) (*terminated 25 November 2019*)
 Brandywine Global Investment Management, LLC
 Pacific Investment Management Company LLC

Alternatives

AQR Capital Management, LLC (Style Premia Fund)

New Zealand shares

Devon Funds Management Limited
 Harbour Asset Management Limited

Overseas shares

Arrowstreet Capital, Limited Partnership
 Lazard Asset Management, LLC
 Marathon Asset Management, LLP (*contract ended 4 March 2020*)
 T. Rowe Price Australia Limited (*appointed 24 March 2020*)

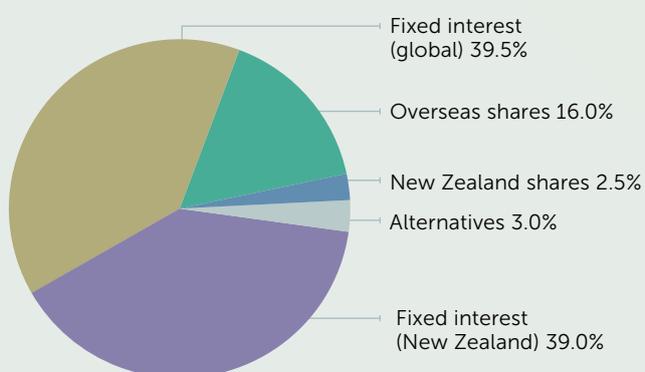
Foreign exchange hedging

ANZ Bank New Zealand Limited
 Bank of New Zealand Limited

HOW YOUR MONEY IS INVESTED

The Scheme's asset allocation strategy is set by the Board and reviewed regularly. The asset allocation strategy for the Scheme was reviewed during the year. The pie charts show the Scheme's asset allocation strategy effective since 1 May 2018 and the new strategy effective from 1 February 2020.

Effective 1 May 2018



Effective 1 February 2020



The Board's Statement of Investment Policies, Standards and Procedures (**SIPSP**) is reviewed regularly by the Board. There were no significant changes to the SIPSP during the year. See our website, www.npf.co.nz, for more information about your Scheme, including the Board's SIPSP and the Scheme trust deed.

Aircrew Scheme

SUMMARY STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 31 MARCH 2020

		2020 (\$000)	2019 (\$000)
<p>This is a summary of the Scheme's income and expenses, and membership contributions and payments during the year.</p>	Investment income	(1,466)	3,254
	Less operating expenses	(208)	(222)
	Net (loss)/income before tax and membership activities	(1,674)	3,032
	Add income tax credit	42	39
	Net (loss)/income after tax and before membership activities	(1,632)	3,071
	Contributions	4,137	3,163
	Less pension and transfer payments	(20,023)	(8,369)
	Net membership activities	(15,886)	(5,206)
	(Decrease) in net assets for the year	(17,518)	(2,135)
	Net assets available to pay benefits at beginning of year	103,930	106,065
Net assets available to pay benefits at end of year	86,412	103,930	

SUMMARY STATEMENT OF NET ASSETS AS AT 31 MARCH 2020

		2020 (\$000)	2019 (\$000)
<p>This is a summary of the Scheme's assets and liabilities, as at 31 March 2020.</p> <p>Assets include the Scheme's investments in fixed interest (New Zealand), fixed interest (global), alternatives, New Zealand shares and overseas shares plus what the Scheme had in the bank and was owed by others.</p> <p>Liabilities are what the Scheme owed to others.</p> <p>Net assets is the money available to pay future entitlements.</p>	Investment assets		
	Fixed Interest No.2 Unit Fund (New Zealand)	25,084	37,022
	Fixed Interest Unit Fund (global)	24,238	42,318
	Alternatives	4,967	2,713
	New Zealand Equity Unit Fund	5,612	2,541
	Overseas Equity Unit Fund	21,189	15,700
	Total investments assets	81,090	100,294
	Other assets	7,467	3,717
	Total assets	88,557	104,011
	Less liabilities	(2,145)	(81)
Net assets available to pay benefits	86,412	103,930	

SUMMARY STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2020

		2020 (\$000)	2019 (\$000)	
<p>This is a summary of the cash flows through the Scheme during the year.</p> <p>Cash was received from:</p> <ul style="list-style-type: none"> operating activities (being contributions less pension and transfer payments and operating expenses); and investing activities. <p>The difference between the two cash flows is recorded as an increase or decrease in cash held.</p>	Opening cash brought forward	3,511	4,253	
	Net cash flows from operating activities	(13,940)	(7,528)	
	Net cash flows from investing activities	17,680	6,786	
	Net change in cash held	3,740	(742)	
	Closing cash carried forward	7,251	3,511	

Aircrew Scheme

NOTES TO THE SUMMARY FINANCIAL STATEMENTS

The summary financial statements:

- have been extracted from the full financial statements which were:
 - prepared in accordance with, and comply with, the New Zealand Equivalents to International Financial Reporting Standards;
 - authorised for issue by the Board on 29 June 2020; and
 - audited and received an unmodified opinion;
- cannot be expected to provide as complete an understanding as provided by the full financial statements;
- are reported in New Zealand dollars, rounded to the nearest thousand;
- are for a profit-oriented entity; and
- comply with Financial Reporting Standard 43: Summary Financial Statements.

COVID-19 IMPACT

Since 31 March 2020 the continued spread of COVID-19 and related global responses have caused material disruptions to businesses around the world, leading to an economic slowdown. Global markets have also experienced significant volatility. The subsequent quarantine measures and travel restrictions imposed by the New Zealand government have caused disruption to businesses and economic activity. As the Scheme is an essential service, operations have been able to continue remotely during the government alert levels. Governments and central banks have reacted with monetary and fiscal interventions designed to stabilise economic conditions, however, the duration and extent of the impact of Covid-19 outbreak, as well as the effectiveness of the responses, remain unclear at this time.

The Scheme has recorded a loss from unit funds of \$1.524 million for the year ended 31 March 2020. In addition, the Scheme has obtained an interim update letter to its triennial actuarial valuation and certain assumptions were updated with latest available information in consideration of the current economic environment impacted by the Covid-19 pandemic. As noted in note 11 of the full financial statements, the revised assumption is there will be no future salary increases (2019: 2%). If salary increases were reinstated at 2% the deficit would increase by \$8.1 million.

The vested benefits of the Scheme of \$104.041 million is higher than the net assets of \$86.412 million, resulting in a deficit of \$17.629 million. However, the deficit has to be read in conjunction with note 10 of the full financial statements, that the benefits payable by the Scheme are guaranteed by the Crown under section 60 of the National Provident Fund Restructuring Act 1990.

As at 30 April 2020, one month after the reporting date of these financial statements, the fair value of the Scheme's investment assets had increased by \$2.116 million. It is expected the volatility in local and global markets affecting the investment assets will continue in foreseeable future and will continue to have an impact on the value of the investment assets. These are considered to be non-adjusting subsequent events and therefore there is no change in value reflected in these financial statements. The Board is monitoring the impact of the movements in the market on an ongoing basis.

TRUSTEE'S REPORT

For the year ended 31 March 2020

The Board of Trustees of the National Provident Fund, as trustee of the Scheme, provides members with the following information in respect of the Scheme.

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

	Contributors
Opening membership as at 1 April 2019	61
Deaths and disablements	-
Retirement	-
Transfer to another scheme	-
Transfers to another NPF scheme	(7)
Closing membership as at 31 March 2020	54

Under the terms of the Scheme trust deed, contributions are not required to be made to the Scheme.

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.

The Board based on the advice of the Actuary certifies that, as at 31 March 2020, the market value of the net assets of the Scheme was less than the total value of the vested benefits of the Scheme under the funding basis.

FEES

Scheme administration fees are calculated on fee per member and fee per transaction bases and are charged to the Scheme as a whole. Effective 1 October 2019, the administration fees increased in line with inflation. The Board certifies it is satisfied the increase in the administration fees for the Scheme is not unreasonable. The Board is satisfied the total management fees charged to the Scheme are not unreasonable.

TRUST DEED AMENDMENTS

The Scheme trust deed has not been amended since the date of the last annual report, 25 June 2019. A copy of the trust deed is available on www.npf.co.nz.

INDEPENDENT AUDITOR'S REPORT

To the members of Aircrew Superannuation Scheme Summary financial statements for the year ended 31 March 2020

The Auditor-General is the auditor of Aircrew Superannuation Scheme (the Scheme). The Auditor-General has appointed me, Silvio Bruinsma, using the staff and resources of Deloitte Limited, to carry out the audit of the summary financial statements of the Scheme on his behalf.

Opinion

The summary financial statements of the Scheme that comprise the summary statement of changes in net assets as at 31 March 2020, the summary statement of net assets and the summary statement of cash flows for the year ended on that date, and related notes, are derived from the full financial statements for the year ended 31 March 2020 that we have audited.

In our opinion, the summary financial statements are consistent, in all material respects, with the full financial statements for the year ended 31 March 2020, in accordance with FRS-43: Summary Financial Statements issued by the New Zealand Accounting Standards Board.

Summary Financial Statements

The summary financial statements do not contain all the disclosures required by generally accepted accounting practice in New Zealand. Reading the summary financial statements and the auditor's report thereon, therefore, is not a substitute for reading the full financial statements and the auditor's report thereon.

The summary financial statements do not reflect the effects of events that occurred subsequent to the date of our auditor's report on the full financial statements.

The full financial statements and our audit report thereon

We expressed an unmodified audit opinion on the full financial statements for the year ended 31 March 2020 in our auditor's report dated 29 June 2020. That report also includes:

- The communication of key audit matters.
- An emphasis of matters that draws attention to note 14 of the audited financial statements which explains the impact of the Covid-19 pandemic on the Scheme.

Board of Trustees' responsibility for the summary financial statements

The Board of Trustees is responsible on behalf of the Scheme for the preparation of the summary financial statements in accordance with FRS-43: Summary Financial Statements.

Auditor's responsibility

Our responsibility is to express an opinion on whether the summary financial statements are consistent, in all material respects, with the full audited financial statements of the Scheme, based on our procedures, which were carried out in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board.

We did not evaluate the security and controls over the electronic publication of the summary financial statements.

Other than in our capacity as auditor, we have no relationship with, or interests in the Scheme.

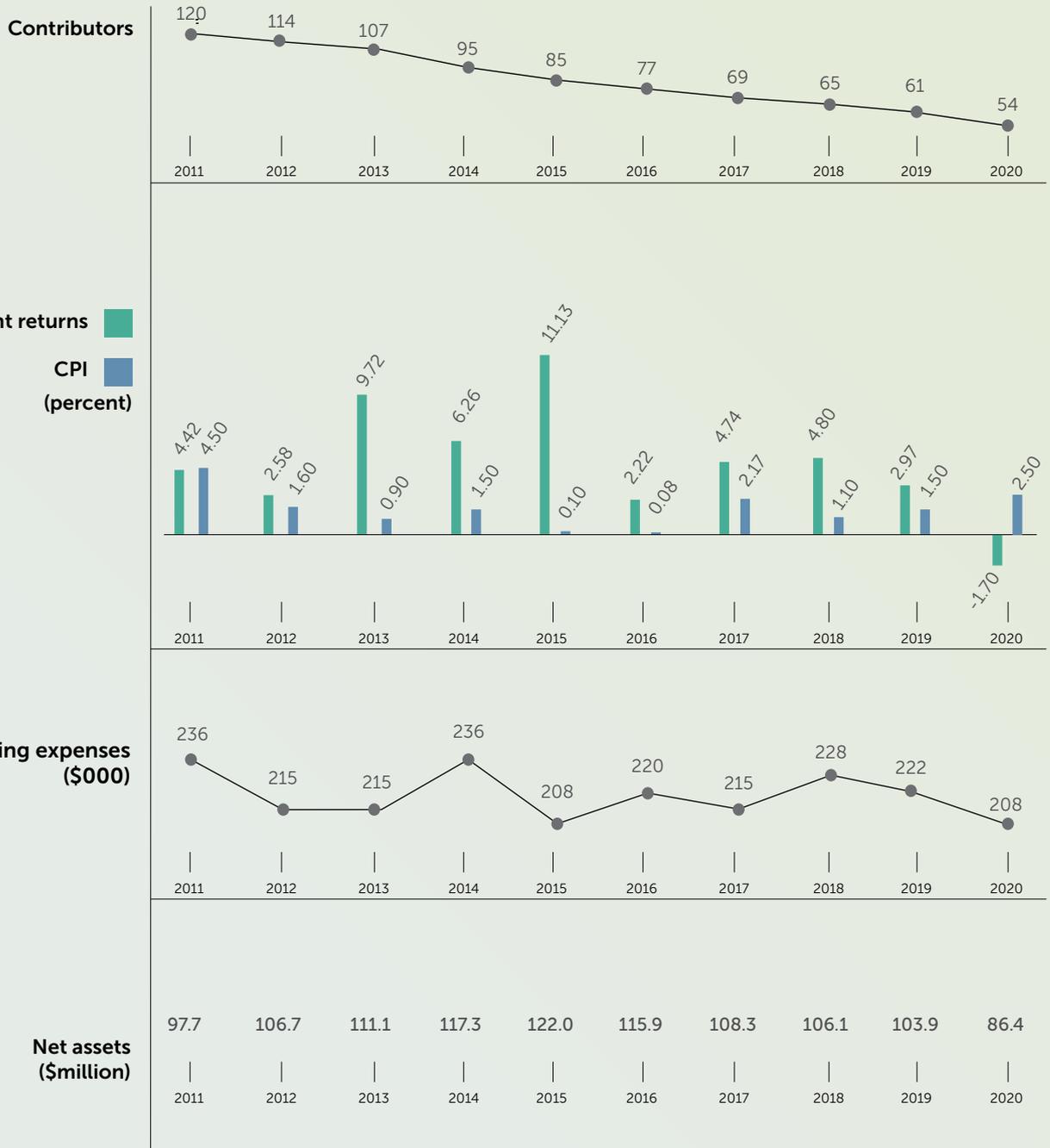


Silvio Bruinsma
for Deloitte Limited
On behalf of the Auditor-General
Wellington, New Zealand

29 June 2020

Aircrew Scheme

10 year comparison



Aircrew Scheme

Directory as at 29 June 2020

BOARD MEMBERS

Edward Schuck PhD, MBA (appointed 2015 and Chair from 1 September 2017)

Louise M Edwards (appointed 1 July 2019)

Catherine McDowell (retired 30 June 2019)

Graeme Mitchell BA, CA, FCA (retired 30 June 2019)

Daniel Mussett (appointed 2016)

Sarah N Park (appointed 1 February 2020)

Wayne Stechman (appointed 2012)

Stephen Ward (appointed 2016 and Deputy Chair from 1 February 2020)

Further information on the Board members is provided on our website – www.npf.co.nz.

MANAGEMENT

Simon Tyler

Chief Executive

Fiona Morgan

Chief Financial Officer

Philippa Drury

General Manager – Schemes

Janet Shirley

Manager – Schemes

Paul Bevin

General Manager – Investments

Nicky Rumsey

Manager – Investments

Peter McCaffrey

Manager – Equities and Alternatives

Keith Poore

Manager – Portfolio Strategy and Risk

There were no changes to Management during the year.

DATAKOM

ADMINISTRATION

Datacom Connect Limited is the administrator of the NPF Schemes.

CONTACT DETAILS

You are welcome to contact Datacom if you have any specific questions about the information in this package, if you would like to receive a free copy of the full financial statements in the mail, to purchase a copy of the trust deed (\$10) or the actuarial valuation (\$10), or to enquire about your Scheme membership in general.

Please quote your identity number when contacting Datacom.

Free phone: 0800 628 776 between 8.30 am and 5.00 pm,
Monday to Friday.

Phone: (04) 381 0600

Post to:

The Manager

National Provident Fund Administration

Datacom Connect Limited

P O Box 1036 WELLINGTON 6140

Email: npfenquiries@datacom.co.nz

If you would like to know more about NPF in general, or if you would like to view or download a copy of the Scheme's full financial statements rather than receive a copy in the mail, please visit our website – www.npf.co.nz.

You may contact the Board by writing to:

The Chief Executive

Board of Trustees of the National Provident Fund

Level 12, The Todd Building

95 Customhouse Quay

WELLINGTON 6011

Auditor: Silvio Bruinsma, Deloitte Limited, on behalf of the Auditor-General

Actuary: Christine D Ormrod, PricewaterhouseCoopers Consulting (New Zealand) LP

Bank: Bank of New Zealand Limited

Custodian: JPMorgan Chase Bank, N.A.

Solicitor: DLA Piper New Zealand

The Auditor last year was Michael Wilkes, also of Deloitte Limited, on behalf of the Auditor-General. There were no changes to the Actuary, Bank, Custodian or Solicitor during the year.