

# DBP Annuitants 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 2024. Further information on the National Provident Fund's activities, and commentary on investment markets, is set out in the Chair's letter.

## Your Scheme

### CROWN GUARANTEE

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

The Scheme's funding position is set out in a table in this report. The numbers in the table show the net assets are insufficient to meet the Scheme's current and future obligations to pay pensions.

The net assets available to pay the benefits of the Scheme were exhausted in May 2009, after a provision was made for future operating expenses. However, members should not be concerned as the benefits payable by your Scheme are guaranteed by the Crown.

A call was made under the Crown guarantee in May 2009 and the first payment from the Crown, to fund the pension benefits payable by the Scheme, was received on 27 May 2009. The Crown has been meeting the cost of paying pension benefits from the Scheme as they fall due since May 2009 and continues to do so, after allowing for transfers in from the DBP Contributors Scheme.

The Board provides information to the Crown on an annual basis on the financial position of the Scheme and the Crown has made a provision in its financial statements for the future funding of the Scheme.

## Annual Report for the year ended 31 March 2024

### 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 2024.

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

Members are welcome to view the full financial statements on our website – [www.npf.co.nz/members/schemes](http://www.npf.co.nz/members/schemes) – or contact the Scheme administrator, Datacom (see details on back page), for a free copy of the Scheme's full financial statements.

## INVESTMENT PERFORMANCE

The assets of the Scheme are invested in global fixed interest. The asset class return (before tax and expenses) and the comparative performance of the benchmark index are shown in the table below.

Asset Class	Return	Index
Fixed interest (global)	5.17%	3.80%

The investment return (after tax and expenses) earned by the Scheme for the year ended 31 March 2024 was 2.29% (2023: (3.96%)). In dollar terms, this represents an investment gain of \$1.60 million (2023 investment loss: \$1.26 million).

This year was generally a good one for financial markets, in particular for the global equities asset class which performed very strongly. Inflation and high interest rates remained key influences on markets throughout the year. While the markets have performed well, getting inflation back to the levels seen before 2022 remains a challenge. The Board continues to monitor the impact of movements in the market, and the implication for investment strategy, on an ongoing basis.

See the 10 year comparison 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 summary financial statements on the following page.

## HOW YOUR MONEY IS INVESTED

The Scheme's asset allocation strategy is set by the Board and reviewed regularly. There was no change to Scheme's asset allocation strategy during the year. The pie chart below shows the Scheme's asset allocation strategy as at 31 March 2023 and 31 March 2024.

The Board's Statement of Investment Policies, Standards and Procedures (SIPSP) is reviewed regularly by the Board. During the year the SIPSP was updated and there were no significant changes to the SIPSP relating to the Scheme. See our website, [www.npf.co.nz](http://www.npf.co.nz), for more information about your Scheme, including the Board's SIPSP and the Scheme Trust Deed.

## FUNDING POSITION

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

	2024 (\$000)	2023 (\$000)
Net assets	39,477	41,466
Actuarial Liabilities	(694,299)	(740,937)
Funding level*	5.7%	5.6%

\* The funding level has been calculated using the year on year risk free forward rates determined according to the methodology prescribed by the Treasury for Crown financial reporting purposes.

## WHO INVESTS YOUR MONEY

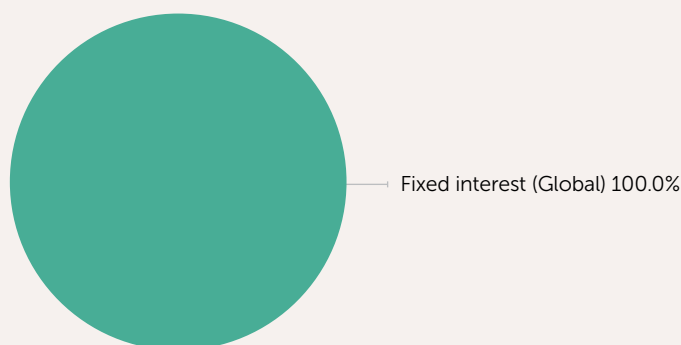
### Fixed Interest Managers

Brandywine Global Investment Management, LLC  
Pacific Investment Management Company LLC  
PGIM, Inc

### Foreign Exchange Currency Hedging Manager

Bank of New Zealand Limited

**Asset Allocation Strategy as at 31 March 2023  
(and current as at 31 March 2024)**



## SUMMARY STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 31 MARCH 2024

<p>This is a summary of the Scheme's income and expenses, and membership contributions and payments during the year.</p>		2024 (\$000)	2023 (\$000)
	Investment income/(loss)	1,597	(1,263)
	Less operating expenses	(764)	(727)
	Net income/(loss) before tax and membership activities	833	(1,990)
	Add income tax credit	82	138
	<b>Net income/(loss) after tax and before membership activities</b>	915	(1,852)
	Crown contributions	69,138	59,161
	Transfers from the DBP Contributors Scheme	5,118	10,342
	Less pension payments	(77,160)	(76,483)
	<b>Net membership activities</b>	(2,904)	(6,980)
	<b>(Decrease) in net assets for the year</b>	(1,989)	(8,832)
	Net assets available to pay benefits at beginning of year	41,466	50,298
	<b>Net assets available to pay benefits at end of year</b>	39,477	41,466

## SUMMARY STATEMENT OF NET ASSETS AS AT 31 MARCH 2024

<p>This is a summary of the Scheme's assets and liabilities, as at 31 March 2024.</p> <p>Assets include the Scheme's investments in fixed Interest (global) 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>		2024 (\$000)	2023 (\$000)
	<b>Investment assets</b>		
	Fixed Interest Unit Fund	33,911	32,788
	<b>Total investment assets</b>	33,911	32,788
	Other assets	5,626	8,780
	<b>Total assets</b>	39,537	41,568
	<b>Less liabilities</b>	(60)	(102)
	<b>Net assets available to pay benefits</b>	39,477	41,466

## SUMMARY STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2024

<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"> <li>operating activities (being contributions less benefit and transfer payments and operating expenses); and</li> <li>investing activities.</li> </ul> <p>The difference between the two cash flows is recorded as an increase or decrease in cash held.</p>		2024 (\$000)	2023 (\$000)
	<b>Opening cash brought forward</b>	8,561	14,885
	Net cash flows from operating activities	(3,275)	(7,342)
	Net cash flows from investing activities		1,018
	Net (decrease) in cash held	(3,275)	(6,324)
	<b>Closing cash carried forward</b>	5,286	8,561

## 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 IFRS (International Financial Reporting Standards), Accounting Standards (NZ IFRS) and IFRS Accounting Standards (IFRS) as issued by the International Accounting Standards Board, and other applicable financial reporting standards as appropriate for profit-oriented entities;
  - authorised for issue and signing by the Board on 25 June 2024; 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.

### SUBSEQUENT EVENTS

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

## TRUSTEE'S REPORT

For the year ended 31 March 2024

### MEMBERSHIP

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:

	Pensioners
Opening membership as at 1 April 2023	3,717
Transfers in from the DBP Contributors Scheme	8
Pensioner change of beneficiary	81
Deaths	(305)
Closing membership as at 31 March 2024	3,501

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 2024, the net market value of the Scheme's assets was less than the total value of the vested benefits of the Scheme.

### FEES

Scheme administration fees are apportioned on fee per member and fee per transaction bases and are charged to the Scheme as a whole. As at 1 April 2023 and 2024 the scheme administration fees were increased for 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 AMENDMENT

The Scheme Trust Deed has not been amended since 6 July 2023, being the date of the Scheme's last annual report. A copy of the Trust Deed is available on request.

## INDEPENDENT AUDITOR'S REPORT

To the readers of DBP Annuity Scheme's summary financial statements for the year ended 31 March 2024.

The Auditor-General is the auditor of DBP Annuity Scheme (the Scheme). The Auditor-General has appointed me, Pam Thompson, 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 net assets as at 31 March 2024, the summary statement of changes in 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 2024 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 2024, 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 2024 in our auditor's report dated 25 June 2024. That report also includes the communication of key audit matters.

### 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.

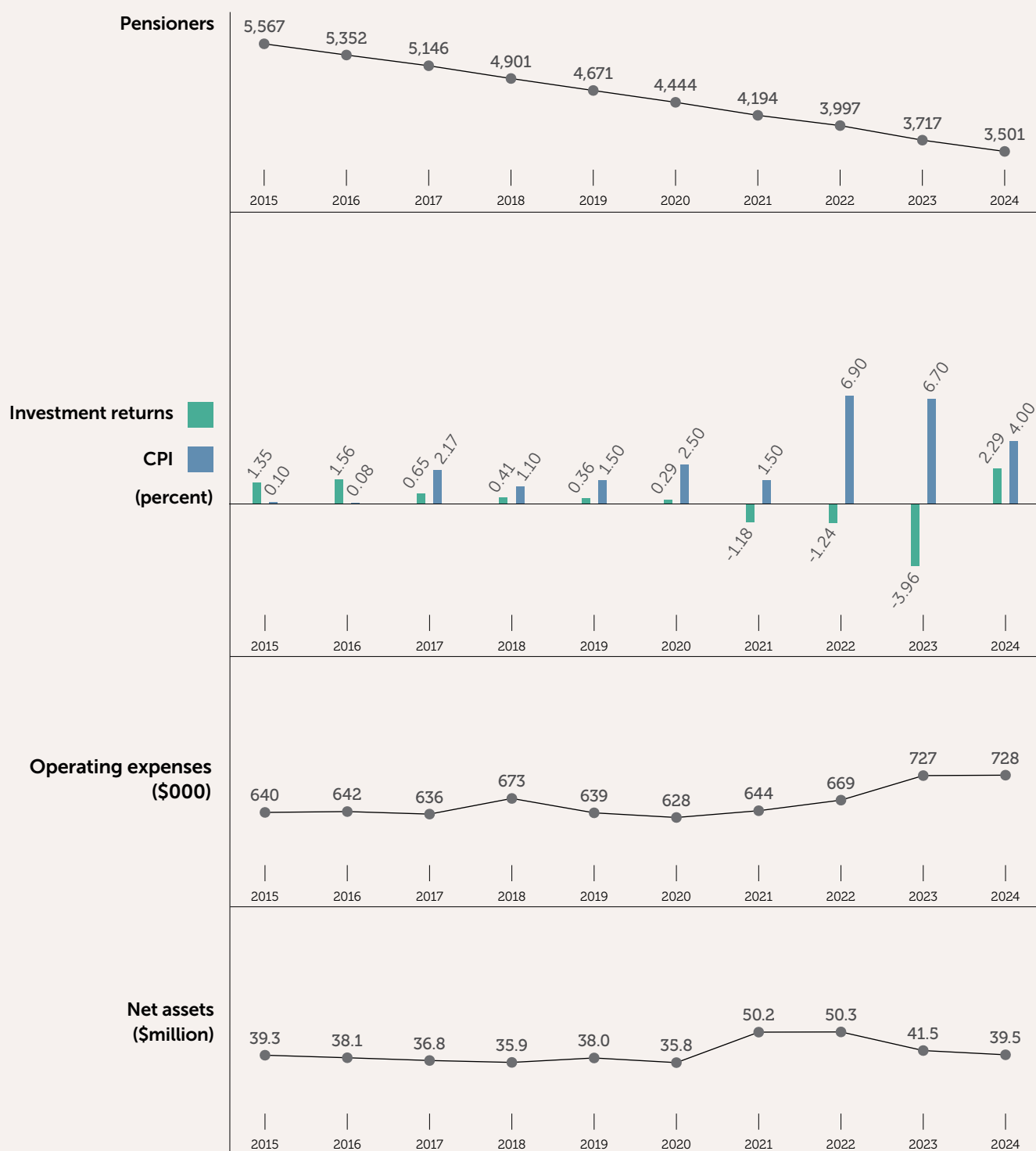
Other than in our capacity as auditor, we have no relationship with, or interests in the Scheme.

Pam Thompson

Pam Thompson  
for Deloitte Limited  
On behalf of the Auditor-General  
Wellington, New Zealand

25 June 2024

## 10 YEAR COMPARISON





**DBP Annuitants Scheme (the Scheme)**  
**Statement of Changes in Net Assets**  
**for the year ended 31 March 2024**

	Note	<b>2024</b> <b>(\$'000)</b>	2023 (\$'000)
<b>Investment income</b>			
Income/(loss) from unit funds	4	<b>1,123</b>	(1,498)
Interest received		<b>474</b>	235
<b>Total investment income/(loss)</b>		<b>1,597</b>	(1,263)
<b>Operating expenses</b>			
Actuarial fees		<b>63</b>	51
Audit fees		<b>23</b>	22
Bank fees		<b>2</b>	2
Board member expenses	5	<b>38</b>	34
Management expenses	5	<b>638</b>	618
		<b>764</b>	727
<b>Net income/(loss) before tax and membership activities</b>		<b>833</b>	(1,990)
Income tax credit	6	<b>82</b>	138
<b>Net income/(loss) after tax and before membership activities</b>		<b>915</b>	(1,852)
<b>Scheme receipts</b>			
Crown contributions	1	<b>69,138</b>	59,161
Transfers from DBP Contributors Scheme		<b>5,118</b>	10,342
<b>Total scheme receipts</b>		<b>74,256</b>	69,503
<b>Scheme payments</b>			
Pensions paid		<b>77,160</b>	76,483
<b>Total scheme payments</b>		<b>77,160</b>	76,483
<b>Net membership activities</b>		<b>(2,904)</b>	(6,980)
<b>(Decrease) in net assets for the year</b>	9	<b>(1,989)</b>	(8,832)
<b>Net assets available to pay benefits at beginning of year</b>		<b>41,466</b>	50,298
<b>Net assets available to pay benefits at end of year</b>		<b>39,477</b>	41,466

The notes to the financial statements on pages 4 to 12 form an integral part of these financial statements.

**DBP Annuitants Scheme (the Scheme)**  
**Statement of Net Assets**  
**as at 31 March 2024**

	Note	<b>2024</b> <b>(\$000)</b>	2023 (\$000)
<b>Investment assets at fair value through profit or loss</b>	3		
Units held in:			
Fixed Interest unit fund		<b>33,911</b>	32,788
		<b>33,911</b>	32,788
<b>Financial assets at amortised cost</b>			
Cash		<b>5,286</b>	8,561
Other receivables	8	<b>120</b>	81
Receivable from the Global Asset Trust	7	<b>7</b>	-
		<b>5,413</b>	8,642
<b>Other assets</b>			
Deferred Tax Asset	6	<b>213</b>	138
		<b>213</b>	138
<b>Total assets</b>		<b>39,537</b>	41,568
<b>Current liabilities at amortised cost</b>			
Accounts payable		<b>60</b>	102
<b>Total liabilities</b>		<b>60</b>	102
<b>Net assets available to pay benefits</b>		<b>39,477</b>	41,466

Authorised for issue on 25 June 2024

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



Edward Schuck  
Board Chair



Louise Edwards  
Chair  
Audit and Risk Review Committee

**DBP Annuitants Scheme (the Scheme)**  
**Statement of Cash Flows**  
**for the year ended 31 March 2024**

	Note	<b>2024</b> <b>(\$000)</b>	2023 (\$000)
<b>Cash flows from operating activities<sup>1</sup></b>			
Cash was provided from:			
Crown contributions		<b>69,138</b>	59,161
Interest received and other income		<b>474</b>	235
Transfers from DBP Contributors Scheme		<b>5,118</b>	10,342
		<b>74,730</b>	69,738
Cash was applied to:			
Operating expenses		<b>839</b>	551
Pensions paid		<b>77,166</b>	76,529
		<b>78,005</b>	77,080
<b>Net cash flows used in operating activities</b>	9	<b>(3,275)</b>	(7,342)
<b>Cash flows from investing activities<sup>2</sup></b>			
Cash was provided from sale of units in:			
Fixed interest unit fund		-	1,189
		-	1,189
Cash was applied to purchase units in:			
Fixed Interest unit fund		-	171
		-	171
<b>Net cash flows from investing activities</b>		-	1,018
<b>Net (decrease) in cash held</b>		<b>(3,275)</b>	(6,324)
Add opening cash brought forward		<b>8,561</b>	14,885
<b>Closing cash carried forward<sup>3</sup></b>		<b>5,286</b>	8,561

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- 1     Operating Activities: Includes any activities that are the result of normal business activities not classified as investing activities.
- 2     Investing Activities: Comprises acquisition and disposal of units in the GAT.
- 3     Cash: Comprises cash balances held with banks in New Zealand and Australia



**DBP Annuitants Scheme (the Scheme)  
Notes to the Financial Statements  
for the year ended 31 March 2024**

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## **1 DESCRIPTION OF THE SCHEME AND FUNDING ARRANGEMENTS**

The Scheme is a defined benefit scheme, governed by a Trust Deed. The Scheme is deemed to be registered on the register of managed investment schemes under the Financial Markets Conduct Act 2013 (FMCA).

When a contributor or other beneficiary of the DBP Contributors Scheme becomes a member of the Scheme, assets with a market value equal to the liability of the Scheme to pay the benefit attributable to that person's membership, are transferred from the DBP Contributors Scheme to the Scheme.

The net assets available to pay the benefits of the Scheme were exhausted in May 2009, after a provision was made for future operating expenses. A call was made under the Crown guarantee and the first payment from the Crown, to fund the pension benefits payable by the Scheme, was received on 27 May 2009.

The Board of Trustees of the National Provident Fund (the Board) provides information to the Crown on the financial position of the Scheme, on a regular basis. From May 2009, the Crown is meeting the cost of paying pension benefits from the Scheme as they fall due, after allowing for transfers from the DBP Contributors Scheme.

## **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 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 costs of running Annuitas are shared between the Board and the Authority on an equitable basis, as agreed between the organisations.

Edward Schuck and Sarah Park are the two Board appointed directors of Annuitas.

The Board is also the Trustee of the Global Asset Trust (the GAT), which holds the assets of all the National Provident Fund Schemes. 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 the Strategic Asset Allocation Strategy (refer note 3).

There were no transactions between the Board or management, as individuals, and the Scheme.

## **3 STRATEGIC ASSET ALLOCATION (SAA) - INVESTMENT**

The Scheme is authorised to invest in the GAT or in bank deposits. The GAT is divided into separate unit funds representing various asset classes.

Investment assets have been designated at fair value through profit or loss upon initial recognition. These are managed and their performance evaluated, on a fair value basis. This is consistent with the Scheme's documented investment strategy. The assets are investments in units in the GAT which, in turn, invest in fixed interest and debt instruments.

**DBP Annuitants Scheme (the Scheme)**  
**Notes to the Financial Statements**  
**for the year ended 31 March 2024**

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### **3 STRATEGIC ASSET ALLOCATION (SAA) – INVESTMENT (CONTINUED)**

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 these financial instruments is based on exit prices at balance date without any deduction for future selling costs. If the exit price for an instrument is not available on a recognised exchange the fair value is estimated taking into account comparable markets and specialist advice.

The benchmark asset allocation as at 31 March 2024 is 100% invested in the Fixed Interest unit fund (2023: 100% invested in the Fixed Interest unit fund).

As discussed in note 1, the net assets available to pay the benefits of the Scheme were exhausted in May 2009, after a provision was made for future operating expenses. The provision is invested in the Fixed Interest unit fund of the GAT. From May 2009 the income from the provision is used to meet the operating expenses of the Scheme and the Crown is meeting the cost of paying pension benefits from the Scheme as they fall due, after allowing for transfers from the DBP Contributors Scheme.

### **4 INCOME FROM UNIT FUNDS**

Income from unit funds was derived from the changes in fair value of units held by the GAT and reflects both realised and unrealised gains and losses. The income stated is net of expenses (including investment management and custodial fees) directly related to investment activities.

	<b>2024</b> <b>(\$000)</b>	2023 (\$000)
Fixed Interest unit fund	<b>1,123</b>	(1,498)
<b>Income/(loss) from unit funds</b>	<b><u>1,123</u></b>	<u>(1,498)</u>

### **5 MANAGEMENT AND BOARD MEMBER EXPENSES**

Management expenses comprise administration fees charged by Datacom Connect Limited, and a share of the expenses of the Board. The Board member expenses are split evenly between the schemes.

**DBP Annuitants Scheme (the Scheme)**  
**Notes to the Financial Statements**  
**for the year ended 31 March 2024**

## **6 INCOME TAX**

Income specific to the Scheme is subject to tax at 28%, after allowing for deductible expenses. The income tax reconciliation is as follows:

	<b>2024</b> <b>(\$000)</b>	2023 (\$000)
Scheme specific income	<b>474</b>	235
Deductible expenses	<b>(764)</b>	(725)
<b>Taxable income</b>	<b>(290)</b>	(490)
<b>Net income/(loss) before tax and membership activities</b>	<b>833</b>	(1,990)
Tax at 28%	<b>233</b>	(557)
Adjusted for tax effect of: (Non-assessable income)/non-deductible expenditure	<b>(315)</b>	419
<b>Income tax credit</b>	<b>(82)</b>	(138)
Represented by:		
Income tax credit on current year income/(loss)	<b>(82)</b>	(138)
<b>Income tax credit</b>	<b>(82)</b>	(138)
<b>Movement in deferred taxation</b>		
Opening balance	<b>138</b>	-
Prior period adjustment	<b>(7)</b>	-
Current year movement	<b>82</b>	138
<b>Deferred tax asset</b>	<b>213</b>	138

The deferred tax asset is a result of tax losses available to carry forward. The tax losses consist of surplus deductible expenses which the Scheme will transfer to the GAT under section DV 2 of the Income Tax Act 2007 in a future income year. The GAT is subject to tax at the rate of 28%.

## **7 RECEIVABLE FROM THE GAT**

The 2024 receivable represents the outstanding tax credits, (refer note 6), utilised by the GAT, resulting from the transfer of the Scheme's surplus deductible expenses to the GAT under the Tax Act. The Scheme will realise the receivable by investing in unit funds of the GAT or by settling the units in cash.

**DBP Annuitants Scheme (the Scheme)**  
**Notes to the Financial Statements**  
**for the year ended 31 March 2024**

**8 OTHER RECEIVABLES**

Other receivables consist of:

	<b>2024</b> <b>(\$000)</b>	2023 (\$000)
Amounts due from members	<b>71</b>	65
Management fee refund	<b>49</b>	16
<b>Total other receivables</b>	<b>120</b>	81

**9 RECONCILIATION OF (DECREASE) IN NET ASSETS FOR THE YEAR TO NET CASH FLOWS USED IN OPERATING ACTIVITIES**

	<b>2024</b> <b>(\$000)</b>	2023 (\$000)
<b>Change in net assets for the year</b>	<b>(1,989)</b>	(8,832)
<b>Movement in working capital</b>		
Change in accounts payable	<b>(42)</b>	12
Change in other receivables	<b>(39)</b>	(53)
	<b>(81)</b>	(41)
<b>(Less)/add non-cash items</b>		
Movement in receivable from the GAT	<b>(7)</b>	171
Movement in deferred tax	<b>(75)</b>	(138)
	<b>(82)</b>	33
<b>Items classified as investing activities</b>		
(Income)/loss from unit funds	<b>(1,123)</b>	1,498
	<b>(1,123)</b>	1,498
<b>Net cash flows used in operating activities</b>	<b>(3,275)</b>	(7,342)

**10 GUARANTEED BENEFITS**

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

As discussed in note 1, the net assets available to pay benefits of the Scheme were exhausted in May 2009 after a provision was made for future operating expenses. A first call was made under the Crown guarantee in May 2009 to meet Scheme pension benefit payments. From May 2009, the Crown is meeting the cost of paying pension benefits from the Scheme as they fall due, after allowing for transfers from the DBP Contributors Scheme.

**DBP Annuitants Scheme (the Scheme)**  
**Notes to the Financial Statements**  
**for the year ended 31 March 2024**

## **11 ACTUARIAL EXAMINATION AND REVIEW, FUNDING LEVEL AND VESTED BENEFITS RATIO – 31 MARCH 2024**

### **11.1 ACTUARIAL EXAMINATION AND REVIEW**

Every three years, a statutory actuarial examination of the Scheme is prepared in accordance with the National Provident Fund Restructuring Act 1990 and the Financial Markets Conduct Act 2013 (refer note 12). The most recent actuarial examination was conducted as at 31 March 2021. In addition, an actuarial review of the Scheme is undertaken annually.

The funding level and vested benefits ratio from the annual actuarial review of the Scheme as at 31 March 2024 and the figures from the statutory actuarial examination of the Scheme, as at 31 March 2021, are set out in this Note and Note 12. The assumptions and methodology used to value the liabilities as at 31 March 2024 are those currently intended to be used for the statutory actuarial examination of the Scheme. The results of the statutory actuarial examination of the Scheme at 31 March 2024 will be incorporated in the notes to the Annual Audited Financial Statements for the year ending 31 March 2025.

### **11.2 FUNDING LEVEL AND VESTED BENEFITS RATIO – 31 MARCH 2024**

The funding level (funding ratio) 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:

<b>Funding level – funding basis</b>	<b>2024</b> <b>(\$000)</b>	2023 (\$000)
Present value of -		
Liabilities/vested benefits	<b>(694,299)</b>	(740,937)
Net assets	<b>39,477</b>	41,466
Deficit	<b>(655,822)</b>	(699,471)
Funding level	<b>5.7%</b>	5.6%

This table should be read in conjunction with note 10.

The most financially significant assumptions are:

- The difference between the discount rates and the rate of future pension increases. The discount rates used are the year-on-year risk-free forward rates. These were determined according to the methodology prescribed by the Treasury for Crown financial reporting. Pensions are assumed to increase at the Consumers Price Index inflation rate.
- The pensioner mortality assumptions, which are based on the results of a recent pensioners' mortality investigation and include an allowance for improving mortality.

## **12 STATUTORY ACTUARIAL EXAMINATION – 31 MARCH 2021**

Under the National Provident Fund Restructuring Act 1990 (the Act) and the Financial Markets Conduct Act 2013, a statutory actuarial examination of the Scheme is required every three years.

The most recent statutory actuarial examination was prepared, as at 31 March 2021, by Christine Ormrod FNZSA, the Actuary to the Scheme, and is dated 28 July 2021. It covers the three years 31 March 2018 to 31 March 2021.

**DBP Annuitants Scheme (the Scheme)**  
**Notes to the Financial Statements**  
**for the year ended 31 March 2024**

## **12 STATUTORY ACTUARIAL EXAMINATION – 31 MARCH 2021 (CONTINUED)**

The following table shows the summary results of the valuation:

<b>Valuation date</b>	<b>2021</b> <b>(\$000)</b>	2018 (\$000)
<b>Present value of -</b>		
Future pension payments	<b>(819,320)</b>	(873,690)
Future administration expenses	<b>(33,000)</b>	(33,000)
<b>Total liabilities</b>	<b>(852,320)</b>	(906,690)
Net assets	<b>50,193</b>	35,938
Deficit	<b>(802,127)</b>	(870,752)
Funding level	<b>5.9%</b>	4.0%

This table should be read in conjunction with note 10.

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 2021, was 5.9%. This shows that the Scheme had significantly less net assets than liabilities at that date. Under section 60 of the Act, the benefits payable by the Scheme are guaranteed by the Crown. For this Scheme, the value of vested benefits is equal to the value of the total liabilities and hence the ratio of the net assets to the value of vested benefits is the same as the funding level, i.e. 5.9% as at 31 March 2021. The funding level and vested benefits ratio are expected to remain largely unchanged over the next three years

At the valuation date, the Scheme only held assets to provide for the future costs of administering the Scheme, with the cost of pension payments being met predominantly by the Crown as they fall due. Therefore, no significant change in the funding level or ratio of assets to the value of vested benefits was expected prior to the next actuarial examination.

The most significant actuarial assumptions used by the Actuary were:

- The difference between the discount rates and the rate of future pension increases. The discount rates used are year-on-year risk-free forward rates. Pensions are assumed to increase at the Consumers Price Index inflation rate. Both were determined according to the methodology prescribed by the Treasury for Crown financial reporting.
- The pensioner mortality assumptions which were based on the results of the pensioners' mortality investigation in 2020 and include an allowance for improving mortality.

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

### **RECOMMENDATIONS**

The Actuary recommended:

- The next statutory actuarial examination be carried out as at 31 March 2024.
- The Board does not grant any benefit increases, other than the normal pension increase entitlements of pensioners.

The Board accepted the recommendations of the Actuary.

The value of the liabilities will continue to be calculated as at each 31 March for the Scheme's financial statements and as at 30 June for the Crown financial reporting purposes.

**DBP Annuitants Scheme (the Scheme)**  
**Notes to the Financial Statements**  
**for the year ended 31 March 2024**

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## **13 FINANCIAL RISK MANAGEMENT**

The Scheme invests in units of the GAT based on the SAA determined for the Scheme (see note 3). The unit fund holds fixed interest and debt instruments. These instruments are all measured at fair value.

Under *NZ IFRS 13: Fair Value Measurement* (NZ IFRS 13), disclosures for fair value instruments are required using a three-level fair value hierarchy. These tiers reflect the availability of observable market inputs. The scheme's investment in units of the GAT is classified as a level 2 investment as the unit prices are based on a net asset valuation derived from either quoted prices for similar assets or unquoted but observable inputs.

The Scheme's major risk in relation to 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, interest rate risk and other price risk), credit risk and liquidity risk, are managed in the GAT.

For more information on the disclosures under NZ IFRS 13 and the risks mentioned above reference should be made to the financial statements of the GAT. A copy of the financial statements of the GAT can be viewed on the National Provident Fund's website ([www.npf.co.nz](http://www.npf.co.nz)).

The Board manages the other risks by determining a diversified SAA appropriate for the provision to meet the operating expenses of the Scheme. In addition, the Board selects the investment managers, sets their mandates and monitors performance against those mandates.

The long run investment return for the Scheme is estimated to be 3.3% per annum. The volatility is expected to be +/- 2.8%. This is based on the Scheme's SAA and the long-term rate of return for the fixed income unit fund (after investment management, custody fees and tax).

## **14 SUBSEQUENT EVENTS**

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

## **15 SUMMARY OF MATERIAL ACCOUNTING POLICIES**

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

### **15.1 BASIS OF PREPARATION**

The financial statements have been prepared under the requirements of clause 34 of the Scheme Trust Deed and in accordance with the FMCA. For a description of the Scheme and its funding arrangements see note 1.

### **15.2 STATEMENT OF COMPLIANCE**

These financial statements comply with the New Zealand Equivalents to IFRS (International Financial Reporting Standards) Accounting Standards (NZ IFRS) and IFRS Accounting Standards (IFRS) as issued by the International Accounting Standards Board, and other applicable financial reporting standards as appropriate for profit-oriented entities.

### **15.3 MEASUREMENT BASE**

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



## **15 SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)**

### **15.4 PRESENTATIONAL AND FUNCTIONAL CURRENCY**

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

### **15.5 CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS**

In compliance with NZ IFRS, preparation of the financial statements requires judgements, estimates and assumptions to be made that affect the application of policies and the reported amounts of assets, liabilities, income and expenses.

Judgement has been applied in the classification and measurement of financial assets. This policy has a material impact on the amounts disclosed in the financial statements.

There are no material assumptions or major sources of estimation uncertainty that have a material risk of causing material adjustments to the carrying amounts of scheme assets at year end. Investment asset values are subject to variation due to market fluctuations. Receivables have been valued in accordance with NZ IFRS 9. Under this standard the scheme has adopted the simplified expected credit loss model.

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 revision affects both current and future periods.

### **15.6 FINANCIAL INSTRUMENTS**

Financial instruments include both financial assets and financial liabilities.

Financial assets include balances due from contributors, and receivables from related parties (if applicable).

Financial liabilities, measured at amortised cost, include accounts payable and bank overdrafts (if applicable).

### **15.7 RECOGNITION**

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

**DBP Annuitants Scheme (the Scheme)**  
**Notes to the Financial Statements**  
**for the year ended 31 March 2024**

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**15 SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)**

**15.8 MEASUREMENT**

Financial assets that are classified at fair value through profit or loss are measured at fair value where all resulting gains or losses are recorded in the Statement of Changes in Net Assets.

Financial assets, classified as other receivables, and other financial liabilities are recorded at amortised cost using the effective interest rate method, less any impairment losses. The effective interest rate is the rate that exactly discounts estimated future cash flows through the expected life of the financial instrument to the net carrying amount of the financial asset or liability.

**15.9 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. A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or expires.

**15.10 INVESTMENT INCOME RECOGNITION**

Interest income is recognised using the effective interest rate of the instrument. Changes in the fair value on GAT unit funds are recognised in the Statement of Changes in Net Assets. Interest income on financial assets classified at fair value through profit or loss, is accrued at balance date.

**15.11 TRANSFERS FROM DBP CONTRIBUTORS SCHEME**

Transfers are accounted for on a due and receivable basis.

**15.12 TAXATION**

Any income or loss arising from the movement in the fair value of the unit funds of the GAT is received by the Scheme tax paid.

The Scheme takes a responsible and transparent approach to tax which follows the spirit of the law in addition to the pure interpretation of the law.

**15.13 STANDARDS ISSUED BUT NOT EFFECTIVE**

Certain new accounting standards and interpretations have been issued that are not mandatory for 31 March 2024 reporting periods and have not been adopted early by the Board. None of these standards are likely to have a material impact on the Scheme when they are adopted.

**16 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES**

There have been no changes in accounting policies or disclosures. New standards and interpretations that are mandatory for 31 March 2024 reporting periods have been adopted with no material impact on the financial statements.

**DBP Annuitants Scheme (the Scheme)  
Trustee's Report  
for the year ended 31 March 2024**

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## **17 OTHER INFORMATION**

The Board, as Trustee of the Scheme, provides members with the following information:

### **17.1 SCHEME MEMBERSHIP**

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

	<b>Pensioners</b>
<b>Opening membership as at 1 April 2023</b>	<b>3,717</b>
Joins/Rejoins	-
Transfers	8
Pensioner change of beneficiary	81
Deaths	(305)
<b>Closing membership as at 31 March 2024</b>	<b><u>3,501</u></b>

### **17.2 CONTRIBUTIONS RECEIVED AND BENEFITS PAID**

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.

### **17.3 VESTED BENEFITS**

The Board, based on the advice of the Actuary, certifies that the net market value of the Scheme's net assets was less than the total value of the vested benefits of the Scheme, as at 31 March 2023 (refer note 11 to the financial statements).

### **17.4 TRUST DEED**

The Scheme Trust Deed has not been amended since 6 July 2023, being the date of the Scheme's last annual report.

### **17.5 DIRECTORY**

<b>Trustee</b>	<b>Board of Trustees of the National Provident Fund</b> Members of the Board are: Edward Schuck (Board Chair) Graham Ansell Tracey Berry Louise Edwards Lloyd Kavanagh Sarah Park (Deputy Chair)
<b>Administration manager</b>	Datacom Connect Limited

**DBP Annuitants Scheme (the Scheme)  
Trustee's Report  
for the year ended 31 March 2024**

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**17 OTHER INFORMATION (CONTINUED)**

**17.5 DIRECTORY (CONTINUED)**

**Investment managers**

**Fixed Interest Managers**

Brandywine Global Investment Management, LLC  
Pacific Investment Management Company, LLC  
PGIM, Inc.

**Foreign Exchange Hedging Manager**

Bank of New Zealand Limited

**Actuary**

Christine Ormrod, PricewaterhouseCoopers Consulting  
(New Zealand) LP

**Auditor**

Pam Thompson, Deloitte Limited (on behalf of the Auditor-General)

**Solicitor**

DLA Piper New Zealand

**Bank**

Bank of New Zealand

**Custodian**

JP Morgan Chase Bank

**17.6 CORRESPONDENCE**

All correspondence relating to the Scheme should be addressed to:

The Manager  
National Provident Fund Administration  
Datacom Connect Limited  
PO Box 1036  
WELLINGTON 6140

OR

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

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



Edward Schuck  
Board Chair

25 June 2024

## INDEPENDENT AUDITOR'S REPORT

### TO THE MEMBERS OF DBP ANNUITANTS SCHEME

The Auditor-General is the auditor of DBP Annuitants Scheme (the Scheme). The Auditor-General has appointed me, Pam Thompson, using the staff and resources of Deloitte Limited, to carry out the audit of the financial statements of the Scheme on his behalf.

#### Opinion

We have audited the financial statements of the Scheme on pages 1 to 12, that comprise the Statement of Net Assets as at 31 March 2024, the Statement of Changes in Net Assets and Statement of Cash Flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information.

In our opinion the financial statements of the Scheme on pages 1 to 12:

- present fairly, in all material respects:
  - its net assets as at 31 March 2024 and
  - its financial performance and cash flows for the year then ended; and
- comply with generally accepted accounting practice in New Zealand in accordance with New Zealand Equivalents to IFRS Accounting Standards ('NZ IFRS') and IFRS Accounting Standards ('IFRS').

Our audit was completed on 25 June 2024. This is the date at which our opinion is expressed.

The basis for our opinion is explained below. In addition, we outline the responsibilities of the Board of Trustees and our responsibilities relating to the financial statements, we comment on other information, and we explain our independence.

#### Basis for our opinion

We carried out our audit 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. Our responsibilities under those standards are further described in the Responsibilities of the auditor section of our report.

We have fulfilled our responsibilities in accordance with the Auditor-General's Auditing Standards.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in informing our audit opinion thereon, and we do not provide a separate opinion on these matters.

## Key audit matter

## How our audit addressed the key audit matter

### Actuarial deficit and valuation of the promised retirement liabilities (Note 11)

On 13 June 2024, the Scheme obtained an interim update letter as at 31 March 2024 from its actuary which showed vested benefits of \$694.3 million. This compared to the net assets of \$39.5 million resulting in a Scheme actuarial deficit of \$655.8 million.

The interim update letter uses the latest triennial valuation as at 31 March 2021 as a base and certain assumptions were updated with available latest information.

The interim update letter is inherently subjective and is affected by use of assumptions such as:

- The rate of future pension increases;
- The discount rate; and
- Pensioner mortality.

As noted in Note 10, under section 60 of the Act, the benefits payable by the Scheme are guaranteed by the Crown.

We have included the actuarial deficit and valuation of the promised retirement liabilities as a key audit matter due to the significance of the disclosures to the financial statements and the subjectivity of the assumptions inherent in estimating the amount.

Our audit procedures included the following:

- Testing the underlying data provided to the actuary and confirming that these agree to underlying records.
- Evaluating the competence and objectivity and relevant experience of the Scheme's actuary.
- Engaging our internal actuarial specialist to independently understand, challenge and evaluate:
  - The work and findings of the Scheme's actuary.
  - The actuarial methods and assumptions employed, specifically, the rate of future pension increases, the discount rate and pensioner mortality.
- Evaluating the related disclosures about the Scheme's vested benefits and promised retirement liabilities, and the risks attached to them which is included in Note 11 to the Scheme's financial statements.
- Assessing the related disclosures concerning the Scheme's vested benefits deficit and any plan by the Crown to fund benefit payments as they fall due.

## **Responsibilities of the Board of Trustees for the financial statements**

The Board of Trustees is responsible on behalf of the Scheme for preparing financial statements that are fairly presented and that comply with generally accepted accounting practice in New Zealand.

The Board of Trustees is responsible for such internal control as it determines is necessary to enable it to prepare financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Trustees is responsible on behalf of the Scheme for assessing the Scheme's ability to continue as a going concern. The Board of Trustees are also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless the Board of Trustees intends to wind-up the Scheme or to cease operations, or have no realistic alternative but to do so.

The Board of Trustees' responsibilities arise from the Financial Markets Conduct Act 2013 and clause 34 of the Scheme's Trust Deed.

## **Responsibilities of the auditor for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit carried out in accordance with the Auditor-General's Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures, and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of members, taken on the basis of these financial statements.

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

As part of an audit in accordance with the Auditor-General's Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. Also:

- We identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Scheme's internal control.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Trustees.
- We conclude on the appropriateness of the use of the going concern basis of accounting by the Board of Trustees and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Scheme's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Scheme to cease to continue as a going concern.



- We evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Trustees regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Our responsibilities arise from the Public Audit Act 2001.

## Other information

The Board of Trustees is responsible for the other information. The other information comprises the information included on pages 1 to 14 but does not include the financial statements, and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information. In doing so, we consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on our work, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## Independence

We are independent of the Scheme in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1: *International Code of Ethics for Assurance Practitioners* issued by the New Zealand Auditing and Assurance Standards Board.

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



Pam Thompson, Partner  
for Deloitte Limited  
On behalf of the Auditor-General  
Wellington, New Zealand

# Directory as at 25 June 2024

## TRUSTEE

### Board of Trustees of the National Provident Fund

#### BOARD MEMBERS

**Edward Schuck** – Chair – appointed 2015 and Chair from 1 September 2017\*

**Sarah Park** – Deputy Chair – appointed 1 February 2020 and Deputy Chair from 1 July 2022

**Louise Edwards** – appointed 1 July 2019

**Graham Ansell** – appointed 12 July 2021

**Tracey Berry** – appointed 1 July 2022

**Lloyd Kavanagh** – appointed 1 July 2022

*\* Edward Schuck retires from the Board and as Chair on 30 June 2024.*

Further information on the Board members is provided on our website – [www.npf.co.nz](http://www.npf.co.nz).

## MANAGEMENT

**Tim Mitchell**  
Chief Executive

**Fiona Morgan**  
Chief Financial Officer

**Anthony Halls**  
Chief Investment Officer

**Hadyn Hunt**  
Chief Risk Officer

**Ireen Muir**  
General Manager – Schemes

## DATACOM

### 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](mailto: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](http://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:** Pam Thompson, 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

There were no changes to the Actuary, Bank, Custodian or Solicitor during the year.