

# DBP Contributors 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 2021. 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 DBP Contributors 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.

Asset Class	Return	Index
Fixed interest	9.58%	1.39%
Overseas shares	49.79%	41.01%

The investment return (after tax and expenses) earned by the Scheme for the year ended 31 March 2021 was 13.02%.

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 2020, the Actuary recommended the employer contribution rate to the Scheme be set at 4.0 times contributors' contributions

from 1 April 2021 with a further scheduled increase from 1 April 2022 to 6 times contributors' contributions. In making the recommendation the Actuary noted the funding level of the Scheme had deteriorated over the year to 31 March 2020, reducing from 98.1% to 95.9%. The recommendation was accepted and endorsed by the Board.

Given the Scheme's funding position has improved at 31 March 2021 (refer comment on funding position below), we expect the Actuary will review her recommendation of a further increase in the employer contribution rate with effect from 1 April 2022.

## Annual Report for the year ended 31 March 2021

### 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 2021.

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.



# DBP Contributors Scheme

## FUNDING POSITION

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

	2021 (\$000)	2020 (\$000)
Net assets	57,369	65,489
Past service liabilities	(56,107)	(68,262)
Funding level*	102.2%	95.9%

\* The funding level has been calculated on the funding basis using a discount rate of 2.3% pa net of tax and investment related expenses (2020: 2.5% pa). Calculating the funding level on a minimum risk basis (and a discount rate of 0.30% pa (2020: 0.35% pa)) would give a funding level of 97.6% at 31 March 2021 (31 March 2020: 90.7%).

The value of past service liabilities above assumes members continue in the Scheme until their expected retirement date.

## WHO INVESTS YOUR MONEY

### Fixed interest

Brandywine Global Investment Management, LLC  
Pacific Investment Management Company LLC

### Overseas shares

Arrowstreet Capital, Limited Partnership  
Lazard Asset Management, LLC  
Marathon Asset Management, LLP (*contract ended 13 May 2020*)  
T. Rowe Price Australia Limited

### Foreign exchange hedging

ANZ Bank New Zealand Limited (*contract ended 17 August 2020*)  
Bank of New Zealand Limited

## HOW YOUR MONEY IS INVESTED

The Scheme's strategic asset allocation is set by the Board and reviewed regularly. The asset allocation strategy for the Scheme was reviewed during the year. The pie chart shows the Scheme's asset allocation strategy effective from 1 October 2019.

### Effective 1 October 2019



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](http://www.npf.co.nz), for more information about your Scheme, including the Board's SIPSP and the Scheme trust deed.

# DBP Contributors Scheme

## SUMMARY STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 31 MARCH 2021

		2021 (\$000)	2020 (\$000)
<p>This is a summary of the Scheme's income and expenses, and membership contributions and payments during the year.</p>	Investment income	7,691	(542)
	Less operating expenses	(252)	(270)
	Net income/(loss) before tax and membership activities	7,439	(812)
	Add income tax credit	69	68
	<b>Net income/(loss) after tax and before membership activities</b>	<b>7,508</b>	<b>(744)</b>
	Contributions	1,590	1,179
	Less benefit and transfer payments	(17,218)	(25,605)
	<b>Net membership activities</b>	<b>(15,628)</b>	<b>(24,426)</b>
	Decrease in net assets for the year	(8,120)	(25,170)
	Net assets available to pay benefits at beginning of year	65,489	90,659
	<b>Net assets available to pay benefits at end of year</b>	<b>57,369</b>	<b>65,489</b>

## SUMMARY STATEMENT OF NET ASSETS AS AT 31 MARCH 2021

		2021 (\$000)	2020 (\$000)
<p>This is a summary of the Scheme's assets and liabilities, as at 31 March 2021.</p> <p>Assets include the Scheme's investments in cash, fixed interest 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>	<b>Investment assets</b>		
	Cash Unit Fund	-	16
	Fixed Interest Unit Fund	39,935	53,476
	Overseas Equity Unit Fund	11,091	11,013
	<b>Total investment assets</b>	<b>51,026</b>	<b>64,505</b>
	<b>Other assets</b>	<b>6,444</b>	<b>1,085</b>
	<b>Total assets</b>	<b>57,470</b>	<b>65,590</b>
	<b>Less liabilities</b>	<b>(101)</b>	<b>(101)</b>
	<b>Net assets available to pay benefits</b>	<b>57,369</b>	<b>65,489</b>

## SUMMARY STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2021

		2021 (\$000)	2020 (\$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"> <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>	<b>Opening cash brought forward</b>	952	2,580
	Net cash flows from operating activities	(15,970)	(24,551)
	Net cash flows from investing activities	21,165	22,923
	Net increase/(decrease) in cash held	5,195	(1,628)
	<b>Closing cash carried forward</b>	<b>6,147</b>	<b>952</b>

# DBP Contributors 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 24 June 2021; 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

Around the world the Covid-19 outbreak has led to significant economic slowdown and volatility. These disruptions are likely to continue into the foreseeable future and provide uncertainty for the value of the investment assets and the income earned from them. For the year ended 31 March 2021 the Scheme has recorded a gain from unit funds of \$7.68 million. This compares to a loss of \$0.57 million in the previous year. The Board continues to monitor the impact of the movements in the market on an ongoing basis.

### 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 2021*

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 2020	110
Withdrawals	(3)
Deaths and disablements	-
Transfers to DBP Annuitants Scheme	(12)
Transfers	(6)
Extinguished liabilities*	2
Closing membership as at 31 March 2021	91

\* Following a trust deed amendment on 1 July 2005, once reasonable efforts have been made to locate a member who has been missing for at least five years, the Board may extinguish the liabilities to that member. Where a person re-establishes contact with the Board within 15 years of the liabilities to that person being extinguished, the person is reinstated as a member of the Scheme.

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 2021, 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 2020, 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 was last amended on 1 April 2021 (after year end). The amendments are effective from 1 April 2021 and were made following the repeal of the Trustee Act 1956 to address changes brought about under the Trusts Act 2019 and to allow members in sections A, D and E of the Scheme Trust Deed to receive their pension from age 65 without having to cease employment. A copy of the trust deed is available on request.

## INDEPENDENT AUDITOR'S REPORT

### To the readers of DBP Contributors Scheme's summary financial statements for the year ended 31 March 2021.

The Auditor-General is the auditor of DBP Contributors 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 net assets as at 31 March 2021, 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 2021 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 2021, 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 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 2021 in our auditor's report dated 24 June 2021. 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.

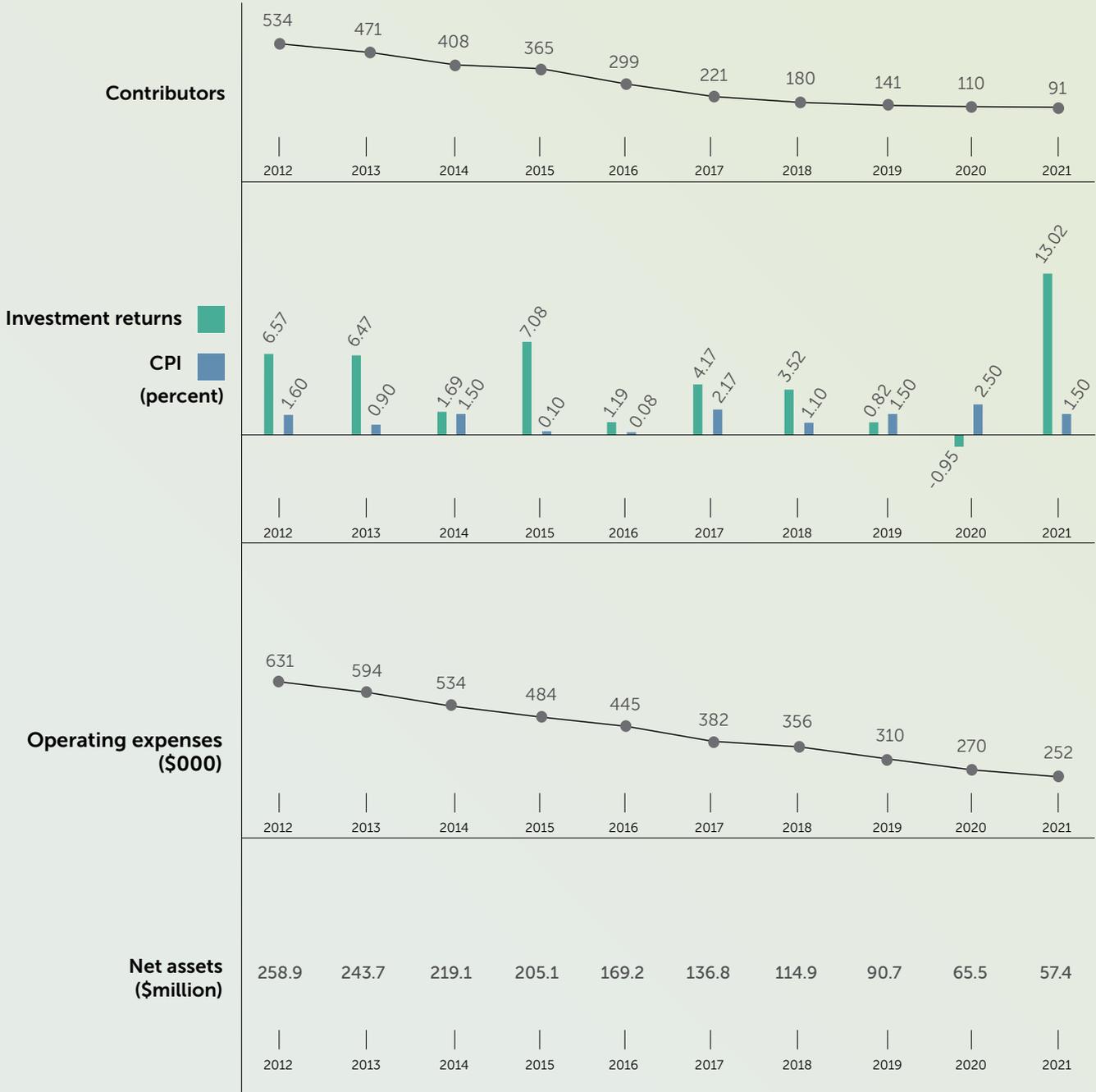


Silvio Bruinsma  
for Deloitte Limited  
On behalf of the Auditor-General  
Wellington, New Zealand

24 June 2021

# DBP Contributors Scheme

10 year comparison



# DBP Contributors Scheme

## Directory as at 24 June 2021

### TRUSTEE

#### Board of Trustees of the National Provident Fund

### BOARD MEMBERS

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

**Louise Edwards** (appointed 1 July 2019)

**Daniel Mussett** (appointed 2016)

**Sarah Park** (appointed 1 February 2020)

**Wayne Stechman** (appointed 2012)

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

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

### MANAGEMENT

#### **Simon Tyler**

Chief Executive

#### **Fiona Morgan**

Chief Financial Officer

#### **Philippa Drury**

General Manager – Schemes

#### **Janet Shirley**

Manager – Schemes (retired March 2021)

#### **Paul Bevin**

General Manager – Investments

#### **Nicky Rumsey**

Manager – Investments

#### **Peter McCaffrey**

Manager – Equities and Alternatives

#### **Keith Poore**

Manager – Asset Allocation

There was one change to Management during the year as noted above.

## 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](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:** 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

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