



# Lump Sum Cash Accumulation Scheme

## SUMMARISED ANNUAL REPORT

For the year ended 31 March 2018

# Deloitte.

This audit report relates to the summary financial statements of the Lump Sum Cash Accumulation Scheme for the year ended 31 March 2018 included on this website. The Board is responsible for the maintenance and integrity of this website. We have not been engaged to report on the integrity of this website. We accept no responsibility for any changes that may have occurred to the summary financial statements since they were initially presented on this website. The audit report refers only to the summary financial statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/ from these summary financial statements. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the audited summary financial statements and related audit report dated 21 June 2018 to confirm the information included in the audited summary financial statements presented on this website. Legislation in New Zealand governing the preparation and dissemination of financial statements and summary financial statements may differ from legislation in other jurisdictions.



NATIONAL  
PROVIDENT





# Lump Sum Cash Accumulation 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 2018. 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 Lump Sum Cash Accumulation Scheme is a cash accumulation scheme. The benefits payable by your Scheme are guaranteed by the Crown.

### INVESTMENT PERFORMANCE

During the year, the Scheme's assets were invested in short term New Zealand fixed interest. The investment return on the Scheme's assets for the year (before tax and operating expenses) was 3.80%, compared with the benchmark index return of 2.46%.

The investment return (after tax and operating expenses) earned by the Scheme, for the year ended 31 March 2018, was 2.39%.

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.

## ANNUAL REPORT FOR THE YEAR ENDED 31 MARCH 2018

### 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 2018.

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.



NATIONAL  
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# Lump Sum Cash Accumulation Scheme

## EARNINGS RATE

The earnings rate declared by the Board for the Scheme for the year ended 31 March 2018 was 4.0%. In line with the Board's crediting and reserving policy, the difference between the investment return and the earnings rate of 4.0% has been drawn from the reserves of the Scheme. The reserves are negative at (0.6)% of contributors' total credits (2017: 1.0%).

## WHO INVESTS YOUR MONEY

Prior to 1 July 2018 the assets of the Scheme were invested in fixed interest with AMP Capital Investors (New Zealand) Limited. From 1 July 2018 the investment managers are as follows:

### Fixed interest

AMP Capital Investors (New Zealand) Limited.

### New Zealand shares

Devon Funds Management Limited

Harbour Asset Management Limited

### Overseas shares

AQR Capital Management, LLC (Style Premia Fund)

Arrowstreet Capital, Limited Partnership

Lazard Asset Management, LLC

Marathon Asset Management, LLP

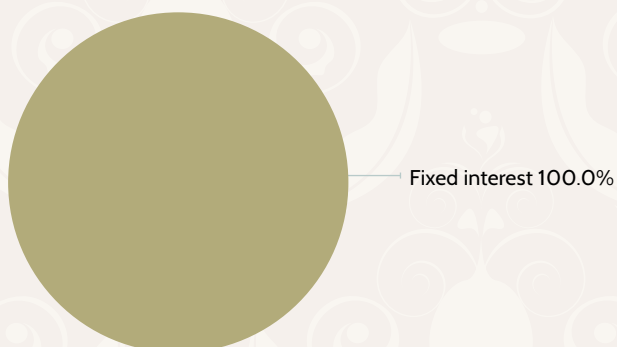
### Foreign exchange hedging

Bank of New Zealand Limited

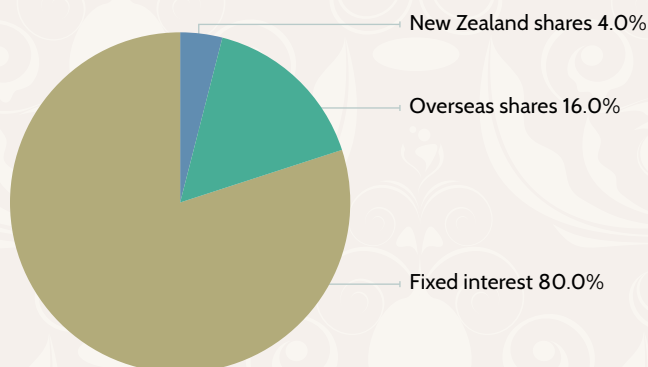
## HOW YOUR MONEY IS INVESTED

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 charts show the Scheme's previous asset allocation strategy and the new strategy effective from 1 July 2018.

Prior to 1 July 2018



Effective 1 July 2018



There were no significant changes to the Board's Statement of Investment Policies, Standards & Procedures (SIPSP) during the year.

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



# Lump Sum Cash Accumulation Scheme

## SUMMARY STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 31 MARCH 2018

This is a summary of the Scheme's income and expenses, and membership contributions and payments. NPPS refers to the National Provident Pension Scheme.		2018	2017
		(\$000)	(\$000)
	Investment income	5,673	4,875
	Less operating expenses	(599)	(558)
	Net income before tax and membership activities	5,074	4,317
	Add income tax credit	152	133
	<b>Net income after tax and before membership activities</b>	<b>5,226</b>	<b>4,450</b>
	Contributions	8,615	15,531
	Transfers received	41,861	43,738
	Less benefit, transfer and withdrawal payments	(46,886)	(46,070)
	Less transfers to the NPPS	(371)	(722)
	<b>Net membership activities</b>	<b>3,219</b>	<b>12,477</b>
	<b>Increase in liability for accrued benefits</b>	<b>8,445</b>	<b>16,927</b>

## SUMMARY STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2018

This is a summary of the cash flows through the Scheme during the year. Cash was received from: • operating activities (being contributions less benefit, transfer and withdrawal payments and operating expenses); and • investing activities. The difference between the two cash flows is recorded as an increase or decrease in cash held.		2018	2017
		(\$000)	(\$000)
	Opening cash brought forward	1,118	2,325
	Net cash flows from operating activities	2,969	12,142
	Net cash flows from investing activities	2,989	(13,349)
	Net increase/(decrease) in cash held	5,958	(1,207)
	Closing cash carried forward	7,076	1,118

## SUMMARY STATEMENT OF NET ASSETS AS AT 31 MARCH 2018

This is a summary of the Scheme's assets and liabilities, as at 31 March 2018. Assets include the Scheme's investments in New Zealand fixed interest plus what the Scheme had in the bank and was owed by others. Liabilities are what the Scheme owed to others. Net assets is the money available to pay future entitlements.		2018	2017
		(\$000)	(\$000)
	<b>Investment assets</b>		
	Fixed Interest No. 2 Unit Fund	218,198	215,570
	<b>Other assets</b>	<b>9,331</b>	<b>1,627</b>
	<b>Total assets</b>	<b>227,529</b>	<b>217,197</b>
	<b>Less liabilities</b>	<b>(2,274)</b>	<b>(387)</b>
	<b>Net assets available to pay benefits</b>	<b>225,255</b>	<b>216,810</b>
	<b>Represented by:</b>		
	<b>Liability for accrued benefits</b>		
	Allocated to contributors' total credits	226,509	214,597
	Interest fluctuation reserve	(1,254)	2,213
		<b>225,255</b>	<b>216,810</b>

# Lump Sum Cash Accumulation 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 21 June 2018; 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.

## TRUSTEE'S REPORT

*For the year ended 31 March 2018*

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 2017	1,737
Retirements	(121)
Withdrawals	(24)
Transfers	(3)
Deaths and disablements	(57)
Joins/rejoins	117
Extinguished liabilities*	-
Closing membership as at 31 March 2018	1,649

\* Following a trust deed amendment on 5 April 2001, 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.

The terms of the Scheme trust deed do not specify contribution levels.

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 2018, the market value of the net assets of the Scheme was approximately equal to the amount that would have been payable if all members transferred out of the Scheme on that date, but was less than the amount that would have been payable if all members retired on that date.

## 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 2017, 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, 22 June 2017. A copy of the trust deed is available on [www.npf.co.nz](http://www.npf.co.nz).

## INDEPENDENT AUDITOR'S REPORT

To the readers of Lump Sum Cash Accumulation Scheme's summary financial statements for the year ended 31 March 2018

**Opinion**

The summary financial statements of the Lump Sum Cash Accumulation Scheme (the Scheme), that comprise the summary statement of net assets as at 31 March 2018, 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 2018 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 2018, 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 2018 in our auditor's report dated 21 June 2018.

### 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.

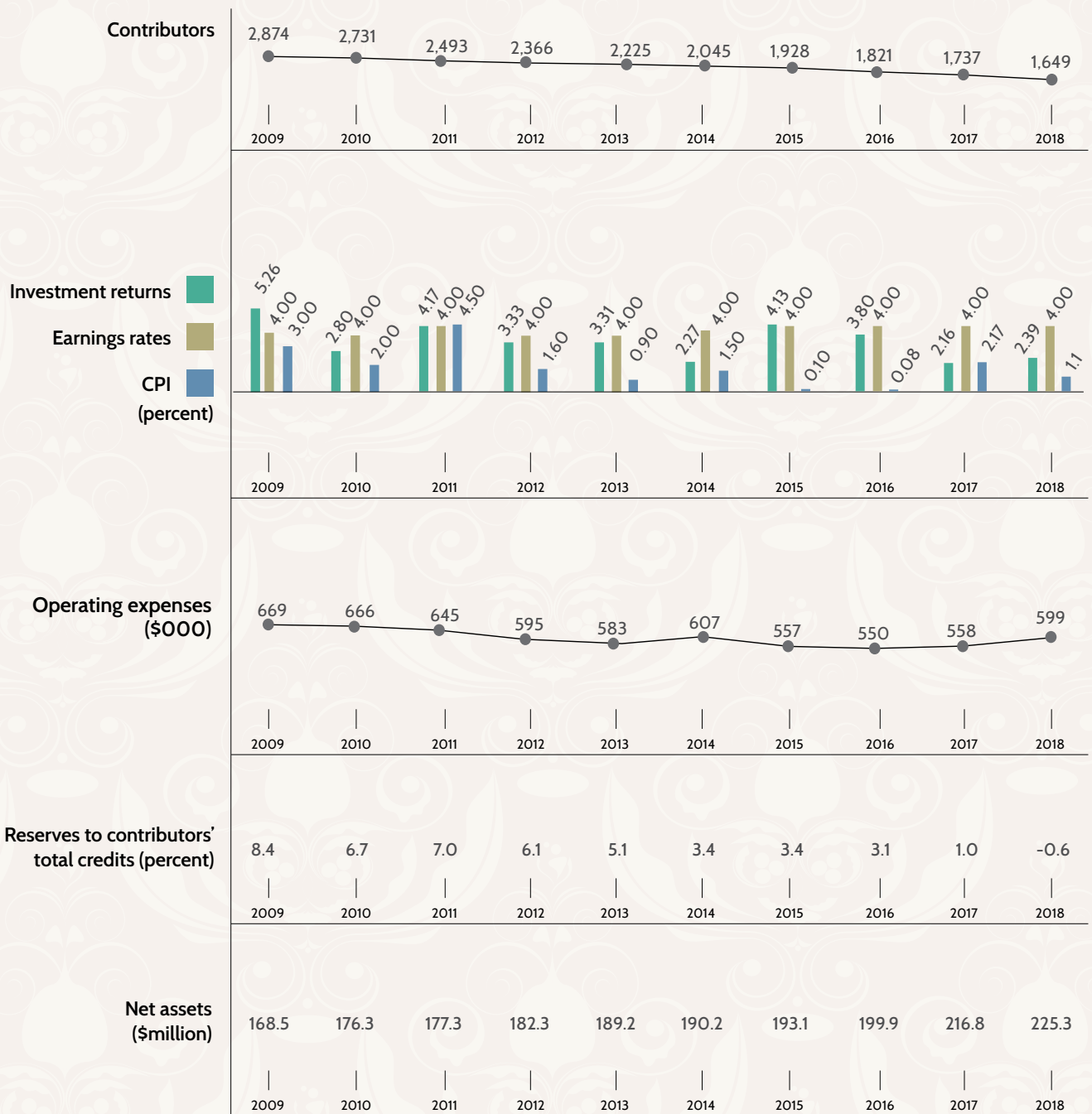


Michael Wilkes  
for Deloitte Limited  
On behalf of the Auditor-General  
Christchurch, New Zealand

21 June 2018

# Lump Sum Cash Accumulation Scheme

## 10 YEAR COMPARISON







# Lump Sum Cash Accumulation Scheme

## DIRECTORY as at 21 June 2018

### BOARD MEMBERS

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

**Catherine McDowell** (appointed 2013 and Chair from 1 July 2016 to 31 August 2017)

**Graeme Mitchell BA, CA, FCA** (appointed 2010, Deputy Chair from 1 July 2016)

**Daniel Mussett** (appointed 2016)

**Wayne Stechman** (appointed 2012)

**Stephen Ward** (appointed 2016)

There was one change to the Board members during the year – Fiona Oliver, appointed 2011, retired from the Board effective 30 June 2017.

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

**Paul Bevin**  
General Manager – Investments

**Nicky Rumsey**  
Manager – Investments

**Peter McCaffrey**  
Manager – Equities and Alternatives

The former Chief Financial Officer, Euan Wright, retired on 30 June 2017. Fiona Morgan was appointed as Chief Financial Officer effective August 2017.

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

## 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:

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:** Michael Wilkes, 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

